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The government announces plans for a new city at Diamniadio on the outskirts of Dakar to ease congestion in the capital and expand economic growth beyond the city centre. However, the project lacks government commitment and needs further infrastructure, while investment for several planned projects remains slow. The International Monetary Fund (IMF) forecasts improved economic growth above 5% in 2015 and 6% in 2016. It cites increasing trade with neighbouring Mali and lower oil prices. The Saudi Binladin Group (SBG) halts construction at the new Aéroport International Blaise Diagne (AIBD) near to Diamniadio amid a dispute with the government over fees. Also, Daport notifies the government that it intends to withdraw from its 22-year operating licence to manage AIBD.

Government plans new city on outskirts of Dakar

The government has announced plans for a new city at **Diamniadio** on the outskirts of the capital **Dakar** in line with its economic roadmap **Plan Senegal Emergent (PSE)**. Dakar, situated on the overpopulated **Cap-Vert** peninsula, comprises almost one quarter (3.5m) of Senegal's 14m population.¹ The project aims to increase the size of Diamniadio from 30,000 to 300,000 by 2018.² On 16 September **Ousmane Kasse**, secretary general of state agency **Pôle Urbain Diamniadio-Lac Rose** that will lead the project, said: "We're preparing the site, and making land available to investors who wish to come here."³

The new city project is part of the government's plans launched under the **Abdoulaye Wade** (2000-2012) administration to ease congestion in the capital and expand economic growth to a triangle of areas on the outskirts the capital, which include Diamniadio, **Rufisque** and **Thiès**.⁴ The plan aims to minimise financial losses to the Senegalese economy of up to CFA100 billion (\$170m) annually due to poor infrastructure.⁵

The government has launched several key infrastructure projects around Diamniadio in recent years. The new city plan is based around the delayed new airport **Aéroport International Blaise Diagne (AIBD)** under construction at **Diass** near Diamniadio (see below). In July 2014 the government said it would start construction of a **Tramway et Train Express Régional (TER)**, a 34-minute link from AIBD to Dakar via Diamniadio, in 2015.⁶ The government claims the \$400m project will be completed by the end of 2016; however, interested **Chinese** investors have not yet arranged financing.⁷ In July 2013 President **Macky Sall** (2012-present) inaugurated the final 25 kilometre section of the 40km Dakar-Diamniadio toll highway, which significantly reduced traffic congestion in and around Dakar.⁸ The ambitious \$770m project, launched in 2009, is viewed as a model for public-private-partnership (PPP) infrastructure projects in Africa.⁹ In addition, the **Centre International de Conférence de**

¹ Bloomberg, 16 Sept 2015.

² Bloomberg, 16 Sept 2015.

³ Bloomberg, 16 Sept 2015.

⁴ Source, several

⁵ Ventures Africa, 16 Sept 2015.

⁶ NdarInfo, 8 Aug 2014.

⁷ Bloomberg, 16 Sept 2015.

⁸ Les Afriques, 1 Aug 2013

⁹ Les Afriques, 1 Aug 2013

Diamniadio (CICD) opened in time for the **Organisation Internationale de la Francophonie (OIF)** summit held on 29 to 30 November 2014.¹⁰

Several other projects are earmarked for Diamniadio:

- In August 2014 prime minister **Mohamed Dione** said the government would launch the first phase of **Société du Domaine Industriel de Dakar (SODIDA)**, an industrial park at Diamniadio, in 2015.¹¹ **Xia Huang**, the Chinese ambassador in Senegal, confirmed that China-based **CGC Overseas Construction Group** will construct the 50 hectare industrial park and that Chinese companies plan to set up operations there.¹²
- In late January Sall laid the foundation stone for the construction of a second university in Dakar at Diamniadio, **Université de Dakar (Unidak 2)**, due to open in 2016 with capacity for 30,000 students.¹³
- In early February the government said that construction of a digital city named '**Diamniadio Valley**' would begin before July and that it had requested \$100m funding to the **African Development Bank (AfDB)**.¹⁴ However, construction does not appear to have started.
- **German** state-owned development bank **KFW** plans to develop a \$50m solar plant in the Diamniadio area, according to Kassé.¹⁵
- In July Chinese textile company **C and H Garment Company** said it plans to open a plant in Diamniadio in early 2016.¹⁶

The government is relying on the private sector to launch projects including golf courses and shopping malls in the area to lure residents from Dakar.¹⁷ In addition, the government plans to move up to 12 ministries to Diamniadio, including energy and mining.¹⁸

Chinese funding is supporting several of these PSE projects following a visit from a Chinese business delegation to Senegal in July 2014.¹⁹ The Chinese government and Chinese investors have a longstanding interest in Diamniadio, to align aid and investment with the government's economic plan. Under a 2009 accord Chinese aid led the construction of a \$5m children's hospital in Diamniadio.²⁰ Trade between Senegal and China reached \$633m in 2013.²¹

However, several planned projects face delays and local sources have also raised issues involving the "attractiveness" of the site.²²

*"Investors are not rushing to buy land and start construction. Many complained about difficulties of accessibility. The toll highway from Dakar to Diamniadio doesn't pass over there [the planned city site], so people have asked the government to build some roads into the site, not just to the conference centre [CICD]."*²³

Other investors have complained about the price of land at the site:

¹⁰ See ARC Briefing for Senegal, Dec 2014.

