

AFRICA RISK CONSULTING

Senegal Monthly Briefing May 2022

Senegal Summary 23 May 2022

The Direction générale des élections (DGE) (general directorate of elections) verifies the sponsorship of eight coalitions ahead of the 31 July legislative elections. The Conseil des Ministres (council of ministers) votes to adopt the Projet de Loi de finances rectificative (Lfr), an amendment to the 2022 budget, increasing it by 357.7 billion FCFA (\$577m) to 5,567.71 billion FCFA (\$8.29 billion). The International Monetary Fund (IMF) has completed its fifth review under the Economic Policy Coordination Instrument and the second review under the Stand-By Arrangement and Standby Credit Facility (SCF). German government officials announce the schedule for the inaugural visit to Senegal of German chancellor Olaf Scholz (2021-present), which includes discussion of Germany helping to explore an offshore gas field.

DGE confirms candidates for legislative elections

The **Direction générale des élections (DGE)** (general directorate of elections) has verified the sponsorship of eight coalitions ahead of **Senegal's** 31 July legislative elections to elect deputies for a five-year term.¹ Coalitions had to submit their candidacies by midnight on 8 May. In total, 15 coalitions filed for candidacy; however, only eight will go on to stand in the election. The remaining eight coalitions still need to go through the legal verification process before the final list is released. These include:

- **Bokk Gis Gis/Ligueey**
- **AAR Senegal**
- **Benno Bokk Yakaar**
- **Yewwi Askan Wi**
- **Naatangue**
- **Wallu Senegal**
- **Bunti-Bi**
- **Servants²**

In a surprising move, the Yewwi Askan Wi coalition of opposition leader **Ousmane Sonko** and the Wallu Sénégal coalition of former president **Abdoulaye Wade** (2000-2012) have negotiated an agreement that will see the two join forces ahead of the election.³ Opting to not compete against each other will increase the chances of Senegal's two largest opposition coalitions to win additional seats. However, the two parties still need to pass the legal compliance process before they are guaranteed candidates for the election. In the 2017 legislative election, Benno Bokk Yakaar, the ruling coalition backed by President **Macky Sall** (2012-present), won 125 national assembly seats out of 165.⁴

During the meeting of the **Conseil des Ministres** (council of ministers) on 11 May, Sall invited his government to ensure the proper and smooth running of preparations for the elections and the elections themselves.⁵ While less significant than the presidential election, the legislative elections will nonetheless impact Senegal's reputation as a democratic beacon in the unstable **West Africa** region, which has seen several coups in the last two years.⁶

¹ Lesoleil.sn, 12 May 2022

² Lesoleil.sn, 13 May 2022

³ Africanews, 11 May 2022

⁴ Africanews, 11 May 2022

⁵ Lesoleil.sn, 13 May 2022

⁶ ARC Senegal analyst

2022 budget increased to reflect higher cost of living

The Conseil des ministres voted on 11 May to adopt the **Projet de Loi de finances rectificative (Lfr)**, an amendment to the 2022 budget, increasing it by 357.7 billion FCFA (\$577m) to 5,567.71 billion FCFA (\$8.29 billion). The Conseil des ministres said the budget amendment took into account the increase in monetary transfers to vulnerable populations, energy subsidies and support for food product prices, “with a view to strengthening the purchasing power of households”.⁷ Finance and budget minister **Abdoulaye Daouda Diallo** presented the amendment to the cabinet on 11 My, noting that several factors had contributed to the budget amendment.⁸ These include a 150 billion FCFA (\$241m) increase in energy subsidies from the 150 billion FCFA (\$241m) subsidy already planned, as well as 73.5 billion FCFA (\$118m) dedicated to security issues, 157 billion FCFA (\$253m) to support the increasing price of basic necessities and salary increases of 120 billion FCFA (\$193m).⁹

The cost of living in Senegal continues to climb, with inflation reaching 7% year-on-year in April, compared to 6.2% in March, the highest inflation rate since October 2008.¹⁰ Higher food prices were the most significant contributor, increasing by 11.4% in April, compared to a 10.2% increase in food prices in March. Petroleum minister **Sophie Gladima** reassured the public on 29 April that there would be no increase in the price of hydrocarbons in May¹¹ after national electricity company **Senelec** asked the government for a 170 billion FCFA (\$273m) subsidy to deal with increasing hydrocarbons prices.¹²

