

# 10 Key Points about Senegal

- 1 > *A fast-growing economy*
- 2 > *A booming financial environment*
- 3 > *A tax legislation focused on the promotion of investments*
- 4 > *A competitive labour cost and high quality human resources*
- 5 > *Standardised accountancy law*
- 6 > *A free market economy*
- 7 > *Standardised business law*
- 8 > *An internationally recognised democratic tradition*
- 9 > *The initiation and regulation of large-scale reforms*
- 10 > *An ambitious development strategy*

+ **Code of Conduct / how to act during your first meeting.**

## 1 *A fast-growing economy*

Over the past few years, the Gross Domestic Product (GDP) has endured a stable growth rate of around 6.7% in 2003 and 5% in both 2004 and 2005. However, there have been significant fluctuations during the last three years, most notably, a sudden drop to 2.5% in 2008. This decline can be seen to correspond with the economic environment and the difficult international financial circumstances at the time, for example, the increase in the cost of energy bills and the evolution of a global market of daily commodities.

**The main factors for the growth of the Senegalese economy are the following:**

- > the primary sector represents more than 14% of the GDP and aims to develop the agriculture sector which is currently dominated by the peanut, grain and cotton trades. Efforts are also being made to cultivate the truck farming and rice industries.
- > the secondary sector, mainly industry, represents more than 20% of the GDP despite a slow start in its development. After industry, the second driving factor for the growth of this sector is the Construction and Public Works industry.
- > the tertiary sector (comprised predominantly of telecommunications, services and tourism), has recognised a significant improvement, representing more than 60% of the GDP.

## 2 *A booming financial environment*

The financial sector is run under the authority of the **Conseil Régional de l'Épargne Publique et des Marchés Financiers (CREPMF)**, which ensures its regulation and surveillance; as well as two central structures, the **Bourse Régionale des Valeurs Mobilières (BRVM)**, and the Dépositaire Central/Banque de Règlement (DC/BR) who are in charge of the promotion and the development of the activities of the regional money market. The growing regional money market is on a quest for innovation with the very recent introduction of new financial instruments designed to promote the refinancing of banking jobs through the securitisation of mortgage debts within the **Union Economique Monétaire Ouest Africaine (UEMOA)**. The Senegalese financial market acts as a spearhead for the expansion of the regional money market.

This financial environment is governed by a regulatory executive community of eight West African countries belonging to the (UEMOA). The capital stock-exchange for the **Bourse Régionale des Valeurs Mobilières (BRVM)** is 60% dominated by **SONATEL** (telephone operator) and ETI (**ECOBANK TRANSNATIONAL INCORPORATED**, a Pan-African bank created as a corporation in 1985).

**As far as the monetary aggregates and the banking sector are concerned, we can maintain that:**

- > the base rate of the Central Bank of the Western States of Africa continued to decline in the period after the devaluation of the CFA franc in January 1994. Presently, the pension rate has decreased by 0.5% from 4.75% to 4.25%. The Central Bank aims to encourage commercial banks to lower credit costs during this economic crisis.
- > since the reorganisation of the coefficients applicable to banks on the 16th June 2005, no modifications have been made to the obligatory reserves operation. Indeed, the banking sector in Senegal and in the UEMOA remains very fluid.
- > the reform that recognised the joining of the BCEAO with the national Treasures in 2002 led to the consolidation of direct monetary aid.
- > a number of banks in Senegal have experienced a development in their fusion-absorption operations. Senegal has over fifteen more commercial, investment and development banks than merchant banks.
- > the prudential operation applicable to banks is monitored just as closely by the Banking Commissions than it is by the mandate of statutory auditors.

### 3 *A tax legislation focused on the promotion of investments*

- > Through the Agency for the Promotion of Investment (APIX) (who ensures the effective implementation of investment projects), the Senegalese legislator has introduced an Investment Code which offers a preferential system for investment projects.
- > With the help of APIX, investors can now benefit from a number of fiscal and customs advantages offered by the Investment Code, including exemption from customs and the suspension of VAT during the high investment period (normally no longer than three years).
- > In addition, society could benefit from: a 50% reduction on taxable profit of up to 40% of certified investments over a period of 5 years; exemption from the Contribution Forfaitaire à la Charge de l'Employeur (CFCE) over a period of 5 to 8 years following the number of jobs created; and the possibility of ending fixed-term contracts for a limited period of 5 years.
- > The legislator plans to reduce the tax burden on the competitiveness of Senegalese businesses by reducing corporation tax from 35% to 25%. In addition, discussions are underway to reduce payroll tax. A tax rate will be added to VAT at the community scale of the **Union économique et monétaire ouest africaine**.

### 4 *A competitive labour cost and high quality human resources*

- > Since its independence, Senegal has proven its competency by implementing systems of higher education and vocational training. Education is provided in the following fields: business; economy; finance; science; and technology.
- > This higher education and professional training policy has contributed considerably to the development of human resources and has led to the allocation of a qualified personnel to manage competitive costs of businesses and economic operators in Senegal.
- > The number of students in higher education is estimated at around 120 000 to 150 000 students in five public universities (Dakar, St-Louis, Thiès, Bambey and Ziguinchor and around forty higher education institutes).
- > The cost of labour is based on the guaranteed minimum wage, fixed at an hourly rate of 209.10 CFA francs (0.32 Euro) in operation since 1996, as well as the guaranteed agriculture minimum wage fixed at an hourly rate of 182.95 CFA (0.28 Euro).

