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1 Background

The French colonies of Senegal and the French Sudan were merged in 1959 and granted their independence as the Mali Federation in 1960. The union broke up after only a few months.

Senegal joined with The Gambia to form the nominal confederation of Senegambia in 1982. The envisaged integration of the two countries was never carried out, and the union was dissolved in 1989. The Movement of

Democratic Forces in the Casamance (MFDC) has led a low-level separatist insurgency in southern Senegal since the 1980s, and several peace deals have failed to resolve the conflict. Nevertheless, Senegal remains one of the most stable democracies in Africa and has a long history of participating in international peacekeeping and regional mediation.

Senegal was ruled by a Socialist Party for 40 years until Abdoulaye Wade was elected President in 2000. He was re-elected in 2007 and during his two terms amended Senegal's constitution over a dozen times to increase executive power and to weaken the opposition. His attempt to change the constitution in June 2011 prompted large public protests and his decision to run for a third presidential term sparked a large public backlash that led to his defeat in a March 2012 runoff election with Macky Sall.



2 Population

2.1 Population figures

Senegal has a population of 12,969,606 (July 2012 est.).

Density in the rural areas of Senegal varies from about 77 inhabitants per square kilometre in the west-central region to 2 per square kilometre in the arid eastern section.

According to the World Refugee Survey 2008, published by the U.S. Committee for Refugees and Immigrants, Senegal has a population of refugees and asylum seekers numbering approximately 23,800 in 2007. The majority of this population (20,200) is from Mauritania. Refugees live in N'dioum, Dodel, and small settlements along the Senegal River valley

2.2 Population growth rate

2.532% (2012 est.)

2.3 Age structure (2012 estimates)

	Total percentage	Male	Female
0 – 14 years	43.3%	2,748,457	2,722,633
15 – 64 years	53.9%	3,200,056	3,611,173
65 years and over	2.9%	166,577	194,903

Source: CIA World Factbook

2.4 Gender ratios (2012 estimates)

Under 15 years	1.01 male / female
15 – 64 years	0.89 male / female
65 years and over	0.85 male / female
Total population	0.94 male / female

Source: CIA World Factbook

2.5 Life expectancy (2012 estimates)

Total population	60.18 years
Male	58.22 years
Female	62.19 years

Source: CIA World Factbook

2.6 Ethnic groups

Senegal has a wide variety of ethnic groups and, as in most West African countries, several languages are widely spoken. The Wolof are the largest single ethnic group in Senegal at 43%; the Fula and Toucouleur (also known as Halpulaar'en, literally "Pulaar-speakers") (24%) are the second biggest group, followed by the Serer (14.7%), then others such as Jola (4%), Mandinka (3%), Maures or (Naarkajors), Soninke, Bassari and many smaller communities (9%).

About 50,000 Europeans (mostly French) and Lebanese as well as smaller numbers of Mauritians and Moroccans reside in Senegal, mainly in the cities. The majority of Lebanese work in commerce. Also located primarily in urban settings are small Vietnamese communities as well as a growing number of Chinese immigrant traders, each numbering perhaps a few hundred people. There are also tens of thousands of Mauritanian refugees in Senegal, primarily in the country's north

2.7 Language

French is the official language, used regularly by a minority of Senegalese educated in a system styled upon the colonial-era schools of French origin (Koranic schools are even more popular, but Arabic is not widely spoken outside of this context of recitation). Most people also speak their own ethnic language while, especially in Dakar, Wolof is the lingua franca. Pulaar is spoken by the Fulas and Toucouleur. The Serer language is widely spoken by Serers and non-Serers (including president Sall, whose mother and wife are Serers), so are the Cangin languages, whose speakers are ethnically Serers.

Portuguese Creole is a prominent minority language in Ziguinchor, regional capital of the Casamance, where some residents speak Kriol, primarily spoken in Guinea-Bissau. Cape Verdeans speak their native creole, Cape Verdean Creole, and standard Portuguese.

French language considered until now as the only official language in the country is facing a massive fall back, as a consequence of a rising Senegalese Nationalism, which supports the reintegration of wolof language, the original language of the people of Senegal, in the national constitution as the unique official language.

2.8 Religion

Islam is the predominant religion in the country. Islam is practiced by approximately 94% of the country's population; the Christian community, at 5% of the population, includes Roman Catholics and diverse Protestant denominations. There is also a 1% population who maintain animism in their beliefs, particularly in the south-eastern region of the country. Many Serer people follow the Serer religion.

2.9 Education

Articles 21 and 22 of the Constitution adopted in January 2001 guarantee access to education for all children. Education is compulsory and free up to the age of 16. The Ministry of Labour has indicated that the public school system is unable to cope with the number of children that must enrol each year. Illiteracy is high, particularly among women.

2.10 Health

The healthcare system in Senegal operates through city and regional hospitals, district health centres and health posts.

A good level of medical treatment is generally available in the capital, with many of the country's doctors working in Dakar. However, rural areas suffer from a shortage of medical personnel. The health workers and midwives who staff the country's health posts often have to cope with a shortage of equipment.

The government of Senegal spends nearly 12% of its budget on healthcare. This spending has funded national initiatives to combat malaria and AIDS, as well as an immunisation programme for under-fives and family planning/reproduction services. Despite these programmes, nearly one child in 11 dies before the age of five in Senegal. Due to widespread poverty, many children suffer from malnutrition. This makes it much harder for them to recover from illnesses such as respiratory infections and malaria.

3 Economy

Senegal relies heavily on donor assistance. The country's key export industries are phosphate mining, fertilizer production, and commercial fishing. The country is also working on iron ore and oil exploration projects.

In January 1994, Senegal undertook a bold and ambitious economic reform programme with the support of the international donor community. Government price controls and subsidies have been steadily dismantled. After seeing its economy contract by 2.1% in 1993, Senegal made an important turnaround, thanks to the reform programme, with real growth in GDP averaging over 5% annually during 1995-2007. Annual inflation had been pushed down to the single digits. The country was adversely affected by the global economic downturn in 2009, when GDP growth fell to 2.2%.

