

## AFRICA RISK CONSULTING

### Senegal Monthly Briefing October 2020

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#### Senegal Summary 21 October 2020

*President Macky Sall (2012-present) presents Senegal's economic recovery plan, the Programme d'Actions Prioritaires 2 Ajusté et Accéléré (PAP2a) (second adjusted and accelerated priority action plan), which will invest \$26 billion in development projects. The International Monetary Fund (IMF) completes its annual review mission to Senegal, praising the government for its transparent Covid-19 management but warning of an increasing budget deficit. The Agence Nationale de la Statistique et de la Démographie (ANSD) (national agency for statistics and demographics) reports that gross domestic product (GDP) and economic activity dropped during Q2 and Q3. The Port Autonome de Dakar (PAD) (Dakar autonomous port) successfully raises 60 billion FCFA (\$108.3m) through a public offering on the West African Economic and Monetary Union (WAEMU) regional financial market.*

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#### Sall presents Senegal's economic recovery plan

President **Macky Sall** (2012-present) presented Senegal's economic recovery plan, the **Programme d'Actions Prioritaires 2 Ajusté et Accéléré (PAP2a)** (second adjusted and accelerated priority action plan) on 29 September.<sup>1</sup> The PAP2a, which will invest \$26 billion in various socio-economic development initiatives, aims to ensure Senegal will achieve structural economic transformation and put Senegal on the path towards becoming an emerging economy by 2035.<sup>2</sup> Sall presented the plan at a presidential council on economic recovery organised by the economy, planning and cooperation ministry and attended by members of the private sector, development partners, parliamentarians, locally elected officials as well as representatives from the **Conseil Economique, Social et Environnemental** (economic, social and environmental council) and the **Haut Conseil des Collectivités Territoriales** (higher council for local councils), amongst others.<sup>3</sup>

The PAP2a is an economic agenda that aims to realign Senegal's economic priorities.<sup>4</sup> The plan will complement the 1,000 billion FCFA (\$1.8 billion) **Programme de Résilience Economique et Social (PRES)** (economic and social resilience programme) that has been in effect since April (see *ARC Briefing Senegal April 2020*).<sup>5</sup> The plan is premised on five pillars, which include the promotion of intensive agriculture, inclusive health systems, developing a strong national private sector, strengthening social protection, and industrial and digital transformation.<sup>6</sup> Economy minister **Amadou Hott** identified priority areas that the government has earmarked for development:

*"First, to accelerate food sovereignty by strengthening our autonomy over basic products and we are on the right track, especially with regard to rice. Health and pharmaceutical sovereignty, the industrialisation of the economy, the digital transformation of the economy ..."*<sup>7</sup>

The PAP2a will target agriculture, fishery and livestock activities. Hott said the plan will promote the housing, hotel and tourism industries, while large-scale infrastructure projects and the energy domain will also see increased investment.<sup>8</sup> The health sector will receive \$800m, the largest slice of

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<sup>1</sup> Financial Afrik, 29 Sep 2020

<sup>2</sup> Financial Afrik, 29 Sep 2020

<sup>3</sup> Financial Afrik, 29 Sep 2020

<sup>4</sup> Financial Afrik, 29 Sep 2020

<sup>5</sup> Lejocos, 29 Sep 2020

<sup>6</sup> Lejocos, 29 Sep 2020

<sup>7</sup> Agence Ecofin, 30 Sep 2020

<sup>8</sup> Jeune Afrique, 29 Sep 2020

the recovery plan budget, with funds going towards the establishment of a local pharmaceutical industry, the reconstruction and rehabilitation of health centres, as well as the training of medical personnel.<sup>9</sup> Agriculture will receive 60 billion FCFA (\$108.4m). In a bid to support the private sector, the government will grant further tax and customs exemptions and provide financial assistance to economic operators.<sup>10</sup>

President Sall claimed that the PAP2a will help to forge social inclusion and that Senegal will experience an exponential increase in economic growth in coming years. Sall predicts growth will reach 5.2% in 2021, 7.2% in 2022 and 13.7% in 2023.<sup>11</sup> Double-digit growth in 2023 will coincide with the commencement of oil and gas production in Senegal.<sup>12</sup>

