

AFRICA RISK CONSULTING

Country briefing – Senegal

June 2013

Summary

The government's inability to manage the economy has clouded the country's image as an investment destination. Economic plans are unclear, and important issues such as energy sector reform have stalled. A \$500m 10-year Eurobond issue is poorly timed. The visit of President Barack Obama on 26-28 June 2013 lacks an investment agenda. President Macky Sall seeks to leave a legacy of an improved transport infrastructure network. The government's anti-corruption program continues to target companies without evidence, so Senegal's business risk profile is high. The Cour de Répression de l'Enrichissement Illicite (CREI) has placed companies under legal administration and threatens others, as part of the case against former minister Karim Wade. Investigations carry a veneer of extortion: some companies have been asked to "negotiate". A Salafist extremist form of Islam is on the increase, raising the risk of attacks against French and western interests.

Investor confidence plummets

President **Macky Sall** is under pressure to kick-start a stalled economy. The government hopes to raise \$3 billion for its economic development plan, **Stratégie Nationale de Développement Economique et Social (SNDES 2013-2017)**,¹ which is the focus of a roundtable with development partners in **Paris, France** on 21-22 October 2013. Finance and economy minister Amadou Kane says the government already has \$7.4 billion of the \$10 billion funding needed for the plan. On 24 June 2013 it launched the country's second \$500m 10-year Eurobond issue.² However, the timing is poor.

*"The market was expecting it to come around this time. But the timing is terrible after the **United States** announcement last week [cutback to stimulus program announced by chairman of the **US Federal Reserve Ben Bernanke**]. After that emerging markets are not the flavour of*

¹ Les Afriques, 14 June 2013

² International Monetary Fund (IMF), 25 June 2013

the month right now. [Finance Minister Amadou] Kane's advisors must have been desperate to make some fees before the end of the year. It should have been delayed.”³

The investor community lacks confidence in the government’s unclear economic plans and is increasingly anxious. The crucial task of improving energy supply has stalled. Business views the energy minister, **Aly Ngouille Ndiaye**, as “*redundant*”⁴ and his plans for several new energy plants have stalled.⁵

“It’s a skeleton economy... it’s weak. There are no great resources. Unless funds are used in an economical and beneficial way quickly the excellent image of the country will become clouded. There are a lot of eyes on the next policies. The global market is losing faith with Sall. It’s simple what needs to be done: energy sector reform, some transport infrastructure and get a couple more mines producing.”⁶

Sall wants to leave a legacy of an improved infrastructure network⁷ after two terms in office (until 2022⁸). His government had some success in 2012 when it launched improvements in the road network. This includes upgrades of the highway network joining **Mbour** and **Koalack**, and **Thies** and **Touba**. The re-launch of the **Aéroport International Blaise Diagne (AIBD)** project at **Diass**, on the outskirts of Dakar, is Sall’s priority.⁹ He appointed respected 40-year-old Senegalese banker **Amadou Hott**, his advisor on investment and the former head of **UBA Capital**, as the new chairman of AIBD on 29 May 2013. Hott received the ‘*Young Global Leader*’ award at the **World Economic Forum in Davos, Switzerland** in February 2012. His brief is to raise finance. **Dangote Capital**, owned by Nigerian industrialist **Aliko Dangote**, will play a leading role in the new financial structure.¹⁰ The AIBD was originally scheduled to open in late 2012. **Karim Wade**, son of ex-president **Abdoulaye Wade** and number two in the former government, launched the construction of AIBD in 2007 but it went off budget before the change of government in April 2012. Sall has also brought **Mamadou Diagna Ndiaye** into the presidency to boost investment. The former special adviser to the Senegal-focused industrial group **Mimran** was appointed minister adviser in charge of investments on 1 June 2013. He is “*installed at the heart of investment issues*” and assumes responsibility of the strategic committee for investment.¹¹ The refurbishment of the **Dakar-Bamako (Mali)** railway is another Sall priority as part of his role as chairperson of the **Heads of State and Government Orientation Committee (HSGOC)** which supports the **New Partnership for Africa’s Development (NEPAD)**.

³ Source, banking executive, Senegal

⁴ Source, banking executive, Senegal

⁵ See ARC Senegal briefing May 2013, also plans for one or two plants around Dakar have stalled

⁶ Source, banking executive, Senegal

⁷ Interview in L’Essentiel, 3 June 2013

⁸ Pending a constitutional amendment to reduce terms to five years which he has committed to

⁹ L’As, 18 June 2013

¹⁰ Les Afriques, 30 May 2013

¹¹ Le Soleil, 1 June 2013

Sall hopes the visit of President **Barack Obama** on 26-28 June 2013 – the first stop on his second trip to Sub-Saharan Africa – will boost investment. Obama brought a delegation of around 600, and around 100 American journalists.¹² However, negotiations between the US and Senegalese officials centred on aid. *“There’s no economic or investment agenda...it’s about aid, democracy, governance.”*¹³ Following the G8 summit in London, food security was also a priority.¹⁴ The security presence was unprecedented. The US *“has taken over security”*, and there were several reports of US intelligence officers around the country in the lead up to the visit.¹⁵ A US investigation¹⁶ claims the *“elaborate security provisions”* for Obama’s Africa trip, which also includes **South Africa** and **Tanzania**, cost \$100m.

