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IsDB
مجموعة البنك الإسلامي للتنمية
Islamic Development Bank Group



SENEGAL AND ICIEC

Empowering Real Economy, Driving Development Impact


Contents

Message from H.E. the Chairman of IsDB Group & Chairman of ICIEC Board of Directors

Senegal has been a valued member of the IsDB for 47 years, since its accession in 1976, and of ICIEC, the multilateral credit and investment insurer and member of the IsDB Group, for 28 years since it joined in 1995.

Our medium-term cooperation with Senegal is guided by the new Member Country Partnership Strategy (MCPS) for 2023-2027 whose Memorandum of Understanding I signed with the Government of Senegal when I visited Dakar in January 2023 to attend the Dakar II Feed Africa Summit hosted by H.E. President Macky Sall.

The MCPS aims to provide practical solutions to the needs and priorities of Senegal as defined by the Government in its national development strategy, the Plan for an Emerging Senegal, and the priority action plan.

We, at the IsDB Group, are fully committed to further boosting our constructive and fruitful cooperation with Senegal, especially in the sectors of transportation, education, health, and agriculture. This commitment is evidenced by the fact that the IsDB is the first partner of the country in its ambitious Plan for an Emerging Senegal.

Our partnership with the Senegalese government is vital in addressing development challenges and building a more inclusive, resilient, and sustainable future.

To date, the IsDB Group has approved US$ 4.77 billion worth of development financing for Senegal's different sectors, and the IsDB Group's active portfolio in the country stands at US$3.26 billion.

At the same time, ICIEC has supported several landmark transactions and projects in Senegal in various sectors through its risk mitigation and credit enhancement solutions and its reinsurance capacity, with a total value of US$ 3.6 billion, or 1.93% of its overall operations.

In this context, this Booklet on '***Senegal and ICIEC - Empowering Real Economy, Driving Development Impact'***, gives a valuable snapshot of this very successful development partnership with Senegal and its future prospects. It also outlines the state of the Senegalese economy and the challenges lying ahead and provides case studies demonstrating the positive development impact of IsDB Group financing and operations across various economic sectors.

Dr. Muhammad Al Jasser
Chairman of IsDB Group
Chairman of ICIEC Board of Directors

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Foreword by the CEO

Of all the economic regions of the world, sub-Saharan Africa (SSA) has been heterotopically impacted by the disruptions caused by the 'CCC' crises- COVID-19, Climate and Conflict (Russo-Ukrainian War). This includes the fallout of the unfolding global economic shocks of high inflation, rising fuel and food prices and a cost-of-living crisis, and lately, indirect contagion of the ructions (mini financial crisis), following the collapse of Silicon Valley Bank, First Republic Bank, Signature Bank and merger of Credit Suisse with UBS.

Given the global headwinds, growth in the SSA region is expected to decelerate to 3.6% in 2023 (from 3.9% in 2022) before rebounding to 4.2% in 2024 in line with global recovery, receding inflation, and a winding down in monetary policy tightening, according to the latest IMF Regional Economic Outlook (May 2023) for SSA.

Economic and trade alliances with new economic partners, predominantly China, have benefited the region but have also made countries reliant on imports of food and energy more susceptible to global shocks, including disruptions from the surge in trade restrictions following the Russo-Ukrainian War. If geopolitical tensions were to escalate, countries could be hit by higher import prices or even lose access to key export markets—about half of the region's value of international trade could be impacted.

The losses could be compounded if capital flows between trade blocs were cut off due to geopolitical tensions. The region could lose an estimated US$10 billion of foreign direct investment (FDI) and official development assistance inflows (IMF – May 2023), which is about half a percent of GDP a year (based on an average 2017–19 estimate). The reduction in FDI, in the long run, could also hinder much-needed technology transfer.

Persistent global inflation and tighter monetary policies have led to higher borrowing costs for sub-Saharan African countries and have placed greater pressure on exchange rates. Indeed, no country has been able to issue a Eurobond since spring 2022. The interest burden on public debt is rising, owing to a greater reliance on expensive market-based funding combined with a long-term decline in aid budgets.

The lack of financing affects a region that is already struggling with elevated macroeconomic imbalances. Public debt and inflation are at levels not seen in decades, with double-digit inflation present in about half of the countries—eroding household purchasing power and striking at the most vulnerable. In this context, the economic recovery has been interrupted.

Amid a global slowdown, activity is expected to decelerate for the second year in a row. Importantly, growth prospects significantly vary across the region. The funding squeeze will also impact the region's longer-term outlook. A shortage of funding will reduce the necessary fiscal space for countries to spend on critical development sectors like health, education, and infrastructure, weakening the region's growth potential.

Senegal's economic growth is expected to pick up in 2023-26, averaging **7.5%,** supported by gold mining, construction activity and the services sector (comprising transport, communication and digital technology, trade, tourism, and government services). In addition, the start of oil production and exports in 2023 will further boost Senegal's growth prospects.

In line with the global shocks, economic activity in Senegal decelerated, undermined by weaker external and domestic demand. Negative spill overs from the protracted war in Ukraine and high commodity prices due to extended supply chain disruptions, are dampening economic activity and interrupting the strong rebound observed in 2021. As a result, GDP growth declined to 4.0% in 2022, driven by slowing secondary and tertiary sectors.

Senegal's economic growth is expected to pick up in 2023-26, averaging 7.5%, supported by gold mining, construction activity and the services sector (comprising transport, communication and digital technology, trade, tourism, and government services). In addition, the start of oil production and exports in 2023 will further boost Senegal's growth prospects. Following the discovery of substantial oil and gas reserves off the country's Atlantic coast in 2014, Senegal's economic and development agenda has taken a promising new turn ushering it as the newest energy producer in the ICIEC family.

Many have described the 21st Century as the 'African Century'. If measures are not taken to urgently address the rising continent's funding squeeze and macro-economic challenges, the region may be held back from developing this potential.

SSA economies need to consolidate their public finances and strengthen public finance management, whether through continued revenue mobilization, management of fiscal risks and more proactive debt management. Debt restructuring in countries where debt levels are clearly unsustainable is unavoidable. Inflation needs to be contained to manageable levels. Exchange rates, often a drain on business and debt servicing, needs to be managed in a way without it adversely affecting the economy.

The economic development agenda must encompass policies pertaining to climate action. The

region is not a source of major emissions, rather, it is at the receiving end of a lot of the climatic changes that have taken place. Pursuing policies to help with climate adaptation and mitigation could not be overstated.

Foreign Direct Investment (FDI) to African countries hit a record US$83 billion in 2021, according to UNCTAD's World Investment Report 2022. This was more than double the amount reported in 2020, when the COVID-19 pandemic weighed heavily on investment flows to the continent.