During a 1 October press conference, Hott said Senegal plans to raise \$8.5 billion from the domestic private sector and \$17.7 billion from development partners in order to finance the PAP2a. Hott insisted that Senegal will not incur debt in order to finance the PAP2a and will use innovative financing mechanisms such as the establishment of start-up and guarantee funds.<sup>13</sup>

The recovery plan has not received universal acclaim. Economist **Fassory Diawara** expressed concern about the PAP2a budget allocation:

*"Research and innovation are not taken into account in the definition of priority actions. The education and training sector represents only 3.6% of the resources allocated to financing. Youth policy has an overall insufficient budget allocation. In this regard, we note a huge gap between the **Dakar** axis and the other cities."*<sup>14</sup>

Dakar-based think-tank **Centre pour le Financement du Développement Local (CEFDEL)** (centre for local development financing) president **Abdourahmane Sarr** suggests the plan should orient its budget towards human needs, education, health, basic infrastructure, environment and preservation of macroeconomic stability.<sup>15</sup> Sarr stressed that the government needs to create regional poles of development to ensure the plan's success.<sup>16</sup>

### IMF completes annual review mission

Despite the positive economic growth trajectory that President Sall foresees for Senegal, the Covid-19 pandemic has hit the economy hard. Following a virtual review mission of the Senegalese economy from 9-18 September, the **International Monetary Fund (IMF)** reported that the pandemic had hit the economy harder than initially expected, revising its economic forecast for Senegal downwards from 1.1% growth to contraction of 0.7%.<sup>17</sup> The IMF noted that the economy has experienced a slow recovery since May, but significant uncertainty around the ongoing pandemic will continue to impact the transport, tourism and hospitality sectors.<sup>18</sup>

The IMF praised Senegal for its budget execution and transparency in implementing the Programme de Résilience Economique et Social (PRES) (economic and social resilience programme).<sup>19</sup> The IMF also welcomed the government's formulation of an economic recovery plan that aims to promote inclusive private sector-led growth, accelerate structural economic transformation and enhance the economy's resilience through economic diversification.<sup>20</sup> The IMF mission report advised Senegal to

<sup>9</sup> Jeune Afrique, 29 2020

<sup>10</sup> Jeune Afrique, 29 2020

<sup>11</sup> Lejocos, 29 Sep 2020

<sup>12</sup> Lejocos, 29 Sep 2020

<sup>13</sup> Financial Afrik, 1 Oct 2020

<sup>14</sup> RFI, 30 Sep 2020

<sup>15</sup> Financial Afrik, 30 Sep 2020

<sup>16</sup> Financial Afrik, 30 Sep 2020

<sup>17</sup> IMF, 21 Sep 2020

<sup>18</sup> IMF, 21 Sep 2020

<sup>19</sup> IMF, 21 Sep 2020

<sup>20</sup> IMF, 21 Sep 2020

take steps towards maintaining a budget deficit of 6% in 2021. Senegal is expected to reach the **West African Economic and Monetary Union (WAEMU)** budget deficit threshold of 3% by 2022.<sup>21</sup>

Budget and finance minister **Abdoulaye Daouda Diallo** presented Senegal's 2021 draft finance bill to the council of ministers on 7 October. The proposed budget sees an 8.9% increase from 4,251.2 billion FCFA (\$7.6 billion) in 2020 to 4,589.15 billion FCFA (\$8.2 billion) for 2021.<sup>22</sup> Expenditure is set to increase to 3,833.9 billion FCFA (\$6.9 billion) from 3,573 billion FCFA (\$6.4 billion) in 2020, while projected revenue will fall to 3,089.7 billion FCFA (\$5.5 billion) compared to 3,258 billion FCFA (\$5.8 billion) in 2020.<sup>23</sup> The budget deficit is set to remain at 5%, in line with the IMF's recommendations.<sup>24</sup>