As a member of the West African Economic and Monetary Union, Senegal is working toward greater regional integration with a unified external tariff and a more stable monetary policy. High unemployment, however, continues to prompt migrants to flee Senegal in search of better job opportunities in Europe.

Under the IMF's Highly Indebted Poor Countries (HIPC) debt relief programme, Senegal benefited from eradication of two-thirds of its bilateral, multilateral, and private-sector debt. In 2007, Senegal and the IMF agreed to a new, non-disbursing, Policy Support Initiative programme which was completed in 2010. The IMF approved a new three-year policy support instrument in December 2010 to assist with economic reforms.

Senegal receives disbursements from the US\$540 million Millennium Challenge Account compact it signed in September 2009 for infrastructure and agriculture development. In 2010, the Senegalese people protested against frequent power cuts. The government pledged to expand power capacity by 2012 and to promote renewable energy, but until Senegal has more capacity, more protests are likely. Foreign investment in Senegal is retarded by Senegal's unfriendly business environment.



3.1 Latest Economic indicators

	2010		2011				2012	
	3 Qtr	4 Qtr	1 Qtr	2 Qtr	3 Qtr	4 Qtr	1 Qtr	2 Qtr
Prices								
Consumer prices (2005=100)	112.1	115.7	117.2	117.3	117.2	119	120.4	119.8
Consumer prices (% change, year on year)	0	2.5	3.1	3.6	4.6	2.9	2.7	2.2
Financial indicators								
Exchange rate CFAfr:US\$ (av)	516.3	508	482.9	480.1	455.8	464.9	486.7	500.4
Exchange rate CFAfr:US\$ (end-period)	534.6	480.6	490.9	461.7	453.9	485.8	507	491.1
Deposit rate (av; %)	3.5	3.5	3.5	3.5	3.5	3.5	3.5	3.5
Bank rate (end-period; %)	4.3	4.3	4.3	4.3	4.3	4.3	4.3	4.3
Money market rate (av; %)	3.3	3.3	3.4	3.3	3.3	3.3	3.3	3.3
M1 (end-period; CFAfr bn)	1,425	1,429	1,549	1,621	1,610	1,681	1,650	1,705.0
M1 (% change, year on year)	10	9.9	13.3	17.4	13	17.7	6.5	5.2
M2 (end-period; CFAfr bn)	2,337	2,399	2,540	2,611	2,571	2,700	2,712	2,751.7
M2 (% change, year on year)	10.8	12.8	13.7	14	10	12.5	6.8	5.4
Foreign trade (CFAfr bn)								
Exports fob	255	243	251	285	289	284	280	318
Imports cif	-535	-597	-521	-551	-514	-758	-722	-751
Trade balance	-280	-355	-269	-265	-225	-474	-442	-433
Foreign reserves (US\$ m)								
Reserves (end-period)	1,921	2,016	2,048	2,206	2,552	2,454	1,946	2,090

Source: Economist Intelligence Unit

3.2 Five-year forecast summary

(% unless otherwise indicated)

	2011 (a)	2012 (b)	2013 (b)	2014 (b)	2015	2016 (b)
Real GDP growth	2	3.9	4.6	4.6	4.7	5
Industrial production growth	3.7	4.4	5.4	6.4	7.4	8.4
Gross agricultural production growth	-12.2	3.3	4.1	-0.9	2.2	1.8
Consumer price inflation (av)	3.4	2.5	3.2	3	2.6	2.4
Lending rate	14.5	14.5	14.4	14.3	15	14
Government balance (% of GDP)	-7.5	-6.1	-5.4	-5.2	-4.8	-4.6
Exports of goods fob (US\$ m)	2,417	2,480	2,472	2,492	2,647	2,801
Imports of goods fob (US\$ m)	-5,399	-5,039	-4,970	-5,071	-5,343	-5,594
Current-account balance (US\$ m)	-1,685	-1,206	-1,135	-1,141	-1,218	-1,298
Current-account balance (% of GDP)	-13	-9.6	-8.6	-8.2	-8.1	-7.9
External debt (year-end; US\$ m)	4,402	4,677	4,995	5,314	5,658	6,029
Exchange rate CFAfr:US\$ (av)	471.2	514.5	529	534.4	530.1	520.6
Exchange rate CFAfr:¥100 (av)	590.7	666	657.4	660	646.6	627.5
Exchange rate CFAfr:€ (end-period)	656	656	656	656	656	656
Exchange rate CFAfr:SDR (end-period)	778.7	804.2	809.9	801.8	796.6	792.4

a) Economist Intelligence Unit estimates; b) Economist Intelligence Unit forecasts

Source: Economist Intelligence Unit

3.3 Annual trends

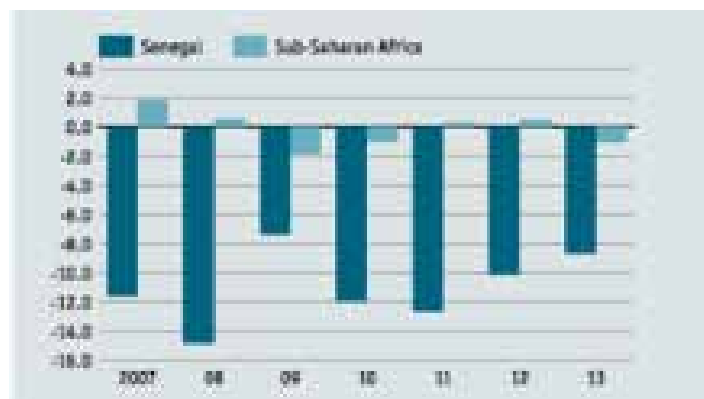
Real GDP growth (% change)



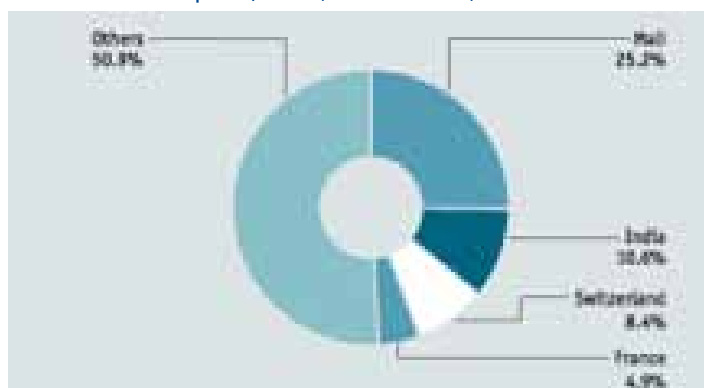
Consumer price inflation (av %)



