

## AFRICA RISK CONSULTING Senegal Monthly Briefing April 2015

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### Senegal Summary 10 April 2015

*The Cour de Repression de l'Enrichissement illicite (CREI) sentences Karim Wade, former minister and son of ex-president Abdoulaye Wade, to six years in prison. Several sources view the move as part of President Macky Sall's (2012-present) plan to eliminate his political rival. Wade and some of the co-accused file appeals with the Supreme Court. The opposition Parti Démocratique Sénégalais (PDS) fractures over the nomination of Wade as party president. Dangote Cement inaugurates its plant at Pout outside Dakar after several delays. Sall abolishes visa fees and pledges to reduce taxes on airfares to revive the tourism sector. However, national carrier Senegal Airlines remains in financial distress and the government's search for a strategic partner continues.*

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### Controversial illicit enrichment court sentences Karim Wade

As expected, the **Cour de Repression de l'Enrichissement illicite (CREI)** sentenced former government official **Karim Wade** to prison, a move widely viewed as part of President **Macky Sall's** (2012-present) plan to eliminate his political rival. In the 23 March ruling Judge **Henri Grégoire Diop** sentenced Wade to a six-year prison sentence and fined him CFA 138 billion (\$227m). Of the CFA 117 billion (\$193m) alleged asset list that CREI assigned to Wade, it ruled that CFA 69 billion (\$114m) was illicit. The CREI also sentenced seven of nine co-accused, Wade's alleged "business accomplices", to five 10-year prison sentences and similar fines. It released two co-accused. Wade and his co-accused have repeatedly denied the charges and have pointed to the lack of documented evidence linking Wade financially to the assets in question. The ruling brought to an end the eight-month trial, which followed a controversial two-year investigation that started at the gendarmerie's research section. Following the trial, justice minister **Sidiki Kaba** said that the CREI will pursue other former officials from the era of Wade's father, ex-president **Abdoulaye Wade** (2000-2012).

The ruling is not subject to an appeal at the CREI; however, Wade and some of the co-accused have filed appeals with the **Supreme Court** to overturn the ruling and bring the CREI into question. Wade's lawyer **Cire-Cledor Ly** said, "*The CREI is the armed wing of the government put in place explicitly to execute a political adversary.*"<sup>1</sup> Wade and his legal team had boycotted the final stages of the trial in protest at the CREI's lack of due process.

Human rights monitors have supported Wade's claim. Leading African human rights monitor **Rencontre Africaine pour la Défense des Droits de l'Homme (Raddho)** issued a statement on 2 April that denounced the trial.<sup>2</sup> It called on the Supreme Court to rule on the appeals and the government to review the trial and CREI law before launching further procedures. Raddho listed several irregularities involving the trial, including the lack of respect for the presumption of innocence and right to a fair trial. It also listed numerous incidents including the removal of the CREI special prosecutor **Alioune Ndao** during the trial; the expulsion of Wade's lawyer, **Amadou Sall**; the security forces' use of coercion and abuse against the accused; the withdrawal of the defense lawyers; and the extension of the CREI warrant against Wade based on the unproven allegations regarding a **Singapore** account.<sup>3</sup>

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<sup>1</sup> Quote in Reuters, 23 Mar 2014.

<sup>2</sup> Raddho, 2 Apr 2015.

<sup>3</sup> See ARC Senegal March 2015 Briefing regarding the Singapore account

*“It’s difficult to see that the CREI’s verdict could be reversed. I don’t think that is possible. But we may see the sentences reduced, maybe by half. If the verdict doesn’t change, Karim Wade has already served two years in prison. He is four years away from liberty.”<sup>4</sup>*

An extensive security forces presence limited the risk of unrest following the verdict.<sup>5</sup> Former president Wade and other opposition **Parti Démocratique Sénégalais (PDS)** officials also refrained from inciting unrest. The PDS cancelled a planned protest on 27 March against the CREI ruling at the request of the general Khalife of the Muslim **Mouride Brotherhood** (of which the Wades are members), who holds an influential position in Senegalese society.<sup>6</sup> Former president Wade has not publicly commented on the ruling.