... as CREI pursues business

The **Cour de Répression de l’Enrichissement Illicite (CREI)**-led illicit enrichment program continues to target business. The CREI *“peddles inaccurate and damaging information against companies weekly, sometimes daily... playing to popular sentiment.”*¹⁷ Although CREI has yet to present credible evidence to the public, it has nevertheless placed several companies under *“administration provisoire”*¹⁸ as part of the case against Karim Wade. Official sources¹⁹ confirm that at least two companies have been placed under provisional legal administration, including real estate company **Hardstand**.²⁰ Unverified press reports claim that the CREI has placed airport services companies **SHS Sénégal** and **ABS Sénégal** under temporary administration.²¹ As an example of the CREI’s approach, the CREI told the press that it had placed **Dubai Ports World (DPW) Senegal**, which operates the Dakar Port container terminal, under provisional administration on 31 May when it circulated to the press a dubious legal document that lacked official certification. Officials at the ministry for justice could not confirm the document claiming that DPW had been placed in temporary administration. In Paris on 6 June President Sall and DPW dismissed CREI’s leaked reports as false when he confirmed that DPW *“continues to operate as usual under his direction and the current structure.”*²² DPW threatened arbitration against the government.²³

¹² RFI, 20 June 2013

¹³ Source, executive of US company focused on energy, Senegal

¹⁴ Source, US aid sector executive, Senegal

¹⁵ Source, journalist, Senegal

¹⁶ Washington Post, 20 June 2013

¹⁷ Source, journalist, Senegal

¹⁸ A function appointed by the judiciary to manage a company while conducting an investigation into the company

¹⁹ Legal and government, Senegal

²⁰ Confirmed by the company lawyers in Jeune Afrique, 5 June 2013

²¹ L’As, 5 June 2013

²² Jeune Afrique, 6 June 2013

²³ DPW lawyer Francis Sarr quoted in Libération, 7 June 2013

The administrators are reportedly abusing the powers CREI gives to them and there is increasing speculation in Dakar over the links between the administrators and opportunistic competitors. Unverified press reports claim that the CREI would appoint local company **RMA Sénégal Audit Expertise Conseils** as the administrator of DPW and that **Groupe Bolloré** is RMA's client.²⁴ Groupe Bolloré lost the Dakar port management contract to DPW in 2007. The local press speculated whether the French port group with an unrivalled position in the region was behind the moves against DPW.²⁵ **Bécaye Sène**, allegedly appointed as administrator of ABS, is former director general of **Banque de l'Habitat du Sénégal (BHS)**. He was allegedly the subject of a corruption investigation under former president **Abdou Diouff** (1990 – 2000).²⁶

Disputes with foreign investors targeted in the Wade case have created a diplomatic backlash that undermines Senegal as an investor destination. Several reports confirm that the DPW case has damaged ties with Dubai.²⁷ Most diplomatic and embassy sources in Dakar have reservations about the conduct of the process. A source at the French embassy "*does not support going after companies...the claims against the companies and asset list is compromised.*" The source says the investigation should have instead focused on Wade's "*undeclared taxes.*"

The CREI appears to be using the threat of disruption to force companies to "negotiate" settlements with the government in the face of its inability to present any evidence. On 9 June 2013 the justice ministry announced that that DPW had agreed to pay \$48m (CFA24 billion) to the **Inspection Générale d'Etat** due to identified deficiencies (including non-payment of an "entry fee") in the implementation of its contract. This reinforced suspicions that the government is using the CREI process to extort one off payments from affected companies.²⁸ In addition, minister for justice **Aminata Touré** called a press conference to hand over a \$1.9m (EUR1.5m) cheque from proceeds of the investigations to the budget ministry on 29 May.²⁹ Touré said companies must compromise with investigators "*or go to prison.*"³⁰

Mali spillover and the risk of jihadist attacks in Senegal

There have been no reported security incidents in Senegal as a result of any spillover from the **Mali** crisis. However, the subject is receiving interest in investor, diplomatic and intelligence circles. The risk of reprisal attacks, particularly against French interests, has increased since a series of attacks in **Niger** began in May 2013. They include two car bomb attacks on 23 May in the northern **Agadez**

²⁴ L'As, 6 June 2013

²⁵ Rewmi, 6 June 2013

²⁶ Leral, 6 June 2013

²⁷ L'As, 5 June 2013; Africa Intelligence, 5 June 2013

²⁸ Ministry for justice statement, 9 June 2013

²⁹ RFI, 29 May 2013

³⁰ Koaci, 30 May 2013

region, one near a military barracks and another at French nuclear group **Areva's** uranium mine at **Arlit**. President Sall has strongly backed the French intervention in Mali which started on 11 January 2013 and has pledged to contribute 800 troops³¹ to the 12,600 **Minusma (Mission Multidimensionnelle Intégrée des Nations Unies pour la Stabilisation au Mali)** force. On 25 June 2013 the **UN Security Council (UNSC)** authorised the force to start on 1 July 2013.

