

AFRICA RISK CONSULTING

Senegal Monthly Briefing June 2020

Senegal Summary 23 June 2020

President Macky Sall (2012-present) cancels the reopening of schools until further notice, while government decides whether to further relax Covid-19 restrictions following anti-lockdown protests across the country. Senegal continues to seek assistance to finance its Covid-19 economic and social response plan. The government is formulating new economic policy measures to address low projected economic growth of 1.1% in 2020, a growing budget and trade deficit, and declining economic activity. Senegal raises 301,815 billion FCFA (\$519.3m) through three separate treasury bond issues in May and June on the West African Economic and Monetary Union (WAEMU) regional financial market, which will go towards financing the national budget.

Anti-lockdown protests prompt further relaxation of Covid-19 measures

The government has lifted certain restrictive **Covid-19** measures as a result of countrywide protests on 2-3 June against **Senegal's** lockdown, which has been in effect since 24 March.¹ Demonstrations began in **Touba**, with transport workers calling for lifting of restrictions on inter-regional and inter-urban travel.² Protests also took place in **Dakar, Diourbel, Tamba, Thies** and **Tivaoune**.³ Interior minister **Aly Ngouille Ndiaye** decried the violence that accompanied the protests and said 200 people had been arrested.⁴ Following a 3 June cabinet meeting, the government removed restrictions related to inter-urban and inter-regional travel, and also permitted restaurants and gyms to reopen, while reducing curfew from 11pm to 5am.⁵ However, bars and beaches were to remain closed.

President **Macky Sall** (2012-present) called on Senegalese to respect the emergency measures and said he intended to continue gradually lifting restrictions as the situation evolves.⁶ Earlier, on 24 May, Sall had urged the population to be vigilant and respect the government's decision, reiterating that a collective effort would enable Senegal to return to normal life.⁷ At time of writing, Senegal had recorded 6,034 confirmed Covid-19 cases, 4,046 recoveries and 89 deaths in its population of roughly 16.7 million.⁸ Health minister **Abdoulaye Sarr** reported on 4 June that cases have generally declined, with Senegal reaching its peak infection rate during the period from 20 April to 11 May.⁹ Sarr also noted that 75% of Covid-19 cases had been limited to **Dakar Region**, indicating the success of the government's attempt to prevent its spread to other regions of Senegal.¹⁰

Despite these reassuring statistics, President Sall declared a last-minute cancellation of the reopening of schools on 2 June, following concern from teachers' unions about the safety of students and teachers who would be travelling to return to their schools, which had been closed since 16 March.¹¹ The government had procured inter-urban transport buses from state-owned **Dakar Dem Dikk** to allow students and teachers to travel to their destinations.¹² After praising teachers for serving at the

¹ Jeune Afrique, 4 Jun 2020

² Le Monde, 5 Jun 2020

³ France 24, 4 Jun 2020

⁴ Agence Presse Senegalaise, 4 Jun 2020

⁵ Agence Presse Senegalaise, 4 Jun 2020

⁶ Le Soleil, 4 Jun 2020

⁷ Agence Presse Senegalaise, 24 May 2020

⁸ Agence Presse Senegalaise, 23 Jun 2020

⁹ Jeune Afrique, 5 Jun 2020

¹⁰ Jeune Afrique, 5 Jun 2020

¹¹ Jeune Afrique, 2 Jun 2020

¹² Jeune Afrique, 2 Jun 2020

frontline to educate children in spite of the pandemic, the presidency office cancelled the reopening exercise “*until further notice*” just a few hours later.¹³ No reason was given for the last-minute *volte face*, but local media reported there were fears that travelling teachers who had contracted Covid-19 could cause outbreaks in other regions.¹⁴ Shortly before the scheduled restart, 10 teachers in the **Casamance Region** had tested positive for Covid-19.¹⁵ Although, the government had assured that it had provided the necessary sanitation material for teachers and students, the **Cadre Unitaire des Enseignants du Moyen Secondaire (Cusem)** (secondary teachers’ union) said this was not the case and that students and teachers were at risk.¹⁶

Government raises funds to address economic slowdown ...

