

## AFRICA RISK CONSULTING

### Country briefing – Senegal

March 2013

#### Summary

*Karim Wade, son of ex-President Abdoulaye Wade, faces prosecution on corruption charges after investigators uncovered a money trail leading to \$1.37 billion in assets. A number of companies and individuals are implicated. The political and business fallout has begun, increasing reputation risk for companies that signed contracts under Wade. President Macky Sall pursues the case to divert attention away from growing discontent over the lack of economic opportunities, increasing cost of living and poor service provision. The business community supports the anti-corruption agenda although it is cautious of rushing ahead which may risk the fragile economy.*

#### Corruption investigations rupture the political scene

The corruption case against **Karim Wade**, son of ex-President **Abdoulaye Wade** (2000 – 2012) and former super minister in his government, has reached a critical stage. After an eight-month investigation, the **Cour de Répression de l'Enrichissement Illicite (CREI)** summoned Karim for the first time on 15 March 2013. The CREI prosecutor **Alioune Ndao** presented Karim with a list of his alleged assets totaling \$1.37 billion (CFA 694 billion). Karim has one month – until April 14 – to explain if he owns the assets or the lawful origin of the assets on the list, or face trial before the CREI. He and other former officials of the Wade government targeted in the investigations are under a travel ban enforced since November 2012<sup>1</sup>.

Karim's asset list includes alleged stakes in local and foreign registered companies notably in the transport and infrastructure sectors<sup>2</sup>. The list includes<sup>3</sup>:

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<sup>1</sup> See ARC Senegal briefing January 2013

<sup>2</sup> He held the energy, international cooperation, regional development, air transportation and infrastructure portfolios between 2009 and 2012

<sup>3</sup> Confirmed in a justice ministry statement and by Karim's lawyer Amadou Sall

- **Dubai Ports World Senegal Ltd**, registered in the **British Virgin Islands (BVI)**, which operates the container terminal at Dakar port.
- The local subsidiary of **Banque Marocaine du Commerce Extérieur (BMCE)**, a state-owned Moroccan bank.
- A \$589m (CFA300 billion) stake in **Aviation Handling Services SA (AHS)**, through ownership of companies in **Senegal, Niger, Ghana** and **Jordan**.
- **Senegal Handling Service (SHS)**.
- **Malabo Airport, Equatorial Guinea**.
- Various properties totaling \$30m.
- Untaxed deposits of \$1.8m in a Senegalese account, and two \$2.7m deposits in banks in **Monaco**.
- A large fleet of cars, including a Porsche and several SUVs.

The list sent shockwaves through business and political circles. At least one local business source disputed the contents of the list. Karim's lawyer **Amadou Sall** pledged to "*prove these accusations unfounded*," stating that the list instead confirmed that Karim had no money in foreign accounts under his name. He claims, "*No account is opened in his name in any country whatsoever, no money was found.*"<sup>4</sup> The Wade's **Parti Démocratique Sénégalais (PDS)** accused the government of a "*witch hunt*". The asset list is also described as "*realistic...he was around the presidency for 12 years and had a hand in everything. [Former Nigerian military ruler **General Sani**] **Abacha** got \$25 billion in five years.*"<sup>5</sup>

### ... revealing corrupt networks

The investigation focused on Karim's network of hidden assets registered offshore under the names of his associates and relatives. Some of these associates provided damning evidence against Karim during interrogation at the gendarmerie headquarters in **Dakar**. In addition, a number of current and former PDS officials "*turned against Karim*" to secure their own protection, "*...there were a lot of deals done.*"<sup>6</sup> Key targets of the investigation to track Karim's network include:

- **Patrick Joseph Williams**, a director of **Senegal Handling Service (SHS)** admitted to fronting various offshore companies for Karim. He was arrested trying to leave the country on 23 November 2012<sup>7</sup>. Williams and Karim went to boarding school together at **Collège Saint Martin à Pontoise, France**.

<sup>4</sup> Quoted in Le Quotidien, 16 March 2013

<sup>5</sup> Source, political analyst, Senegal

<sup>6</sup> Source, francophone journalist, Senegal

<sup>7</sup> Dakar Actu, 23 November 2011

- **Patricia Lake Diop**, a Wade family lawyer and Karim's cousin, allegedly cooperated with investigators and admitted to laundering funds for Karim<sup>8</sup>.
- **Ibrahim Abou Khalil** (known also as **Abraham Khalil** and **Bibo Bourgi**), is linked to a number of Karim's assets. Khalil, of **Lebanese** origin, is a known close business associate of Karim. Authorities allegedly questioned him on 7 February in Dakar<sup>9</sup>.

