



Policy Responses to Mitigate Effects of Global Economic Shocks: Lessons from the Senegalese Experience

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Ndèye Fatou Faye Mané, Modou Gueye Fall, Omar Diouf, Cheickh Sadibou Fall, Malamine Junior Badji, and Astou Diao Camara

1. Summary

In Senegal, the economic development that had been underway as part of the Emerging Senegal Plan (PSE) (which was launched in 2014) was considerably slowed by the Covid-19 pandemic. Though Senegal had faced a forecast of over 6% GDP growth in 2020, this rate fell to 1.3% as a result of the pandemic. An increase in public debt as a share of GDP (from 61% in 2017 to 65% in 2021) reflects the policies adopted in response to this public health crisis. Subsequently, the Government of Senegal also adopted various measures to mitigate the impact of the Russia-Ukraine war. The country has also embarked on a policy of energy and food sovereignty with the intent to achieve long-term resilience.

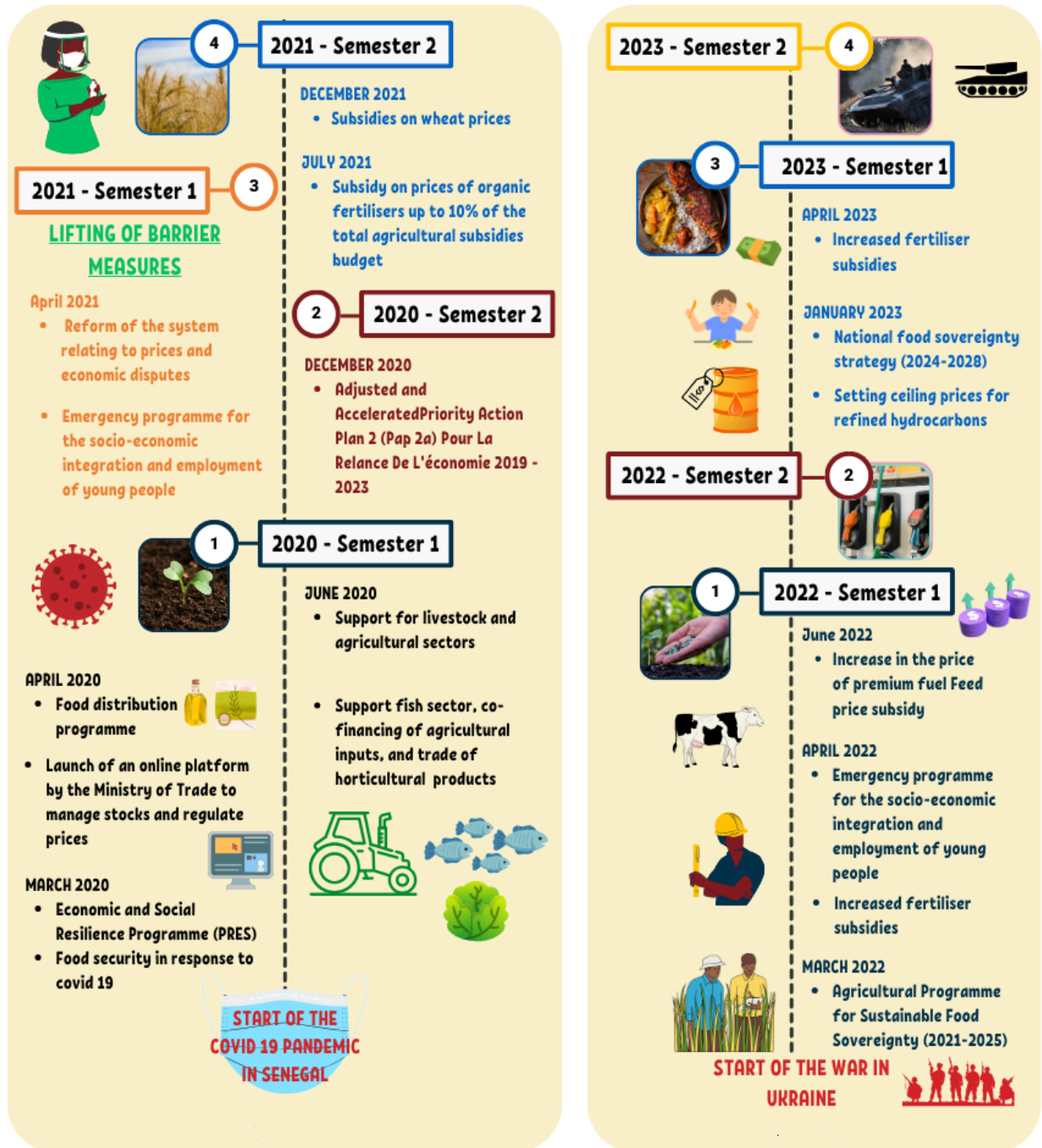
Policies implemented in Senegal have mainly consisted of subsidies (up to 60%, depending on the product), price regulation, and food distribution programs that target poor households. Measures taken after the start of the Russia-Ukraine war to keep down the price of essential imported food products have included the waiver of VAT and other customs duties. These policies entail cooperation from many stakeholders and decision-makers, mainly within the Ministry of Trade and the Ministry of Agriculture.