¹¹ Dakar Actu, 22 Jul 2014.

¹² Bloomberg, 16 Sept 2015.

¹³ RFI, 26 Jan 2015.

¹⁴ Biztech Africa, 5 Feb 2015.

¹⁵ Bloomberg, 16 Sept 2015.

¹⁶ Jeune Afrique, 7 Jul 2015.

¹⁷ Bloomberg, 16 Sept 2015.

¹⁸ Bloomberg, 16 Sept 2015.

¹⁹ Dakar Actu, 22 Jul 2014.

²⁰ Worldbulletin.net

²¹ Bloomberg, 16 Sept 2015.

²² Source, journalist, Senegal

²³ Source, journalist, Senegal

“The high price of land is one of the main constraints to investment in this country. And in Diamniadio, the only people who don't seem to complain about the prices are the Chinese and Moroccan businessmen, who have been granted some advantages.”²⁴

In addition, the government has tended to maintain a focus on new urban developments in Dakar:

“Since the government announced its intention to make this place a new urban development area beside Dakar, they should have relocated all new urban projects there. But that is not the case and there are many important building projects sprouting in the capital, so investors, even Senegalese people, don't really understand what Macky Sall really aims for with the project.”²⁵

...as IMF forecasts improved growth

The **International Monetary Fund (IMF)** claims the PSE will help increase economic growth above 5% in 2015 and to 6% in 2016, increasing from 4.5% in 2014.²⁶ The PSE aims for economic growth of over 7% annually through to 2018, and to secure emerging economy status by 2035.²⁷ The government has targeted a ‘shopping list’ of projects, although securing investment for the projects has been slow.²⁸ The IMF claims that increasing trade with neighbouring **Mali** and lower oil prices will also increase growth in 2016.²⁹

The government will set a fiscal deficit target of 4.2% of gross domestic product (GDP) (CFA 389 billion; \$669m) for 2016, and maintain a 4.8% target for 2015.³⁰ The IMF also forecasts inflation, which reached 0.6% in August, to remain low.³¹

An IMF mission visited Dakar from 2 to 16 September for the first review of the three-year **Policy Support Instrument (PSI)** approved in June 2015.³² Head of the IMF mission **Ali Mansoor** said:

“Macroeconomic performance during the first half of the year has been broadly satisfactory... PSI program implementation continues to be satisfactory; all the quantitative criteria and indicative targets for end-June 2015 have been met, including the fiscal deficit target. It should be noted, however, that while tax revenues are increasing in relation to the first half of the previous year, they remain lower than anticipated.”³³

The IMF reiterated its emphasis on accelerating structural reforms to attract investment to reach growth rates of 7 to 8%.³⁴ It has repeatedly highlighted urgent reforms needed in the energy sector to reduce subsidies and improve electricity supply.³⁵ The IMF advised the government to finalise an intervention framework for distressed enterprises and implement performance dependent contracts for all enterprises that receive financial support from the government.³⁶

High business risks continue in the aviation sector

Significant risks continue to downgrade the outlook of Senegal's aviation sector. The **Saudi Binladin Group (SBG)** halted construction in August at the new AIBD airport following a disagreement with the government over contract fees.³⁷ SBG claims that the state owes CFA 64 billion (\$109m) for the relocation of the population of a village at **Mbadatt** located on the AIBD site as well as penalties for late payment and other contract amendments.³⁸ The government, which wholly owns AIBD, claims it

²⁴ Source, journalist, Senegal

²⁵ Source, journalist, Senegal

²⁶ IMF, 16 Sept 2016.

²⁷ See ARC Briefing for Senegal, May 2015

²⁸ See ARC Briefing for Senegal, May 2015

²⁹ IMF, 16 Sept 2016.

³⁰ IMF, 16 Sept 2016.

³¹ IMF, 16 Sept 2016.

³² See ARC Briefing for Senegal, Jul 2015

³³ IMF, 16 Sept 2016.

³⁴ IMF, 16 Sept 2016.

³⁵ See ARC Briefing for Senegal, Jul 2015

³⁶ IMF, 16 Sept 2016.

³⁷ Jeune Afrique, 31 Aug 2015.