The 20 March nomination of Karim Wade as the PDS party president, succeeding his father, and making him the party’s candidate for the 2017 presidential election, has further divided the opposition party. At least two contenders for the party leadership, former prime minister **Souleymane Ndéné Ndiaye** and **Aida Mbodj**, have threatened to leave the party and run as presidential candidates unless a new leader is elected.<sup>7</sup>

*“Everybody understands that Karim’s candidacy was political and for his father. Abdoulaye Wade wanted to show the world that Macky Sall is jailing his political opponents, especially one that could be a threat, in Abdoulaye Wade’s eyes, to his re-election.”*

*“If Karim is not freed before the time of the election, the PDS will be compelled to choose another candidate. It is at that moment that there will be a problem, because, if someone wants to be the party’s candidate, they will have to be chosen by Abdoulaye Wade. Those choosing dissent now will be obliged to leave the party and run in the name of another political formation.”<sup>8</sup>*

## Dangote Cement opens plant

**Nigeria-based Dangote Group** has started operations at its new cement plant, which increases competition in the cement sector and paves the way for further African-origin investment in Senegal. Dangote Cement inaugurated its \$310m plant at **Pout**, 75 kilometres east of **Dakar**, on 26 March. The plant has production capacity of 1.5m tonnes per year (tpy).<sup>9</sup> It started commercial production of 42.5-grade cement, a higher grade than local competitors produce, in January. It plans to serve both the local and the export market, focusing on neighbouring **Mali** and later **Gambia, Burkina Faso, Côte d’Ivoire, Guinea, Sierra Leone and Liberia**. The site includes a 15-megawatt power plant. New machinery has also reportedly reduced environmental concerns.<sup>10</sup> The plant aims to directly employ around 5,000 local residents.<sup>11</sup>

The cement market has grown in recent years. Growth in cement use has averaged around 6% since 2010, and reached around 3m tonnes in 2013.<sup>12</sup> Two other cement producers, **Sococim**, a subsidiary of **France-based Vicat** (65% market share), and Senegalese company **Ciments du Sahel** (35% market share), currently produce 6.5m tonnes per year.

Legal action from competitor **Vicat** delayed the start of Dangote’s operations in Senegal. Dangote had planned to start operations in June 2013.<sup>13</sup> Vicat unsuccessfully launched regional arbitration in the **Cour Commune de Justice et d’Arbitrage (CCJA)** in **Abidjan** (Côte d’Ivoire) in November 2013. It claimed that the Dangote plant would lead to “*distortion of competition*”<sup>14</sup> and that the market was already saturated.<sup>15</sup> Vicat also claimed Dangote received preferential government treatment and accused Dangote of violating mining and environmental laws. However, a mines ministry source claimed that Dangote had

<sup>4</sup> Source, investigator, Senegal

<sup>5</sup> Source, several

<sup>6</sup> RFI, 27 Mar 2015.

<sup>7</sup> RFI, 2 Apr 2015.

<sup>8</sup> Source, investigator, Senegal

<sup>9</sup> World Cement, 7 Apr 2015.

<sup>10</sup> African Business Review, 7 Apr 2015.

<sup>11</sup> This Day, 7 Apr 2015.

<sup>12</sup> World Cement, 7 Apr 2015.

<sup>13</sup> AFP, 23 Mar 2014.

<sup>14</sup> ARC Senegal April 2014 Briefing

<sup>15</sup> ARC Senegal April 2014 Briefing

resolved some "procedural irregularities".<sup>16</sup> Dangote said Sococim was "spreading false information"<sup>17</sup> and had sent false reports to the government about the environmental testing.<sup>18</sup>

Dangote Cement country manager **Luk Haelterman** said:

*"The last few years have seen the company overcome a lot [of] challenges in the country, especially those related to the smear campaign on environmental impact of the factory in the country. It's a saturated market with Dangote being the third entrant in the market after two other cement manufacturers. What has kept us going is the competitive edge that our 42.5 grade of cement has given us in offering consumers fine quality of cement."*<sup>19</sup>

The plant represents the largest single investment by an African investor in Senegal. Dangote Cement aims to reach 50m tonnes per year across Africa by 2016.<sup>20</sup> It also has plants in **Nigeria, Zambia, Tanzania, South Africa, Republic of Congo, Ethiopia**, Sierra Leone, Cote d'Ivoire, Liberia and **Ghana**.

### Sall aims to revive tourism

The government has taken action to revive the tourism sector. On 3 April Sall confirmed that the government will abolish the biometric visa system, removing fees for all tourist visas, starting from 1 May.<sup>21</sup> Leading tourism operators criticised the Sall administration's introduction of the €52 (\$56) visa in July 2013 for all foreigners except citizens of the **Economic Community of West African States (ECOWAS), Morocco or Mauritania**.