Key Messages

1. In Senegal, economic development has slowed owing to the shock of the Covid-19 pandemic and the Russia-Ukraine war.
2. The Government of Senegal adopted various measures to mitigate the impacts of these shocks and, in the long term, to aim for energy and food sovereignty.
3. Policy responses to these shocks took place in two phases. The first phase was based on a sectoral approach and focused on safety net policies, while the second phase has been based on a multi-sectoral approach and oriented towards sovereignty strategies.
4. The various policies were effective at mitigating price increases, but only for some products. For example, wheat flour prices have remained stable under the Economic and Social Resilience Program.
5. Stakeholders perceive that policies could have been more effective if they were designed more thoughtfully and targeted more narrowly.



Figure 1: Public policies to mitigate the economic effects of the Covid-19 pandemic (left) and the Russia-Ukraine war (right)



Key policy responses include:

1. Launch of the multi-sectoral Economic and Social Resilience Program (PRES) which consisted of a series of subsidies and exemption measures for the most affected sectors of the Senegalese



economy. This encompassed both subsidies in the agricultural sector (e.g., for seeds, fertilizers, equipment, and pesticides) and a food distribution program.

2. Price regulation to support the livestock, fisheries, and horticultural sectors.
3. Policies to incentivize and support young people's trainings and employment.
4. Subsidies on the most widely consumed products, such as bread and fuel.
5. Launch of the National Food Sovereignty program, which aims to reduce food imports in the medium and long term.

This project comprised both a quantitative analysis of price trends of key foods, fertilizers, and fuels, and a qualitative assessment of stakeholder perceptions of policy responses to price shocks. For the latter, interviews were conducted with eight informants (including policy makers and representatives of government technical services, civil society, the private sector, and producers' organizations). Stakeholders' perceptions of policy responses to shocks have revealed two main phases of response. First, responses to the Covid-19 pandemic were characterized by a sectoral approach, with specific and separate responses for each sector (agriculture and agri-food, livestock, and fisheries). The second phase has based on a multi-sectoral approach and oriented towards sovereignty strategies.

2. Lessons Learned

Price increases were mitigated by policies, but only for some products.

During the Covid-19 pandemic, price increases were most notable for cereals, such as millet and rice. Prices of fertilizers generally did not increase during this time due to the use of stocks and subsidies. However, beginning with the onset of the Russia-Ukraine war, import prices rose sharply for wheat and fertilizers, most of which come from Russia and Ukraine. In fact, the dual effect of constraints on fertilizer supply chains and Covid-19-related budget cuts have caused fertilizer prices to reach unprecedented levels in Senegal. While gasoline price did not increase following both of these crises, the price for "super" fuel increased following the withdrawal of subsidies, a policy change that was required by the International Monetary Fund.

Prices of agricultural products tend to have seasonal trends, with high prices recorded during lean periods just before harvest. The regulation of certain sectors, such as onions and potatoes, to protect local producers has had the effect of eliminating competition from imports, resulting in higher onion and potato prices during periods of import restrictions.

