



# Senegal

Population <sup>1</sup>	15,854,360
Area (km <sup>2</sup> ) <sup>1</sup>	196,710
GDP per capita (USD) <sup>1</sup>	1,521.95
TPES (Mtoe) <sup>2</sup>	4.31
Energy intensity (toe/10 <sup>3</sup> 2010 USD) <sup>2</sup>	0.19
CO <sub>2</sub> emissions - energy (MtCO <sub>2</sub> ) <sup>3</sup>	8.31

Data from Orbis Crossborder Investment on energy projects and deals completed between 2015-2020<sup>4</sup>

Target industry	Number of projects and deals	Project/deal type	Project CapEx and deal value (million EUR)
Electric power generation, transmission and distribution	2 projects	new projects	57m EUR total project CapEx
Manufacture of refined petroleum products	1 project	new project	2m EUR total project CapEx
Mining of uranium and thorium ores	1 project	new project	4m EUR total project CapEx

Sources:

1. The World Bank 2018
2. ©IEA, World energy balances, 2020, [www.iea.org/data-and-statistics](http://www.iea.org/data-and-statistics), [webstore.iea.org/key-world-energy-statistics-2019](http://webstore.iea.org/key-world-energy-statistics-2019)
3. ©IEA 2020, CO<sub>2</sub> emissions from fuel combustion, [www.iea.org/data-and-statistics](http://www.iea.org/data-and-statistics), [webstore.iea.org/key-world-energy-statistics-2019](http://webstore.iea.org/key-world-energy-statistics-2019)
4. Orbis Crossborder Investment (2020), Bureau Van Dijk. Senegal is the destination country of the investment. Data represents the period 1 April 2015 - 1 April 2020. For more information see Annex II of this report.

Senegal's overall risk level against the assessed areas is **low**.

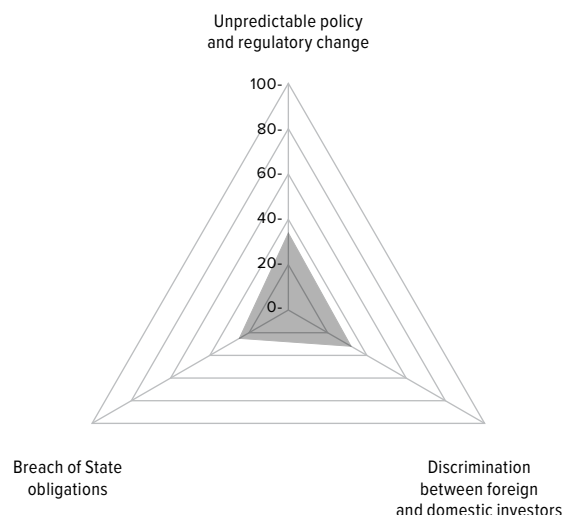
Among the three risks assessed in EIRA, *breach of State obligations* continues in 2020 to be lower compared to *discrimination between foreign and domestic investors* and *unpredictable policy and regulatory change*.

Senegal's performance against two of the EIRA indicators is good, and it is moderate on the other two. *Rule of law* remains the highest-scoring indicator at 75, followed by *management of decision-making processes* at 70. On the indicator *regulatory environment and investment conditions*, it has scored 60, while its performance on *foresight of policy and regulatory change* has improved by one point, and is now at 53.

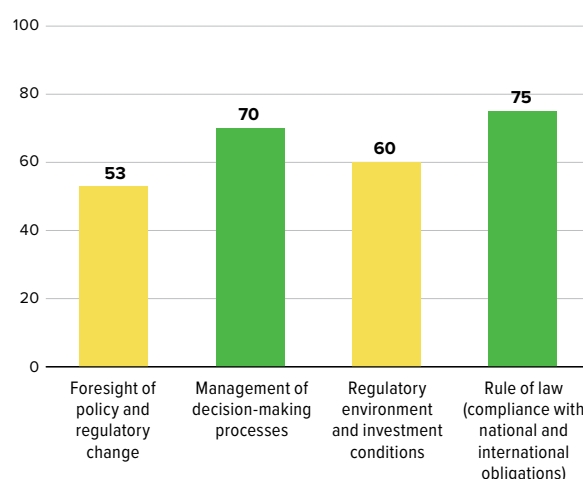
On a more detailed level, Senegal's overall sub-indicator performance is good. The highest-scoring sub-indicator continues to be *institutional governance* at 94. The score on *management and settlement of investor-State disputes* and *respect for property rights* is again 75. Its score on *restrictions on FDI* is 70, while on *communication of vision and policies* its score has increased from 53 to 56. It has maintained a moderate score of 50 on *robustness of policy goals and commitments* and *regulatory effectiveness*. *Transparency* remains the lowest-scoring sub-indicator at 46.

