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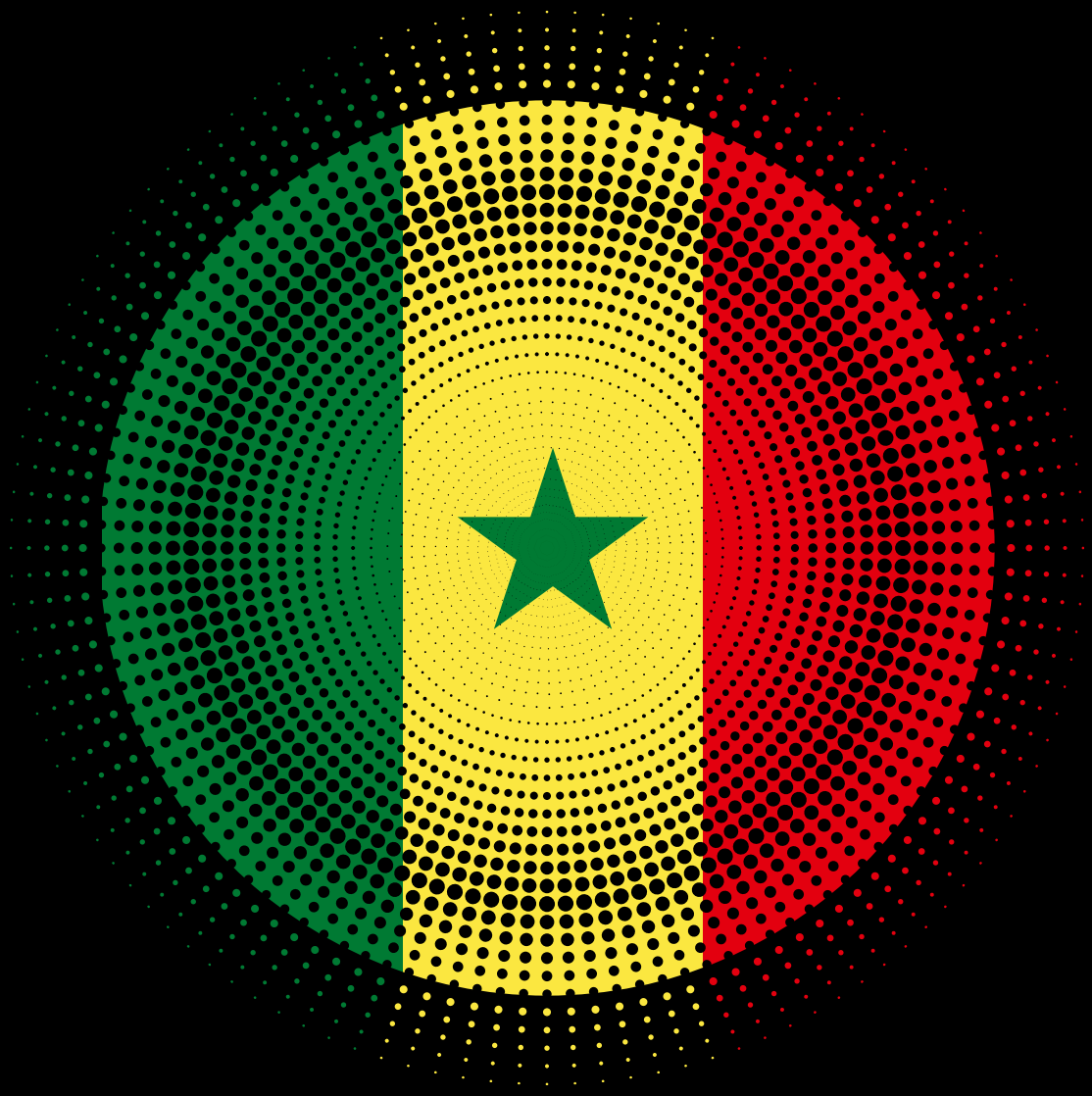

Invest in Senegal

A competitive investment destination in West Africa

March 2017

“Senegal offers a **stable political environment**, a **favourable geographic position** and **strong institutions** with growing opportunities for foreign investment. “

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Executive summary

Senegal offers a stable political environment, a favourable geographic position and strong institutions with growing opportunities for foreign investment. The Government of Senegal welcomes foreign investment and has prioritised efforts to improve the business climate in what is one of Africa's fastest-growing economies.

With a GDP growth rate of 6.6% in 2016, Senegal is classified among the top three fastest-growing economies in Africa, behind Côte d'Ivoire and Tanzania. With a low inflation rate of only 1% in 2016, Senegal's monetary policy mirrors the objectives of economic stability and growth. Since 2004, its regional currency, the CFA franc, has been stable at a peg of 655.96 CFA franc per euro. According to International Monetary Fund (IMF) estimations, a stronger and sustainable annual growth rate is anticipated up until 2021, estimated to be 7-8%. This is underpinned by exports, as well as foreign and local investments.

Senegal has also put in place a series of economic reforms as part of the Emerging Senegal Plan (ESP) adopted in 2014 to accelerate progress towards becoming an emerging economy by 2035. The ESP aims to promote fiscal consolidation, increasing public savings to support higher public investment in human capital and public infrastructure; and envisages structural reforms to attract foreign direct investment (FDI), boost private investment and drive export diversification. It focuses on four key sectors to unlock inclusive growth, including energy, agriculture and land, ICT and transport.

The government is focusing on infrastructure projects to reduce transaction costs, setting up the country to become a regional business hub for logistics, services and industry.

According to the 2016 World Bank Doing Business report, the country is one of the world's top business reformers and among the top ten business environment improvers for two consecutive years.

Senegal is also actively involved in several international investment-related organisations, and is a member of the African Intellectual Property Organization (OAPI), the International Centre for the Settlement of Investment Disputes (ICSID) and the Multilateral Investment Guarantee Agency (MIGA). In addition, Senegal created an investment arbitration centre in 1998, which is administered by the Dakar Chamber of Commerce. The country has bilateral investment treaties with Australia, Denmark, Finland, France, Italy, Japan, the Netherlands, Romania, South Korea, Spain, Switzerland and the US. Senegal has also concluded tax treaties with France, Mali and the French-speaking African states of the 'Organisation Commune Africaine et Malgache' (Joint Afro-Malagasy Organization).

As part of Senegal's regulatory framework, an investment incentive regime is in place that aims to improve the business environment and gives support to private and foreign investments. The basic guarantees that the code assures is the protection against nationalisation, a stable currency, free repatriation of profits and funds, and equal treatment between local and foreign entities with access to raw materials, customs and tax incentives.

Tax incentives include a three-year exemption on customs duty for capital goods imports and VAT exemption on production and purchase of local products and services.

Recent findings of oil and gas could see Senegal's energy sector enter a new area and impact the structure of Senegal's economy. Recoverable reserves of oil are estimated between 350 and 500 million barrels. This corresponds to more than 65 000 barrels of oil per day. Gas reserves are estimated at about 590 billion cubic meters.

Despite its laudable economic performance over the past two recent years, some improvements are required to strengthen the achievement of a sustainable and rapid growth path. Senegal still experiences a notable infrastructure gap, and rural communities have little access to socio-economic facilities (water, transport, energy and economic services) with wide regional disparities. Also, the country has one of the highest electricity production costs in sub-Saharan Africa (SSA): about US$0.30 per kWh. In addition, the agriculture sector, which employs 60% of the population, still depends on rain-fed crops, which are vulnerable to adverse weather conditions.


Senegal
Niokolo Koba
National Park
River
SENEGAL
GAMBIA
GUINEA
St. Louis
Thies
Kaolack
Gambia
Cape Verde
DAKAR
BANJUL
GUINEA
BISSAU
BISSAU
Kindia
CONAKRY

Country overview

Senegal is located in West Africa and has a **national territory of 196 722 km²**. The country enjoys a **favourable geographic location**, with a major seaport and easy access to European and North American markets.

Bordered by Mauritania in the north, Mali to the east, Guinea to the southeast, and Guinea-Bissau to the southwest, Senegal also shares borders with the Gambia and a maritime border with Cape Verde.

Senegal has maintained a stable macroeconomic environment in recent years. The country is a member of the West African Economic Monetary Union (WAEMU), an eight country[1] customs and currency union in which all members use the CFA franc (CFAF). The economic union has a market of 112 million consumers.[2] It is based on the free movement of persons and goods, a common trade policy with a common external tariff (CET), and a regional financial market with a regional securities stock market (the Regional Securities Exchange in West Africa or BRVM).

The banking sector of WAEMU member countries is regulated by the Central Bank of West African States (BCEAO) which maintains a fixed exchange rate of the CFA franc with the euro. Senegal is also a member of the Economic Community of West African States (ECOWAS) made up of 15 countries[3] and approximately 360 million inhabitants,[4] promotes economic integration and regional peace and stability.

