



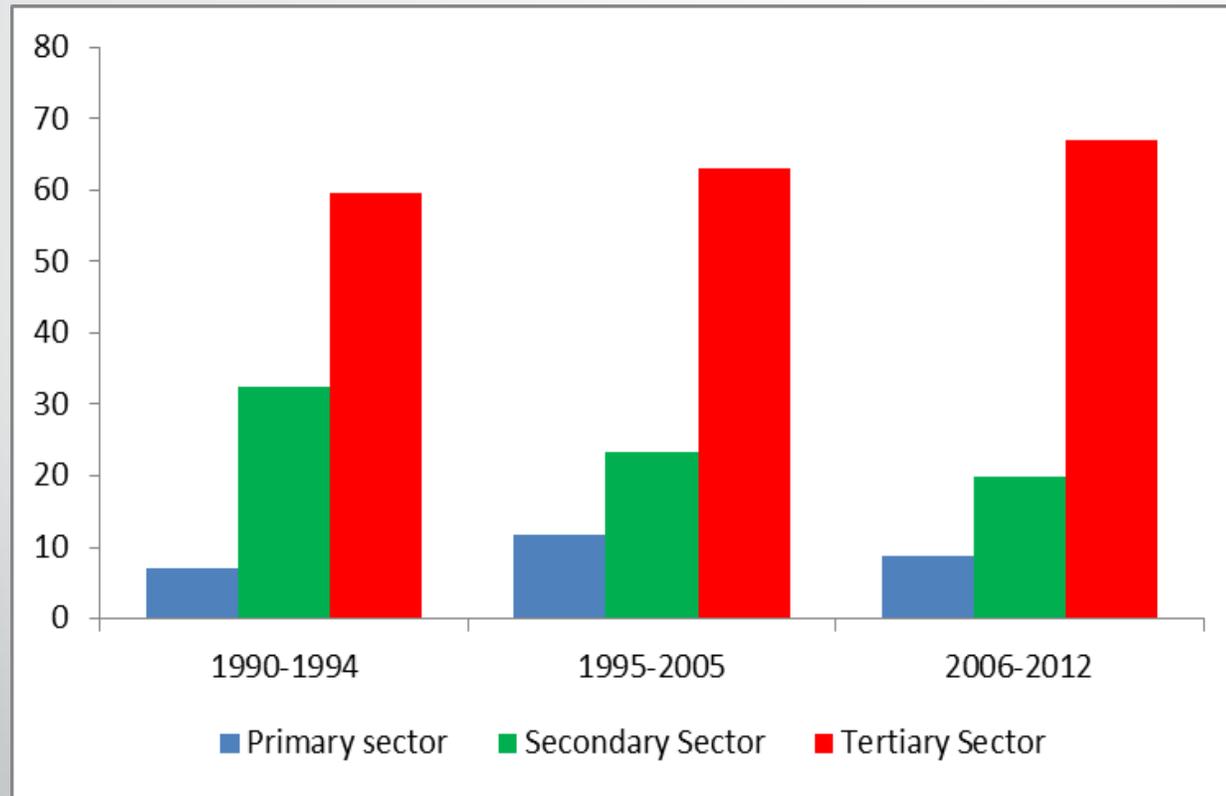
Senegal:  
a service economy  
in need of an export boost