Despite the strong growth, investment flows to Africa accounted for only 5.2% of global FDI, up from 4.1% in 2020. Senegal saw a notable 21% increase in FDI, which reached US$2.2 billion. The country registered a 27% rise in announced greenfield projects.

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ICIEC has supported several landmark transactions and projects in Senegal in various sectors over the last few years through its risk mitigation and credit enhancement solutions and through its reinsurance capacity. This includes Stade du Sénégal (also known as the Abdoulaye Wade Stadium), the Dakar Expo Center, the Market of National Interest, the Dakar Truck Station, etc. ***Since inception, ICIEC has supported Senegal to the tune of US$3.6 billion***.

In this context, this Booklet on ***'Senegal and ICIEC - Empowering Real Economy, Driving Development Impact'*** gives a valuable snapshot of a very successful development partnership between the two parties and its future prospects, the outlook for the Senegalese economy, the potential role for Islamic finance and especially Sukuk in the economy, the challenges that lie ahead, and Case Studies demonstrating positive development impact across various economic sectors of IsDB Group financing and operations.

Oussama Kaissi,
Chief Executive Officer of ICIEC

PROLOGUE

Senegal and ICIEC

A Partnership Spanning Three Decades and Flourishing to Help Meet Contemporary Development and Societal Needs

Oussama Kaissi,
Chief Executive Officer of ICIEC

Senegal became a member of ICIEC on 19 September 1995. Since inception, ICIEC has supported various cross border trade transactions and development projects in the country totaling US$3.6 billion. During this evolving partnership, the Corporation has successfully imparted to Senegalese partners, like it has done in other member states, the importance, necessity and efficacy of Risk Mitigation, Credit Enhancement and Bankability of Projects as part of the contemporary development finance trade and investment ecosystem. This as part of fulfilling ICIEC's mandate of supporting the development agenda of its 49 member states and promoting Intra-OIC Trade and Investment. ***Oussama Kaissi,*** *Chief Executive Officer of ICIEC, evaluates the Corporation's engagement with Senegal and how it can be enhanced to meet the demands of post-pandemic recovery and Senegal's new-found hydrocarbon wealth.*

"ICIEC guarantee has enabled the realization of several infrastructure projects in Senegal, in particular, the Abdoulaye Wade Stadium, Dakar Expo Center, the Market of National Interest, the track station, etc." emphasized H.E. Ms. Oulimata Sarr, Minister of Economy, Planning and Cooperation, Senegal and Governor of ICIEC for Senegal.

"In fact, ICIEC's credit and investment insurance products play a major role in project risk mitigation, as they make them more attractive to investors. In addition, these products make it possible to ensure projects are more bankable with foreign investors who have a high-risk perception when it comes to investing in Africa or in developing countries.," she added.

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H.E. Ms. Oulimata Sarr, Minister of Economy, Planning and Cooperation, Senegal and Governor of ICIEC for Senegal.

The Minister's sentiments in a nutshell reflects a microcosm of ICIEC's role in facilitating development projects which have a real economy and real society impact in key sectors bringing together various stakeholders including state actors, multilateral development banks and insurers, the private sector, civil society, and communities.

ICIEC has supported various key business and infrastructure projects in Senegal over the years. Its unique Shariah-compliant risk mitigation and credit enhancement solutions have added real value both in terms of commercial and business needs and in terms of financial inclusion. In this way the Corporation not only carries out its mandate of supporting the establishment, consolidation and promotion of the Islamic finance and insurance (Takaful) industry, but also in supporting the expansion of intra-OIC trade and investment and serving a country with a population of 17.2 million of which 97% are Muslim.

The importance of risk reduction tools in making projects and business transactions bankable and therefore more attractive to international private capital and sector participation for an economy like Senegal, the benefits in terms of cheaper cost of capital, mitigating currency effects by qualifying financing in local currency and expanding the pool of technical expertise, and whether Africa and Senegal are adequately supplied with trade finance, credit insurance and policy support to meet the global economic and financial challenges ahead, are of course all very valid and pertinent.

RISK PERCEPTIONS

Despite a surfeit of compelling stories of development impact and delivery, involving the 'Made in Africa' concept and principle, Africa does suffer from adverse perceptions largely in the West about country credit and governance risks, which are often biased, exaggerated, over-stated and overvalued.

Through ICIEC's engagement with African partners and stakeholders, and through the successful implementation of a range of projects and transactions, such negative perceptions of African countries and risk have started to change.

Minister H.E. Ms. Oulimata Sarr is right when she contends that stakeholders engaging in projects and transactions in Senegal, including the IsDB Group and ICIEC, can do more to help change such perceptions.

Indeed, ICIEC's mandate is clear – promoting intra-Member trade and investment through the provision of its unique Shariah-compliant de-risking solutions, credit enhancement, guarantees and reinsurance, capacity building, technical expertise and training, guided by the development agendas of our Member States. The Corporation does this through bilateral arrangements; multilateral cooperation and through partnerships with peer institutions and stakeholders. In the last year these have included important initiatives among others under the Arab Africa Trade Bridges (AATB) Programme, the Africa Co-Guarantee Platform, and through MoUs signed with various national export credit agencies and DFIs including Afreximbank and Africa Finance Corporation.

ICIEC's role as the lead of AATB's insurance pillar is explicit. Private sector development is one of the main pillars of the ICIEC's strategy. Embedding commercial opportunities and helping corporates and banks make a material difference to support positive development outcomes is something that risk mitigation tools can facilitate.

For ICIEC, Africa is very important. Indeed, out of 49 Member States, 23 are from the African Continent, ranging from middle-to-low-income countries, including Egypt and Nigeria two of the largest economies in Africa. Some 15 ICIEC Member States are also members of the V20 Group of Ministers of Finance of the Climate Vulnerable Forum, supported by the G20 and various stakeholders for the achievement of wider Climate Action including energy transition, infrastructure and food security goals.

Credit and political risk insurance can boost the volume of trade finance to meet the objectives of both AATB and infrastructure investments. However, the needs of the Arab and African countries are far more than the capabilities of AATB partners. It becomes imperative

to seek innovative structures that can leverage the capabilities of existing member institutions and offer appropriate risk mitigation tools to mobilize financial resources from external partners. ICIEC alone has closed US$5.6 billion worth of transactions to date under the AATB Programme.

INSURANCE PREMIUMS

The credit and political risk insurance is an important tool to make investments and trade safer and more cost effective. In this regard, there are insurance and guarantee schemes available in the market to de-risk and provide credit enhancement and capital relief solutions to exporters, contractors, investors, and banks operating in international trade.