Senegal is a net importer of wheat, and prices of wheat-derived products have followed the trend in global wheat prices. A drop in wheat flour prices was observed from 2013 to 2019, with prices falling by 12% between 2018 and 2019. Despite the restrictions imposed during the Covid-19 pandemic, and although wheat prices rose between 2019 and 2020, wheat flour prices remained stable in Senegal. This is because a major consumer support package, the Economic and Social Resilience Program (PRES), was implemented in an effort to mitigate the pandemic's impacts on the economy.



Figure 2: Evolution of oil prices from 2013 to 2022

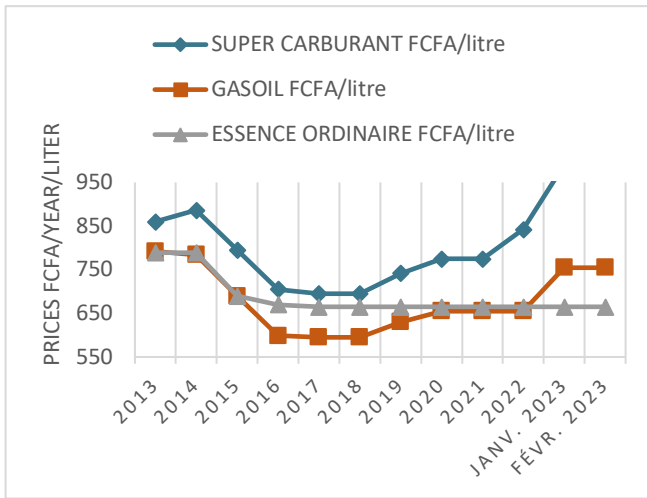
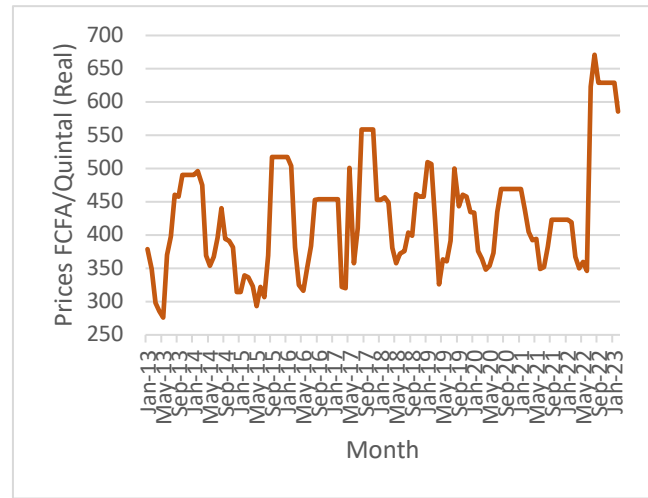


Figure 3: Evolution of local onion prices



Policies could have been more successful if they were designed better.

In Senegal, many policies have been implemented to address the price effects of the Covid-19 pandemic and the Russia-Ukraine war. According to stakeholders, some policies have been inclusive in their design and approach, while others were not. These policy responses have been effective in reducing price increases for some commodities, but they could have been more successful if better designed and targeted more narrowly to eligible people.

3. Policy Recommendations

This study has yielded several policy recommendations:

- **Monitoring and evaluation:** A system of monitoring and evaluation should be implemented to control the application of policy measures in practice. This system can be coordinated by the Ministry of Trade which was at central to many of the policy responses.
- **More transfers and fewer price barriers:** Many policies have consisted of price barriers that limit the free functioning of markets. Policy makers should reduce price barriers which require controlling the market and should instead put more resources into transfers to poor households.
- **Operational model for managing exogenous shocks:** Senegal can develop an adapted operational model if policy makers capitalize on the various response strategies that have been implemented since the Covid-19 pandemic, taking account of their strengths and limitations.
- **Inclusiveness in policy design and implementation:** The effectiveness of responses to shocks could be significantly improved through (1) inclusive approaches from design and implementation to final evaluation; and (2) greater coordination between the technical ministries (agriculture, livestock, and fisheries) and the Ministry of Trade, which is responsible for regulating markets.



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