Philip English

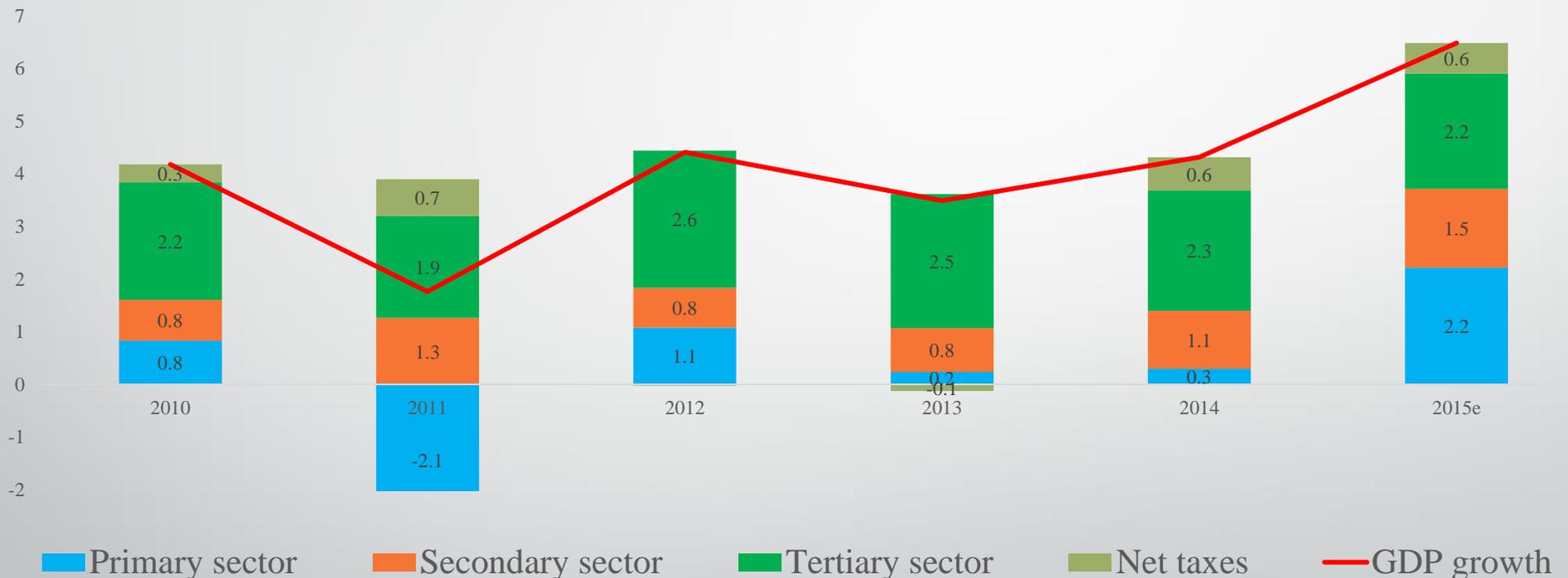
# Overview

- A stable, tolerant, Muslim democracy
- A Sahelian country with low and unreliable rainfall - but access to the ocean
- Diversified economy: agriculture, fisheries, mining, manufacturing, construction
- But services dominate: finance, telecommunications, transport, tourism, business services,
- Barely lower middle income (p.c. income of \$1060)
- GDP growth averaged only 3.3% from 2006 to 2013
- But projected to be 3<sup>rd</sup> fastest growing economy in SSA in 2016 (6.6%)
- Oil and gas boom on the horizon

# A Dominant and Growing Service Sector



# Steady and Improving GDP Growth led by Services



# Poor Trade Performance

## Principal Exports: 2014-15\*

	% of total exports
Other manufactures/equipment	11.6
Tourism	10.9
Fish products	9.3
Petroleum products	9.2
Gold	8.0
Cement	5.0
Other business services	4.9
Phosphoric acid and fertilizer	4.2
Transport services	3.8
Groundnut products	2.6
Horticultural products	2.4
Other goods	13.7
Other services**	13.4
Total	100

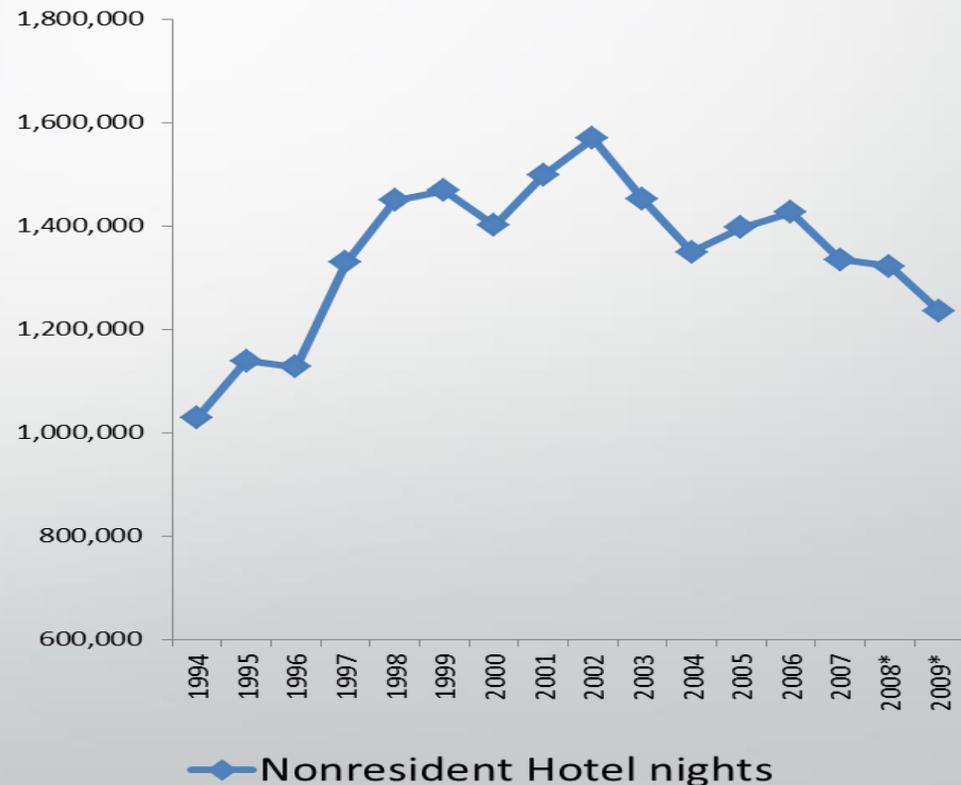
- Exports/GDP = 25% and ↓
- Other manufactures: to sub-region
- Tourism: stagnant or ↓
- Fish products: Over-fishing
- Petroleum products: re-exports
- groundnut oil: stagnant
- Telecoms ?