### 5 *Standardised accountancy law*

The standardisation of accountancy law at a regional level and a determination from the accounting profession to guarantee the high-quality of financial information provided, are vital in securing and perpetuating investments in Senegal. Professional ethics is the topic of discussion amongst a number of work groups. Whether to assist investors in the foundation of companies (in the fields of legal and fiscal assistance), in certified public accountancy or in strategic orientation, Senegal benefits from a number of renowned consultancy and public accountancy firms.

## 6 *A free market economy*

- > 51% of Senegal's exports are within the African continent, of which 47% are to the countries of the Communauté Économique des États de l'Afrique de l'Ouest (CEDEAO). Around 30% of exports are to the European Union. Concerning access into the market economy of developed countries other than those belonging to the European Union, the current national production system is conscious of the need to adapt to the world demand by aligning its weak production costs with those of emerging markets. Asia and the Americas represent 10.4% and 1.7% of all exports in 2007 respectively, compared to 9.7% and 1.0% in 2006. The majority of Senegal's imports are from the European Union (around 50%), Asia (20%) and the CEDEAO (25%). Senegal imports manufactured food products, electrical goods, electronic products, etc., and exports cotton, petroleum products, phosphates, fish and various other manufactured products to India, the United States, Nigeria, France and England.
- > China, India, Iran and even the Gulf countries are becoming increasingly reliant on Senegal's exports. In fact, India accounts for 26.7% of Senegalese exports. An Indian bank opened a regional office in Dakar in January 2008 in order to facilitate commercial relations between the two countries. China is also a growing partner as can be seen from the China-Africa summits. Furthermore, an Africa-China buying group has been created to facilitate, on both sides, contact between Chinese and Senegalese operators.

## 7 *Standardised business law*

- > The movement of the Senegalese economy towards a free market economy can be seen through standardised corporate law, shared by all West African countries and the **Organisation pour l'Harmonisation en Afrique du Droit des Affaires (OHADA)**, and through its 'Actes Uniformes' concerning company commercial law and the intercompany management syndicate, general trade, simplified procedures for tax collection and exemption.
- > The international transformations in terms of business and commercial law of a regulatory framework have made a favourable impression on political decision-makers and on the public accountancy profession within the (UEMOA).

## 8 *An internationally recognised democratic tradition*

- > The roots of Senegal's democratic tradition can be identified in the period after the independence of many of France's colonies. The country's parliamentary system was converted from a single-party to a multi-party system which led to the implementation of a political system separating executive power from legislative power.
- > Democratic and political talks are now common-place and the political alternation, introduced in Senegal in 2000, was welcomed by the international community and became a model for political change in Africa.
- > The liberalisation of the printed press and mass media constitutes a democratic principle that everyone agrees with. Senegal has 16 daily newspapers!
- > As a result of Senegal's transition to democracy, the country has acquired the role of privileged mediator in the search for political solutions to crises within West Africa, Central Africa and elsewhere.

## 9 *The initiation and regulation of large-scale reforms*

- > In an attempt to ease popular concern, the public authorities, in unison with development partners, have proposed a strategic framework for the reduction of poverty designed to promote an accelerated growth based on the implementation of sectorial policies.
- > The framework for the planning and implementation of economic policy is governed by the creation pact of the **UEMOA**, in unison with the International Monetary Fund (IMF) and the World Bank, who demand the respect of the convergence criteria including the main macroeconomic aggregates (GDP, inflation rate, budget deficit, etc.).

## 10 *An ambitious development strategy*

**The public authorities have endeavored to develop the country by initiating the following ambitious projects:**

- > the strengthening of urban transport through the enforcement of road structures in Dakar and Thiès, in particular the construction of new roads and interchanges and the renovation of certain A-roads (N1, N6 and N7).
- > the construction of a 32km toll motorway between Dakar and Diamniadio to improve transport services between Dakar and the suburbs.
- > the construction of a new port and a new international airport.
- > the setting up of a development programme for electricity production.
- > the launch of the Millennium Challenge Programme for the development of agriculture in the Senegal river region at a cost of 450 million dollars.

## *Code of Conduct*

### *How to act during your first meeting.*

In Senegal, relations are quite courteous. Start by shaking your interlocutor's hand and speak to him in French or English. If you can speak Wolof, save it for informal occasions as it is not one of Senegal's official languages. Even if work relations appear to be fairly casual, this does not mean you should use informal language. Make sure that you are always punctual; this is an extremely important quality in the business world. The Senegalese are relatively punctual and appreciate their interlocuteurs to be so too. Do not offer presents, except to your friends, as this could be interpreted as bribery. Finally, do not talk or make any references to religion as this is perceived as a taboo subject in Senegal. The Senegalese are especially sensitive.