

AFRICA RISK CONSULTING

Country briefing – Senegal

24 December 2013

1.1 Summary

President Macky Sall reshuffles the presidency in a bid to boost foreign investment. The outgoing advisors highlight divisions and poor coordination in the president's office. Sall orders his advisors to finalise an economic policy document, before a February 2014 donor and investor conference in Paris. Prime Minister Touré, who has more support than Sall manages day-to-day government. The cost of energy and lack of electricity hold the economy back. There are several energy projects in the pipeline but they will take years to complete. Senegal's Transparency International ranking improves. Its local affiliate Forum Civil says the illicit enrichment investigations are a corruption deterrent. However, the investigations have not followed judicial process or brought cases before the courts.

1.2 Sall reshuffles the presidency to attract investment

A reshuffle in the presidency underlines President **Macky Sall** (2012 -)'s urgent need improve the economy amid declining electoral support. The recent departures indicate that, like government, the presidency is fractured and lacks coordination. On 20 November **Moubarack Lô**, the deputy director of the presidency thought to be in charge of development strategy and regional integration, resigned. The **Harvard**-trained economist was a key member of Sall's 2012 election campaign team.¹ Lô's departure confirmed "frustrations" in the presidency.² He allegedly "did not appreciate" presidency chief of staff **Abdou Aziz Tall** and director of policy **Mahmouh Saleh**, who are close to **Tanor Dieng**, a longstanding political figure who supported Sall in the second round presidential election in 2012 and became a member of Sall's fractured ruling alliance, **Benno Bokk Yakaar (BBY)**. Lô told the press he was "not here to support someone" and that "many advisors are appointed to do nothing in the

¹ Le Quotidien, 21 November 2013

² Direct Info, 21 November 2013

presidency”³. A Francophone journalist agreed, “A lot of advisors were appointed as a reward for support in the 2012 election”.

Other departures from the presidency in November included **Youssou Ndour**, the musician, media mogul and former culture and tourism minister in Sall’s first government (April 2012 – September 2013). Ndour also joined Sall’s 2012 election campaign and the BBY coalition.⁴ **Jacques Diouf**, a food security technocrat and former head of the **Food and Agricultural Organisation**, also left in September 2013 to pursue his own projects.

Sall was described as “*isolated*” after he arrived in Paris on 4 December for the **France-Afrique Summit** with a “*diminished entourage... his political strategists and intellectual allies were absent*”.⁵ Sall has directed his remaining team to finalise a new economic policy, **Plan Sénégal Emergent (PSE)**, in order to attract foreign investment.⁶ He plans to use the policy document to secure investor and donor support at a **Groupe Consultatif de Paris** - roundtable conference in February 2014. Lô had previously led the \$5m PSE project with the assistance of consulting firm **McKinsey**. However, he criticised the team working on the project, comprising McKinsey and Senegalese abroad, saying he preferred to assemble his own team of locals.⁷ On 4 December the government spokesman **Abdou Latif Coulibaly** said that the PSE plan could create some one million jobs.

The key advisors retained in the presidency include:

- **Amadou Hott**, a special advisor to the president, CEO of the sovereign wealth fund **Fonds Souverain d’Investissement Stratégique (Fonsis)**, and chairman of **Aéroport International Blaise Diagne (AIBD)**, the new airport project at **Diass** outside **Dakar**.⁸ Hott is a respected 40-year-old former head of **UBA Capital**. Sall has tasked him to finance and complete AIBD by the end of 2014. Hott says that Fonsis plans to invest in businesses and major projects to revitalise the economy, including a potential investment in the **Falémé** iron

³ Quoted in Le Quotidien, 21 November 2013

⁴ Senogo, 14 November 2013

⁵ Africa Confidential, 13 December 2013

⁶ See ARC Senegal briefing November 2013

⁷ Africa Confidential, 13 December 2013

⁸ See ARC Senegal Briefing June 2013

ore project.⁹ Fonsis currently has \$12m funding and is allegedly modeled on Malaysia's **Khazanah** fund.¹⁰