# Plan for an Emerging Senegal

- New growth and development strategy
- Developed under new president Macky Sall in 2014
- Aims to make Senegal an emerging economy by 2035
- Recognizes need for a new growth strategy with higher exports and FDI
- Adopts diversified approach with strong emphasis on services
- Envisages Dakar as regional hub but now competition from Abidjan
- Tourism, telecommunications and horticulture are 3 priority sectors

# Tourism: a Neglected Sector with Much Potential

- 1980s Senegal 2<sup>nd</sup> largest SSA destination
- Neglected under President Wade (2000-11)
- Business/conference tourism ↑
- But leisure tourism ↓
- Int'l tourism share of GDP only 3% now
- Lots of potential – Canary Islands and Cabo Verde



# Tourism: great potential but many hurdles

## Potential

- Great weather during European winter
- Lots of beaches
- History, culture, fishing, birds
- New conference center and airport
- Experienced industry professionals
- Tradition of hospitality
- "Africa for beginners"

## Problems (and Solutions)

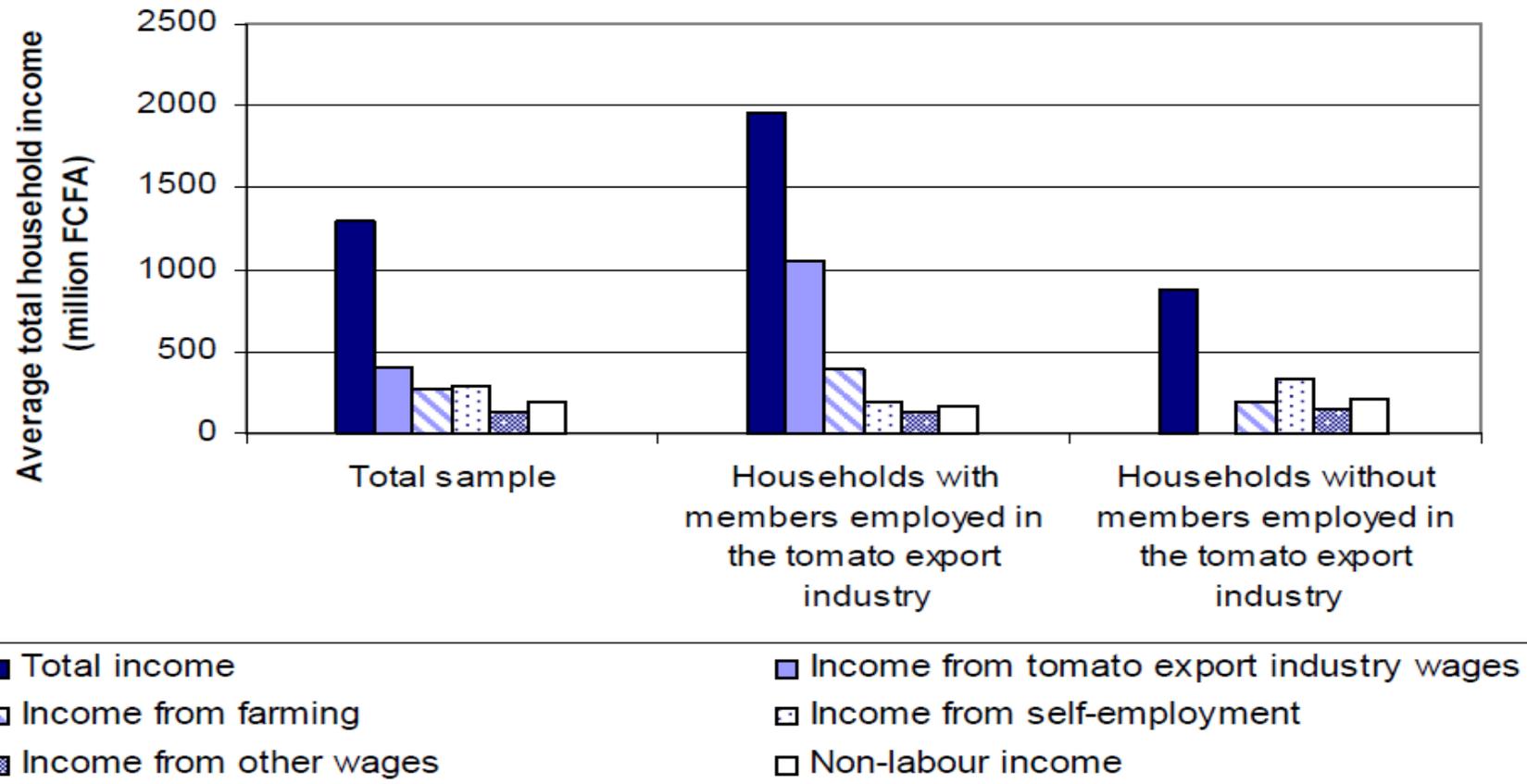
- Hotel quality ↓ while demand is for more luxury
- Transport costs and taxes increased
- Lack of market promotion
- Beach erosion
- Harassment by itinerant hawkers
- Ebola and security threat