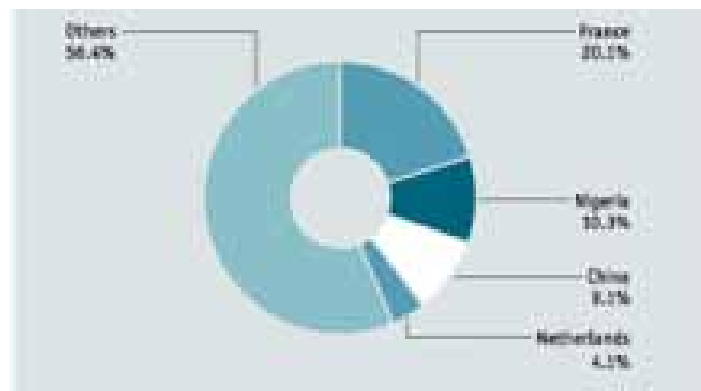
Current account balance (% GDP)



Destination of exports, 2010 (share of total)



Origin of imports, 2010 (share of total)



Source: Economist Intelligence Unit

4 Government and Politics

4.1 Political structure

Official name

République du Sénégal

Form of state

Unitary republic

Legal system

The legal system is based on the Napoleonic Code and the constitution of January 2001.

National legislature

National Assembly, with 150 members elected for five years by universal suffrage in a mixed system of first-past-the-post and proportional representation.

Head of State

The Head of State is the President, elected by universal suffrage, currently serves a five-year term of office and may stand for re-election once.

National elections

The last presidential elections were held in February/March 2012. The last legislative elections were held in June 2007. The next presidential election is due in 2017, and parliamentary election in mid-2012.

National government

The President and his Council of Ministers.

Main political parties

- Parti démocratique sénégalais (PDS, the dominant party in the National Assembly)
- Alliance des forces de progrès (AFP)
- Parti socialiste (PS)
- Union pour le renouveau démocratique (URD)
- And-Jëf/Parti africain pour la démocratie et le socialisme (AJ/PADS)
- Parti de l'indépendance et du travail (PIT)
- Ligue démocratique (LD)
- Rewmi
- Alliance pour la République-Yaakaar (Alliance for the Republic-Hope)

Ministers of state

- President: Macky Sall
- Prime Minister: Abdoul Aziz Mbaye
- Agriculture and Rural Equipment: Benoit Sambou
- Armed Forces: Augustin Tine
- Civil Service and Labour: Mansour Sy
- Communication, Telecommunications and Information Technology: Abou Lô
- Culture and Tourism: Youssou N'Dour
- Ecology and Protection of Nature: Ali Haïdar
- Economy and Finance: Amadou Kane
- Education: Ibrahima Sall
- Energy and Mines: Ngouille Aly Ndiaye
- Fishing and Maritime Affairs: Aminata Mbengue Ndiaye
- Foreign Affairs and Senegalese Diaspora: Alioune Badara Cissé
- Health and Social Action: Eva Marie Coll Seck
- Higher Education, Universities and Research: Serigne Mbaye Thiam
- Infrastructure and Transport: Mor Ngom
- Interior: Mbaye Ndiaye
- Justice: Aminata Touré
- Livestock: Aminata Mbengue Ndiaye
- Planning: Cheikh Bamba Dieye
- Sports: Malick Gakou
- Trade, Industry and Handicrafts: Mata Sy Diallo
- Urbanisation and Housing: Khoudia Mbaye
- Water and Sanitation: Oumar Guèye
- Women, Children and Female Entrepreneurship: Mariama Sarr
- Youth, Professional Training and Employment: Aly Koto Ndiaye
- Governor of the Regional Central Bank (BCEAO): Koné Tiémoko Meyliet

International organisation participation

- | | | |
|--------------------|----------|------------|
| • ACP | • AfDB | • AU |
| • CPLP (associate) | • ECOWAS | • FAO |
| • FZ | • G-15 | • G-77 |
| • IAEA | • IBRD | • ICAO |
| • ICC | • ICRM | • IDA |
| • IDB | • IFAD | • IFC |
| • IFRC | • ILO | • IMF |
| • IMO | • IMSO | • Interpol |
| • IOC | • IOM | • IPU |
| • ISO | • ITSO | • ITU |
| • ITUC | • MIGA, | • MONUSCO |
| • NAM | • OIC | • OIF |
| • OPCW | • PCA | • UN |
| • UNAMID | • UNCTAD | • UNESCO |

- | | | |
|-------------------|----------------|---------|
| • UNIDO | • Union Latina | • UNMIL |
| • UNOCI | • UNWTO | • UPU |
| • WADB (regional) | • WAEMU | • WCO |
| • WFTU | • WHO | • WIPO |
| • WMO | • WTO | |

5 Transport and Communications

5.1 Roads

The system of roads in Senegal is extensive by West African standards, with paved roads reaching each corner of the country and all major towns.

Dakar is the endpoint of three routes in the Trans-African Highway network. These are as follows:

- Cairo-Dakar Highway which crosses the edge of the Sahara
- Dakar-Ndjamena Highway which links the countries of the Sahel, also called the Trans-Sahelian Highway
- Dakar-Lagos Highway running along the West African coast and called by the Economic Community of West African States (ECOWAS) the Trans-West African Coastal Highway (though ECOWAS considers this route to start in Nouakchott, Mauritania)

Senegal's road network links closely with those of the Gambia, since the shortest route between south-western districts on the one hand and west-central and north-western districts on the other is through the Gambia.

5.2 Railways

Senegal has a total of 906 km of railways.