The **Agence National de la Statistique et de la Demographie (ANSD)** (national agency for statistics and demographics) reported on 28 September that GDP had dropped by 2.5% in Q2 compared to 1.7% during Q1.<sup>25</sup> The ANSD attributes this drop to reduced activity in all sub-sectors: a contraction of 0.5% in the primary sector, 4.2% contraction in the secondary sector and 2.6% contraction in the tertiary sector.<sup>26</sup> By comparison, nominal GDP fell from 3,226.8 billion FCFA (\$5.8 billion) during Q2 2019, to 3,076.6 billion FCFA (\$5.5 billion) in Q2 2020.<sup>27</sup> However, 5.2% growth in the primary sector prevented the scenario from being worse. The negative trend continued in Q3 as the **Direction de la Prévision et des Etudes Economiques (DPEE)** (directorate of forecasting and economic studies) reported on 16 October that economic activity (excluding agriculture) fell by 3.9% and 7.6% in July and August respectively.<sup>28</sup>

### Dakar Port raises \$108.3m

The **Port Autonome de Dakar (PAD)** (Dakar autonomous port) announced on 12 October that it had successfully raised 60 billion FCFA (\$108.3m) through a public offering on the **West African Economic and Monetary Union (WAEMU)** regional financial market.<sup>29</sup> The funds will go towards developing infrastructure to increase activity at Senegal's largest seaport. The Plan Senegal Emergent (PSE) has cited development of port infrastructure as an important step towards Senegal becoming an emerging economy. Announcing the public offering on 1 October, PAD director general **Aboubacar Sedikh Bèye** acknowledged that lack of investment in the PAD to date has negatively affected Senegal's economy.<sup>30</sup>

Bèye said the public offering, dubbed "*PAD 6.60% 2020-2027*", would enable the construction of common roads and infrastructure (VRD) and prepare the industrial port zone of **Ndayane** port for its first investors.<sup>31</sup> Upon completion in 2025, the multifunctional Ndayane port will help to decongest the PAD, which currently handles 95% of Senegal's port traffic and 65% of merchandise from **Mali**.<sup>32</sup> The fisheries and maritime economy ministry estimates that Ndayane port will cost \$18 billion to develop.

The 12 October public offering, coordinated by Senegal-based **SGI Invictus Capital and Finance**, saw investors offer 94.6 billion FCFA (\$171m) indicating a 157.7% subscription rate.<sup>33</sup> However, PAD authorities decided to retain the initially slated figure of \$108.3m.<sup>34</sup> The investment maturity is seven

<sup>21</sup> IMF, 21 Sep 2020

<sup>22</sup> Teranaga News, 8 Oct 2020

<sup>23</sup> Teranaga News, 8 Oct 2020

<sup>24</sup> Teranaga News, 8 Oct 2020

<sup>25</sup> APS, 28 Sep 2020

<sup>26</sup> APS, 28 Sep 2020

<sup>27</sup> APS, 28 Sep 2020

<sup>28</sup> Financial Afrik, 16 Oct 2020

<sup>29</sup> Sika Finance, 1 Oct 2020

<sup>30</sup> Agence Ecofin, 2 Oct 2020

<sup>31</sup> Agence Ecofin, 2 Oct 2020

<sup>32</sup> Agence Ecofin, 2 Oct 2020

<sup>33</sup> Sika Finance, 12 Oct 2020

<sup>34</sup> Sika Finance, 12 Oct 2020

years with the interest rate set at 6.60%.<sup>35</sup> The PAD, which has capital of 52 billion FCFA (\$93.8m), noted the increased importance of regional financial markets with respect to obtaining capital for commercial enterprises.<sup>36</sup> In July, telecoms firm **Sonatel** successfully raised 100 billion FCFA (\$180.5m) on the WAEMU regional financial market.<sup>37</sup>

## Planner

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

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

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

19 Oct 2020 **Dakar (Senegal)** *Teranga News*. Air traffic in Senegal saw a drop of 55.9% to 657,655 in the number of commercial passengers at the end of July 2020;

15 Oct 2020 **Dakar (Senegal)** *Agence Ecofin*. The **Société Africaine d'Ingrédients (SAF Ingrédients)** will construct a dehydrated onion production plant in **Saint-Louis**, which will involve a \$15.4m investment;

