LE TEMPS
MÉDIA SUISSE DE RÉFÉRENCE

December 1, 2014

Africa's strong growth to continue with Senegal

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The release of 500 million dollars in Eurobonds: a first step towards Senegal's emergence

By purchasing 200,000 dollars in bonds to the Republic of Senegal, Mr. Muller, a banker in Zurich, probably did not imagine the impact it would have on a country among the most stable in Africa, but whose growth rates are still very low. Hadn't the country recently been ranked 161st out of 189 countries on the World Bank's *Doing Business* report? And yet...

Put into perspective: Macky Sall's government, elected in 2012 during elections that were applauded for their transparency, was besieged last year despite the presence of singer Youssou N'Dour as the country's Culture Minister. Demonstrations and protests led to a cabinet reshuffle in September 2013 that raised Macky Sall's credibility, giving him free rein in launching the Senegal Emergence Plan (Plan Sénégal Emergent, or PSE). The protesters signaled their discontent, which has been caused by constant water cuts, among other issues; the West African country needs more than ever to invest in the infrastructure essential to supporting its productivity.

Thus the government launched the Eurobond last July to raise 500 million dollars on international markets. The funds raised will allow the country to meet is financial commitments and also to improve its public debt structure by reducing the use of expensive short-term financing from regional financial markets. The IMF believes that such an operation should not significantly increase the country's indebtedness as long as fiscal consolidation continues. The country's budget situation remains, in effect, precarious, with a deficit of over 5%. Despite Senegal's average sovereign rating of B+, the bond, issued at a very profitable rate of 6.25% over 10 years, has been widely subscribed, attracting 4 billion dollars: a success which confirms international investor interest in African debt.

The Eurobond will be primarily invested in the energy, agriculture and fishery sectors, especially since agriculture remains unstable and unable to feed the population despite the fact that Senegal is a water-rich country. The primary sector (representing 18% of GDP and 50% of the labor force) remains vulnerable to volatility in global commodity markets, and climate disturbances put crops such as peanuts at a disadvantage since they depend on seasonal rains that do not always fall as expected. The authorities also aim to diversify and develop agricultural activities along the Senegal River, which is already home to sugar cane crops, in order to increase the production of rice and vegetables.

The Eurobond is thus intended to stimulate the still timid growth of an underdeveloped country that has not followed the dynamics observed in many African countries with abundant raw materials. If African countries are perceived today as spearheading the global economy - seven of the ten economies where growth will be strongest worldwide over the next five years are in Africa - some countries in the West African Economic and Monetary Union have been left behind in this economic revival. Senegal's growth rate rose to only 3.3% in 2013, compared to 6% in the region; for 2014, growth is estimated at 4.5% but could, however, be negatively affected by low rainfall during the summer and the impact of Ebola. With the implementation of the Senegal Emergence Plan, Senegal should regain its economic vitality in the medium term and could perhaps aspire to becoming an emerging economy by 2035 as envisaged by the authorities, who expect 6.7% growth in 2015 and 8% in 2017.

Could Mr. Muller consider his Eurobonds to be an impact investment? Fair enough. The bonds will benefit the local economy, thereby benefitting the 14 million Senegalese, half of whom live on less than two dollars a day. But it will take time.

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