Minister H.E. Ms. Oulimata Sarr stresses that *"despite their vital importance in project financing, insurance often contributes to the increase in the cost of a project, especially in Africa where we suffer from an unfavorable and biased credit rating. In fact, as you well know, the pricing of insurance premiums is partly based on a country's credit rating and as rating agencies overstate risk on the continent, African countries find themselves paying very high premiums."*

"As one of the most important development banks in the world, the IsDB Group could play a key role with rating agencies to change this perception of overvalued risk on the African continent. In addition, we are advocating with insurers such as ICIEC for a reduction in insurance premiums. In fact, lower insurance premiums would help reduce project costs on the continent and make the market more accessible to African private sectors.," she added.

Madame Sarr has a point. But ICIEC similarly operates in the real world beholden to its shareholders which includes the Government of Senegal. The Corporation does try to be as competitive as possible but similarly beholden to its pricing mechanism in the context of its risk management strategy. This is a perennial issue which could be mitigated through ongoing discussions and plans of action going forward.

The premium paid may be presented and perceived as an additional cost paid by member countries. However, that does not reflect the reality since the banks margin mainly reflects the pricing of ICIEC risk as the guarantor in the transaction as in many cases the risk is taken by ICIEC for up to 95%. For member countries who credit rating is considerably below ICIEC rating, the involvement of the ICIEC should first allow to get access to long term resources from financial institutions whose risk appetite is very limited without have proper credit enhancement support. A question was asked to one of the international banks involved in a transaction in another member countries about comparing their bank margin with and without ICIEC cover. The answer was that without ICIEC insurance or a similar solution, the transaction would not exist and can't be priced.

Having said that, in a majority of the cases, ICIEC's intervention has enabled private reinsurers to accept lower pricing than what they would apply without ICIEC coverage. ICIEC preferred creditor statues and its direct access to the Governments of Member States is well factored in transactions covered by ICIEC.

In parallel, ICIEC works with other development partners on exploring innovative structures and solutions to facilitate Member States' access to financing and to reduce cost of capital.

EXCLUSIVE INTERVIEW

H.E. Ms. Oulimata Sarr,

Minister of Economy, Planning & Cooperation, Senegal and ICIEC's Governor for Senegal

*Senegal has perhaps coped with the uncertainties of the global economic shocks relatively better than other developing countries. With the coming on stream of Senegal's hydrocarbon production at the end of this year, economic activity should pick up sharply, particularly in 2024. Here **H.E. Ms. Oulimata Sarr,** Minister of Economy, Planning & Cooperation, Senegal and ICIEC Governor for Senegal discusses the prospects for the country's economy, the prejudices that many developing countries are faced with in the current global financial ecosystem, the important enhanced role Islamic finance especially Sukuk can play in its development agenda, and why she remains optimistic about her government's strategy for resilient growth and prosperity*

Focus on Senegal: The consensus is that the global economy is heading for a soft landing in 2023 with better-than-expected economic recovery forecasts, especially in developed and resource-rich countries. Sub-Saharan Africa is projected to take longer to recover from the effects of the COVID-19 pandemic, the disruption caused by the conflict in Ukraine and the resulting global economic shocks. In this context, what is your outlook for the Senegalese economy in 2023/2024, including the management of monetary policy such as controlling inflation and its impact on rising prices and expanding the space budget, in particular the increase in revenue generation and the contribution of tax revenue to GDP?

Minister Oulimata Sarr: The world economy will be marked in 2023/2024 by the raising of interest rates by central banks to control inflation. It would also continue to suffer from the negative consequences of the ongoing crisis between Russia and Ukraine. However, thanks to the reopening of the Chinese borders and economy, a recovery in global economic activity remains possible.

Internally, the international situation has had an impact on economic activity in Senegal, which recorded growth of 4.2% in 2022 against 6.5% in 2021. Inflation, for its part, stood at 9.7% against 2.2% in 2021, driven largely by the sharp rise in the prices of basic raw materials. With regard to public finances, the budget deficit is estimated at 6.1% of GDP in 2022 against 6.3% of GDP in 2021 due to energy subsidies, the increase in the wage bill and interest accrued on public debt.

With the start of Senegal's hydrocarbon production, economic activity should pick up sharply, particularly in 2024. In addition, the expected effects of the various support measures for the national economy, particularly in agriculture (100 billion CFA for this year's agricultural policy and implementation campaign) as well as the execution of the second phase of the MCA-Senegal "Power to Compact" would also make a considerable contribution to the consolidation of economic activity.

In total, the real GDP growth rate is projected at 8.8% in 2023 and 12.8% in 2024. Inflation, measured by the

the expected effects of the various support measures for the national economy, particularly in agriculture (100 billion CFA for this year's agricultural policy and implementation campaign) as well as the execution of the second phase of the MCA-Senegal "Power to Compact" would also make a considerable contribution to the consolidation of economic activity.

GDP deflator, is projected at 4.1% in 2023, declining to 2.1% in 2024. This renewed activity in 2023 and 2024 should have a positive impact on budget revenue and thus improve the budget deficit.

In addition, the mobilization of resources for the year 2023 should impact the implementation of the Medium-Term Revenue Collection Strategy (SRMT) initiated since 2022. The tax burden should stand at 18.4% in 2023 compared to 18.2% in 2022, an improvement of 0.2 percentage point. As a result, the budget deficit should improve by 0.6 percentage point, from 1054.2 billion CFA realized in 2022 (6.1% of GDP) to 1045.4 billion CFA (5.5% of GDP) projected in 2023 (LFI).

IMF staff completed its Article IV Consultation visit to Senegal in March. The Fund observed that the Senegalese economy in 2022 experienced a sharper than expected slowdown and revised its real GDP growth estimate for 2023 to around 4% from 4.7% previously. Average inflation hit a multi-decadal high of 9.7%, mainly due to food inflation. What measures is the government adopting to mitigate some of these effects through the implementation of structural reforms aimed at strengthening private sector participation in economic activity under Phase 3 of the Plan Sénégal Emergent (PSE)?

The figures released by IMF staff in March 2023 are slightly different from the estimates of the Ministry of Economy, Planning and Cooperation. Indeed, my forecasting services estimated a growth in economic activity of 4.2% in 2022 against a forecast of 4.8% during the September 2022 revision. This situation stems from the contraction recorded in agricultural production which fell by 3.4% in 2022, mainly explained by the decline in the production of groundnuts, cowpeas, watermelon and that of fruits and vegetables.