Senegal has the fourth largest economy in the West African sub-region after Nigeria, Ghana and Côte d'Ivoire. The country is the second largest economy in Francophone West Africa behind Côte d'Ivoire, with an average growth rate of 5.4% in the five past years. It is an open economy with major trade flows with Europe and India. Its main economic partners are France, India, Italy, China and the US.

Senegal has several trade agreements and benefits from preferential market access, including bilateral agreements with several large economies (in particular China and the US). The country is also signatory to the Cotonou Agreement, which provides (reciprocal) duty-free access to EU markets for African, Caribbean and Pacific (ACP) country exports.

Senegal's mostly young population is estimated at 15.3 million in 2016.[5] 23% of the population lives in the greater Dakar region (which makes up 0.3% of the territory), and 40% lives in other urban zones. People under the age of 24 represent more than 60% of the population.

1. Besides Senegal, WAEMU also includes Benin, Burkina Faso, Cote d'Ivoire, Guinea Bissau, Mali, Niger and Togo.
2. http://www.uemoa.int
3. ECOWAS includes the eight countries of WAEMU plus Cape Verde, the Gambia, Ghana, Guinea, Liberia, and Sierra Leone.
4. World Bank, 2016
5. World Bank, 2016

Senegal's economy

"Senegal was **one of the first African countries** to introduce a **multiparty system**, with the government recognising opposition parties since **1974**."

Snapshot of the past

Political and institutional context

Similar to most African countries, Senegal gained independence in 1960. The country is one of the most stable countries in Africa and has considerably strengthened its democratic institutions since independence.

Senegal was one of the first African countries to introduce a multi-party system, with the government recognising opposition parties since 1974. There was no change of power until March 2000 when Senegalese citizens exerted their political might and ushered in a new era of the country's political history. Since 2000 Senegal has had two peaceful political transitions. Today the country is firmly entrenched in multi-party rule and counts around 250 political parties.

Economic context (before 2000)

The objective of macroeconomic stability

The 1980s and early 1990s were characterised by volatile and unsustainable economic growth rates. Growth fluctuated with international raw-materials prices (both in imports and exports). In the 1990s the low level of GDP growth was linked to a lack of investment and various imbalances, especially in terms of debt management and inflation (alternating between periods of high inflation and deflation).

Since the mid-1990s, Senegal has adopted a radical economic reform programme (in accordance with the directive of the international donor community) in order to strengthen its macroeconomic fundamentals.

This reform coincided with the devaluation of Senegal's currency, the CFA franc, which was pegged to the former French franc at a fixed rate. After the shock, prices initially soared and the national inflation rate hit 32%; but with time the devaluation and reform programme began to pay dividends. Thanks to the reforms, Senegal enjoyed a GDP growth rate of around 5% per year over the 1995-2000 period and inflation stabilised.

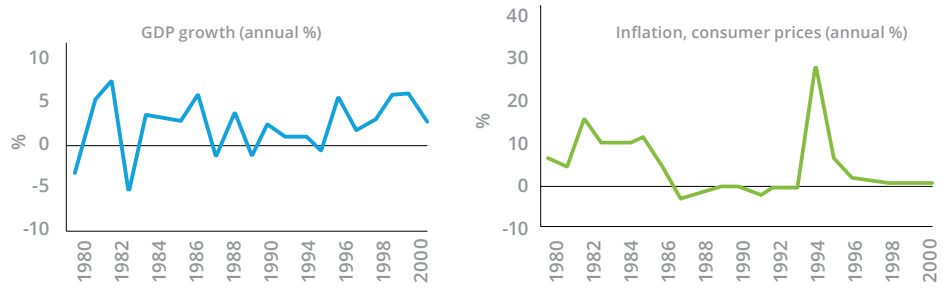
Privatisation in the 1990s

During the 1990s, the government of Senegal privatised companies involved in the airline, water, finance, real estate and telecommunications sectors with no restriction on the participation of foreign investors. Several state-owned firms privatised in the 1990s were sold in part or in full to foreign entities.

In the energy sector, the state-owned electricity company, Senelec, operates transmission and distribution networks while the government has encouraged private participation in electricity generation under power-purchase agreements. In the telecommunication sector, the government privatised the national telecommunication company, Sonatel, in 1997, when France Telecom purchased 42% of Sonatel's capital.

The government is still involved in ports and infrastructure projects but has been granted a private concession for container ports. It also resorted to a public-private partnership (PPP) to complete a toll road connecting the Dakar peninsula with interior roads.

Figure 1. Senegal's macroeconomic instability (%), 1980-2000



Source: World Bank, 2016

Current state of the economy

Macroeconomic performance

Senegal's macroeconomic performance has been strong in recent years. Real GDP more than doubled (increase of 108%) between 2000 and 2016, driven mainly by the telecommunication and financial services sectors, which together accounted for 70% of growth.

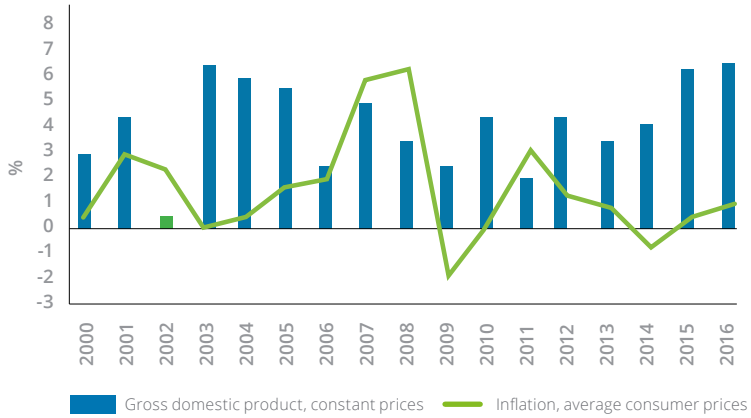
Senegal has boasted a low inflation rate, with an average rate of 1.6% between 2000 and 2016. However, it reached an all-time high of 5.85% in 2008. The main reason behind this price inflation was the sharp rise in product prices, in particular food and energy products.

Senegal is today among the fastest-growing economies in Africa. With a GDP growth rate of 6.6% in 2016, Senegal is classified among the top three fastest-growing economies in Africa, behind Côte d'Ivoire and Tanzania.

Senegal's monetary policy mirrors the objectives of economic stability and growth. It is defined by the regional central bank, the BCEAO, with the aim of reducing inflation and preserving a fixed exchange-rate between the CFA franc and the euro.

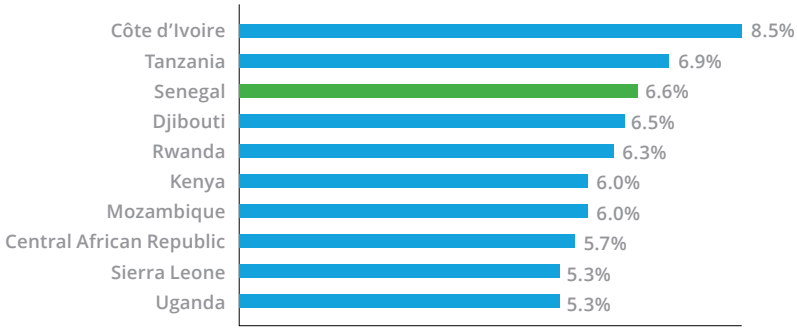
Since 2004, the official exchange rate has remained stable with a fixed exchange rate of 655.96 CFA franc per euro and an average value of 509 CFA franc per US dollar. The CFAF - South African rand exchange rate has also remained stable with a small appreciation of the CFAF against the rand.

Figure 2. Senegal's macroeconomic performance (%), 2000-16



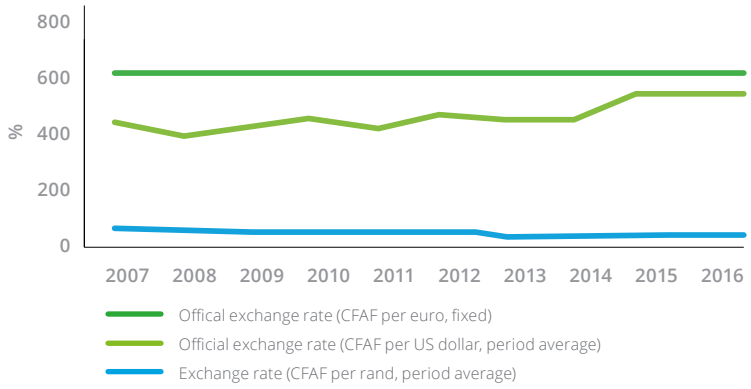
Source: IMF database, 2016

Figure 3. Africa's 10 fastest-growing economies, 2016



Source: WEF, 2016

Figure 4. CFAF vs major currencies, 2007-16



Source: World Bank, 2016 and Bank of Canada, 2016

Sector contribution to GDP

The sectoral breakdown of GDP shows the predominance of the tertiary sector. Activities in the services sector accounted for nearly 60% of total value added between 2000 and 2015. The primary sector only accounts for 16% of GDP over the same period. The weight of the secondary sector in value added has been consistent since 2000, at around 23%.