Since 2010 Senegalese security forces have arrested 16 suspected members of regional terrorist groups.³² The government has confirmed the existence of jihadist sleeper cells in Senegal and that Senegalese have travelled to northern Mali to join the jihadists.

Senegal's perceived immunity to the more fundamental Salafist form of Islam practiced by jihadist groups in northern Mali has reduced in recent years. On 28 May 2013 an **Institute of Security Studies** survey³³ claimed that a small minority of Senegalese support the **al Qaeda**-linked jihadists' takeover of northern Mali in 2012 and that "*radical rhetoric is creeping in.*" The study is the latest in one of several in the last five to ten years that have similar conclusions. "*Senegal is ripe for Salafist hardliners...the have been making inroads for a long-time now.*"³⁴

The 95% Muslim population is regarded as tolerant. The country has four influential Sufi Islamic brotherhoods: **Mouride, Tijani, Qadiri** and **Layenne**. They hold an important position in Senegalese society and are actively working to stem radical elements finding a space in the country. They are against the hardline Salafist form of Islam.³⁵ "*This destruction, killing of innocent civilians...we are absolutely all against this.*"³⁶

*"It will be difficult because the different brotherhoods are constantly attracting recruits from the youth associations...so it's difficult for a foreign source to come here."*³⁷

However, the view that the country is immune to significant instability is increasingly challenged.

"The elite's approach is different than other countries in the region...it's more liberal even with its approach to foreign investment. Many say the cultural and religious particularities in Senegal won't allow it to go the way of other countries in the region like Mali and the last 50-60 years have proved them right. But it's uncertain whether the new dynamics will strengthen this view or not. I would be careful on how long to keep hold of the view that it would be difficult for hardline elements to offset these indigenous movements..."

³¹ Jeune Afrique, 24 May 2013

³² VOA, 28 May 2013

³³ Based on 400 interviews with Senegalese

³⁴ Source, Nigerian Muslim researcher, Senegal

³⁵ Source, several, Senegal

³⁶ Source, marabout, Senegal

³⁷ Source, marabout, Senegal

Hardline elements target youths and poor communities. A *marabout* source claims that a jihadist group had tried to fund a mosque in Pikine, a poor neighbourhood on the outskirts of Dakar. “*They target poor communities...anything is possible. It is about money.*”³⁸ They have challenged the brotherhoods on not practising a “*true form of Islam.*”³⁹ “*Some marabouts have also been involved in problems...political scandals and compromised situations. This gives the hardline elements ground.*”

Sall received criticism for saying “*what is happening in Mali is impossible in Senegal*” during a visit to France in March 2013. “*That was a big mistake.*”⁴⁰ However, the government has taken the threat seriously. A counter-terrorism cell attached to the ministry for interior formed in 2003 coordinates activities. **Operation ‘Karangué’** (protection in local language Wolof) launched immediately following the French intervention in Mali.⁴¹ Border security has increased, including three units based around the **Tambacounda** that patrol the regions around the Mauritanian and Malian borders.⁴² General **Mamadou Sow**, chief of staff of the army, met his Mauritania counterpart General **Mohamed Ould Cheikh Mohamed Ahmed** on 24 May 2013 and pledged to strengthen border patrols.⁴³ However, the government lacks control over its borders, “*there are many insecure pockets.*” The risk of attacks is also mitigated by support from western partners. On 17 June France approved \$940,000 (EUR700,000) to assist the government in forming an anti-terrorism action plan for the next three years, which includes new equipment and training for the security forces.⁴⁴

Implications

President’s Sall inability to ignite investor interest during the stay of US President Obama highlights the risk of an emerging economic crisis. Senegal’s image as an attractive investment destination is under threat due to a lack of clear economic policy. The government is likely to come into dispute with leading donors such as the **World Bank** and **International Monetary Fund (IMF)** as it drags its feet on key tenets of assistance programmes such as energy sector reform.

By placing companies under legal investigation without evidence of corruption, Senegal’s business risk profile has escalated to high. The government also risks getting bogged down in long-term arbitration and litigation that will further damage the country’s investment climate.

³⁸ Source, marabout, Senegal

³⁹ IRIN, 30 May 2013

⁴⁰ Source, NGO executive, Senegal

⁴¹ RFI, 17 June 2013

⁴² RFI, 17 June 2013

⁴³ Jeune Afrique, 24 May 2013

⁴⁴ RFI, 17 June 2013



The government's response to the risk of a spillover of the Mali crisis or jihadist attacks is commendable. However, the increasing influence of hardline Islamic elements increases the risk of attacks against mainly Western government and business targets.