Non-agricultural growth is estimated at 5% in 2022, mainly driven by services, which are up 6.7% in connection with the good performance, in particular, of trade and transport activities, the resumption of hospitality and catering and financial services. The secondary sector, for its part, experienced a slowdown due to the increase in prices with a growth rate of 1.1% against 7.8% in 2021 in relation, among other things, to the increase in the price of raw materials. As a reminder, in 2022, Senegal suffered the consequences of economic sanctions imposed on Mali for 6 months.

Regarding the structural reforms that should allow for more resilient growth in the face of shocks, discussions are continuing with my department, through the new Priority Action Plan (PAP-III) 2024-2028 of the Emerging Senegal Plan in order to boost the Senegalese economy. The involvement of the private sector to ensure stronger and more sustainable economic growth will be pursued within the framework of the new priorities defined in PAP-III.

Indeed, it was expected during the implementation of the Adjusted and Accelerated Priority Action Plan (PAP2A) 2019-2023, a contribution of nearly 40% of the financing of the project portfolio through the strengthening of PPPs. Also, there is also the context of taking advantage of the dividends of the political stability of the country and to accelerate the dematerialization of procedures as well as the digitization of the procedures of the Administration.

Senegal signed during the visit of the President of the IsDB, Dr Muhammad Al Jasser, to the country a new Partnership Strategy with member countries of the Islamic Development Bank (IsDB) – the Senegal (MCPS) for 2023-2027. What are you specifically looking for in terms of strengthening economic and financial cooperation with the IsDB and its affiliates?

Since its creation in 1975, the Islamic Development Bank (IsDB) has contributed significantly to the financing of development programmes in Senegal. Our country is always seeking to benefit from the entire diversified range of financing offered by the IsDB as the parent company and its various sister entities, which are the Islamic Corporation for the Development of the Private Sector (ICD), the International Islamic Trade Finance Corporation (ITFC), Islamic Corporation for the Insurance of Investment and Export Credit (ICIEC) and the Islamic Development Bank Institute (IsDBI).

The relationship between the IsDB and Senegal is marked by real dynamism with cumulative approved financing of nearly US$4.8 billion and we intend to rely more on the IsDB Group and its affiliates in order to achieve our development goals. In general, the strengthening of our cooperation with the IsDB should be accentuated around projects and programmes that fall within the framework of the Member Country Partnership Strategy (MCPS), based on the Global Value Chains approach. The aim is to identify high-impact projects that will stimulate the development of competitive industries in Senegal's economy.

Moreover, with this in mind, the Agribusiness and Petrochemical industries have been selected as Champion Industries within the framework of the MCPS, in accordance with the Adjusted and Accelerated Priority Action Plan (PAP2A) 2019-2023 and the Priority Action Plan III 2024-2028 of the Emerging Senegal Plan.

All economies were negatively impacted by global market conditions. Senegal is no exception. According to the IMF, energy subsidies have reached a record level of 692 billion CFA (4% of GDP), and to contain the budget deficit, investment spending has been reduced. Public debt is estimated at 75% of GDP, including 67.5% of GDP for the central government, and the current account deficit has widened considerably due to increased imports and interest payments on the debt. How do developing countries cope with such constraints, which are apparently largely caused by world events beyond their control?

At the start of 2022, developing economies such as Senegal, weakened and more indebted at the end

of the COVID-19 health crisis, were engaged in an economic recovery phase. However, the international environment deteriorated rapidly with the advent of the Russian-Ukrainian crisis and its various global economic shocks, in particular, the disruption of food supply chains, high inflation and the scarcity of resources and funding in the financial markets.

To deal with these constraints, Senegal relied mainly on budgetary measures through tax waivers and the granting of subsidies and transfers, but also through guidelines on domestic taxation to strengthen the resilience of its economy. Thus, at the budgetary level, a strategy of tax waivers on goods and services relating essentially to internal VAT rates and customs duties was granted, making it possible to improve the supply needs of the market and limit inflation.

The State has rallied and strengthened transfers to vulnerable social groups through energy subsidies, maintained the payment of commercial losses and tariff compensation, combined with a slight increase in fuel prices, making it possible to secure regular supplies of fuels and essential goods.

Moreover, the recovery is also based on a strong orientation of the authorities to consolidate the collection of domestic revenues. Thus, the tax services are committed to exploring new sources of revenue, in particular on the liberal professions and real estate, which are insufficiently taxed, as well as a significant reduction in exemptions whose social impact is no longer proven. This orientation will also take place in the context of the effective implementation of the Medium-Term Revenue Strategy with the expected effect of broadening the tax base.

In addition, domestic revenue mobilization will benefit from the sustained and gradual contribution of resources from the exploitation of oil and gas starting from the Last Quarter of 2023, which should in the medium term ease the debt burden and reduce the need for recourse to non-concessional external financing.

In the same vein, it is a question of improving the quality of public expenditure by rationalizing current expenses, by strengthening the process of maturing and selection of public investment projects, as well as the search for budgetary space by resorting to Public Private Partnerships (PPP) while ensuring budgetary sustainability.

ICIEC has supported various key business and infrastructure projects in Senegal over the years. Its unique Shariah-compliant risk mitigation and credit enhancement solutions have added real value. How important are risk reduction tools in making projects and business transactions bankable and therefore more attractive to international private capital and sector participation for an economy like Senegal? What are the benefits in terms of cheaper cost of capital, mitigating currency effects by qualifying financing in local currency and expanding the pool of technical expertise? Are Africa and Senegal adequately supplied with trade finance, credit insurance and policy support to meet the above challenges ahead?

Indeed, the ICIEC guarantee has enabled the realization of several infrastructure projects in Senegal, in particular, the Abdoulaye Wade Stadium, Dakar Expo Center, the Market of National Interest, the track station, etc. In fact, ICIEC's credit and investment insurance products play a major role in project risk mitigation, as they make them more attractive to investors. In addition, these products make it possible to ensure projects are more bankable with foreign investors who have a high-risk perception when it comes to investing in Africa or in developing countries.

Despite their vital importance in project financing, insurance often contributes to the increase in the cost of a project, especially in Africa where we suffer from an unfavorable and biased credit rating. In fact, as you well know, the pricing of insurance premiums is partly based on a country's credit rating and as rating agencies overstate risk on the continent, African countries find themselves paying very high premiums.