At the same time Sall announced that the government would reduce taxes on airfares by 50%. He also said the government would abolish stamp duty on airline tickets, but did not state when it would carry out these measures.<sup>22</sup>

Sall claims that reviving the tourism sector is a key tenet of the **Plan Senegal Emergent (PSE)** economic roadmap. The government aims to place Senegal in the top five tourist destinations in Africa, and attract three million tourists per year in 2023.<sup>23</sup> A December 2014 **World Bank** report said the government had "neglected"<sup>24</sup> the tourism sector. The Ebola outbreak in **West Africa** exacerbated the downturn in the sector following the global financial crisis in 2008.

### ...but Senegal Airlines remains in financial distress

The government's search for a strategic partner for the indebted national carrier **Senegal Airlines** continues. The government wants to maintain the airline to support its strategy of creating a regional aviation and tourist hub around the planned opening of the new **Aéroport International Blaise Diagne (AIBD)** at **Diass** outside Dakar in 2015.<sup>25</sup> On 17 March Sall said,

*"We have a new airport that is going to open next year and we need a working national carrier when that happens."*<sup>26</sup>

On 20 March **Amadou Hott**, a special adviser to the president and CEO of the sovereign wealth fund, **Fonds Souverain d'Investissement Stratégique (Fonsis)**, said that the government plans to nationalise the airline to prevent it from financial collapse.<sup>27</sup> It currently has debts of CFA 45 billion (\$75 million) and the

<sup>16</sup> ARC Senegal April 2014 Briefing

<sup>17</sup> ARC Senegal April 2014 Briefing

<sup>18</sup> Afrik, 28 Mar 2014.

<sup>19</sup> African Business Review, 7 Apr 2015.

<sup>20</sup> African Business Review, 7 Apr 2015.

<sup>21</sup> Jeune Afrique, 4 Apr 2015.

<sup>22</sup> Reuters, 4 Apr 2015.

<sup>23</sup> RFI, 6 Apr 2015.

<sup>24</sup> World Bank, Dec 2014.

<sup>25</sup> Dakar Actu, 8 Dec 2014.

<sup>26</sup> Reuters, 17 Mar 2015.

<sup>27</sup> Bloomberg, 26 Mar 2015.

state has a 35% share in the company. The airline's financial situation has deteriorated under Sall's administration. In October 2013, the government restructured the airline's capital to take a 51% ownership.<sup>28</sup> Hott said the government would form a new company and convert the debt into equity. It plans to sell a minority 49% stake in the new entity by June. The state and minority Senegalese investors will hold the remaining 51%. Fonsis will manage the government's stake.<sup>29</sup>

The government's business recovery plan put in place after the capital restructure in October 2013 has failed to attract partners and new investment. Hott said the government was in negotiations with an airline based in the **United Arab Emirates**.<sup>30</sup> The government previously held unsuccessful negotiations with **South African Airways (SAA)** in February 2014,<sup>31</sup> as well as **Royal Air Maroc**<sup>32</sup> and **Libya-based Afriqiyah Airways**.<sup>33</sup>

*"Sall doesn't want the company to collapse, but he is reluctant to put up all the money for its bail out. So he has asked **Emirates Airlines** or **Ethiopian Airlines** to come in as strategic partners. I believe the negotiations are still on."*<sup>34</sup>

## Implications

Karim Wade's sentencing was widely expected among the business and political community. Sall will face further criticism around the lack of due process and independence of the judiciary during the Supreme Court appeals, particularly from human rights monitors in support of Wade's claims. The ruling will also trigger drawn-out legal processes involving the companies that CREI assigned to Wade, given that some operate in jurisdictions outside Senegal. This will further increase business risk and undermine the government's attempts to draw in foreign investment to improve the economy.

Dangote Cement's plant represents a significant investment and much-needed employment. In addition, the plant is in line with the government's plans to move economic activity to the region surrounding Dakar.

The removal of visas and planned reduction in airfare taxes improve the outlook for the tourism sector. With its reputation as a safe country in the region and considerable tourism attractions, Senegal is well placed to become a leading destination in Africa. However, Senegal Airlines' problems continue, highlighting the Sall administration's poor record on attracting foreign investment.

<sup>28</sup> Le Journal de L'Aviation, 31 Oct 2014.

<sup>29</sup> Bloomberg, 26 Mar 2015.

<sup>30</sup> Bloomberg, 26 Mar 2015.

<sup>31</sup> air-journal.fr, 28 Oct 2014.

<sup>32</sup> air-journal.fr, 28 Oct 2014.

<sup>33</sup> CH-Aviation, 7 Jul 2014.

<sup>34</sup> Source, investigator, Senegal

### About Africa Risk Consulting:

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