International partners supported the investigation. Karim's lawyer Sall claims those involved include **United States (US)** authorities, such as the **Central Intelligence Agency (CIA)**; authorities in the **United Kingdom (UK)**, Monaco and **Luxembourg**; as well as the **International Monetary Fund (IMF)** and **World Bank**<sup>10</sup>. In addition, a parallel illicit enrichment inquiry into Karim opened in France on 11 December 2012. President **Macky Sall** was in Paris from 28 February to 2 March to sure up support.

### **... and diverting attention away from economic and political realities ....**

Karim's increasingly likely prosecution and imprisonment is billed as a landmark case. A former magistrate says, *"It's going to be a test case. It will be studied in schools across West Africa... Karim will be a sacrificial lamb."* *"They've got him. He's cooked."*<sup>11</sup> Karim allegedly told the press, *"...I have prepared my bags because I know I will go to jail."*<sup>12</sup>

There is general support for Karim's prosecution on the streets of Dakar. The population expects a *"cleaning of the house... they like the idea that these guys [Karim and former officials accused] aren't sleeping well."*<sup>13</sup> *"The government wants to gain some morality...some legitimacy. They were placed there for a reason... to change, to reform the system."*<sup>14</sup> Local civil society organisations also support the developments in the case. The local chapter of **Transparency International** labeled Karim's hearing a *"historical turning point."* Influential youth movement **Y'en a Marre** (Enough is enough) and political movement **M23** – which both organised large street protests in 2011 and 2012 to oust Wade – spoke out against suggestions the government is willing to negotiate with former officials to return parts of funds and avoid prosecution. The presidency has since publicly rejected this avenue.

That said, some opinion is cautious over the investigations into former officials. They are concerned it may *"disrupt the social harmony of the country."*<sup>15</sup> These views are forwarded by powerful Marabouts based in the religious centre **Touba**, some of whom call for clemency<sup>16</sup>. This follows Karim's frequent

<sup>8</sup> Le Quotidien, 20 March 2013

<sup>9</sup> [http://www.leral.net/Affaire-Karim-Wade-Bibo-Bourgi-chez-les-gendarmes-ce-jeudi\\_a73015.html](http://www.leral.net/Affaire-Karim-Wade-Bibo-Bourgi-chez-les-gendarmes-ce-jeudi_a73015.html)

<sup>10</sup> See ARC January 2013 briefing: the **Stolen Asset Recovery (StAR) Initiative**, formed by the **United Nations Office on Drugs and Crime** and **World Bank**, leads the asset recovery program

<sup>11</sup> Source, political analyst, Senegal

<sup>12</sup> Libération, 21 March 2013

<sup>13</sup> Source, political analyst, Senegal

<sup>14</sup> Source, political analyst, Senegal

<sup>15</sup> Source, political analyst, Senegal

<sup>16</sup> Seneweb, 16 February 2013

visits to Touba to visit the religious leaders, including on 16 February and after the 15 March hearing he planned another visit<sup>17</sup>.

Under growing pressure to deliver election promises, President Sall is using the case to highlight change. After a year in office the Senegalese “*are impatient, they want to see real improvement*”<sup>18</sup>. Sall hopes the corruption cases will divert attention away from growing discontent over the lack of economic opportunities, increasing cost of living, ongoing power and water cuts and inability to solve the conflict in the southern **Casamance** region (see below). Tensions are highest amongst the youth, demonstrated by ongoing university protests. On 15 March three university students set themselves alight over changed university rules and the general degradation of the university system over the last years. Sall is also accused of “*cowing*” to Marabouts for backtracking on plans to clamp down on Koranic schools and **Talibé** street children<sup>19</sup>. He pledged to close unsafe schools after a fire in **Medina**, Dakar, on 5 March in which nine children died.

Sall also faces fractures within government comprising his “*coalition of convenience.*”<sup>20</sup> **Malick Gackou**, minister for commerce and industry, resigned on 13 February following “*disagreements*” with Prime Minister **Abdoul Mbaye**. Speculation continues over Mbaye’s position, with the local press putting forward a number of suitors to take over his role<sup>21</sup>.

## **Business wants change too... but is cautious of speeding ahead**

The business community is increasingly cautious of the corruption investigations, believing that it may negatively impact on the business. Business sources reiterate calls for the anti-corruption drive to follow due process<sup>22</sup>. A number of companies face contract audits, which run parallel to the corruption cases against former officials. The award of the country’s third telecommunications to **Sudatel** in 2007 is the most recent target. **Thierno Ousmane Sy**, a former special advisor under Wade, was jailed on 27 February for allegedly receiving bribes from Sudatel<sup>23</sup>. An international arrest warrant was also issued for Senegalese businessman **Keba Keinde**, who is suspected of setting up an offshore company to facilitate the bribes<sup>24</sup>. Another case is that of **Baobab Investments**, which was granted land by the Wade government in 2005 to construct hotels.