As one of the most important development banks in the world, the IsDB Group could play a key role with rating agencies to change this perception of overvalued risk on the African continent. In addition, we are advocating with insurers such as ICIEC for a reduction in insurance premiums. In fact, lower insurance premiums would

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Sukuk is now an accepted fundraising instrument in the global public debt ecosystem, especially to finance infrastructure and budget deficits. Even non-OIC states such as UK, Hong Kong, Luxembourg, and South Africa have issued Sukuk in the international market. Senegal has issued sovereign Sukuks in local currency denominated in CFA. Apart from Nigeria and compared to several other countries, the Sukuk remains underutilized in the countries of Sub-Saharan Africa. What is the potential for more Sukuk issuances in Senegal, and what are some of the challenges to overcome barriers to entry, including for local businesses and government agencies?

The Islamic finance market is a very dynamic and growing financial market and Sukuk occupies an important place in its architecture. In fact, Sukuk has experienced significant growth and development over the past few years. At the level of the West African Economic and Monetary Union (UEMOA), Islamic financial instruments have entered the regional market since 2014. However, it should be noted that despite the issuance of Sukuk on the regional financial market, there is not yet a specific regulatory framework for Sukuk in the UEMOA.

All Sukuk issuances offered to date in the market have been issued on the basis of *Regulation No. 02/2010/CM/UEMOA relating to the Common Fund for the Securitization of Receivables and Securitization Operations in the UEMOA.*

The Government of Senegal gives importance to debt fund-raising through Sukuk offerings. In 2022, the state of Senegal raised 330 billion CFA francs through the Société de Gestion et d'Exploitation du Patrimoine Bâtiment de l'Etat (SOGEPA) as the issuer as the special financial vehicle. This transaction constitutes the mobilization of the first Sukuk issued, within the West African Monetary Union (UMOA), in accordance with the principles of Islamic finance by a corporate.

Financing by Sukuk has a bright future in Senegal because of the will of the Senegalese authorities to exploit its potential through the creation of a favourable legal framework that will allow the emergence of Islamic finance in our country. In addition, at the regional level, it will also be important to improve the legal framework for the Sukuk markets to facilitate access to the private sector and small businesses.

Senegal Economic Outlook

Senegal – From Slowdown to Rebound and Transformation to an Oil-exporting Economy

After a sharper-than-expected slowdown in 2022, the Senegal economy is projected to rebound in 2023 with a record 8% GDP growth – the highest in Sub-Saharan Africa. Economic prospects have been further boosted by the commissioning of new-found oil and gas supplies coming on stream later this year from fields off its Atlantic coast. Dakar also started negotiations for a new IMF-supported funding program during the World Bank/IFM Spring Meetings in Washington in April.

Perhaps it is not surprising that Senegal is projected by the IMF/World Bank to have the highest Real GDP growth rate in 2023 in Sub-Saharan Africa (SSA).

At 8% in 2023, Senegal overshadows its nearest rival economies of Niger at 7.1% and Côte d'Ivoire at 6.8%. The trajectory bodes well for Senegal in 2024, when economic growth is projected to rise to 10.5%, only matched by Niger with a projected 10.1% GDP.

Buoyed by the prospect of oil and gas supplies coming on stream for the first time towards the end of this year from one of the platforms, following a huge hydrocarbon discovery in 2014 off the country's Atlantic Ocean coast, Senegal's economic and development agenda has taken a promising turn for the good.

Never mind the downgrade of Senegal's GDP estimate for 2022 to 4% against an earlier estimate of 4.7% by an IMF team, who visited the country in March 2023 to assess recent economic developments, update macroeconomic projections, and discuss potential options for a new IMF-supported program for Senegal.

"The Senegalese economy in 2022," explained by the IMF team Lead, "experienced a sharper-than-anticipated slowdown, with real GDP growth now estimated at about 4% against 4.7% expected, reflecting a disappointing harvest season and a contraction in industrial production. Average inflation reached a multi-decade high of 9.7%, largely on account of food inflation."

The reasons for the slowdown include the underperforming of fiscal revenues, while current spending exceeded the target on the back of a higher public wage bill. Energy subsidies at the same time reached a record-level of CFA 692 billion (4% of GDP) and to keep the fiscal deficit in check, investment spending was cut. Public debt is estimated at 75% of GDP, of which 67.5% of GDP is for the central government, and the current account deficit significantly widened on account of higher imports and debt interest payment.

At 8% in 2023, Senegal overshadows its nearest rival economies of Niger at 7.1% and Côte d'Ivoire at 6.8%. The trajectory bodes well for Senegal in 2024, when economic growth is projected to rise to 10.5%, only matched by Niger with a projected 10.1% GDP.

"The figures released by IMF staff in March 2023," maintains H.E. Ms. Oulimata Sarr, Minister of Economy, Planning, and Cooperation of Senegal, "are slightly different from the estimates of the Ministry of Economy, Planning and Cooperation. Indeed, my forecasting services estimated growth in economic activity of 4.2% in 2022 against a forecast of 4.8% during the September 2022 revision. This situation stems from the contraction recorded in agricultural production which fell by 3.4% in 2022, mainly explained by the decline in the production of groundnuts, cowpeas, watermelon and of fruits and vegetables."

Senegal also suffered the consequences of economic sanctions imposed on Mali for 6 months in 2022.

OIL AND GAS HEDGE

The country's economic prospects seem to hedge strongly on the flow of oil and gas supplies. The Government believes that with the start of Senegal's hydrocarbon production, economic activity should pick up sharply, particularly in 2024.

This, together with more efficient tax collection through the implementation of the Medium-Term Revenue Collection Strategy (SRMT), the various government support programmes for different sectors including CFA100 billion for the agricultural sector and the implementation of Phase II of the MCA-Senegal "Power to Compact", and the new Priority Action Plan (PAP-III) 2024-2028 of the Emerging Senegal Plan are also expected to contribute to the consolidation of economic activity. This renewed activity in 2023 and 2024 should have a positive impact on budget revenue and thus improve the budget deficit.

The Government is also keen on greater private sector involvement in the economy and is keen on strengthening Public Private Partnerships (PPPs). PPPs are expected to contribute some 40% of the financing of the project portfolio of the Adjusted and Accelerated Priority Action Plan (PAP2A) 2019-2023.

Despite the higher oil and gas revenues, Senegal's economic prospects must also be seen in a SSA context. SSA GDP growth amid a global slowdown is expected to decelerate to 3.6% in 2023 before rebounding to 4.2% in line with an anticipated global recovery, subsiding inflation, and a winding down in monetary policy tightening, according to the latest IMF regional economic outlook for SSA in March. This will be the second consecutive year that SSA records a lower rate of growth than the previous year.