Two days before the Conseil des ministres voted on the budget amendment bill, President Sall launched emergency cash transfers to households that have been hit hardest by the lingering economic impacts of the **Covid-19** pandemic and the ongoing **Russia-Ukraine** conflict.¹³ Sall announced that 542,956 households would receive a total of 43.4 billion FCFA (\$69.9m) from the government, equating to 80,000 FCFA (\$128) per household. The project has been funded by the **World Bank** and other donors including **Germany** and the **United Kingdom (UK)**. The amendment to the 2022 budget will increase the fiscal deficit, reaching 6.2% of gross domestic product (GDP), rather than 4.8% as initially forecasted.¹⁴

IMF loan agreement reached

The **International Monetary Fund (IMF)** has completed its fifth review under Senegal’s **Economic Policy Coordination Instrument** and the second review under the **Stand-By Arrangement and Standby Credit Facility (SCF)**.¹⁵ IMF staff reached an agreement with Senegal that would allow increased access to resources from the SCF, amounting to \$217m. The reviews have been submitted to the IMF Executive Board for approval in late June, successful completion of which will allow Senegal to receive the financial support.¹⁶

Increased access to financial resources aims to help Senegal address the impact of rising fuel and food prices, which the Russia-Ukraine conflict has exacerbated. The loan will also help compensate for the slowdown of trade with **Mali**, Senegal’s main trading partner, which is still facing sanctions by the **Economic Community of West African States (ECOWAS)**.¹⁷ The IMF said the loan would help by “avoiding budgetary slippages and ensuring that the budgetary deficit always converges towards 3% of

⁷ Le Quotidien, 12 May 2022

⁸ APS, 11 May 2022

⁹ Lejecos, 23 May 2022

¹⁰ Sika Finance, 12 May 2022

¹¹ Lejecos, 29 Apr 2022

¹² Agence Ecofin, 29 Apr 2022

¹³ Africanews, 11 May 2022

¹⁴ IMF.org, 19 May 2022

¹⁵ IMF.org, 19 May 2022

¹⁶ IMF.org, 19 May 2022

¹⁷ Reuters, 20 May 2022

GDP by 2024".¹⁸ The IMF has also lowered its economic growth projection for Senegal, from 5.5% to 5%, citing the impact of higher fuel and food prices.

Senegal has continued to make progress in implementing its IMF-support programme approved in June 2021 (see *ARC Briefing Senegal June 2021*) as commended by **Edward Gemayel**, who led the discussions on behalf of the IMF in both **Washington (United States)** and **Dakar**. At the end of December, the government had met all performance criteria bar one tax revenue, which was not met partly due to the limited implementation of tax measures in 2021. One of three indicative targets has been met as well as four of the eight structural benchmarks set.¹⁹ The government has also committed to revising the public procurement code, aimed at reducing the number of public contracts concluded with limited or no competition. The IMF also praised the government's continuing efforts to align its anti-money laundering and terrorism financing frameworks with international standards.

Germany and Senegal build ties as European countries turn to Senegal for gas

German government officials announced on 20 May the schedule for the inaugural visit of German chancellor **Olaf Scholz** (2021-present) to Senegal from 22-25 May. The visit will include discussions on Germany helping Senegal to explore an offshore gas field,²⁰ as well as possible cooperation on renewable energy development, an area in which Senegal has already begun investing.²¹ Germany also announced its **G7** summit guest invitations on 2 May, which have been extended to Senegal, **South Africa, India** and **Indonesia**.²² The conference will be held from 26-28 June.

The visit and increase in ties between the two countries come as **European** nations look to alternative oil and gas suppliers after the Russia-Ukraine conflict has cut them off from their largest supplier, Russia.²³ Russia was supplying Europe with 39% of its gas before the conflict. Germany is specifically turning to West Africa to renew its supplies, as is most of the **European Union**. With gas production set to begin in 2023 for some fields, Senegal is looking to sell its gas to the highest bidder.