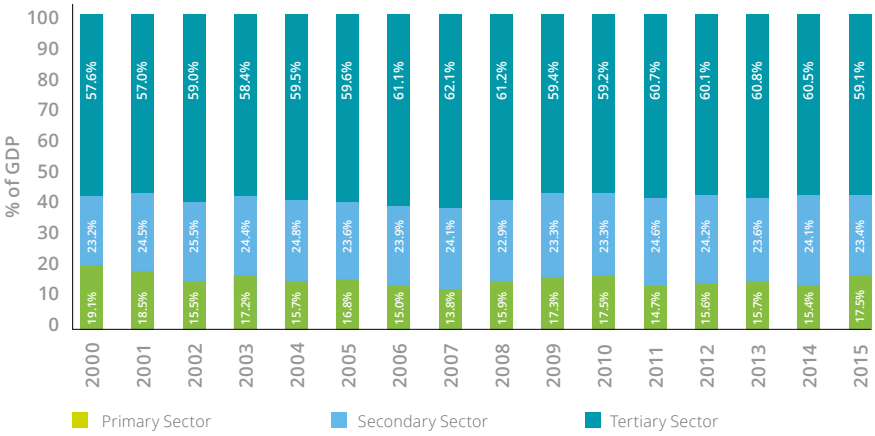
Within the tertiary sector, trade (18%), post and telecommunications (9%), financial services (3%) and government services (9%) were the main drivers of growth.[6] Senegal's early bet on telecommunications infrastructure, with significant investments in terms of capacity and modernisation resulted in the country to date having a well-established telecoms infrastructure, and ranks first in West Africa in terms of penetration and quality service growth. Also, Senegal has in the last ten years become a destination of choice for outsourcing of customer relationships and value-added IT services.

Thanks to public expenditure (see 'Building and public works' in Figure 6), Senegal has made significant progress in infrastructure, including transport, electricity, and water sectors. For example, the country has today about 864MW of installed generation capacity, up from only 540MW in 2010. Senegal currently spends around US$910m per year on infrastructure.

Senegal also has excellent telecommunications infrastructure. The country is connected to more than 40 countries around the world and is well integrated into the global network of submarine fibre optic cables. Cable, telex, fax, and internet services are available. There has been a boom of internet-related activities and services and in cellphone usage. The last years have witnessed spectacular growth of mobile telephone use from 1.5 million subscribers in 2005 to 15.3 million in 2016, when mobile penetration reached about 117% by mid-2016.

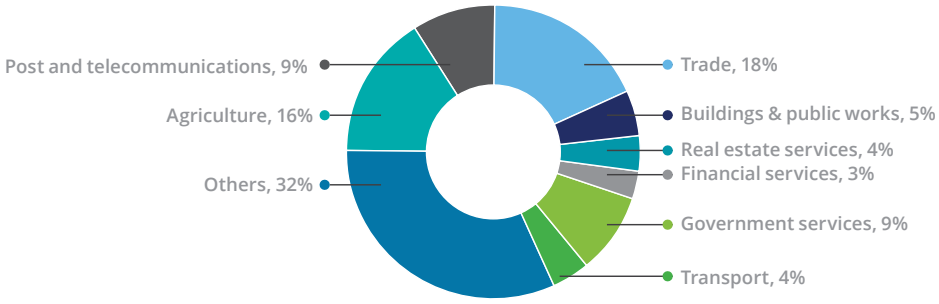
However, the country still faces important infrastructure challenges, including improving road conditions, boosting air and rail traffic, updating electricity infrastructure, and boosting the pace of expansion of the water and sanitation network.

Figure 5. Sectors value added (% of GDP), 2000-15



Source: World Bank database, 2016

Figure 6. Composition of GDP (%), 2015



Source: Agence Nationale de Statistiques et de la démographie, ANSD, 2015

6. International Telecommunication Union (ITU), 2016

Trade relations

During the last ten years Senegal's exports of goods and commercial services have increased at an annual average rate of 6.4%, and 5.5% respectively. Exports of goods have increased from US$1.5bn in 2006 to US$2.61bn in 2015, while exports of commercial services have increased from US$0.8bn in 2006 to US$1.3bn in 2014. Despite the growth in exports, Senegal's trade balance continues to record a deficit, which reached US$3bn in 2015 (22% of GDP).

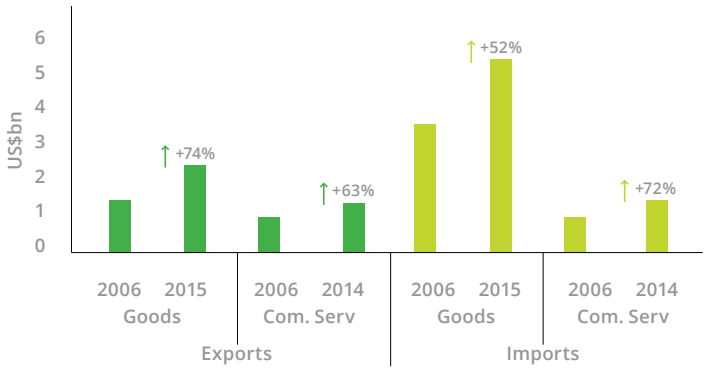
According to the UN Comtrade database 2017, Senegal's main export markets for goods in 2015 were Mali (US$443m), Switzerland (US$225m), India (US$140m), Côte d'Ivoire (US$122m) and China (US$120m).

In 2015 the country's imports originated mainly from France (US$917m), China (US$544m), Nigeria (US$453m), India (US$355m), Spain (US$289m), and the Netherlands (US$230m).

The main exports products of Senegal in 2015 were gold (US$240m), fresh fish (US$230m), oil products (US$212m), cement (US$167m), phosphates (US$150m) and groundnut products (US$123m).

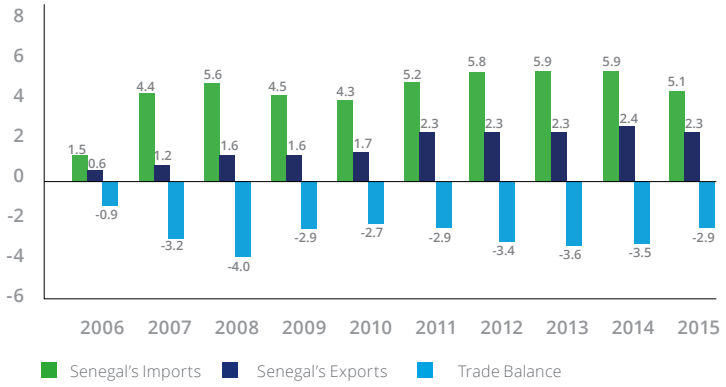
In the last five years, Senegal's export growth mainly has been driven by phosphates and groundnut products. Phosphates exports have increased from 4.7bn CFAF in 2011 to 34bn CFAF in 2015, while groundnut products exports have increased from 47bn CFAF to 77bn CFAF over the same period.

Figure 7. Senegal's trade performance (US$bn), 2006 vs 2014/15



Source: UN Comtrade database, 2017

Figure 8. Senegal's global trade balance (US$bn), 2006-15



Source: UN Comtrade database, 2017

Figure 9. Senegal's top markets for goods exports and imports, 2015

Exports			Imports		
Country	Value (US$m)	Share in %	Country	Value (US$m)	Share in %
Mali	443	17%	**France**	917	16%
Switzerland	225	9%	**China**	544	10%
India	140	5%	**Nigeria**	453	8%
Côte d'Ivoire	122	5%	**India**	355	6%
China	120	5%	**Spain**	289	5%
United Arab Emirates	107	4%	**The Netherlands**	230	4%
Guinea	99	4%	**Germany**	177	3%
France	98	4%	**Turkey**	144	3%
The Gambia	90	3%	**Japan**	125	2%
Italy	83	3%	**Côte d'Ivoire**	101	2%
Other	1 085	42%	**Other**	2 261	40%
Total	**2 612**	**100%**	**Total**	**5 686**	**100%**

Source: UN Comtrade database, 2017

In terms of imports, Senegal is dependent on external partners to provide local companies with equipment and machinery, necessary for industrial processes. Also, the national refining company – the oldest refinery in West Africa – imports crude oil and petroleum products as its refining capacity is lower than the national demand. The main import products in 2015 were thus machines and apparatus (US$7.6bn), refined petroleum products (US$5.2bn), crude petroleum (US$4.2bn), transport equipment (US$3.9bn), rice (US$3.1bn), and wheat (US$1.4bn).