- **Mountaga Sy**, whom Sall appointed CEO of the investment promotion and large projects body **Agence Nationale pour la Promotion des Investissements et des Grands Travaux (APIX)** in September 2013. He was formerly part of the **European** division of **United States (US)**-based **Crown Capital Group**. He is “*actively*” working to organise meetings with foreign investors around the **Groupe Consultatif de Paris** in February.¹¹
- **Mamadou Fall Kane**, economics and finance advisor. A graduate of the **Polytechnique de Sciences-Po Paris**, he “*coordinates the presidency*” and is working with McKinsey and the ministries on the PSE policy document.¹²

With the presidency focused on attracting investment, Sall has entrusted day-to-day management of the government to Prime Minister **Aminata Touré**.¹³ She will have full responsibility to deal with national crises, after criticism from the electorate on Sall and the government's handling of the water crisis in September 2013¹⁴ and a drug scandal involving police complicity revealed in July 2013.¹⁵ “*The new PM [Touré] has stronger political backing [than Sall] and this should help*”.¹⁶ Touré says her priorities are agriculture and youth employment.¹⁷

1.3 The energy sector holds back the economy

The cost of energy and lack of electricity production continue to be the main impediment to economic growth. In November the prudent 2014 budget secured the support of leading donors.¹⁸ The government further reduced expenses by suspending the wages of 11,000 “ghost” public sector employees on 12 December following an audit of the civil service.¹⁹ However, the Sall administration has failed to launch several energy projects in the pipeline to alleviate the drain on public finances of reliance on diesel generated sources of electricity.²⁰ Thus, the state electricity company **Société Nationale d'Électricité du Sénégal (Senelec)** continues to face financial and management

⁹ See ARC Senegal briefing October 2013

¹⁰ Jeune Afrique 21 November 2013

¹¹ Jeune Afrique 21 November 2013

¹² Jeune Afrique 21 November 2013

¹³ Several sources, including a lead economist for an international institution, Senegal

¹⁴ See ARC Senegal briefing September 2013

¹⁵ See ARC Senegal briefing July 2013

¹⁶ Source, lead economist for an international institution, Senegal

¹⁷ Interview with Jeune Afrique, 4 December 2013

¹⁸ See ARC Senegal briefing November 2013

¹⁹ APA News, 12 December 2013

²⁰ See ARC Senegal briefing October 2013

difficulties and politically sensitive power cuts remain common. The government's proposed energy projects include:

- **Sendou 1:** a 125 megawatt (MW) coal power plant at **Bargny Minam** village, 32km from **Dakar**. With **African Development Bank (AfDB)** support the project was originally tendered in 2007.²¹ The **World Bank** is also supporting the project.

"Finally this major project has been launched and construction will soon start. The government is saying it will come online in two years, but three years is more realistic".²²

- Gas-fired electricity imports from **Mauritania**: Sall met his Mauritanian counterpart President **Mohamed Ould Abdel Aziz** on 10-11 September 2013 in **Nouakchott**.²³ A joint statement followed, saying that Mauritania would sell 80MW, possibly increasing to 120MW, at cost price from March 2015, although final costs and completion dates were not set.

"This could happen quickly and significantly improve the situation. But confidence building on both sides is needed. Mauritania knows that Senelec is not in good shape financially and is worried about payment. Senegal is not sure if it can rely on Mauritania for something as crucial as electricity".²⁴

- **Tobène**, an 87MW thermal power plant located in **Taiba Ndiaye**, 90km north east of Dakar.²⁵ **Melec Powergen**, a subsidiary of **Lebanese** group **Matelec**, leads the project. The **International Finance Corporation (IFC)** is considering investing \$126m, and the project is expected to cost \$163m.²⁶ The project will be presented to the IFC board in late December.²⁷ On 18 December the **Banque Ouest-Africaine de Développement (BOAD)** approved a \$20m (CFA9.745 billion) loan for the project.
- **Liquefied Natural Gas (LNG) terminal:** A Senelec document released in November 2013 confirmed it had launched a tender for a three-month study to consider an LNG project. The scoping study will allegedly be released in June 2014.²⁸