³⁸ Jeune Afrique, 31 Aug 2015.

owes just CFA 6.5 billion (\$11m) and sent a formal request to SBG to resume work, threatening to terminate the contract.³⁹

The construction of AIBD has faced several delays. In 2014 SBG also stopped construction citing unpaid government debts.⁴⁰ The AIBD was originally scheduled to start operations in 2012.⁴¹ The government claims around 85% of work is complete and AIBD will open in July 2016, however this date now appears unlikely.⁴² The Wade administration started the construction of AIBD in December 2007.⁴³ It will have an initial capacity of 3m passengers per year.⁴⁴ Construction is estimated at CFA 400 billion (\$680m).⁴⁵

“Work remains on hold at AIBD. The government says that the SBG wants to amend the contract so that they will be paid an extra €80m (\$89m). SBG says that they won't be able to deliver the airport at the end of the year and they are reluctant to give another deadline, despite that everyone agrees that the site is 85% ready.”⁴⁶

“Some officials at the air transport ministry told me without wanting to be named, that government suspects that the long delay in the delivery of the new airport is due to the fact that SBG have bribed some people to be selected for the tender to construct the airport. So the numerous contract amendments...there have already been four... mean that the final bill has been inflated as a way for them to get their money back.”⁴⁷

Another obstacle to AIBD's development is **Daport's** intention to withdraw from its 22-year operating licence to manage the AIBD. Daport, the local subsidiary of **Germany-based Fraport**, cited airport tax reforms as the reason for its withdrawal.⁴⁸ The government awarded the management concession in 2012. Daport holds 51% of the rights to the management contract, with the government holding the remaining 49%.⁴⁹ Daport's letter to the government dated 26 August claimed that tax reductions for passenger safety airport charges – in line with the government's aim to stimulate tourism – would significantly reduce the profitability of the contract.⁵⁰

“The government version is that Daport decided to withdraw because it no longer considers the contract financially profitable, since the government has decided to renounce many taxes in order to attract more visitors to Senegal.”⁵¹

However, Daport remains a target of the controversial government corruption investigations into former Wade era officials. The **Cour de Repression de l'Enrichissement Illicite (CREI)** claims that Daport is linked to alleged “business associates” of former government number two **Karim Wade**.⁵²

According to one unverified report, Daport can claim at least CFA 650m (\$1.1 billion) in compensation if the parties break the contract.⁵³ The government has six weeks from the date of the letter to respond to Daport's notification.⁵⁴

A further blow to Senegal's aviation sector was the disappearance on 6 September of a Senegal-bound medical evacuation private plane operated by **Senegalair** with seven people on board.⁵⁵ The plane

³⁹ Jeune Afrique, 31 Aug 2015.

⁴⁰ See ARC Briefing for Senegal, Oct 2014

⁴¹ Jeune Afrique, 31 Aug 2015.

⁴² Jeune Afrique, 31 Aug 2015.

⁴³ Jeune Afrique, 31 Aug 2015.

⁴⁴ Jeune Afrique, 31 Aug 2015.

⁴⁵ Jeune Afrique, 31 Aug 2015.

⁴⁶ Source, investigative journalist

⁴⁷ Source, investigative journalist

⁴⁸ Jeune Afrique, 21 Aug 2015.

⁴⁹ Jeune Afrique, 21 Aug 2015.

⁵⁰ Jeune Afrique, 21 Aug 2015.

⁵¹ Source, investigative journalist

⁵² Libération / Dakar Actu, 16 Sept 2015.

⁵³ Jeune Afrique, 21 Aug 2015.

⁵⁴ Jeune Afrique, 21 Aug 2015.

⁵⁵ RFI, 7 Sept 2015.

reportedly overshot Dakar by more than 100 km then vanished.⁵⁶ Authorities claim that the plane, which departed from **Ouagadougou (Burkina Faso)** on the evening of 5 September, may have collided with a **Boeing** plane before vanishing from radar screens.⁵⁷ The Boeing, operated by **Equatorial Guinea-based Ceiba International Airlines**, crossed paths with the Senegalair plane about 555 km from Dakar.⁵⁸ Senegalese authorities have not been able to locate the plane.

Implications

The Diamniadio city project is one of several large projects the government has promoted under the PSE. It falls under the Senegalese government's commended and longstanding plan to ease congestion in Dakar and promote economic activity outside the capital to surrounding areas. However, the Sall administration has struggled to attract foreign investment for several large PSE projects and thus projects have faced significant delays. Investors have repeatedly highlighted the lack of government commitment to large investment projects as well as other business risks prevalent in Senegal, including bureaucracy, infrastructure impediments, corruption and political exposure.

Despite these business risks, the IMF recognises the PSE as an opportunity to boost economic growth and retains a positive economic outlook. Senegal remains well placed to benefit from its political stability, unrivalled in the **West Africa** sub-region aside from **Ghana**, which is grappling with a fiscal crisis. However, the economy has remained stagnant under the Sall administration despite expectations of an economic renewal after the downturn in the last years of the Wade era.

The Sall administration's management of the aviation sector has been questionable. The sector has faced three ministerial changes since Sall came to power in 2012, and the government targeted several key sector players in its corruption investigations into former officials without a lack of documented evidence. The continuing delays at AIBD significantly delay the government's economic plan to boost growth, and the PSE projects on the outskirts of Dakar such as the Diamniadio city project. The delays follow a long line of disputes between the Sall administration and sector investors, despite the PSE's stated aim to improve tourism and create a regional aviation hub.

⁵⁶ RFI, 7 Sept 2015.

⁵⁷ RFI, 7 Sept 2015.

⁵⁸ RFI, 7 Sept 2015.

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