*“Most companies know we must go through this process to change the economy...we must combat corruption to reform. Even the companies who were paying commissions and political*

<sup>17</sup> Leral, 19 March 2013

<sup>18</sup> Source, francophone journalist, Senegal

<sup>19</sup> Source, francophone journalist, Senegal

<sup>20</sup> Source, francophone journalist, Senegal

<sup>21</sup> See also ARC Senegal briefing January 2013; Habré’s trial undermines Mbaye; according to local press the suitors include Justice Minister Aminata ‘Mimi’ Tall, Sall’s special advisor Jacques Diouf, former prime minister Lamine Loum

<sup>22</sup> See ARC Senegal briefing January 2013

<sup>23</sup> Jeune Afrique, 8 March 2013

<sup>24</sup> Jeune Afrique, 8 March 2013

*contributions for influence under Wade know that this system is not sustainable, they were paying out a lot and as we have seen the political protection has its expiry date.”*

*...But the way it is going [the investigations] it may be negative for the economy and jobs. You cannot have change overnight especially when it comes to corruption... you cannot have a rupture.”<sup>25</sup>*

The financial position restrains the government’s plans to boost the economy. The government is committed to reduce public spending after high levels in recent years to finance Wade’s large infrastructure projects. The Economy and Finance Minister **Amadou Kane** pledged to reduce the budget deficit from 8.2% of gross domestic product (GDP) to 6.4%, as part of an **International Monetary Fund (IMF)** program<sup>26</sup>. *“People say at least we have the infrastructure [referring to Wade’s numerous large projects] but it was all debt and we are paying for it now.* However, President Sall ordered his government to start a number of measures to stimulate the economy and employment, including:

- A new industrial policy with a focus on agribusiness to reduce imports<sup>27</sup>;
- Prepare a tender for a fourth mobile telecommunications operator<sup>28</sup>;
- Position the country as a West African hub for Islamic finance;

## **Security remains stable**

An effective government response reduces the risk of security incidents as a result of a spillover of the **Mali** crisis. President Sall has increased border security since the French military intervention in Mali started on 11 January<sup>29</sup>. He strongly backed the intervention and Dakar played a key role as a logistics hub, triggering fears of a retaliation attack by Islamist militants. There are no reported incidents. However, on 22 February the US embassy warned its citizens of a bomb threat in the downtown **Plateau** business district. A Mauritanian and Malian were also detained in **Velingara, Kolda** region, on 15 February over terrorist links<sup>30</sup>.

Sporadic attacks continue in the southern Casamance region. Criminals operating under the rebel **Mouvement des Forces Démocratiques de Casamance (MFDC)** attacked the **Crédit Mutuel**

<sup>25</sup> Source, political analyst, Senegal

<sup>26</sup> APS, 1 February 2013

<sup>27</sup> Jeune Afrique, 18 March 2013

<sup>28</sup> Jeune Afrique, 12 March 2013

<sup>29</sup> Local sources and Reuters, 8 March 2013

<sup>30</sup> Reuters, 15 February 2013



**Agency in Kafountine** on 2 February. Clashes with security forces following the incident resulted in four dead. A French national who died in Kafountine on the same day was not involved in the rebel incident as mistakenly reported in several press articles<sup>31</sup>.

The challenging economic situation has led to an increase in crime in Dakar. There are several reports of robberies along la corniche, the road linking the Plateau business district to the expatriate seaside areas on **Mermoz, Almadies, Ngor** and **Virage**.

## **Implications**

The corruption investigations increase reputation risk for companies operating in Senegal due to the ongoing threat of being implicated in the proceedings against former officials. As one journalist source says, *“Both sides are seeking to manipulate public opinion and leaking information to the press...true and false”*. New investigations are appearing daily in the local media and the corruption story is now on the radar of international media.

Karim’s extensive local and international business networks spanning from Morocco, to Europe, the US and across West Africa will place pressure on the Senegalese government to stop his prosecution. A backlash from this business network is probable – they will withdraw or stall some investment in Senegal, particularly due to the fear of being targeted in investigations.

President Sall is in a difficult situation. Politically, he needs to move ahead with the investigation and get prosecutions to assure his supporters. However, along with negatively impacting the business sector, the PDS will organise small but violent demonstrations and some local political violence is also expected particularly if Karim is prosecuted and jailed.

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<sup>31</sup> Jeune Afrique, 7 February 2013