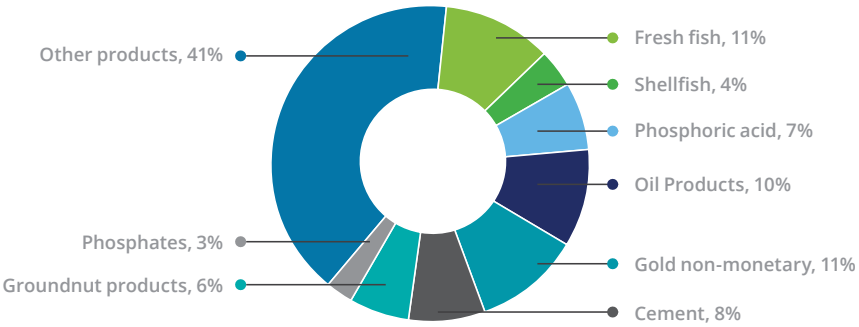
Foreign investment

Senegal is actively involved in several international investment-related organisations, and is a member of the African Intellectual Property Organization (OAPI), the International Centre for the Settlement of Investment Disputes (ICSID) and the Multilateral Investment Guarantee Agency (MIGA). In addition, Senegal created an investment arbitration centre in 1998, which is administered by the Dakar Chamber of Commerce.

Senegal has bilateral investment treaties with Australia, Denmark, Finland, France, Italy, Japan, Romania, South Korea, Spain, Switzerland, the Netherlands and the US. Senegal has also concluded tax treaties with France, Mali and the French-speaking African states of the "Organisation Commune Africaine et Malgache" (Joint Afro-Malagasy Organization).

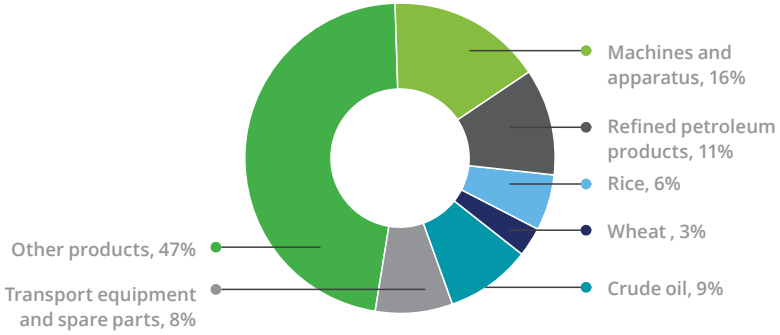
Senegal's Investment Code includes guarantees for access to foreign exchange and repatriation of capital and earnings, though transactions are subject to procedural requirements of financial regulators. There are today no barriers to 100% ownership of businesses by foreign investors except in sectors that government and state-owned enterprises are active such as physical infrastructure including water, electricity distribution, and port services.

Figure 10. Senegal's main export products (%), 2015



Source: Agence Nationale de Statistiques et de la démographie (ANSD), Note d'analyse du commerce extérieur, 2015

Figure 11. Senegal's main import products (%), 2015



Source: Agence Nationale de statistiques et de la démographie (ANSD), Note d'analyse du commerce extérieur, 2015

Figure 12. FDI net inflows to Senegal (US$m), 2000-15

Source: World Bank, 2016

According to the Word Bank, FDI inflows to Senegal more than doubled from US$168m in 2005 to US$345m in 2015. This is largely due to the country's privatisation programme launched in the 1990s. The Government of Senegal partially or totally withdrew its shares in national companies in the 1990s, most of which provided public services (water supply, telecommunications, and refinery). The effects of the 2008 international crisis have provoked a reduction of about 20% of FDI in 2009.[7]

Since 2014, FDI inflows have been linked to the Emerging Senegal Plan (ESP) for the development of infrastructure, electricity, agriculture, drinking water and health. Senegal has a stock of FDI estimated at US$2 426m in 2014, mainly of French origin (US$823m). Morocco (US$95m), Indonesia (US$93m), and the US (US$66m) are also key investors in the country.

Outlook for the future

During the period 2005-15, the average GDP growth rate was estimated at 4%, while the population grew at a pace of 3%. This did not allow for a significant reduction in poverty rates, especially in rural areas.

Emerging Senegal Plan

In 2014, Senegal adopted a new development model to accelerate its progress towards becoming an emerging economy. The ESP 2014-18 was developed to adopt a model focusing on accelerating the GDP growth rate and providing better living conditions for the population. It establishes the framework for the country's economic and social policy over the medium and long term and calls for Senegal to be an emerging market by 2035, as well as a business hub for the region.

The main objectives are to obtain a GDP growth rate of 7-8%, create 600 000 formal jobs and reach a GDP per capita of US$1 500 by 2035.[8] The vision of the plan is based on three pillars:

- a structural transformation of the economy through the consolidation of current engines of growth; and, the development of new sectors to create wealth, jobs, and social inclusion, with a strong capacity to export and attract investment. This pillar is based on a more balanced approach to development, with the promotion of regions and economic poles in order to stimulate the potential for development across the entire territory
- a significant improvement in the well-being of the population, a more sustained struggle against social inequality, while preserving the resource base and supporting the emergence of viable regions
- the reinforcement of security, stability, governance, the protection of rights and liberties, and the consolidation of the rule of law in order to create better conditions for social peace and the fulfilment of potential.

The ESP will be implemented in three phases from 2014 until 2035. The ESP also calls for continuing fiscal consolidation, increasing public savings to generate the fiscal space for higher public investment in human capital and public infrastructure, and envisages structural reforms to attract FDI, boost private investment and drive export diversification.

Growth acceleration will be driven by the implementation of flagship projects and multi-sector structural reforms.

Figure 13. GDP growth, GDP per capita growth and population growth (%), 2000-15

Source: World Bank, 2017

7. IMF Coordinated Direct Investment Survey (CDIS), 2015

8. SEN-PPP Finance, 2015

In this sense, the reforms will focus on four sectors, which have been identified as critical binding constraints to inclusive growth: (i) the energy sector; (ii) the agriculture sector and land; (iii) the ICT sector; and (iv) the transport sector.

In terms of **agriculture**, despite a shortfall in rainfall in recent years, Senegal has significantly improved its results due to the selection of seeds and strong mechanisation, which have had a positive impact on agricultural yields. Yields have seen a dramatic increase.

For the **energy** sector a 2015-25 production plan has been put in place on the basis of long-term demand forecasts associated with a transmission system development programme. The energy sector has made remarkable progress with an average cut-off time that has increased from 912 hours in 2011 to 72 hours in 2016. The implementation of a programme to rehabilitate power stations over the 2014-15 period has resulted in a 52MW increase in electricity generation. The recently inaugurated Tobène Power plant adds another 96MW. The diversification of energy sources has also become a reality with the installation of the Bokhol and Malicounda solar power stations and six other solar or wind power projects that are expected to be launched in the course of 2018.

For the **transport** sector, Senegal has built 1 520km and rehabilitated 4 015km of roads over the past four years. Senegal has expanded its highway system with the construction of the Diamniadio highway and a new 115km highway (the Ila Touba highway) is under construction.

The government's objective is to equip Senegal with a 520km motorway network by 2025.

Senegal is also counting on the modernisation of transport services through the development of a more modern public transport system. In rail transport, Senegal has recently launched its largest project since independence, the TER (Regional Express Train). This high-speed train of the latest generation aims to revolutionise the transport system. The train will connect Dakar to the new airport via 14 stations with a speed of 160km/h, for a load capacity of 115 000 people per day.

Energy discovery in Senegal

Senegal's energy sector enters a new area after recent findings of oil and gas. The Scottish operator, Cairn, has discovered two petroleum deposits SNE and FAN in 2014. As a result of the evaluation drilling carried out during 2015 and early 2016, recoverable reserves for the SNE and FAN deposit are estimated by the company between 350 million and 500 million barrels of oil.