While Senegal has the relevant policies and measures in place, there is potential for improvement. Attention should be given to enhancing transparency in the country.

## RISK LEVEL



## INDICATOR PERFORMANCE



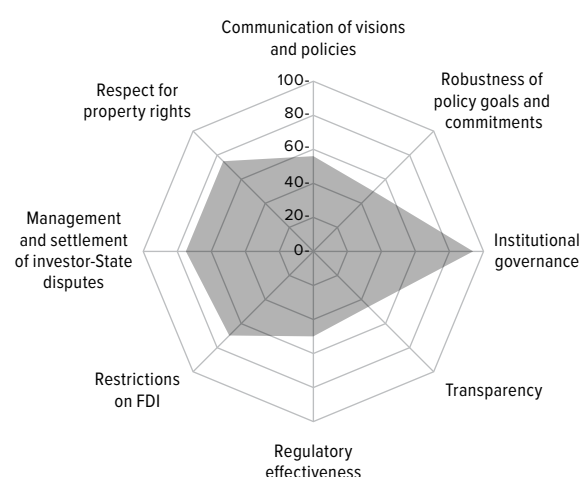
## YEAR-ON-YEAR COMPARISON

RISK AREAS	2018	2019	2020
Unpredictable policy and regulatory change	33	35	34
Discrimination between foreign and domestic investors	30	33	32
Breach of State obligations	23	25	25

INDICATORS	2018	2019	2020
Foresight of policy and regulatory change	53	52	53
Management of decision-making processes	70	70	70
Regulatory environment and investment conditions	63	58	60
Rule of law	78	75	75

## SUB-INDICATOR PERFORMANCE



## Foresight of policy and regulatory change

### QUICK FACTS

The Emerging Senegal Plan (PSE) 2014-2035 sets out the country's economic and social development strategy.

The Letter of Energy Sector Development Policy (LESDP) was adopted in 2012 and consequently updated in 2019. It is fully integrated in the PSE.

Senegal ratified the Paris Agreement in 2016 and submitted its NDC.

### STRENGTHS

The LESDP 2019-2023 describes the Government's revised vision to ensure reliable and affordable access to electricity for all, in a sustainable manner. It contains ambitious medium-term and long-term objectives, such as improving energy security by reducing dependence on imported heavy fuel oil, diversifying the energy mix to include lower carbon options, and leveraging indigenous resources. The Government aims to increase the electrification rate in rural areas through network densification, off-grid projects for non-interconnected areas, and harmonised rural tariffs. It is conscious that a more dynamic and competitive market will help tackle the challenges of high energy generation costs and unreliable supply. Following the accounting separation of the National Electricity Company of Senegal (SENELEC), there are efforts to unbundle transmission to facilitate third-party access as well as regional trade.

The Government recently finished evaluating the progress made under the Priority Action Plan (PAP), which has now entered its second implementation phase (2019-2023). The Ministry of Petroleum and Energy (MPE) maintains the lead in monitoring the implementation of the energy-related targets identified in the PSE and the LESDP. Monitoring tasks are also vested in the Electricity Sector Regulatory Commission (CRSE). To create a clear institutional framework on rural electrification, the Government has transferred the functions of the Senegalese Agency for Rural Electrification (ASER) to a new rural electrification department in SENELEC. SENELEC is responsible for cancelling non-operational concessions, and for creating an affermage model outside the preferential concession areas that will boost investment in rural electrification.

### AREAS FOR IMPROVEMENT

Further actions are needed to ensure that the energy mix transitions from oil-fired generation to renewable energy and natural gas. Natural gas strategies should be successfully implemented across the entire value chain, including end uses (gas-to-power). A transparent and simplified procurement process will help the Government to identify effective and impactful projects for renewable energy generation, as well as financial instruments and innovative de-risking packages for tendered projects. Such measures will also incentivise the private sector to invest in clean energy transition.

## Management of decision-making processes

### QUICK FACTS

The MPE formulates the energy sector policies.

The Ministry of Investment Promotion, Partnerships and the Development of the State Teleservices is responsible for the national investment planning.