5.3 Ports and harbours

Dakar has one of the largest deep-water seaports along the West African coast. Its deep-draft structure and 640-foot-wide (200 m) access channel allows round-the-clock access to the port. Its current infrastructure includes tanker vessel loading and unloading terminals, a container terminal with a storage capacity of 3000 20-foot-equivalent units, a cereals and fishing port, a dedicated phosphate terminal and a privately run ship repair facility. The port's location at the extreme western point of Africa, at the crossroad of the major sea-lanes linking Europe to South America, makes it a natural port of call for shipping companies.

Total freight traffic averages 10 million metric tons.

5.4 Airports

There are 20 airports in Senegal. The Léopold Sédar Senghor International Airport at Dakar is the hub of the sub-region.

Dakar is linked to numerous African cities by air, and daily flights go to Europe. Delta Air Lines flies daily to/from Atlanta/Dakar/Johannesburg. South African Airways flies daily to New York and Washington, D.C. from Johannesburg via Dakar.

A new international airport which carries the name of Blaise Diagne is under construction at Diass.

5.5 Telecommunications

Senegal's economy has been growing at 5% per annum on average since the mid 1990s and has only moderately been affected by the global economic crisis. Representing around 6% of the country's GDP, the telecom sector is dominated by publicly listed Sonatel, the highly profitable national telco which is now operating under France Telecom's Orange brand following its partial privatisation in 1997. The government is planning to sell part of its remaining stake to other investors.

Sonatel has one of the most efficient telecom networks in West Africa, offering some of the lowest retail and wholesale prices in the region, although they are still high by global standards. The company is also the market leader in the mobile sector which it has shared with Millicom's Sentel GSM (later rebranded Tigo) since 1999.

Competition in the fixed-line sector was introduced when Sudan's Sudatel launched as the second national operator (SNO) in 2009 under the name Espresso. Its licence also includes the country's third mobile concession. The new entrant initially chose CDMA2000 technology to serve both market segments but switched to GSM technology in 2010, including 3G/HSPA mobile broadband.

However, the licensing of new operators has not always been transparent in Senegal. Both Sentel's and Sudatel's licences were awarded under controversial circumstances, and Sentel's licence has been challenged by the government.

Although mobile market penetration has passed the 70% mark, the average revenue per user in Senegal is relatively high. A wide range of value-added services is available to subscribers, including mobile Internet access.

Development of the Internet market has been hampered by Sonatel's monopolistic pricing of bandwidth on the only high-capacity international submarine fibre optic cable serving the country. Despite this, broadband services in Senegal are relatively advanced, including broadband TV (IPTV) and converged triple-play services. Sonatel has progressively reduced its prices following the arrival of a second international fibre optic submarine cable in 2007, with two more scheduled for 2012.

6 Investing in Senegal

Senegal offers investors a relatively stable political environment, democratic institutions, two-day business registration, a relatively robust telecommunications infrastructure, an advantageous geographic location, a major seaport, a stable regional currency - the CFA franc (pegged to the Euro and guaranteed by the French Treasury), easy repatriation of capital and income, and abundant semi-skilled and unskilled human resources. Despite these obvious strengths, overly rigid and demanding labour laws, high factor costs, lack of clear title to property outside the greater Dakar area, an inefficient and inconsistent judiciary, and constraints in obtaining long-term credit from commercial banks have restrained private, foreign and domestic investment. Judicial, tax, customs, and regulatory decisions are frequently slow to be issued, influenced by political considerations, and non-transparent.

The country's Investment Code offers incentives to companies willing to locate off the Cap Verde peninsula. In theory, Senegal accepts binding foreign arbitration of investment disputes. French companies are the largest foreign investors.

6.1 Openness to foreign investment

The Government of Senegal officially welcomes foreign investment, but potential investors, and indeed all businesses, face obstacles, including non-transparent regulation and high factor costs. There is no legal discrimination against businesses and business conducted or owned by foreign investors.

There are no barriers regarding 100 percent ownership of businesses by foreign investors in most sectors. In some key sectors such as electricity, telecommunications, water and mining, and security-related services, foreign investors may have majority control, but may not acquire 100 percent ownership.

In recent years, Senegal has pursued major investment deals with foreign partners, both private and government-controlled companies. Some projects have been offered via public tenders and some have been negotiated privately. Foreign investors have recently secured contracts to exploit mineral resources, provide garbage services, and manage Dakar's maritime port.

A law to enhance transparency in public procurement and public tenders entered into force in 2008. In September 2010 changes made to the public procurement code administered by ARMP (public procurement regulatory body) that excluded procurements by the presidency and ministries in charge of national security were criticised by the both the donor nations and the private sector.

The Government does some screening of proposed investments, mostly to verify compatibility with the country's overall development goals. Foreign investors are encouraged to utilise the "one stop" service of Senegal's Investment Promotion Agency (APIX) for registration and obtaining APIX, Ministry of Economy and Finance, Senegalese Customs, and other approvals needed to secure a business license, which can now be completed in approximately eight days. Depending on the proposed business activity, other approvals from specific Ministries, such as Agriculture and Interior, can take additional time.

There is no provision in Senegalese law permitting domestic businesses to adopt articles of incorporation or association that limit or control foreign investment. There is no pattern of discrimination against foreign firms making investments in Senegal.

Senegal's 2004 Investment Code remains the main body of law regulating foreign investments. The Code provides basic guarantees for the repatriation of profit and capital and equality of treatment. It also specifies tax and customs exemptions according to the size of the investment, classification of the investor (such as small or medium-sized enterprise versus a larger corporation), and location (investments outside of Dakar receive longer periods of exoneration from taxes).

Following recommendations by major donors, Senegal established a Presidential Investors Council (PIC) designed to improve the business climate and reduce obstacles to domestic and foreign private investment. The PIC has had some success in lobbying for certain "pro-business" changes in Senegal's tax code, such as lowering the corporate tax rate from 33 to 25 percent, eliminating the equalization tax on the informal sector, and lowering the VAT on tourist industries from 18 percent to 10 percent.

Both foreign and domestic firms tend to cite the same problems in doing business in Senegal – inefficient regulation and bureaucracy, ineffective commercial courts, high factor costs, labour laws that makes it difficult to fire for just cause (permanent employees), and occasional disputes over customs classification, valuation, and taxation.