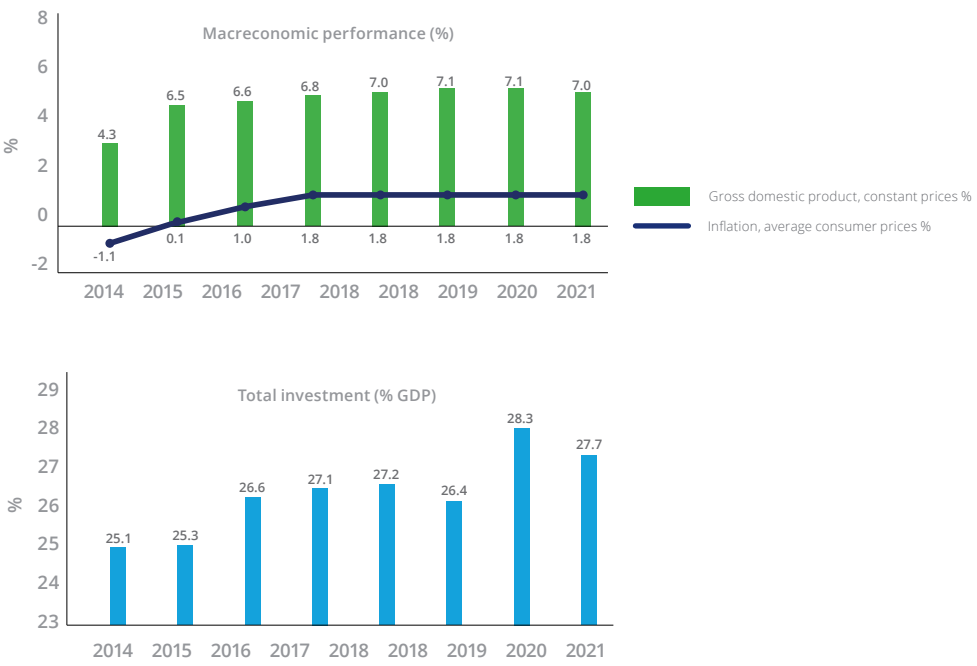
This corresponds, to more than 65 000 barrels of oil per day – superior to the current daily production of a country like Cameroon, which is Africa's 12th largest oil producer. Moreover, US company Kosmos has realised two discoveries of gas in 2016. The Guembeul-1 discovery in the block of St Louis is the largest gas field in West Africa. The well found 101 meters deep with estimated reserves at about 450 cubic meters. The Coast of Cayar discovery, which is located 65km north-west of Dakar, has estimated reserves of about 140 billion cubic meters.

The first gas production is anticipated to start in 2021, while the first oil production could take place between 2021 and 2023. Thanks to those new discoveries, the country could turn into the new energy hotspot of the continent.

Growth outlook

A stronger and sustainable annual growth rate is anticipated by the IMF in the coming years, estimated to be between 7% and 8% until 2021. Anticipated growth is driven by exports, FDI and local investments.

Figure 14. Senegal's economic outlook (%), 2014-21 forecast



Source: IMF estimations, 2016

Business environment

Senegal offers a **competitive destination** for investments in Africa on account of its **political stability**, **strategic geographical position**, access to sub-regional markets and improving infrastructure.

Many international organisations and businesses have made Dakar their base for operations across the West African region.

Political environment
Senegal has provided an exemplary lesson of democracy in Africa. The Government of Senegal has prioritised efforts to improve its business climate and is making efforts to address some of challenges such as streamlining bureaucratic procedures and improving Senegal's competitiveness.

A Presidential Investors Council (PIC) was set up in 2002 as an ideal framework for identifying obstacles to the development of private investment and constraints to the country's competitiveness.

This advisory body has become one of the most dynamic frameworks for PPPs and has enabled the Government and Public Administration to carry out many reforms that have significantly improved the competitiveness of companies and the Senegalese economy in general.

Legal and taxes
Senegal is one of the first countries to ratify the Treaty of Port Louis, establishing the Organization for the Harmonization of Business Law in Africa (OHADA) whose texts form the basis of a modernised business law common to countries of the West African Economic Monetary Union (WAEMU) and the Economic Community of Central African States (CEMAC).

The key objective of OHADA is to harmonise business law in member states and to address judicial uncertainty. The legal framework forms existing in Senegal are governed by the OHADA Uniform Act relating to commercial companies and Economic Interest Groups.

The tax code reform, which entered into force in January 2013, reflects the government's aspiration to use the tax system as an instrument to support economic growth. Declaring and paying taxes has become easier. Efforts to develop paperless operations are well underway and include:

- the Generalisation of e-VAT reporting for SMEs
- paying taxes online using an e-tax platforms
- fee exemptions for online payments;
- a 50% reduction in the notification period (from 26 to 13 days)
- guidance on repayment schedules for VAT.

According to the World Bank's Ease of Doing Business rankings for 2017, Senegal is ranked 174th out of 190 economies on the ease of paying taxes, up six positions from 2016.

During the last ten years, Senegal made paying taxes less costly. The total tax rate as a percentage of profit decreased by about five percentage points, from 50.3% in 2005 to 45.1% in 2016. This decrease is mainly due to a decline in corporate income tax from 35% to 30%. Senegal also has reduced the time that taxpayers spend preparing, filing and paying their taxes from 696 hours in 2005 to 441 hours in 2015.

The General Tax Code which was published in January 2013 and includes:

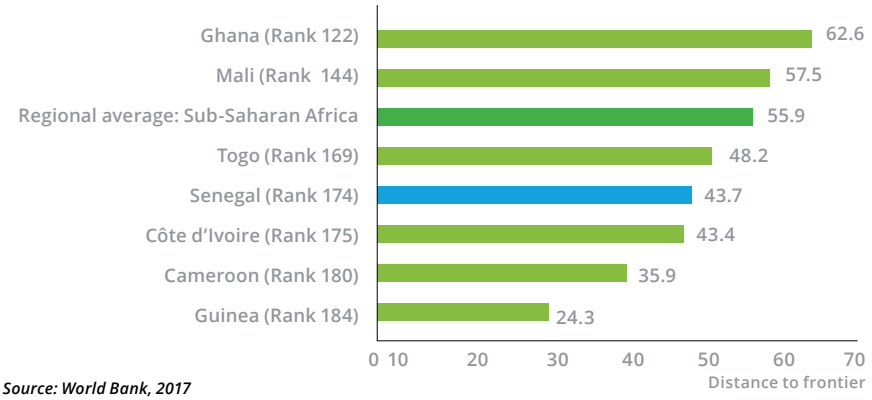
Corporate Tax Rates
The standard corporate tax rate in Senegal is 30%, with a 15% rate applying to companies with "Free Exporting Enterprise" status.

Withholding Taxes (WHTs)
For non-residents the WHT is a final tax. Dividends paid to a non-resident company are subject to a 10% WHT, unless the rate is reduced under a tax treaty. Interest paid to a company, or individual, is subject to a 16% WHT, unless the rate is reduced under a tax treaty. The rate is 8% for interest on a bank or stockbroker account, and 20% on interest on cash vouchers.

Capital Gains Tax
Capital gains are treated as operating profits and included in the corporate income tax base.

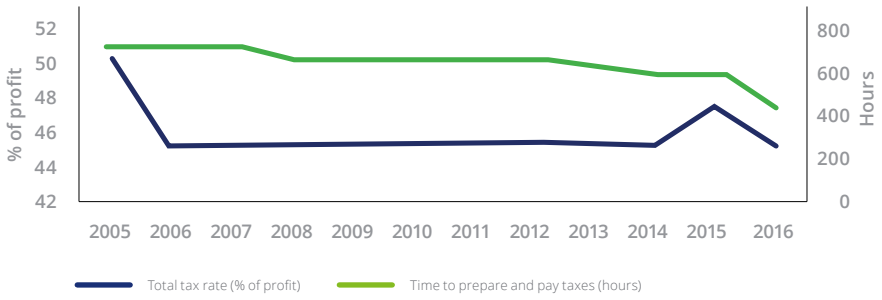
Anti-avoidance
Senegal has integrated in the General Tax Code a regulation regarding transfer pricing. Tax authorities are entitled to reintegrate to the taxable profits of Senegal resident companies or branches of foreign companies the profits indirectly transferred to non-resident related companies.

Figure 15. Senegal vs comparator economies' rank on the ease of paying taxes



Source: World Bank, 2017

Figure 16. Total tax rate and time to pay taxes (% of profit & hours), 2005-16



Source: World Bank, 2016

Figure 17. Senegal's WHTs

WHT Rate	Note	Resident	Non-residents
Dividends	1	10%	10%
Interest	2	16%	16%
Royalties	3	20%	20%
Technical service fees	4	20%	20%
Other (Value-Added Tax (VAT))	5	18%	18%

Source: Deloitte, 2016

Two companies are considered related if:

- One of them has a direct or indirect minimum holding of 50% in the capital of the other or exercises de facto control over the other company; or
- A third party has a direct or indirect minimum holding of 50% in the capital of both companies or exercises de facto control over both companies.

However, the related company requirement does not apply where the transaction involves companies incorporated in a low tax jurisdiction or in non-cooperative states or territories.

Value-Added Tax (VAT)
All economic activities are within the scope of VAT, including activities of independent professionals. The main exemptions relate to healthcare, education, banking, insurance and reinsurance, farming and transportation. Banking transactions are subject to the tax on financial transactions (taxe sur les operations financières). The standard single rate in Senegal is 18%. Banking transactions are subject to 17% tax. This rate is reduced to 10% for services provided by approved accomodations, catering and tourist establishments.