1.4 Senegal improves position on the Corruption Perceptions Index (CPI)

²¹ AfDB, August 2009

²² Source, lead economist for an international institution, Senegal

²³ AFP, 12 September 2013

²⁴ Source, lead economist for an international institution, Senegal

²⁵ World Bank, 26 June 2013

²⁶ Jeune Afrique, 18 November 2013

²⁷ Source, lead economist for an international institution, Senegal

²⁸ Reuters, 14 November 2013

Transparency International ranked Senegal 77th out of 177 countries on its 2013 **Corruption Perceptions Index (CPI)** with a score of 41 out of 100²⁹, released on 4 December. The 2013 ranking is an improvement on the 2012 ranking of 94th out of 174 countries with a score of 36 out of 100. The CPI measures perceived levels of public sector corruption. **Botswana** was the best ranking African country placed 30th, followed by **Rwanda** placed 49th, while **Ghana** was the best placed **West African** country at 63rd.

Transparency International's Senegalese affiliate organisation **Forum Civil** welcomed the improvement. It pointed to the illicit enrichment investigation against former officials, saying the government's priority programme since taking office had a "*deterrent effect*" on political leaders and administrators to engage in corruption.³⁰ However, several political, business and journalist sources allege that the illicit enrichment investigations have not followed judicial process and note that none of the investigations have been brought before the Senegalese courts. Forum Civil also said that the anti-corruption body **Office National de Lutte Contre la Fraude et la Corruption (OFNAC)** had decreased corruption. However, on 12 December it said that the OFNAC was still not operational and only two of its twelve members had been appointed, one year after legislation was passed to establish the office.³¹ It said that the legal framework allowed OFNAC to launch investigations and operate independently. Several sources confirmed that Sall personally oversaw the illicit enrichment investigations into former officials.

Forum Civil has also questioned the Sall government on several occasions. It criticised the award of a project to construct an international centre for the **15th Francophonie Summit** in November 2014 without a tender³². It also questioned the presidency's procurement of vehicles in August 2012.³³ Forum Civil is now lobbying for a law "*to prevent conflicts of interest*" and expanding a mandatory declaration of assets to all political parties.³⁴

²⁹ 0 means that a country is perceived as highly corrupt and 100 means it is perceived as very clean, according to Transparency International

³⁰ Le Soleil, 4 December 2013

³¹ RFI, 13 December 2013

³² RFI, 5 May 2013

³³ Enquete Plus, 30 January 2013

³⁴ Le Soleil, 4 December 2013

Implications

The departures in the presidency highlight further divisions and a lack of coordination which has characterised the Sall administration. However, some of the departures signal Sall's intent to remove political appointments from his office and to focus on advisors with expertise in attracting investment. That said, question marks remain over the retained advisors' ability to attract investment and launch major projects. The Plan Sénégal Emergent (PSE) follows the **Stratégie Nationale de Développement Economique et Social (SNDES)** for the period 2013 – 2017, although its implementation has been delayed and it remains unclear how the two strategy documents will be coordinated.

Sall's delegation of day-to-day management of the government to Prime Minister Touré may improve government cohesion and efficiency. However, it will place Sall in an increasingly isolated position, particularly in the eyes of the electorate, and award Touré with her own political platform.

The delay in launching major energy projects is a large default of the Sall government. As noted in *ARC Senegal November Briefing*, the cost of energy is a drain on public finances. In the long-term, the launch of the Sendou 1 and Tobène projects will alleviate the situation; however, investors are waiting on the sidelines for the government to provide a clearer and more strategic approach to energy policy.

The improvement in the Corruption Perceptions Index is welcomed, following Senegal's poor *Doing Business* ranking released in October. However, the view within the business community is that the illicit enrichment investigations into former officials are politicised and flawed. The process has lacked independence and as a result has had a negative effect on the business climate. The increased activism of campaigners such as Forum Civil will translate into increased scrutiny of relationships between business and political figures.