According to Abebe Aemro Selassie, Director of the IMF's African Department, "growth across the region varies from country to country. Some countries,

The country's economic prospects seem to hedge strongly on the flow of oil and gas supplies. The Government believes that with the start of Senegal's hydrocarbon production, economic activity should pick up sharply, particularly in 2024.

particularly those in the East African Community, or non-oil resource intensive countries, are expected to fare better but some major economies bring down the average SSA growth rate, like South Africa where growth is projected to decelerate sharply to only 0.1 percent in 2023."

Selassie warns that public debt and inflation are at levels not seen in decades, with double digit inflation present in half of SSA countries - eroding household purchasing power and striking at the most vulnerable.

FUNDING SQUUEZE

The rapid tightening of global monetary policy, says the IMF, has raised borrowing costs for SSA countries both in domestic and international markets. All sub-Saharan African frontier markets have been cut off from market access since spring 2022.

The US dollar effective exchange rate reached a 20-year high last year, increasing the burden of dollar-denominated debt service payments. Interest payments as a share of revenue have doubled for the average SSA country over the past decade.

With shrinking aid budgets and reduced inflows from partners, this is leading to a big funding squeeze for the region. "People in sub-Saharan Africa are feeling the effects of a funding crisis. Since Russia's invasion of Ukraine, cost of living is more expensive, borrowing costs have increased and access to cheaper funding is dwindling," explained Mr. Selassie.

"Coupled with a long-term decline in aid and a more recent fall in investment from partners, this means that there is less money to be spent on vital services like health, education, and infrastructure. If measures are not taken, this funding squeeze will hamper Sub-Saharan's efforts to build a skilled and educated population and to be the driving force of the global economy in years to come," he added.

He advocates four priorities for SSA countries including Senegal.

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Abebe Aemro Selassie,
Director of the IMF's African Department

- Consolidation of public finances and strengthening of public financial management amid difficult funding conditions, through continued revenue mobilization, better management of fiscal risks, and more proactive debt management.
- Containing inflation.
- Allowing the exchange rate to adjust, while mitigating the adverse effects on the economy,

including the rise in inflation and debt due to currency depreciations. and

- Ensuring that important efforts to tackle climate change do not crowd out basic needs, like health and education.

The SSA region's financing options have deteriorated significantly over the past year. The acceleration in the tightening of global monetary policy, prompted by the rapid pickup in global inflation after the onset of Russia's war in Ukraine, has led to higher interest rates worldwide and raised borrowing costs for sub-Saharan African countries, both on domestic and international markets.

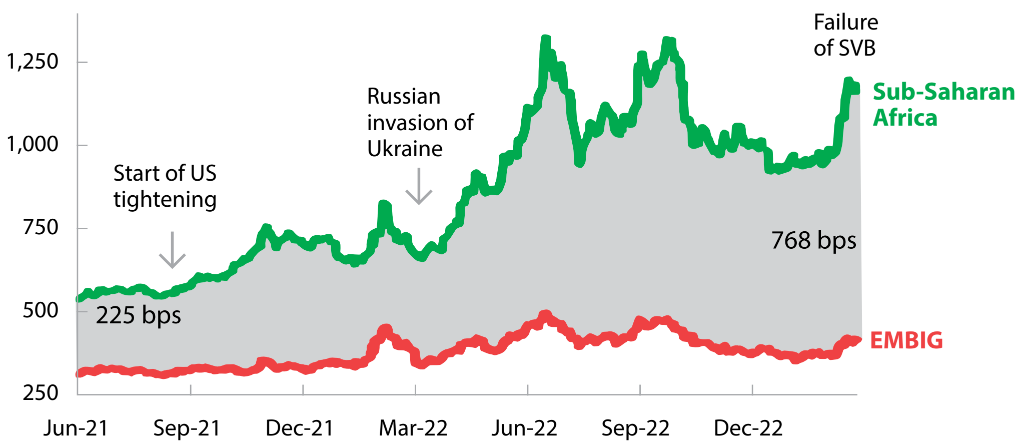
H.E. Ms. Oulimata Sarr, Minister of Economy, Planning and Cooperation of Senegal, rues the fact that international rating agencies have a tendency to overstate the risk on the African continent. This contributes to an increase in cost of finance for loans, insurance premiums and increased bond/Sukuk yields.

Sovereign spreads for sub-Saharan Africa says the IMF have soared —to three times the emerging market average since the start of the global tightening cycle. Higher interest rates on US treasury bonds and the search for safe assets amid global uncertainty pushed the US dollar effective exchange rate to a 20-year high in 2022, increasing the value of dollardenominated debt and dollar-denominated interest payments. Together, these factors have added to the region's external borrowing costs.

Higher uncertainty amid the pandemic and the war in Ukraine has also led to risk repricing, disproportionately affecting sub-Saharan African countries because of lower credit ratings, and cutting off virtually all frontier markets from international market access since spring 2022.2 More specifically, Eurobond issuances for the region declined from $14 billion in 2021 to US$6 billion in the first quarter of 2022.

Figure 1. Sub-Saharan Africa: Sovereign Spreads, 2021-23

(Basis points, simple average)



Source : Bloomberg Finance, L.P.
Note : Sub-Saharan Africa includes Angola, Cote d'Ivoire, Ethiopia, Gabon, Ghana, Kenya, Mozambique, Namibia, Nigeria, Senegal, South Africa. EMBIG = Emerging Market Bond Index Global.

INWARD FDI FLOWS

The substantial infrastructure needs in Africa cannot be met unless there is a sizeable response from private sector financing. Attracting private sector investment will be critical for SSA countries to make progress also towards achieving the UN SDGs.

In a fragmented world, SSA countries stand to lose the most and will need to build resilience to manage the inevitable shifts in trade and FDI. The region could lose an estimated US$10 billion of FDI and official development assistance inflows in the case of a trade war between the major trading blocs US/EU/China.

Resilience in managing shocks can be done through strengthening the ongoing regional trade integration under the African Continental Free Trade Area, which will require reducing tariff and non-tariff trade barriers, strengthening efficiency in customs, leveraging digitalization, and closing the infrastructure gaps.