Senegal is viewed as a safer bet than most other West African countries from a longer-term risk perspective. Senegal has a greater level of political stability and has increasingly invested in solar and wind as renewable energy sources, allowing its energy mix to be one-third renewable.²⁴ The government announced plans on 16 May to continue its transition to clean energy by running the **Karpowership** floating power station, **Karadeniz Powership Ayşegül Sultan**, on imported gas instead of fuel.²⁵

¹⁸ Agence Ecofin, 21 May 2022

¹⁹ IMF.org, 19 May 2022

²⁰ Reuters, 20 May 2022

²¹ Reuters, 22 May 2022

²² Reuters, 2 May 2022

²³ The Washington Post, 13 May 2022

²⁴ The Washington Post, 13 May 2022

²⁵ Agence Ecofin, 13 May 2022

Planner

26-28 June 2022 **Schloss Elmau, Bavaria (Germany) G7** summit;

31 July 2022 **(Senegal)** Legislative elections;

2022 **(Senegal) Sangomar** offshore oil field: production of crude oil set to begin;

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

Chronology

23 May 2022 **Diamniadio (Senegal) Agence Ecofin**. President **Macky Sall** in his role as the head of the **African Union (AU)** has received a mandate from fellow **African** leaders to visit **Russia** and **Ukraine** to discuss the ongoing conflict;

20 May 2022 **Dakar (Senegal) Sika Finance**. **Banque Ouest Africaine de Développement (West African Development Bank)** grants Senegal a loan of 31.65 billion FCFA (\$40m) for two development projects in the water, education and energy sectors;

20 May 2022 **Abuja (Nigeria) Sika Finance**. Senegal raises 35 billion FCFA (\$56m) on the **Union économique et monétaire ouest-africaine (UEMOA) (West African monetary union)** market;

19 May 2022 **Dakar (Senegal) Agence Ecofin**. **Canada**-based mining company **Lamgold** has launched the second phase of its exploration investment programme at the **Senala** gold project in **Senegal**;

17 May 2022 **Dakar (Senegal) Agence Ecofin**. Agriculture minister **Moussa Baldé** announces the distribution of 70,000 tons of seeds to farmers ahead of the 2022/2023 farming season;

16 May 2022 **Dakar (Senegal) Agence Ecofin**. Government announces plans to continue its transition to clean energy by running the **Karpowership** floating power station, **Karadeniz Powership Ayşegül Sultan**, on imported gas instead of fuel;

13 May 2022 **Dakar (Senegal) APS**. Finance and budget ministry has revised its budget for 2022 through an amending bill, increasing the budget by 358 billion FCFA (\$568m) to support household purchasing power;

13 May 2022 **Dakar (Senegal) APS**. **Direction Générale des Elections** (director general of elections) has approved the sponsorship verification stage of eight coalitions ahead of the 31 July legislative elections;

12 May 2022 **Dakar (Senegal) Sika Finance**. Inflation reaches 7% in April;

12 May 2022 **Dakar (Senegal) Lejecos**. Senegal is elected to head the **Bureau** of the 54th session of the **Conference of African Ministers of Finance, Planning and Economic Development** of the **Economic Commission for Africa**;

9 May 2022 **Dakar (Senegal) Lesoleil.sn**. Interior ministry director general of elections **Thiendella Fall** confirms the receipt of 15 candidacy files for the legislative elections scheduled for 31 July;

9 May 2022 **Dakar (Senegal) Agence Ecofin**. **United States**-headquartered **Kosmos Energy** announces that the **Greater Tortue Ahmeyim** natural gas liquefaction project, located on the **Senegalese-Mauritanian** maritime border, is 75% complete, with production expected to begin in 2023;

8 May 2022 **Dakar (Senegal) Sika Finance**. **Direction de la Prévision et des Études Économiques** (department of economic forecasting and studies) reports that Senegal's budget deficit increased by 209.4 billion FCFA (\$336m) in the first quarter of 2022;

29 Apr 2022 **Dakar (Senegal) Lejecos**. Petroleum minister **Sophie Gladima** reassures the public that there will be no increase in the price of hydrocarbons in May;

29 Apr 2022 **Dakar (Senegal)** *Agence Ecofin*. National electricity company **Senelec** asks for a 170 billion FCFA (\$273m) subsidy from the government to deal with increasing hydrocarbons prices;

28 Apr 2022 **Dakar (Senegal)** *Lejecos*. Finance minister **Abdoulaye Daouda Diallo** returns from a trip to **Washington (United States)** with budget support of 180 billion FCFA (\$288m) from the **World Bank**;

28 Apr 2022 **Dakar (Senegal)** *Agence de Press Senegalaise*. The **Train Express Regional**, which links Dakar and **Diarnadio**, has generated approximately 3 billion FCFA (\$3m) in revenue, 100 days after its launch;

25 Apr 2022 **Dakar (Senegal)** *Lejecos*. Shipments of diesel and gasoline have arrived at the **Dakar** oil terminal, protecting the domestic market from shortages;

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