The National Agency for the Promotion of Investments and Major Projects (APIX) was created in 2000 to provide companies information on investment conditions and procedures, and to assist them in obtaining permits and approvals.

### STRENGTHS

The PSE continues to be the overarching strategic framework for the long-term economic development of the country. It seeks to achieve an emerging market status for Senegal by 2035. The Government recognises good governance and institutional robustness as prerequisites for the country's structural transformation and for an improved business environment that attracts high investment. Since 2016, the Government has made digitalisation of government services, particularly business-facilitation services, a priority through the Digital Senegal Strategy 2025. Efforts are underway across multiple national authorities to digitise business registration, collection of taxes and duties, and the process of obtaining permits.

The Government is making progress on its commitment to improving transparency in public administration. Since the evaluation of the IMF in 2018, internal audit structures have revitalised. The Ministry of Finance and Budget regularly reports on its website about the quarterly budget appropriations and informs the public about their execution. A Medium-Term Revenue Mobilisation Strategy (SRMT) will be implemented from 2020 onwards to secure the recovery of budget revenue, allow development programs included in the PSE to be financed, and to maintain the macro-fiscal stability of the country. The SRMT's main tax policy measures include, among other things, reform of the corporate income tax and a reduction in tax expenditures. Given the complex nature of these reforms, consultations between private and public stakeholders have taken place, such as in the case of the Digital Economy domain.

### AREAS FOR IMPROVEMENT

The Government should adopt the long-anticipated law guaranteeing the right to information. Additionally, it needs to undertake deeper reforms and attract higher investment to increase the whole-of-government efficiency and transparency, and enhance services delivery to businesses. The implementation of these activities requires interoperability and data-sharing, improvement of the functionality of existing platforms, and simplified processes.

## Regulatory environment and investment conditions

### QUICK FACTS

The CRSE oversees licencing, operation, and sale of electricity and holds a competition mandate in the sub-sector.

The MPE regulates the oil and gas sub-sectors.

### STRENGTHS

The Government and the CRSE aim to implement various structural measures to increase confidence in the regulatory framework and ensure the energy sector's viability. Ongoing reforms seek to expand CRSE's role in the intermediate and downstream gas sub-sector. A gas code for regulating the sub-sector is in the process of being adopted. Moreover, a financial plan for the electricity sector, currently under preparation, includes strategies on the payment of public sector arrears and coverage of funds needed by SENELEC for tariff compensation. The CRSE has agreed to modify the maximum allowed revenue tariff formula. Through the CRSE's Decision no. 2019-48, tariffs for low-voltage customers will be adjusted by 10% to protect poorer customers. The reduction will be absorbed by the medium and high voltage customers who will now pay a tariff increased by 6%.

Senegal's growth is driven increasingly by investment. In line with PAP2, the Government plans to let private investors take the lead in strategic projects, such as in the establishment of a gas transportation company, in which the State-owned oil company (PETROSEN) will hold the public sector's participation. It is expected that SENELEC's re-organisation into separate transmission and distribution, and generation subsidiaries will reinforce its technical and operational robustness. The 2019 Petroleum Code offers a range of advantages and guarantees to petroleum contractors and subcontractors. It allows them to borrow funds from abroad for executing their activities, as well as to transfer funds for the contractual amortisation of debts related to their operations in Senegal.

### AREAS FOR IMPROVEMENT

Reinforcing the CRSE's functional and institutional autonomy is essential for improving regulation in the energy sector. A step in the right direction would be selecting its Commissioners based on merit through a public procedure, and making them accountable only to the National Assembly.

The 2019 Law "On Local Content in the Hydrocarbons Sector" should be supplemented with subsidiary regulations, so that it is fully implemented. The details of these regulations must be developed in collaboration with industry stakeholders, research institutions and international organisations to strengthen the competitiveness and the productive capabilities of local companies.

## Rule of law

### QUICK FACTS

Senegal ratified the Convention on the Settlement of Investment Disputes between States and Nationals of other States in 1967.

Senegal acceded to the Convention on the Recognition and Enforcement of Foreign Arbitral Awards in 1994.

Senegal is a Member State of the OHADA, which has designed and enforced a substantial body of commercial laws among its Member States.