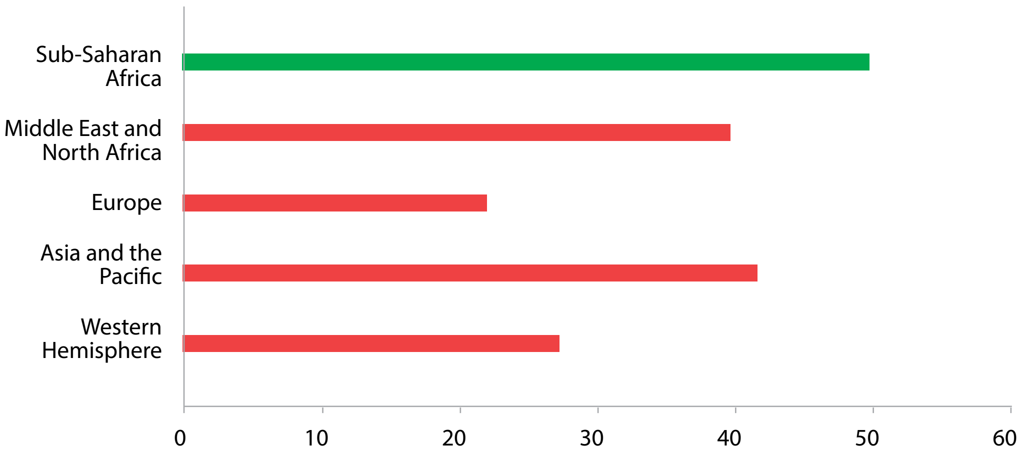
FDI to African countries hit a record US$83 billion in 2021, according to UNCTAD's World Investment Report 2022. This was more than double the amount reported in 2020, when the COVID-19 pandemic weighed heavily on investment flows to the continent.

Despite the strong growth, investment flows to Africa accounted for only 5.2% of global FDI, up from 4.1% in 2020. Senegal saw a notable 21% increase in FDI, which reached US$2.2 billion. The country registered a 27% rise in announced greenfield projects.

Senegal as a member of the IsDB and ICIEC has attracted much funding for various projects and trade transactions, for which ICIEC has provided risk mitigation and credit enhancement insurance and guarantee solutions. To date, the IsDB Group has approved US$4.77 billion worth of development financing for Senegal's different sectors and the Bank Group's active portfolio in the country stands at US$3.26 billion.

Trade at risk

Sub-Saharan Africa would be hardest hit in a fragmented world.
(percentage of total international trade at risk)



Source : Eora Global Supply Chain database; and IMF staff calculations.
Note : Trade at risk refers to exports and imports to and from another bloc under a scenario where all trade is cut off between countries in US/EU and China-centered blocs. Countries that trade more (Imports and exports In 2019) with the US than with China are put in the US/EU-centered bloc, and vice versa.

ICIEC has supported several landmark transactions and projects in Senegal in various sectors over the last few years through its risk mitigation and credit enhancement solutions and through its reinsurance capacity. These include the Abdoulaye Wade Stadium, Dakar Expo Center, the Market of National Interest, the Dakar Truck Station, etc. Since inception, ICIEC has supported Senegal to the tune of US$3.5 billion, or 1.93% of its total operations.

In the hydrocarbon sector, the discovery in 2014 off the Atlantic coast estimated reserves of more than 1 billion barrels of oil and 120trn cubic feet of natural gas. This attracted robust investment by oil and gas companies including BP (UK), Kosmos Energy (US) and Woodside Energy (Australia).

Not surprisingly, the IMF Team report on Senegal was cautiously optimistic about the country's economic prospects over the next few years, subject to the various caveats. "For 2023, economic activity is projected to rebound, albeit at a slower pace than initially envisaged, while inflation will moderate to 5%," emphasised the IMF's Head of Mission for Senegal, Mr Edward Gemayel.

"The medium-term outlook remains favourable and would benefit from both the start of oil and gas production and the implementation of structural reforms aimed at strengthening

private sector participation in economic activity in the context of the Phase 3 of the National Development Plan (PSE). Early signs of tighter financing conditions in the regional bond market call for vigilance and contingency planning. In that context, enhancing domestic revenue mobilization and streamlining nonpriority spending will help ease financing pressures, while preserving debt sustainability.

Senegal Fact File – Selected Economic & Financial Indicators

	2022e	2023f	2024f
Population	17.2 million	17.2 million	-
Current Account Balance (% of GDP)	-16.0%	-10.4%	-4.6%
Read GDP Growth	4.7%	8.3%	10.6%
Fiscal Balance (% of GDP)	-6.1%	-4.9%	-4.0%
WAEMU Fiscal Balance Average (%of GDP)	-6.7%	-5.3%	-4.3%
National Debt (% of GDP)	75.0%	73.1%	69.9%
WAEMU National Debt Average (%of GDP)	58.7%	61.7%	60.1%

Source: IMF/World Bank Group 2023 e) estimate f) forecast

Senegal's Changing Islamic Finance Proposition

An Underserved Market with Significant Longer-term Growth Potential

by Mushtak Parker

Despite the fact that Senegal was one of the first countries in Continental Africa to adopt Islamic finance and facilitate such products, and the first in the first in the West African Economic and Monetary Union (WAEMU) to issue sovereign domestic Sukuk, the country's Islamic finance sector remains underdeveloped and at best a 'project in progress'.

While H.E. Ms. Oulimata Sarr, Minister of Economy, Planning and Cooperation of Senegal, maintains that "the Islamic finance market is a very dynamic and growing financial market and Sukuk occupies an important place in its architecture," the reality is that the market is beholden to the developments and urgency in WAEMU and its regional central bank, Central Bank of West African States (BCEAO), to adopt the necessary regulatory and supervisory frameworks to facilitate the various contracts such as Murabaha, Mudarabah, Ijarah, Istisna and Takaful etc.

According to both Moody's Investors Service and Fitch Ratings, Islamic banking has made little headway in Africa despite the continent's large Muslim populations estimated at almost a billion. Sub-Saharan Africa, for example, has around 15% of the world's Muslim population but its Islamic banking assets make up only around 1% of global Islamic banking assets of an estimated US$2.5-US$3 trillion.

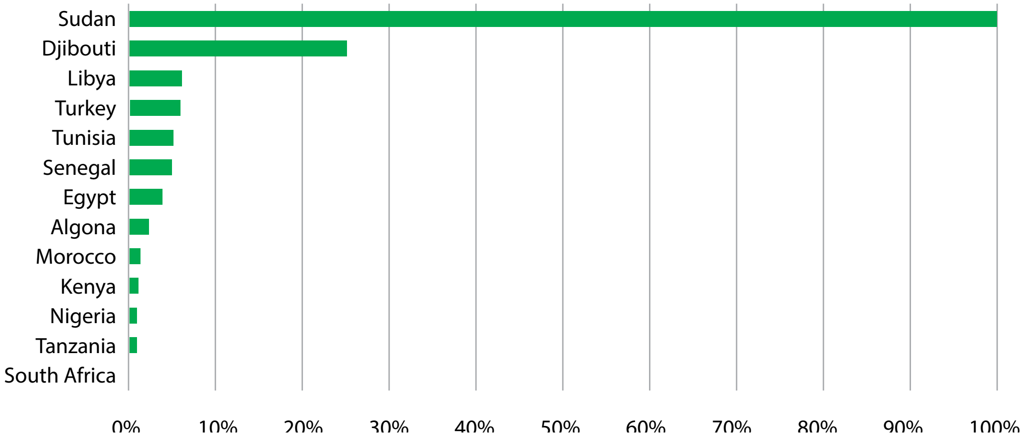
However, despite the short-term constraints of market penetration and expansion, which includes modest support from authorities, a nascent legal, regulatory and fiscal framework for the Islamic finance industry, low market awareness of Islamic finance and its product suite, and the presence of a competitive conventional banking sector that will hold back the growth of Islamic finance in Africa, the general consensus is that the longer-term growth potential for Islamic finance in Africa remains significant.