Customs and Excise Duties
Senegal customs operates under the authority of the Ministry of Finance. Payment of taxes and duties are performed through a customs and excise bond. The customs and excise bond is handled by the Treasury.

Import Duties
Customs duty is levied on the customs value of imported goods at different rates. However, most products coming from member countries of WAEMU are exempt from customs duty.

Imports of mobile and landline phone devices by individuals and legal entities liable to the tax on telecommunication services, are exempt from customs duties.

The common external tariff of ECOWAS was entered into on the 1st of January 2015. Under this tariff structure, Senegal has five simple tariff rate categories:

i. 0% on key social goods
ii. 5% on essential goods, basic raw material, capital goods, specific inputs
iii. 10% on intermediate goods, and diesel and fuel oil
iv. 20% on goods of final consumption
v. 35% on specific goods for economic development.

For import duties, an exemption is applied on imported goods that are not made in Senegal, and exclusively used in approved projects. This exemption does not however cover the WAEMU comminatory tax of 2.9% on imported goods which will be levied.

Stamp Duty
Stamp duty is levied on cash transactions based on the amount of the transaction.

Capital Duty
The initial capital duty is 1% of capital if the amount of capital is higher than 100m CFAF, and 25 000 CFAF in all other cases. The tax on a capital increase is 1% of the amount of the increase, with 3% surtax in the case of contributions of real property.

Real Property Tax
Tax is charged at 5% of the value of real property other than factories and industrial premises, and 7.5% of the value of factories and industrial premises.

Transfer Tax
The tax rate depends on the nature of the transfer.

Inheritance/Estate Tax
Tax deeds of pure and simple acceptance of succession or legacy are imposed on the fixed amount of 25 000 CFAF.

Real Estate Tax
Property tax is due at a 5% or 7.5% rate.

Payroll Tax
The payroll tax is 3% of taxable gross salary.

Other Taxes
A business license tax is comprised of a fixed annual payment and a proportional duty, with the amounts and rates fixed according to the nature and size of the business activity.
Specific taxes are levied on the sale of petroleum products, alcohol and tobacco as follows:

Nature of Tax	Rates
Cosmetic products (incl. perfumes) and tourism vehicles (with engine capacity equal to/higher than 13hp)	100%
Tea and coffee	5%
Tobacco tax	40-45% on cigarettes
Tax on petroleum products	21 665 CFAF per hectolitre for super fuel; 19 847 CFAF per hectolitre for ordinary fuel; 3 856 CFAF per hectolitre for fuel used on canoes; and 10 395 CFAF per hectolitre for gas oil

Source: Deloitte, Guide to Fiscal Information, Key Economics in Africa 2015/2016

New tax deductions from the taxable profits are granted to enterprises which invest more than 100m CFAF in the creation or the extension of a business in specific sectors. The deduction rates are set as follows:

- 40% of the investment's value for the creation of a new business
- 30% of the investment's value for the extension of an existing business
- 50% of the taxable profits for enterprises created in Dakar
- 70% for enterprises created in other regions.

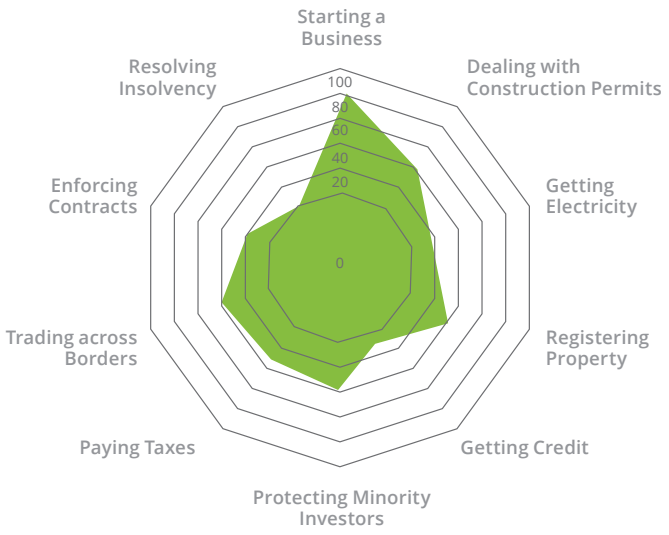
A 50% tax deduction from the taxable profits is granted to enterprises which export more than 80% of their production or services. Mining and oil companies are excluded from this measure.

Doing business

Senegal has shown commitments towards improving its business environment. The country has adopted the Three-year Programme of Business Environment and Competitiveness Reforms (2013-15 PREAC) updated to cover 2016-18. Recent measures include the reduction of the property transfer tax to 5% from 10% in 2013.

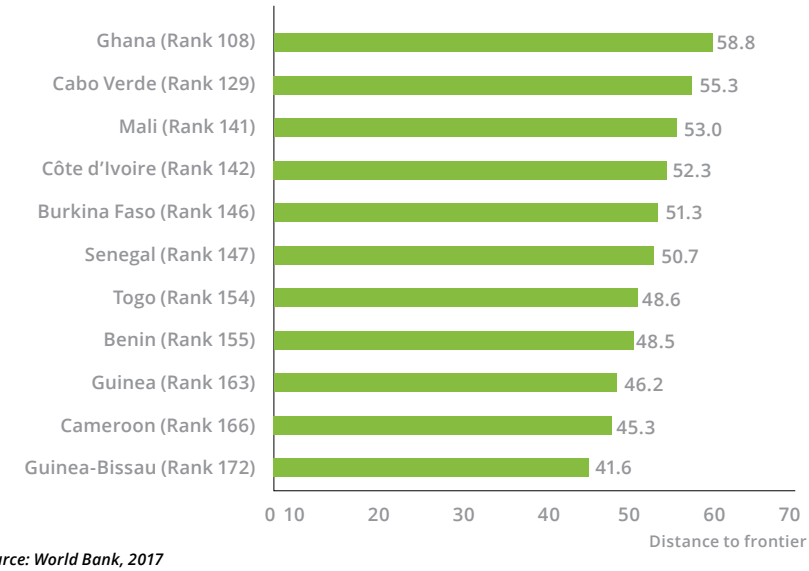
The minimum capital required to start a business was abolished in 2015 as well as stamp duties on business start-ups. According to the World Bank's 2016 Doing Business report, the country is one of the world's top business reformers and among the top ten business environment improvers for two consecutive years. Senegal ranked 147th out of 190 countries in 2017, a six position improvement from its 2016 ranking.

Figure 18. Distance to frontier scores on Doing Business in Senegal, 2017



Source: World Bank, 2017

Figure 19. Ease of Doing Business Comparison, 2017



Source: World Bank, 2017

Starting a business

In the past few years, the procedures for establishing a company have been simplified. The 2017 Doing Business report ranks Senegal 90th out of 190 economies for starting a business. The cost and time to start a business has decreased since 2005 as well as the cost to register property. To start a business takes six days, which is less than the average time required in both OECD countries and in SSA.

Getting electricity

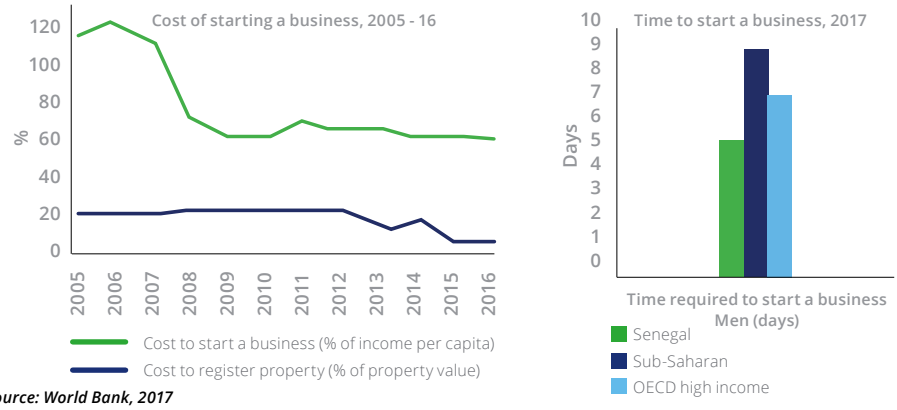
The Doing Business Report ranks Senegal in 162nd place out of 190 countries in getting electricity. The electricity utility of Senegal has reduced the time it takes to get a new connection by streamlining the review of applications and the process for the final connection, as well as by reducing the time needed to obtain an excavation permit. Since 2012, the time required to connect has fallen from 125 days to 75 days in 2016.

Senegal's competitiveness

Despite the progress recently recorded by Senegal, the World Economic Forum's (WEF) Global Competitiveness Report 2016-2017 ranks Senegal in 112th position out of 138 countries, placing it behind the Kyrgyz Republic, Cape Verde, Ethiopia, and Gabon.[9] Areas in urgent need of attention include health and basic education, for which Senegal ranks 126th.