The country's private sector, as well as donors who are focusing on enhancing Senegal's potential for rapid economic growth, are specifically encouraging the complete revision of Senegal's Labour Code. The Labour Codes were completely revised in 1997 and many changes to the codes have been made since then.

6.2 Conversion and transfer policies

Commercial transfers are normally carried out rapidly and in full by local banking institutions. Companies find that the import and export of funds can be accomplished in a manner similar to commercial bank transactions. Originally the franc of the French Colonies of Africa (CFA), now more commonly known as the franc of the African Financial Community is used by Senegal and seven other countries in the West African Monetary Union, WAEMU (XOF) and seven countries in the Central African Monetary Union, CEMAC (XAF). Each monetary union has its own central bank. The CFA is pegged to the Euro at 1 Euro = 655.957 CFA.

There are no restrictions on the transfer or repatriation of capital and income earned, or on investments financed, with convertible foreign currency. However, the Government does limit the amount of foreign exchange individuals may take outside Senegal on trips. Departing travellers may take a maximum of six million CFA in Euros or other foreign currency/travellers checks (approximately US\$ 13,000) upon presentation of a valid airline ticket. There is a small informal market for currency exchange in Senegal. Remittances to Senegal from its citizens living overseas are routine and provide a significant source of foreign currency for the country. In 2010, the estimated value of remittances, formal and informal, was estimated by Senegalese authorities at US\$ 1.2 billion or eight percent of GDP.

6.3 Expropriation and compensation

There have been instances recently where the Government has revoked minerals concessions, alleging failure to meet contractual obligations. Foreign investors have generally failed to obtain compensation or damages through the courts. In other cases, the Government has failed to intervene to resolve disputes between foreign investors and firms with local ownership or substantial local participation. This failure to provide mediation, or any decision in some cases, has been noted as less-than-equitable treatment for foreign investors.

6.4 Dispute settlement

Senegal is a signatory to the New York Convention of 1958 on the Recognition and Enforcement of Foreign Arbitral Awards. However, dispute actions are more likely to be taken through the International Centre for the Settlement of Investment Disputes (Washington Convention), of which Senegal is a member, or through the Dakar Arbitration Centre, which is administered by the Dakar Chamber of Commerce.

On 30 October 2008, the Senegalese authorities revoked the GSM license held by global telecommunications provider Millicom International Cellular (MIC) whose local mobile unit Sentel GSM operates in Senegal under the TIGO brand. The company, which continues to operate, denies the allegations and has instituted arbitration proceedings against the government of Senegal at the International Centre for the Settlement of Investment Disputes. In response, the government has submitted a breach of contract case against Sentel in Senegalese courts.

Foreign creditors receive equal treatment under Senegalese bankruptcy law in making claims against liquidated assets. Monetary judgments are normally in local currency.

While Senegal has well-developed commercial and investment laws, and a legal framework for regulating business disputes, settlement of disputes within the existing framework is cumbersome and slow. Few judges or lawyers are conversant in commercial laws. Court cases are expensive and rarely resolved expeditiously. Decisions can be inconsistent, arbitrary, and non-transparent. Foreign investors have found it difficult to fire employees for just cause or malfeasance. Foreign firms are often sued in the Senegalese courts by terminated employees who are frequently awarded damages and placement in their former positions. Although these decisions are sometimes overturned on appeal, the appeals process is costly and time consuming. Foreign firms in Senegal often cite burdensome labour law and arbitrary rulings by courts on labour cases as their number one frustration in doing business in Senegal.

6.5 Performance requirements and incentives

Senegal's Investment Code defines eligibility for investment incentives according to a firm's size and type of activity, the amount of the potential investment, and the location of the project. To qualify for significant investment incentives, firms must invest above 100 million CFA (approximately US\$ 200,000) or in activities that lead to an increase of 25 percent or more in productive capacity.

Investors may also deduct up to 40 percent of retained investment over five years. However, for companies engaged strictly in "trading activities," defined as "activities of resale in their existing state products bought from outside the enterprises," investment incentives might not be available.

Eligible sectors for investment incentives include:

- Agriculture and agro-processing
- Fishing
- Animal-rearing and related industries
- Manufacturing
- Tourism
- Mineral exploration and mining
- Banking

All qualifying investments benefit from the "Common Regime," which includes two years of exoneration from duties on imports of goods not produced locally for small and medium sized firms, and three years for all others. Also included is exoneration from direct and indirect taxes for the same period.

Exoneration from the Minimum Personal Income Tax and from the Business License Tax is granted to investors who use local resources for at least 65 percent of their total inputs within a fiscal year. Enterprises that locate in less industrialised areas of Senegal benefit from exemption of the lump-sum payroll tax of three percent, with the exoneration running from five to 12 years, depending on the location of the investment.

The investment code provides for exemption from income tax, duties and other taxes, phased out progressively over the last three years of the exoneration period. Most incentives are automatically granted to investment projects meeting the above criteria as well as to those with the "Enterprise Franche d'Exportation" (EFE) status, which is directed at export-oriented firms.

Furthermore, an existing firm requesting an extension of such incentives must be at least 20 percent self-financed. Large firms – those with at least 200 million CFA (US\$ 400,00) in equity capital – are required to create at least 50 full-time positions for Senegalese nationals, to contribute the hard currency equivalent of at least 100 million CFA (US\$200,00), and keep regular accounts that conform to Senegalese (European accounting system) standards. In addition, firms must provide APIX with details on company products, production, employment and consumption of raw materials.

The Government does not, by statute, impose specific conditions or performance requirements on investment activities. However, the Government does negotiate with potential investors on a case-by-case basis.

Acquiring work permits for expatriate staff is typically straightforward. Citizens from the (WAEMU member countries are permitted to work freely in Senegal. In May of 2004, the Economic Community of West African States (ECOWAS) and WAEMU signed an agreement that amongst other things allows employment mobility between member countries.

6.6 Right to private ownership and establishment

In addition to traditional guarantees offered to investors, e.g., free transfer of capital and income, and national treatment, private entities are permitted to establish and own businesses and to engage in most forms of remunerative activity. Foreign nationals are permitted to buy and hold land. Local majority ownership is not necessary. Land holdings for investors are frequently offered on the basis of long-term leases (i.e., 99 years). Several of the state-owned firms privatised in recent years were sold in part or in whole to foreign entities.