13 Oct 2020 **Dakar (Senegal)** *Agence Ecofin*. The **United States Department of Agriculture (USDA)** reports Senegal will produce 1.4 million tonnes of peanuts during the 2020/21 harvest season, the third straight year it has surpassed the one million tonne threshold;

12 Oct 2020 **Dakar (Senegal)** *Sika Finance*. The **Port Autonome de Dakar (PAD)** (Dakar autonomous port) has raised 100 billion FCFA (\$179.8m) through a treasury bond issue on the **West African Economic and Monetary Union (WAEMU)** regional financial market, which will be used for the construction of the industrial port zone of the future port of **Ndayane** and the development of roads and common infrastructure;

12 Oct 2020 **Dakar (Senegal)** *APS*. President **Macky Sall** has instructed the national education, vocational training and higher education minister to ensure 30% of students from the basic cycle to the professional system receive digital vocational training;

11 Oct 2020 **Dakar (Senegal)** *Sika Finance*. Senegal's commercial deficit in August increased by 0.39% to 1,394.11 billion FCFA (\$2.5 billion), compared to the same point in August 2019;

8 Oct 2020 **Dakar (Senegal)** *Teranga News*. Budget and finance minister **Abdoulaye Daouda Diallo** presents the 2021 draft finance bill, which proposes an 8.9% increase in the budget from 4,251.2 billion FCFA (\$7.6 billion) in 2020 to 4,589.15 billion FCFA (\$8.2 billion) for 2021;

1 Oct 2020 **Dakar (Senegal)** *APS*. **West Africa Energy (WAE)** and its technical partner, Senegal-based **Thialis**, will sign a turnkey construction contract for a new 300-MW power plant at a reported cost of 220 billion FCFA (\$394.5m)

1 Oct 2020 **Dakar (Senegal)** *Financial Afrik*. The **Port Autonome de Dakar (PAD)** (Dakar autonomous port) will launch a 60 billion FCFA (\$107m) bond issue on the **West African Economic and Monetary Union (WAEMU)** regional financial market for the construction of the industrial port zone of the future port of **Ndayane** and the development of roads and common infrastructure;

<sup>35</sup> Teranga News, 13 Oct 2020

<sup>36</sup> Teranga News, 13 Oct 2020

<sup>37</sup> Teranga News, 13 Oct 2020

30 Sep 2020 **Dakar (Senegal)** *Sika Finance*. Senegal's gross domestic product (GDP) increased by 0.34%, 3,238.8 billion FCFA (\$5.7 billion), year-on-year in Q2 2020 compared to 3,227.7 billion FCFA in Q2 2019

30 Sep 2020 **Dakar (Senegal)** *Sika Finance*. The **Banque Ouest Africaine de Développement (BOAD)** (West African Development Bank) grants a 39.89 billion FCFA (\$71.1m) loan to help Senegal's private sector offset the effects of the **Covid-19** pandemic;

29 Sep 2020 **Dakar (Senegal)** *Agence Ecofin*. The **United States Trade and Development Agency (USTDA)** has allocated a grant to **Lekela Energie Stockage** to study the feasibility of constructing a 60 MWh energy storage unit at the 158.7 MW **Taiba N'Diaye** wind power plant;

29 Sep 2020 **Dakar (Senegal)** *APS*. President **Macky Sall** presents Senegal's \$26 billion economic revival plan, the **Plan d'Actions Prioritaires Ajusté et Accéléré (PAP2A)** (adjusted and accelerated priority action plan);

25 Sep 2020 **Dakar (Senegal)** *Agence Ecofin*. President **Macky Sall** has instructed government to speed up construction of a museum at **Ziguinchor** to commemorate the sinking of the "Joola" passenger ship off the coast of **The Gambia** on 26 September 2002, in which 1,953 people reportedly died;

25 Sep 2020 **Dakar (Senegal)** *Agence Ecofin*. Community and development minister **Oumar Guèye** says the government will disburse 17 billion FCFA (\$30m) to finance the construction of basic social infrastructure in the **Pikine** department;

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