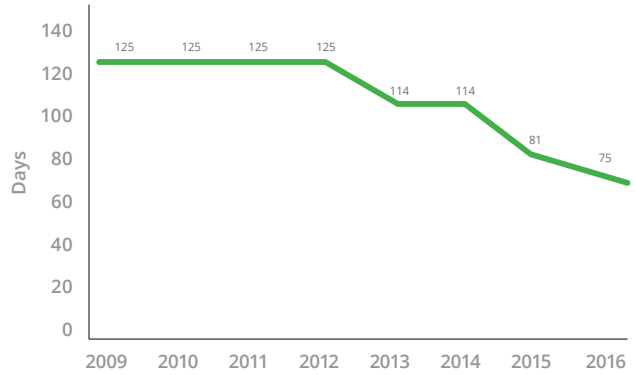
Higher education and training (111th) as well as infrastructure (also 111th) are in need of significant improvement and upgrading, respectively. Senegal scored better on national institutions (69th), with signs of steady improvement across a range of other indicators. The report also recognises Senegal's relatively efficient goods and labour markets (84th).

Figure 20. Establishing a company, 2005-16



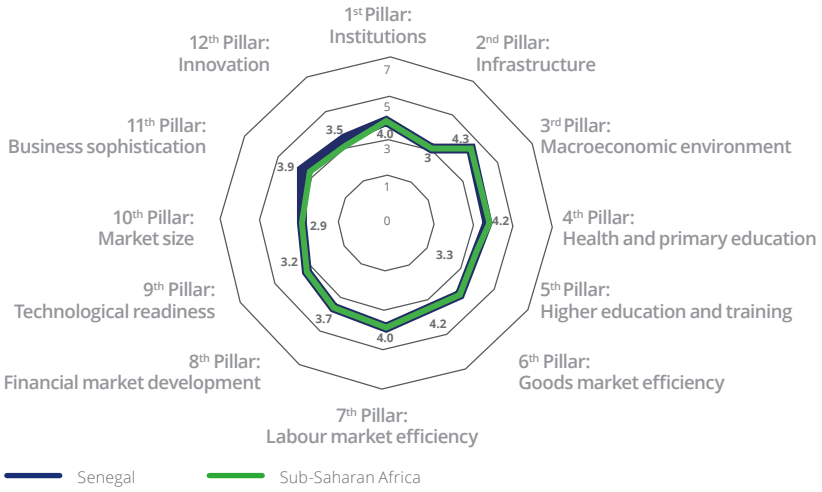
Source: World Bank, 2017

Figure 21. Time required to connect to electricity (days), 2009-16



Source: World Bank, 2016

Figure 22. Senegal's competitiveness performance



Source: WEF, 2016-17

9. The report ranks countries according to 12 pillars of competitiveness, which include macro-environment, infrastructure, health and primary education, and labour market efficiency.

Investment opportunities

Within Senegal's regulatory framework, an investment incentive regime is currently in place. It looks after the **improvement of business environment** and gives **support to private** and **foreign investments**.

ESP 2014-18 investment opportunities

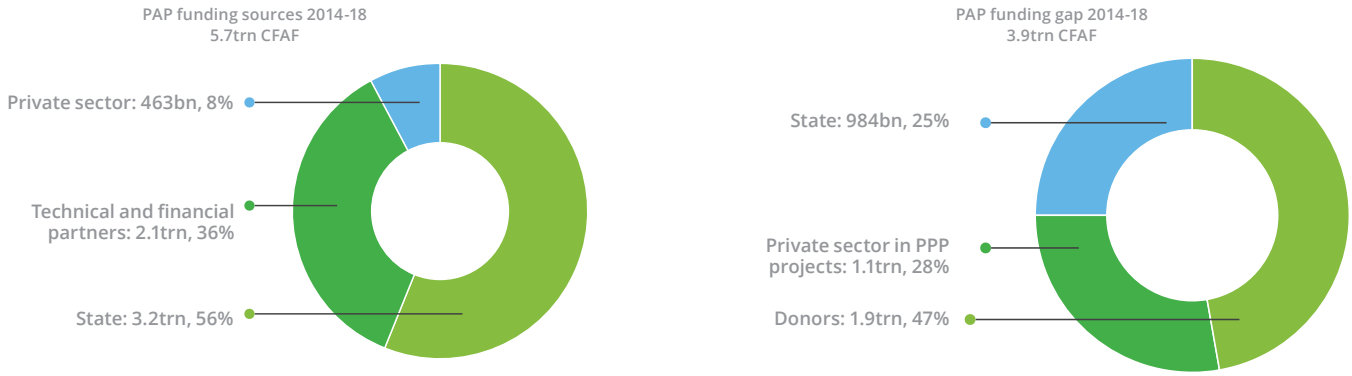
Senegal has put in place a five-year Priority Action Plan (PAP) for the period 2014-18 in order to operationalise the decennial ESP strategic plan.

The cost of the PAP is estimated at 9.7trn CFAF, out of which 5.7trn CFAF was already secured (8% from the private sector). There is still a funding gap of 3.9trn CFAF, planned to be financed by: PAP by donors (47%), state contributions (25%), and from private investors (28%).

For the PPP component of PAP there is a wide diversity of sectors requiring investment. The most representative sectors include infrastructure and transport services (26%), agriculture (25%) and, housing and living environment (16%).

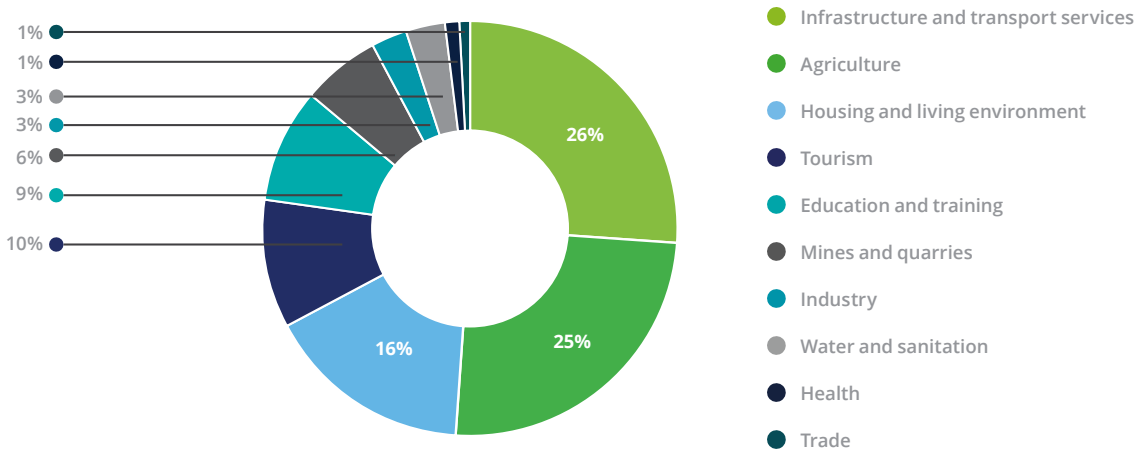
Under the PAP framework, 18 out of 26 projects are in the development phase and are seeking investment.

Figure 23. Priority Action Plan, 2014-18



Source: Ministry of Economy, Finance and Planning, 2014

Figure 24. PPP component of PAP funding gap



Source: Ministry of Economy, Finance and Planning, 2014

Figure 25. PPP projects seeking investment

PPP Projects	Sector	Estimated cost in US$m	Description
Dry port of Kaolack	Infrastructure	60	Build port infrastructure covering a surface area of 70ha.
Dakar Tramway	Infrastructure	734	Build an urban tram network of of 35km.
Integrated Falémé iron project	Mining	202	Exploitation of 15-25 million tonnes of iron ore.
Second University of Dakar	Education	200	Build a world-class university oriented in Science, Technology, Trade, Management, Economics and Social Sciences.
City of Knowledge	Education	90	Develop the "City of Knowledge" on a site of 12ha.
Higher vocational training institute	Education	160	Set up a network of vocationally oriented public higher education institutions.
University residences	Education	280	Build several university residences of international standard with a total accommodation capacity of over 40 000 students.
Cancer prevention centre	Health	30	Build a health centre specialised in cancer prevention to provide care, education and perform research.
Aristide Le Dantec Hospital	Health	160	Overhaul of the Aristide Le Dantec Hospital which has the greatest potential of human resources in the health field throughout West and Central Africa.
Implementation of 100-150 aggregation projects targeted at the livestock and high-value agriculture sectors	Agriculture	178	Creation of 100-150 aggregation projects (farms) in the sectors of horticulture (fruits and vegetables) and livestock (dairy, poultry, etc.).
Grain corridors	Agriculture	620	Expand 3-4 grains corridors and intensify irrigated agricultural watersheds for the production of cereals.
Sea water desalination plant	Agriculture	80	Build a sea water desalination plant to obtain drinking water that can also be used for irrigation.
Tourist site of Joal Finio	Tourism	16	Develop the tourist island Joal Finio called "Shells Island", which is 800 meters long.
Tourist site of Mbodiene	Tourism	406	Develop touristic infrastructure on a total area of 504ha.
Tourist site of Pointe Sarene	Tourism	282	Develop touristic infrastructure on a total area of 110ha.
Integrated Special Economic Zone	Industry and services	90	Develop a reception area for economic activity, with a range of facilities and services of international standard (50ha for the priority phase).
Business Park	Industry and services	540	Develop of a 220ha zone for the establishment of headquarters of major multinationals and companies operating on a regional scale.
Social housing provision	Housing	440	Build and develop social housing.
TOTAL		**4 568**	

Source: Advisory Group Senegal, 2014

Tourism, Agriculture, Fishing and Aquaculture Opportunities

Tourism

Geographical location, a hospitality tradition, underdeveloped sites and generous incentives are some of the advantages for exploiting Senegal as a touristic hub. Within the country there are four important categories of tourism products that are detailed.