The government continues its efforts to mobilise funds from private, bilateral and multilateral stakeholders to finance the Covid-19 support mechanisms it has established. These programmes include the 1,000 billion FCFA (\$1.6 billion) **Covid-19 Response and Solidarity Fund**, dubbed “**Force COVID-19**”, which it launched in March¹⁷ (see *ARC Briefing Senegal April 2020*), as well as the **Programme de Résilience Economique et Social (PRES)** (economic and social resilience programme), coordinated by the economy, planning and cooperation ministry.¹⁸ The government has also used its own funds to provide support for economic sectors that have been negatively impacted by the Covid-19 outbreak.

The **International Islamic Trade Finance Corp (ITFC)**, which is part of the **Islamic Development Bank Group (IDB)**, gave approval to the **Banque Islamique du Senegal (BIS)** on 2 June for a 5.2 billion FCFA (\$8.8m) **Mourabaha** financing mechanism.¹⁹ The loan will provide support to small and medium-sized enterprises, particularly entrepreneurs in the domains of food production and distribution. The financing will support businesspeople providing food, stimulating the economy and creating 1,000 jobs. ITFC director general **Salem Sanbol** said the funds will serve as a necessary intervention during these difficult times, especially for private sector actors.²⁰

Economy, planning and cooperation minister **Amadou Hott** on 4 June signed a financing convention in the form of a loan worth 57.1 billion FCFA (\$98.3m) with the **African Development Bank (AfDB)**.²¹ The government will disburse the funds through its **Programme d’Urgence a’Appui a la Riposte Covid-19 (PUARC)** (Covid-19 emergency response programme), which falls under the PRES. The objectives of the PUARC include strengthening social resilience, supporting the private sector through the preservation of jobs, and ensuring the provision of hydrocarbon products, medicine and basic necessities.²² In addition, the **World Bank**, through the **International Development Association (IDA)**, on 19 June provided the Senegalese government with a 58.67 billion FCFA (\$100m) grant and loan to assist the most vulnerable during the Covid-19 pandemic.²³

The Senegalese economy is in dire need of the support it has received to date. The **Direction de la Prévision et des Etudes Economiques (DPEE)** (economic studies and forecast directorate) reported on 26 May that Senegal’s commercial trade deficit at the end of the first quarter of activities in March increased by 30% to 532.43 billion FCFA (\$916.68m), compared to the same period in 2019, despite a 6.4% increase in exports.²⁴ The trend continued in April, with the DPEE reporting the trade deficit had risen to 785.2 billion FCFA (\$1.35 billion) as a result of an increase in petroleum and rice imports.²⁵

¹³ Agence Presse Senegalaise, 2 Jun 2020

¹⁴ Jeune Afrique, 2 Jun 2020

¹⁵ Jeune Afrique, 2 Jun 2020

¹⁶ Jeune Afrique, 2 June 2020

¹⁷ Agence Presse Senegalaise, 23 Mar 2020

¹⁸ Financial Afrik, 2 Jun 2020

¹⁹ Financial Afrik, 9 May 2020

²⁰ Financial Afrik, 2 Jun 2020

²¹ Financial Afrik, 4 Jun 2020

²² Financial Afrik, 4 Jun 2020

²³ World Bank, 19 Jun 2020

²⁴ Financial Afrik, 26 May 2020

²⁵ Sika Finance, 22 Jun 2020

The **Indice général d'activité (IGA)** (general activity index) released on 14 June showed a contraction in economic activity of 5.9% in the first semester.²⁶ The **Agence Sénégalaise de Développement et d'Encadrement des PME** (Senegalese agency for SME development and support) reported that a survey of 830 businesses conducted from 5-29 May revealed that the ongoing crisis had affected 90% of SMEs.²⁷ Survey respondents highlighted that the ban on inter-regional travel, border closure and the ban on gatherings were the restrictive measures that had negatively impacted their business activities the most.²⁸

The government has taken several measures to alleviate the economic downturn caused by the Covid-19 pandemic. It signed a financing agreement in April with the **Association Professionnelle des Banques et Etablissements Financiers du Senegal (APBEF)** for a 200 billion FCFA (\$329.3m) facility to assist businesses affected by Covid-19.²⁹ Transport minister **Oumar Youm** also pledged 8.25 billion FCFA (\$14.2m) to assist land transport sector operators.³⁰ The government will make \$6.5m available to tourism sector operators in the **Sine-Saloum** tourism pole, comprising the **Falick, Kaolack** and **Kaffrine** regions.³¹ The **Conseil Sénégalais des Chargeurs (COSEC)** (Senegalese chargers council) and the **Délégation Générale à l'Entreprenariat Rapide des Jeunes et des Femmes (DER/JF)** (general delegation for rapid entrepreneurship of young people and women) has also allocated 10 billion FCFA (\$16.4m) for cashew nut exporters (see *ARC Briefing Senegal May 2020*).³²