### STRENGTHS

Senegal has adopted measures to modernise its investment protection regime, both in its domestic legal framework as well as in the context of the OHADA. These measures come in many forms, including domestic legislation (Investment Code, Petroleum Code), and bilateral and regional treaties and agreements (ECOWAS Energy Protocol, revision by the OHADA of the Uniform Act on Arbitration of 2017). As evidenced by the recent ICC rulings, arbitration of disputes stemming from an investment in Senegal's energy sector is a viable alternative to domestic litigation. The courts can scrutinise the legality of all administrative decisions upon the request of foreign and local persons. The court review must be initiated within two months from the administrative decision.

National law facilitates ownership of private property and guarantees its protection. Petroleum title-holders must contribute to the maximum technological transfer with the Senegalese companies. The National Committee of the Local Content Monitoring develops a strategic plan for technology and skills transfer. Senegal is a member of the African Intellectual Property Organization (OAPI). Its most distinctive characteristic is that trademark, patent, and design protection can be obtained through a single filing either with the OAPI IP office or through the relevant Senegalese agency, and is automatically effective in all its Member States.

### AREAS FOR IMPROVEMENT

The commercial court, established in 2017, has, thus far, ruled on more than 10,000 cases, thereby speeding up the resolution of disputes. In addition, since February 2020, the commercial court has set up a system that allows proceedings to be initiated and followed online. As advised previously in EIRA, timeframes for examining cases will help to further reduce delays and increase the celerity of justice in Senegal.

It is commendable that the Government has committed to not renegotiating the existing contracts under the 2019 Petroleum Code and the Law on Local Content in the Hydrocarbons Sector. It is encouraged to take this approach since the retroactive application of new legislation may erode the country's attractiveness as a foreign investment destination.

# IMPLEMENTATION STATUS



## Senegal

PROPOSED IN	EIRA AREAS FOR IMPROVEMENT	IMPLEMENTATION STATUS AS OF 1 APRIL 2020
<b>Indicator 1</b>		
2018	Adopt a revised version of the Petroleum Code 1998 and the Priority Action Plan (PAP) for the period beyond 2018.	<b>Fully implemented.</b> The Government adopted the revised Petroleum Code in 2019. It has also adopted the Priority Action Plan 2019-2023 and the Energy Sector Development Policy Letter 2019-2023.
	Establish a robust policy review process that can measure the progress made towards achieving the national targets.	<b>Work ongoing.</b> The Government has completed the evaluation of the Priority Action Plan (PAP), which has now entered its second implementation phase (2019-2023).
<b>Indicator 2</b>		
2018	Institutionalise inter-ministerial policy coordination mechanisms.	<b>Work ongoing.</b> Collaboration has increased in the context of important strategies, such as the Priority Action Plan (PAP) 2019-2023 and the Digital Senegal Strategy 2025.
	Improve transparency by adopting a law guaranteeing the right to access information.	<b>Work ongoing.</b> The Government is yet to adopt a law on access to information. However, transparency requirements have been included in the 2019 Petroleum Code. Internal audits have taken place and fiscal information is available with regular publication of quarterly budget appropriations and information on their execution on the website of the Ministry of Finance and Budget.
	Promote stakeholder engagement in the decision-making process by disseminating draft laws and regulations for public consultation in advance, setting timeframes for soliciting public comments and opinions, and regularly updating electronic legal databases.	<b>Work ongoing.</b> Discussions with private stakeholders and international organisations have taken place in the context of legislative reforms, such as the Priority Action Plan (PAP) 2019-2023, and the Digital Senegal Strategy 2025.
<b>Indicator 3</b>		
2018	Reinforce the Electricity Sector Regulatory Commission's (CRSE) independence by selecting its commissioners based on merit, through a public procedure, and by making them accountable only to the National Assembly.	<b>Pending</b>
2019	Adopt secondary legislation to implement the 2019 Law "On Local Content in the Hydrocarbons Sector".	<b>Pending</b>
<b>Indicator 4</b>		
2018	Speed up civil and commercial adjudication and set deadlines for the completion of judicial proceedings.	<b>Work ongoing and partially implemented.</b> The commercial court, established in 2017, has thus far ruled on more than 10,000 cases, thereby speeding up the resolution of disputes. Moreover, since February 2020, the commercial court has set up a system that allows proceedings to be initiated and followed online. However, there are no strict deadlines set in law to render final judgements in court proceedings.
2019	Limit the retroactive application of laws, particularly the 2019 Petroleum Code and the Law "On Local Content in the Hydrocarbons Sector".	<b>Work ongoing.</b> The Government has thus far refrained from renegotiating existing contracts under the 2019 Petroleum Code and the Law "On Local Content in the Hydrocarbons Sector".