6.7 Protection of property rights

The Senegalese Civil Code, based on French law, enforces private property rights. The code provides for equality of treatment and non-discrimination against foreign-owned businesses. Property title and a land registration system exist in Senegal, but application is uneven outside of Senegal's urban areas.

The Government streamlined procedures for registering property and reduce the associated costs in 2008 so that property can be duly registered within 18 days. Confirming ownership rights on real estate can be difficult, but once established, ownership is protected by law. Investors have also expressed concerns about the lack of investment-ready, developed business sites. The Government generally pays compensation when it takes private property through eminent domain actions. Senegal's housing finance market is underdeveloped and few long-term mortgage financing vehicles exist. There is no secondary market for mortgages or other bundled revenue streams. The judiciary is inconsistent when adjudicating property disputes.

Senegal is a member of the African Organisation of Intellectual Property (OAPI), a grouping of 15 francophone African countries, which established a common system for obtaining and maintaining protection for patents, trademarks and industrial designs. Senegal has been a member of the World Intellectual Property Organisation (WIPO) since its inception. Local statutes recognise reciprocal protection for authors or artists who are nationals of countries adhering to the 1991 Paris Convention on Intellectual Property Rights. In particular:

- Patents: Patents are protected for 20 years. An annual charge is levied during this period. Trade secrets and computer chip design are respected.
- Trademarks: Registered trademarks are protected for a period of 20 years. Trademarks may be renewed indefinitely by subsequent registrations.
- Copyrights: Senegal is a signatory to the Bern Copyright Convention. The Senegalese Copyright Office, part of the Ministry of Culture, attempts to enforce copyright obligations. The bootlegging of music cassettes and CDs is common and of concern to the local music industry. The Copyright Office undertook actions in 2001, 2002, 2003 and 2006 to combat media piracy, including seizure of counterfeit cassettes and CD/DVDs and in 2008 established a special police unit to better enforce the country's anti-piracy and counterfeit laws.

However, despite an adequate legal and regulatory framework, enforcement of intellectual property rights is weak. In general, the Government has not committed the resources to combat IPR violations or to seize counterfeit goods. Customs screening for counterfeit goods coming from China, Nigeria, Dubai and other centres of illegal production is weak and confiscated goods occasionally re-appear in the market. Nonetheless, there has been a recent effort by Customs to understand the impact of counterfeit products on the Senegalese marketplace, and officers have participated in trainings offered by manufacturers to identify counterfeit products.

6.8 Transparency of the regulatory system

There is no requirement for a public comment process for proposed laws and regulations; however, the Government frequently holds public hearings and workshops to discuss proposed initiatives and programmes. The National Assembly, though currently dominated by the ruling party, does host open debates on substantive legislation.

6.9 Efficient capital markets and portfolio investment

In general, domestic investment is hampered by an under-developed financial sector. French, Nigerian and Moroccan-owned banks with conservative lending guidelines and high interest and collateral requirements dominate bank lending. Few firms are eligible for long-term loans, and small and medium sized enterprises have little access to credit. However, because the Senegalese banking sector is dominated by foreign banks, foreign investors can take advantage of French bank subsidiaries.

In 2011, Senegal issued a US\$ 500 million benchmark bond in the foreign bond market. This has put Senegal in a higher league than it has typically played in and has therefore attracted greater scrutiny from international investors. In general, the infrastructure for expanding business lending, credit risk analysis, skilled commercial law specialists, and auditors, etc. does not exist. The West African Regional Stock Exchange (BRVM), headquartered in Abidjan, with local offices in each of the WAEMU member countries offers additional opportunities to attract increased foreign capital and to give private investors access to more diversified sources of financing. However, to date only one Senegalese company, Sonatel, is traded on the BRVM. There is no system to encourage and facilitate portfolio investment.

Legal, regulatory and accounting systems closely follow French models and WAEMU countries present their financial statements in accordance with the SYSCOA system, which is based on Generally Accepted Accounting Principles in France.

6.10 Political violence

Senegal is a moderately decentralised republic dominated by President Abdoulaye Wade's Senegalese Democratic Party (PDS). President Wade's party holds an overwhelming majority of seats in the National Assembly and Senate. In 2008, Human rights organisations underlined their concerns about the arbitrary arrest of opposition activists and journalists. There have been incidents of sporadic civil disturbances over the past three years, but they have generally taken place as unions, opposition parties, merchants or students demand better salaries, living or working conditions.

The violence of the 23 June 2011 demonstrations over constitutional changes were a shock to the Senegalese people and did not last beyond a day.

Sporadic incidences of violence as result of petty banditry continue in the Casamance region, which has suffered from a two-decade-old conflict ignited by a local rebel movement seeking independence for the region.

6.11 Corruption

Corruption, including bribery, raises the costs and risks of doing business. Corruption has a corrosive impact on both market opportunities for investors and the broader business climate. It also deters international investment, stifles economic growth and development, distorts prices, and undermines the rule of law.

Exporters and investors should be aware that generally all countries prohibit the bribery of their public officials, and prohibit their officials from soliciting bribes under domestic laws. Most countries are required to criminalise such bribery and other acts of corruption by virtue of being parties to various international conventions discussed above.

The potential for corruption is a significant obstacle for economic development and competitiveness in Senegal, in spite of the country's anti-corruption laws, regulations, penalties, and agencies. Credible allegations of corruption have been made concerning government procurement, dispute settlement, and decisions by the judiciary and regulatory and enforcement agencies. Transparency International, in its 2011 Perceptions of Corruption Index, ranked Senegal 105 out of 182 countries.

Senegal has several government agencies authorised to fight corruption and fraud. These include the National Commission against Corruption and Non-Transparency, "L'Inspection Generale d'Etat," a cabinet-level office; "La Commission de Verification des Comptes," "La Cour des Comptes, at a higher level, President Wade has made numerous pronouncements against corruption, but a significant gap persists between the rhetoric and its implementation

6.12 Bilateral investment agreements

Senegal has bilateral agreements France, Switzerland, Denmark, Finland, Spain, Italy, the Netherlands, South Korea, Romania, Japan, Australia, China, Iran, the US, Morocco, and Sudan. Senegal has concluded tax treaties with France, Mali, and WAEMU member states. There is currently no tax treaty and no imminent prospect of one between the United States and Senegal.