In addition to its direct support measures to alleviate the effects of the economic slowdown on businesses and on the population, the government is also taking steps to address the short and medium-term effects of Covid-19. Hott announced on 18 May that the government is preparing a post-Covid **Plan Senegal Emergent II (PSE II)**. PSE II is the second phase of Senegal's medium-term economic development agenda, which runs from 2019-2023 and has a budget of 14,098 billion FCFA (\$24.2 billion). Hott said the revised PSE II will give more weight to strengthening the health sector, preserving macroeconomic and financial stability and reviving economic activity, and will be implemented alongside Forc-Covid-19.³³

The **International Monetary Fund (IMF)** conducted a **Policy Coordination Instrument (PCI)** review with the government on 12 June. This resulted in the conclusion of a staff-level agreement with Senegalese authorities on economic and financial policies that could support the approval of the first review of the three-year PCI, which will occur in July. The IMF projects economic growth will fall to 1.1% in 2020, below the 3% that President Sall predicted in April (see *ARC Briefing Senegal April 2020*).³⁴ The IMF said Senegal's economic recovery would be contingent on the actions the government pursues in the second half of the year, suggesting that it carry out structural reforms in the areas of public financial management, expanding social safety needs and increasing support for SMEs.³⁵

Despite these efforts, **United States (US)**-based credit ratings agency **Moody's** reported on 12 June that it would place Senegal's Ba3 rating under review with the possibility of enacting a credit downgrade.³⁶ Moody's said its decision was motivated by the finance and budget ministry's announcement that Senegal had applied to become a beneficiary of the **G20 Debt Service Suspension Initiative (DSSI)**. The DSSI is a debt relief instrument established in April that enacts a

²⁶ Financial Afrik, 14 Jun 2020

²⁷ Financial Afrik, 14 Jun 2020

²⁸ Financial Afrik, 14 Jun 2020

²⁹ Financial Afrik, 5 May 2020

³⁰ Agence Presse Senegalaise, 4 Jun 2020

³¹ Agence Ecofin, 28 Apr 2020

³² Agence Presse Senegalaise, 10 May 2020

³³ Agence Ecofin, 19 May 2020

³⁴ Financial Afrik, 4 Apr 2020

³⁵ IMF, 12 Jun 2020

³⁶ Financial Afrik, 12 Jun 2020

debt payment moratorium for economically challenged countries from 1 May to 31 December.³⁷ If Senegal's request is accepted, this will free up 90.568 billion FCFA (\$155.9m), equivalent to 13.51% of its bilateral debt service, to finance its Covid-19 response efforts.³⁸ The finance and budget ministry issued a statement in response, clarifying that Moody's review did not signify a downgrade but was instead an exercise to assess the capability of a country to meet its debt obligations.³⁹ Senegal has a similar Ba3 rating as its regional counterpart **Cote d'Ivoire**, and is rated B+ (stable) by US-based ratings agency **S&P**, a higher rating than those of **Ghana** and **Kenya**.⁴⁰