Along the country there are different sites with exploitation potential such as Mbodiène, Pointe Sarene and Joal Finio in the Petite Côte; Saint Louis, Potou Sea and Djouj Bird Sanctuary in the North Zone; and the Saloum Delta Islands.

Since 2007, arrivals to the country, for touristic purposes, have been stable with a slight decrease in 2014. The number of arrivals in 2014 was estimated at 836 000 (1.3 million in Kenya for the same year).

According to government statistics tourism decreased by 20-30% in 2015 due to the Ebola outbreak in the region. Given the increasing potential of the sector and its positive impact on Senegal's economy the government aims to reach 2 million tourist arrivals by 2018.

To facilitate the arrival of tourists, the authorities recently decided to abolish the entry visa and reduce airport taxes. The ESP also wants to reinforce tourist infrastructure.

Figure 26. Tourism product categories

1. Seaside	2. Business	3. Nature	4. Cultural
700km of coastline	Political stability and diplomatic dynamism	Natural landscapes like beaches, mangroves and rivers	Strong cultural activity (e.g. World Festival of Negro Arts 2010)
3 000 hours of sunshine annually	Host of international and sub-regional corporate events	Biodiversity	Music and performing arts (drama and dance)
Numerous beaches	World-class conference rooms	Six national parks	Historic heritage: Colonial capital during eighteenth and nineteenth centuries
Many tour operators	Luxury business hotels	Four nature reserves	Geological and prehistoric sites
Shopping centers	International centre for foreign trade	Safari, fishing, bird watching and hunting activities	Wealth of traditions

Source: http://investinsenegal.com, 2016

Figure 27. Tourism arrivals (number of tourists), 2007-14

Source: World Bank, 2017

Agriculture

Like many countries in Africa, Senegal is also an agricultural economy producing a wide variety of fruits and vegetables. The agribusiness sector offers room for growth especially in conservation and versatility of producing equipment.

The ESP brought new impetus to the development of primary industry sectors. Special programmes for products like rice, corn, sesame, etc., were implemented followed by grants for agricultural inputs and equipment leading to satisfactory crop yields.

For example Senegal's rice production almost doubled from 559 021 tonnes in 2014 to 950 779 tonnes in 2016, thanks to the National Rice Self-Sufficiency Programme. The ESP also encourages the development of peanut production and substitution of 20-30% of the consumption of imported oils by locally-produced peanut oils.

Senegal is recognised for a favourable oceanic climate along the south and central coast with different types of soil suitable, for example, for cereal and horticultural crops. Considering the country's large, under-exploited hydraulic potential, Senegal provides important business opportunities in the agriculture sector. Key opportunities include:

- a dynamic horticultural sector based in particular on export horticulture
- the production of irrigated rice, which has one of the best yields in Africa (5-7 tonnes per ha), with strong national demand for rice (annual consumption of more than 70kg per capita)
- tropical products for exports, especially the Bio-banana is very promising in the south of the country
- food processing.

Fishing and aquaculture

The sector is an important component of Senegal´s development policies because of its high export earnings, strong contribution to local consumption and its labour-intensive nature. Aquaculture is a pillar of the ESP plan, which is a policy based on sustainable growth looking to make Senegal an emerging country.

Each year, 30 000 tonnes of shrimp are harvested in Casamance and Saint Louis regions, with an increase consumption of the product in national and international markets due to its health properties.

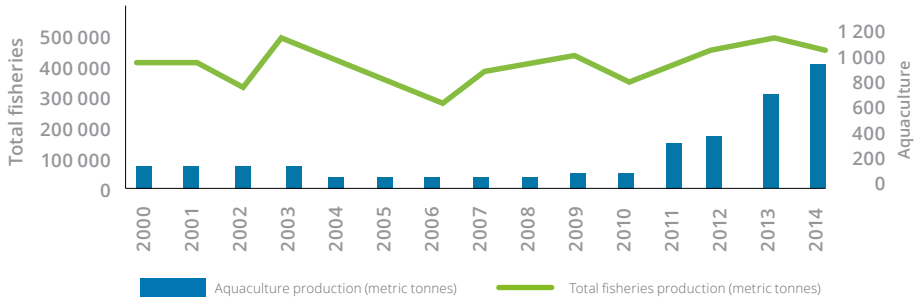
Senegal's aquaculture potential is on account of its 719km of Atlantic Ocean coast, the 1 700km long Senegal River, Gambia and Casamance River and dams of different sizes with Guier Lake dam with a capacity of 280km^2.

Within the sector there are different incentives implemented by the National Aquaculture Agency with the United Nations Food and Agriculture Organization (FAO):

- a Strategic Operational Plan for Sustainable Development of Aquaculture in Senegal with a five-year production target for the period 2010-15 to compensate for a shortfall in fishing yields
- an Investment Plan for small-and medium-aquaculture enterprises
- a Code of Aquaculture with incentives to facilitate the acquisition of land, remission of facilities, and extendable business tax exemption for the first three years.

The sector has a promising future for Senegal especially the aquaculture activity with exponential growth since 2010 motivated by increases in consumption.

Figure 28. Fishing and aquaculture, 2000-14



Source: World Bank, 2017

Challenges and risks

While Senegal's **outlook is promising**, there are some **aspects of improvement** required to **strengthen** the achievement of a **sustainable** and **rapid** growth path.

Energy sector
Senegal's electricity is generated primarily by oil-fired plants, Senegal has one of the highest electricity production cost in SSA: about US$0.30 per kWh. Developing countries power tariffs range between US$0.04 and US$0.08 per kWh. This averages US$0.13 per kWh for SSA countries, but US$0.22 per kWh in Senegal. This too is four times more than tariffs in South-East and Central Asia and Latin America and the Caribbean, impairing private sector competitiveness.

Agricultural sector
Agriculture, which employs 60% of the population, remains heavily dependent on rain-fed crops which are vulnerable to adverse weather conditions. Despite interventions by central government and the country's technical and financial partners, constraints remain. In this context, food security remains a key challenge.

The country is experiencing regular food crises and acute malnutrition rates exceed the emergency threshold of 10%. Irrigated areas remain very low despite the country's fairly high potential in terms of land and water. Agriculture is also constrained by a lack of access to land, and insufficient high quality inputs (especially fertiliser and seeds). Value chains are also poorly structured and synergies between family farming and agribusiness is weak.

Transport infrastructure gap and regional access
Senegal still experiences a notable infrastructure gap. As a result, the country needs to invest in infrastructure to improve its internal and external accessibility through regional programmes to reduce intra-ECOWAS trade-related costs.

These infrastructure gaps represent bottlenecks to the development of agribusiness, value chains and the competitiveness of Senegalese products.

In addition, rural communities have little access to socio-economic facilities (water, transport, energy and economic services) with wide regional disparities. The 187 most isolated rural municipalities (RM) are scattered over 11 of the country's regions. In terms of urban mobility, pressure exerted by strong demand for transport in the Dakar peri-urban area in relation to weak supply remains a challenge.

Social inequalities and regional disparities
The salient feature of Senegal's economic and demographic geography is the dominance of Dakar over other towns and regions. The city held 23% of the population in 2013, i.e. about 3 million people. Occupying less than 0.3% of the national territory, almost one quarter of the population is concentrated in the capital which contains almost 80% of services and corporate headquarters.

Rural areas, in which 60% of the population live, are affected by the migration of young people to the towns and cities looking for employment opportunities. Rural communities have little access to infrastructure as noted. For example, the urban electricity access rate was 86.9% compared to a rural access rate of 33% in 2014. The availability of tap water in households is highly biased in favour of urban (55.48%) rather than rural (19.54%) areas.

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