6.13 Labour

Unskilled and semi-skilled labour is abundant in Senegal, but there are relatively few highly-trained workers in the fields of engineering, information systems, and management. In-country opportunities for these workers are not numerous, and as a result, many look outside Senegal for employment.

Relations between employees and employers are governed by the labour code, industry wide collective bargaining agreements, company regulations and individual employment contracts. There are two powerful industry associations that represent management's interests: the National Council of Employers (CNP) and the National Employers' Association (CNES). The principal labour unions are the National Confederation of Senegalese Workers (CNTS), and the National Association of Senegalese Union Workers (UNSA), a federation of independent labour unions. The Labour Code and labour issues are often high on the list of complaints by investors.

6.14 Foreign trade zones / free ports

Senegal's Free Trade Zone initiatives have largely been replaced with the Entreprise Franche d'Exportation (EFE), which reduces taxes and provides for duty-free imports. The Dakar Free Industrial Zone (ZPID) is largely inactive and stopped issuing new licenses in 1999. Firms already located there may continue receiving benefits until 2016. In 2007 the Government of Senegal signed an agreement with Jafza International of Dubai to establish a "special economic zone" outside of Dakar. The project remains in the development phase and the zone's incentives portfolio is not yet known.

6.15 Major foreign investors

Senegal today trades more with emerging markets than with developed ones; most of the foreign direct investment the country has received recently has come from emerging nations (China, Brazil, India and the Middle East). Foreign Direct Investment (FDI) increased to around an average of 186 million Euros between 2006 and 2010 (or 2.1% of GDP, up from 0.8% of GDP 2000-2005). Most new FDI is linked to the modernisation of Senegal or recapitalisation to improve the financial situation in key sectors. Europe remains the largest trading partner, but its share has declined to 38% of total trade from 48% in 2006. Asia represents 19% of total trade compared with 15% in 2006.

Approximately 235 subsidiaries of French groups are present in Senegal, accounting for 25 percent of all formal enterprises. French investors are present in the major multinational import-export firms, shipping companies, banking, food production, mechanical engineering, agribusiness, petroleum distribution, industrial equipment, vehicles, chemicals and pharmaceuticals, tourism and insurance industries.

Privatisations in telecommunications and public utilities have increased the presence of French business in Senegal.

Investments by Senegalese citizens of Lebanese origin are significant in light import-substituting industries such as food products, textiles, chemicals, plastics and rubber. Swiss investment includes the multinational Nestle and a waste management company. Germany, Japan, and South Korea have moderate investments in Senegal. Taiwan was active in Senegal's fish and canning industry. Indian interests have historically been a major investor in Senegal's phosphates industry and purchase nearly all phosphate output. Moroccan investment has increased since ATTI purchased the majority of shares of Banque Senegalo-Tunisienne (BST), Credit du Senegal, and Compagnie Bancaire de l'Afrique de L'Ouest (CBAO) to become one of the largest commercial banks of Senegal. Sudan's telecommunications company Sudatel won an international tender for a new license to provide fixed and mobile telephone and internet services. Iran Khodro Auto Company opened an assembly plant for Samand sedans near Senegal's second largest city, Thies. In recent years, China has increased its commercial presence in Senegal and its Exim Bank has invested in a number of new building projects.

6.16 Setting up a company

The table below represents the steps required to open a business in Namibia. It also indicated the time involved as well as the associated costs.

No	Procedure	Time to complete	Associated costs
1.	Deposit the founding capital with a bank	1 day	Included in the following procedure
2.	Notarize company bylaws and bank deposit of subscribed capital	2 days	XOF 250,000 -305,000
3.	Register your business at the one-stop shop	2 days	25 000 XOF + 2 000 XOF+ 30 090 XOF+ 90*3 XOF

7 Country risk summary

	Sovereign risk	Currency risk	Banking sector risk	Political risk	Economic structure risk	Country risk
Aug 2012	B	BB	BB	A	B	BB

(AAA=least risky, D=most risky)

7.1 Sovereign risk

Negative. Despite an improvement in political stability following the orderly transfer of power to a new president, last quarter's improvement in Senegal's sovereign risk score has unravelled because of a slump in foreign reserves at the end of 2011, resulting from a higher trade deficit. The BB rating remains, but with the score now on the cusp of the band, the outlook changes to negative. On the upside, the new government is aiming to restore fiscal credibility.

7.2 Currency risk

Stable. With the external euro zone context still fragile, export growth having slowed and foreign reserves having fallen in the final quarter of 2011, the currency risk score worsens by two points over the quarter. The twin deficits will continue to weigh on the score, although both should begin to narrow.

7.3 Banking sector risk

Stable. The banking sector risk rating is BB and the outlook remains stable. Political uncertainty has subsided and commercial banks' net foreign assets, having shrunk from mid-2010, have edged up since mid-2011.

7.4 Political risk

The potential for social unrest has diminished considerably with the victory of Macky Sall in the presidential run-off vote in March and the swift acceptance of the result by the former incumbent, Abdoulaye Wade.

7.5 Economic structure risk

A commodity-heavy export base, a poor business environment, low income levels and chronic power shortages are the main structural constraints.

8 Country Outlook: 2012 – 2016

8.1 Political stability

Having come under pressure ahead of the March 2012 presidential election, Senegal's record as one of the most democratically developed and stable polities in Sub-Saharan Africa has been reaffirmed by the peaceful transfer of power to a new President, Macky Sall, after the former incumbent, Abdoulaye Wade, conceded defeat. The latter's decision to run for a third term, validated by the Constitutional Court (the five members of which he appointed), prompted violent protests in the capital, Dakar, and elsewhere. With the result of the second round so clear-cut (Mr. Sall secured 65.8% of the vote to Mr Wade's 34.2% - a lower share than the outgoing President secured in the first round), Mr. Wade was reassuringly swift to concede defeat. With the result uncontested, expected unrest was avoided.