... and raises \$519m on regional financial market

Senegal successfully raised 301,815 billion FCFA (\$519.3m) through three separate treasury bond issues in May and June, which will go towards financing the national budget.⁴¹ Senegal-based **UMOA-Titres** coordinated the three bond issues. The **Direction Générale du Trésor (DGT)** (national treasury directorate) conducted an assimilable treasury bond issue on the **West African Economic and Monetary Union (WAEMU)** regional financial market on 18 May.⁴² The DGT aimed to raise 150 billion FCFA (\$258.1m) for a treasury bond with a six-month maturity and 4.73% interest rate.⁴³ Investors offered 169 billion FCFA (\$290.8m) (subscription rate of 112.5%), with Senegal retaining 164.3 billion FCFA (\$282.7m), indicating an absorption rate of 97%.⁴⁴ The DGT undertook a second bond issue on 29 May, aiming to raise 75 billion FCFA (\$129m). Investors made bids amounting to 111,903 billion FCFA (\$192.5m) (149.20% subscription rate). The bond issuer retained 82.5 billion FCFA (\$141.9m), indicating an absorption rate of 73.72%.⁴⁵ The bonds have three- and five-year maturities with interest rates of 5.85% and 6% respectively.⁴⁶ The DGT undertook a third bond issue on 12 June, seeking to raise 50 billion FCFA (\$86.03m).⁴⁷ Potential subscribers made bids totalling 66.57 billion FCFA (\$114.5m) (133.15% subscription rate); 55 billion FCFA (\$94.6m) was retained, with an absorption rate of 82.61%.⁴⁸ The treasury directorate has said it plans to undertake another bond issue in June.⁴⁹

Senegal's ability to attract subscribers for these bond issues reflects the confidence that regional financial markets have in its economy.⁵⁰ However, the economy, planning and cooperation ministry indicated that during the first quarter, the budget deficit increased by 49.5% to 703.1 billion FCFA (\$1.2 billion) compared to 470.4 billion FCFA (\$809.5m) in 2019.⁵¹ This is due in large part to funds raised in treasury bond issues, which amounted to 307 billion FCFA (\$528.5m) at the end of April.⁵² The IMF predicts that Senegal will experience a 6.1% budget deficit in 2020, but expects that by 2022, it will be able to meet the WAEMU budget deficit threshold of 3%.⁵³ The **World Bank** similarly expects that Senegal will be able to reduce its budget deficit to the established WAEMU target.⁵⁴

³⁷ La Tribune Afrique, 11 June 2020

³⁸ Jeune Afrique, 12 June 2020

³⁹ Financial Afrik, 13 June 2020

⁴⁰ Financial Afrik, 13 June 2020

⁴¹ ARC Senegal Analyst

⁴² Sika Finance, 18 May 2020

⁴³ Sika Finance, 18 May 2020

⁴⁴ Financial Afrik, 18 May 2020

⁴⁵ Lejecos, 29 May 2020

⁴⁶ Lejecos, 29 May 2020

⁴⁷ Financial Afrik, 15 Jun 2020

⁴⁸ Financial Afrik, 15 Jun 2020

⁴⁹ Financial Afrik, 15 Jun 2020

⁵⁰ ARC Senegal Analyst

⁵¹ Sika Finance, 17 Jun 2020

⁵² Sika Finance, 17 Jun 2020

⁵³ IMF, 12 Jun 2020

⁵⁴ World Bank, 19 Jun 2020

Planner

31 July 2020 **Dakar (Senegal)** Deadline for licensing round of 12 offshore oil blocks;

2020 **Dakar (Senegal)** Municipal elections (TBA);

2020 **Dakar (Senegal)** **Senegal Oil & Power 2020 Conference** (TBA)

22 Oct-9 Nov 2022 **Dakar (Senegal)** *International Olympic Committee* Youth Olympic games

2022 **Sangomar** offshore oil field: production of crude oil set to begin

2023 **Grand Tortue Ahmeyim (GTA)** offshore gas field: production of natural gas set to begin.

Chronology

23 Jun 2020 **Dakar (Senegal)** *Agence Presse Senegalaise*. Senegal and the **World Bank** sign three financing agreements for more than 225 billion CFA francs (\$375m) to support the country's budgetary resources "to cover the funding of anti-crisis measures";

19 Jun 2020 **Dakar (Senegal)** *World Bank*. The **World Bank**, through the **International Development Association (IDA)**, has provided 58.67 billion FCFA (\$100m) in the form of a grant and loan to the Senegalese government, to assist the most vulnerable during the **Covid-19** outbreak;

17 Jun 2020 **Dakar (Senegal)** *Sika Finance*. Economy, planning and cooperation ministry reports Senegal's budget deficit increased to 703.1 billion FCFA (\$1.2 billion) from January to April, a 49.5% increase compared to the same period in 2019 when it was 470.4 billion FCFA (\$803.7m);

15 Jun 2020 **Dakar (Senegal)** *Agence Ecofin*. State-owned telecoms firm **Société Nationale des Télécommunications (Sonatel)** is seeking 100 billion FCFA (\$170.9m) in investment through a bond issue on the **West African Economic and Monetary Union (WAEMU)** regional financial market;