# Horticulture: Small but Doing Well

Export volumes: 2000-2014 (tons)



# Households with a member employed in horticulture exports are less poor



# Horticulture: Key challenges

- Transport: Compagnie Fruitière helped launch maritime transport
  - Others now experimenting with road transport
- Taxes: exporters were exempt from customs duties and VAT
  - Threats to remove exemption seem unwise
- Land: secure rights to communal land probably the biggest problem
  - Fear of land grabbing
  - World Bank project thinks it has short-term solution



# IT-enabled exports: a long-time ambition still struggling to take off

- Telecoms: fastest growing sector, 6.7% of GDP (almost = crop agriculture)
- Senegal early entrant in business services outsourcing
- Political stability, early infrastructure investments, educated labor
- 35 call centers by 2000; some higher value-added services
- PCCI now has 1400 employees in Senegal; 1600 in 7 other African countries
- But many companies failed; now only 9

# Senegal does poorly on the Global Services Location Index

	Financial attractiveness	People skills and availability	Business environment	Overall score	Rank
India	3.22	2.55	1.19	6.96	1
China	2.28	2.71	1.51	6.49	2
Malaysia	2.75	1.42	1.89	6.05	3
Philippines	3.17	1.43	1.29	5.88	7
Ghana	3.27	0.85	1.07	5.19	29
Mauritius	2.55	0.94	1.65	5.17	30
Morocco	2.80	0.93	1.34	5.07	34
Tunisia	3.04	0.82	1.18	5.05	38
Kenya	3.06	0.86	1.11	5.03	39
Senegal					
2016	3.06	0.70	1.13	4.89	45
2011	3.23	0.78	1.11	5.12	29

# Telecoms: choices to be made

- Sector is dominated by Sonatel, former state-owned monopoly
  - 99% of fixed high-speed internet in 2012
- Provided reasonably good service; expanded into other countries
- Largest tax and dividend payer
- But costs are high; quality of service not keeping up with foreign competitors
  - Suppressing local initiatives
- Key choice: encourage competition and enterprise creation or protect Sonatel

# Conclusions

- Senegal needs a diversified growth strategy including natural resource exports (notably oil and gas) and manufactured exports (new SEZ)
- But services are likely to remain dominant – tourism, telecommunications, finance, business services, education
- Agriculture needs to be reoriented towards horticulture exports and also agro-business for the regional market
- PES is a good start but more sector-specific strategies are required
- More emphasis on private sector investment, notably FDI, and greater attention to the quality of public investment