8.2 Election watch

With the backing of all other opposition candidates, Mr. Sall, a former Prime Minister, was elected as Senegal's new President in the second-round election on 25 March. He has promised to shorten the presidential term from seven to five years, so no presidential election is expected until mid-2017. Legislative elections, however, are due to be held on 1 July 2012.

Mr Wade has stayed on as chairman of the Parti démocratique sénégalais (PDS), and this is likely to hurt the party's performance; the momentum is with the opposition parties. While the PDS is likely to lose its majority, no party is expected to dominate, given that the parties of the main presidential candidates are small. With the new President having appointed a broadly technocratic cabinet and rewarded his erstwhile opponents for supporting his presidential victory, these parties, although campaigning separately, will come together under a pro-presidential majority coalition.

8.3 International relations

Despite universal international support for his election, Mr. Sall will concentrate on domestic issues early on. The fragile post-coup civilian administration in Guinea-Bissau will be focusing on the restoration of domestic stability rather than assisting Senegal's anti-separatist campaign in Casamance, where rebels reportedly draw support from kinsmen in Guinea-Bissau. Relations with Guinea may improve, given that the Guinean president, Alpha Condé, had accused Mr. Wade of complicity in a mid-2011 assassination attempt.

Disputes over Air Senegal's expansion are unlikely to damage regional relations seriously. France (Senegal's main trading partner) and the US have welcomed the peaceful transfer of power, while relations with China and the Gulf States are flourishing. Ties with Iran will remain severed following the discovery of an illegal arms shipment to The Gambia and the intensification of rebel violence in Casamance, prompting a cautious rapprochement with The Gambia.

8.4 Policy trends

The new President has made a bold start in unpicking the patronage networks of his predecessor, auditing a number of government projects and institutions, and shutting down 59 state bodies in order to save public money and restore investor confidence. He will also focus on rural development and bringing down the cost of living rather than high-profile infrastructure projects. Senegal retains IMF approval for its reform programme; the Fund approved a new three-year policy support instrument in December 2010 to assist economic reform through reducing the fiscal deficit, increasing transparency, encouraging the private sector and strengthening the financial sector.

The new government will continue to reduce private-sector arrears. It targets annual real GDP growth of 7% - an unrealistic figure given the economy's structural constraints, never mind the adverse global economic conditions. Nonetheless, higher investment, particularly in energy, infrastructure, agriculture, fisheries, tourism, textiles and information technology, will encourage growth, with the energy plan, Plan Takkal, expected to cost US\$1.5bn in 2012-15 (although this too is being audited).

With the US\$500m Eurobond issue of May 2011, Senegal has reached its IMF-agreed ceiling for non-concessional borrowing. The country has reversed its slippage in the World Bank's Doing Business competitiveness survey, climbing three places in 2012 to 153rd out of 183 countries. A review of customs and tax codes, as well as plans to reduce bureaucratic delays, should improve the business environment.

8.5 Economic growth

Real GDP growth in 2011 proved surprisingly weak, at 2.6%, burdened by a large contraction in agricultural output attributable to weak rains, as well as by chronic power shortages that the government calculates cost the country 1.4 percentage points in lost growth. Growth should accelerate over the forecast period, driven by the ambitious infrastructure investment programme funded by the US\$500m Eurobond issued in 2011. Agricultural output will recover somewhat, especially with increased government investment in horticulture, despite the withdrawal of some marketing subsidies. Industrial production should also rise from 2012 as power reliability improves and cement and phosphates output continues to recover. Iron ore exploitation, having stalled again in 2011, remains a distant prospect. Services growth will be led by banking and telecommunications, as well as Dakar's expanded air and sea logistics capacity. Domestic demand, restrained by higher consumer prices in 2011, will pick up, supporting real GDP growth of 3.9% in 2012 and 4.6% in 2013, accelerating to 5.2% in 2016. Deepening ties with China will also boost investment.

8.6 Inflation

Food remains the primary driver of price growth (also felt through the enlarged weighting of the restaurants sub-index). Higher domestic food production, government subsidies and price caps on essential goods will help to anchor local food prices. As global commodity prices ease and agricultural output recovers, average inflation is forecast to moderate in 2012 to 1.5%, from 3.4% in 2011. However, it should pick up, to 3.0% in 2013-14, as further currency weakening and accelerating GDP growth offset further falls in global commodity prices, before easing thereafter.

8.7 Exchange rates

The CFA franc will fluctuate against the US dollar in line with the euro:dollar exchange rate. Heightened concerns over the double-dip recession in the euro zone, as it grapples with its fiscal and sovereign debt crisis, have seen the euro slide since mid-2011. Despite a modest recovery in early 2012, it has lost ground since March on resurgent worries that some members of the currency union may be forced to leave. The euro-pegged franc is forecast to depreciate from an average of CFAfr471:US\$1 in 2011 to CFAfr511:US\$1 in 2012, and to CFAfr530:US\$1 in 2015, before strengthening to CFAfr521:US\$1 in 2016. A euro zone break-up would lead to significant volatility.

8.8 External sector

A weaker CFA franc and lower global commodity prices will offset an improvement in local output, and US-dollar-denominated exports are forecast to stagnate at an average of US\$2.5bn in 2012-14, before rising to US\$2.8bn by 2016. The import bill is expected to fall to US\$5.1bn in 2012-13, owing to lower non-oil commodity prices, before rising and reaching US\$5.6bn in 2016 as domestic demand accelerates and oil prices stay high. Tourism receipts may not collapse, but they are unlikely to improve given their vulnerability to economic weakness in their primary source, Western Europe.

Donor transfers and remittances will remain exposed to tight fiscal space and weak labour markets in the US and the euro zone. The current-account deficit is forecast to narrow from an estimated 12.7% of GDP in 2011 to average 9.4% of GDP in 2012-13. This is forecast to continue to narrow in 2014-16, owing partly to an expected increase in services exports, with Senegal positioning itself as a regional transport hub. The benefits of the stalled Falémé iron ore project are unlikely to materialise during the forecast period.

A Appendix - sources of information

- Economist Intelligence Unit
- CIA World Factbook
- Bloomberg
- World Bank
- Wikipedia
- Doingbusiness.org
- US Department of State