15 Jun 2020 **Dakar (Senegal)** *Financial Afrik*. Senegal raises 55 billion FCFA (\$94.6m) on the **West African Economic and Monetary Union (WAEMU)** regional financial market through bond issues;

12 Jun 2020 **Dakar (Senegal)** *Financial Afrik*. **United States**-based credit ratings agency **Moody's**, says it will place Senegal's Ba3 rating under review with the possibility of enacting a credit downgrade;

12 Jun 2020 **Dakar (Senegal)** *IMF*. According to new **International Monetary Fund (IMF)** projections, Senegal's growth in gross domestic product (GDP) is expected to decline to 1.1% in 2020 under the effects of Covid-19, against the IMF's initial forecast of a 3% decline, and the budget deficit will increase to 6.1% of GDP;

7 Jun 2020 **Dakar (Senegal)** *RFI*. Imprisoned former **Chadian** president **Hissene Habre** returns to prison in Dakar, after the expiry of his 60-day provisional release, granted in view of his high risk of contracting **Covid-19**;

4 Jun 2020 **Dakar (Senegal)** *Agence Presse Senegalaise*. Infrastructure minister **Oumar Youm** announces the Senegalese government will provide 8.25 billion FCFA (\$14.2m) to assist land transport sector actors;

4 Jun 2020 **Dakar (Senegal)** *Agence Ecofin*. The **International Islamic Trade Finance Corporation (ITFC)**, a member of the **Islamic Development Bank Group (IDB)**, has approved the disbursement of 5.2 billion FCFA (\$ 8.8m) in favour of the **Banque Islamique du Senegal (BIS)** to support the country's private sector, badly affected by the **Covid-19** pandemic;

4 Jun 2020 **Dakar (Senegal)** *Africanews*. Government eases a night curfew and resumes intercity transport across the country, after two nights of protests against strict measures to contain **Covid-19**;

4 Jun 2020 **Dakar (Senegal)** *PR Web*. Government awards **United States**-based engineering and consulting firm **KE International** a contract to build and execute the \$6 billion special tax zone city, **Akon City**, in Senegal;

2 Jun 2020 **Dakar (Senegal)** *Sika Finance*. The **African Development Bank (AfDB)** gives Senegal 57.72 billion FCFA (\$98.5m) towards its **Covid-19** response plan;

2 Jun 2020 **Dakar (Senegal)** *Agence Presse Senegalaise*. President **Macky Sall** cancels the reopening of schools over fears that travelling students and teachers might propagate spread of **Covid-19**;

29 May 2020 **Dakar (Senegal)** *Financial Afrik*. Senegal raises 82.5 billion FCFA (\$141.9m) on the **West African Economic and Monetary Union (WAEMU)** regional financial market through bond issues;

28 May 2020 **Dakar (Senegal)** *Agence Presse Senegalaise*. Tourism and air transport ministry says air borders will remain closed until 30 June ;

27 May 2020 **Dakar (Senegal)** *Financial Afrik*. Activities related to **United Kingdom**-based **British Petroleum's (BP)** development of the **Grand Tortue Ahmeyim (GTA)** gas project off the coast of **Mauritania** and Senegal will be paused for a minimum of 11 months (June 2021) as a result of the **Covid-19** outbreak;

26 May 2020 **Dakar (Senegal)** *Financial Afrik*. According to the **Direction de la Prévision et des Etudes Economiques (DPEE)** (directorate of forecasting and economic studies), Senegal registered a 274.5 billion FCFA (\$468.8m) commercial deficit in March compared to 29.4 billion FCFA (\$50.2m) in February;

18 May 2020 **Dakar (Senegal)** *Agence Ecofin*. Economy, planning and cooperation minister **Amadou Hott** says Senegal will have to formulate a post-**Covid 19 Plan Senegal Emergent (PSE)**, Senegal's medium-term economic agenda;

18 May 2020 **Dakar (Senegal)** *Sika Finance*. Senegal raises 164.3 billion FCFA (\$282.7m) through a treasury bond issue on the **West African Economic and Monetary Union (WAEMU)** regional financial market;

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Please contact us by email info@africariskconsulting.com or call + 44 (0) 20 7078 4080

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