"We expect penetration of Islamic finance to increase significantly in the next 5-10 years given the continent's vast financial needs, underpinned by strong demographic and economic growth in Muslim-majority countries, a low starting base and growing government interest in the sector," maintains Ashraf

According to both Moody's Investors Service and Fitch Ratings, Islamic banking has made little headway in Africa despite the continent's large Muslim populations estimated at almost a billion. Sub-Saharan Africa, for example, has around 15% of the world's Muslim population but its Islamic banking assets make up only around 1% of global Islamic banking assets of an estimated **US$2.5-US$3 trillion.**

Penetration of Islamic finance in Africa remains limited

(Islamic finance assets as % of total assets - as of December 2021)



Sources : Islamic Financial Services Industry Stability Report 2022 and Moody's Investors Service

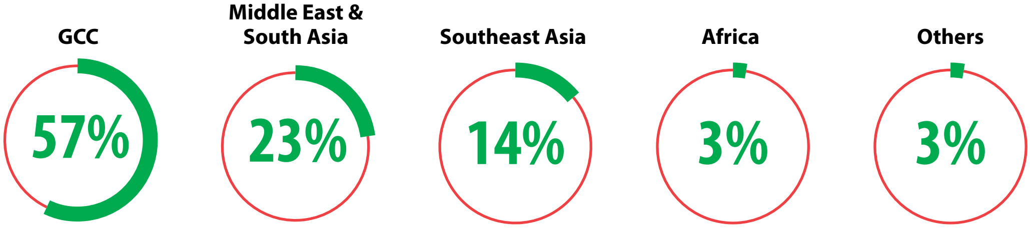
Madani, VP-Senior Credit Officer, Financial Institutions Group at Moody's in its latest cross sector commentary on Islamic finance.

Moody's has in fact identified Senegal (Ba3 negative) as one of six countries across the continent that it expects will lead the growth in Islamic banking in the coming years. The other countries are Egypt (B2 stable), Morocco (Ba1 negative), Sudan, South Africa (Ba2 negative) and Nigeria (B2 stable). "Most of these countries have large Muslim populations, a history of Sukuk issuance and have made, or are making, the legal adjustments required to accommodate Shariah-compliant finance. South Africa, Nigeria, Egypt and Morocco also have large banking systems that will help increase penetration.

"Over the longer term, Africa has significant potential for growth in Islamic banking. We expect Islamic banking assets in Africa to increase noticeably over the next 10 years. There is huge potential for growth in the sector, given Africa's large Muslim populations and the low starting base. The Islamic banking industry could also benefit from some of the drivers fuelling growth in the conventional banking sector, including low banking penetration on the African continent," added Moody's.

Share of global Islamic banking assets by region

(as of December 2021)



Source : Islamic Financial Services Board

As of December 2021, Islamic banking assets in Africa constituted only 2% of global Islamic banking assets, and less than 10% of total domestic banking assets in most African countries. Sovereigns across the continent have historically demonstrated little support and interest in the development of the industry as they were usually addressing more urgent socioeconomic challenges. As a result, Islamic finance in Africa continues to lack the necessary regulations and legal requirements that are prerequisites for its development.

But as Moody's maintains, the situation is however gradually improving as authorities now better perceive the economic and financial benefits that the sector can bring, particularly as most economies in Africa are in search for new sources of funding and liquidity. Several central banks across the continent in Morocco, Egypt, Nigeria, South Africa and in WAEMU started to publish revised guidelines and implement new regulations to facilitate the creation and the operation of Islamic banks and Islamic windows in conventional banks. The large and growing Muslim population in an underbanked continent also offers a high reservoir of growth for a sector starting from a low base.

In WAEMU, the regional central bank BCEAO last year continued its diversification of funding sources used by member economies, with a focus on the promotion of Islamic finance by providing support to initiatives for establishing Islamic financial institutions. The central bank has also carried out work to provide Islamic financial institutions with Shariah-compliant contract templates and governance tools, with technical input from the IsDB and its sister entities including ICIEC, ITFC and ICD, and industry bodies such as the Islamic Financial Services Board (IFSB), the prudential standards setting body, and accounting and Auditing Organization for Islamic Financial institutions (AAOIFI), the accounting and financial standards setting body for the industry.

Banque Islamique du Senegal (BIS) is the sole Islamic bank, which was established in 1982 with a substantial shareholding from the Islamic Development Bank. This year BIS celebrated its 41st anniversary.

The IsDB has extended US$4.8 billion of funding to Senegal to date. ICIEC has an extensive cooperation with Senegal. Its de-risking tools and guarantees has enabled the realization of several infrastructure projects in Senegal, in particular, the Abdoulaye Wade Stadium, Dakar Expo Center, the Market of National Interest, and the main train station.

Senegal Islamic Finance Fact File – Compiled from Various Sources

Population Size (2021)
17.2 million

Muslim Population % of Total Population
97%

Number of Conventional Banks
26

Number of Islamic Banks
1 - Banque Islamique du Sénégal (BIS)

Date of Establishment of BIS
1982

General Manager of BIS
Boubacar CORRÉA

Total Islamic Banking Assets
US$1bn

Total Islamic Banking Assets as % of Total Banking System Assets
5.0%

Senegal Sovereign Sukuk

The Future is Bright, the Future is Sukuk

by Mushtak Parker

Sukuk as a public debt funding instrument has a bright future in Senegal because the Government of Senegal is keen to utilise its potential through the creation of a favourable legal and regulatory framework that will also pave the way for the emergence and facilitation of other Islamic finance products in the country. ***Mushtak Parker*** *assesses the potential for enhancing Sukuk issuance in infrastructure, budgetary purposes, liquidity management and financial inclusion in Senegal over the next few years, in tandem with promising economic prospects due to the country's new-found hydrocarbons coming on stream later this year.*

"The Islamic finance market is a very dynamic and growing financial market and Sukuk occupies an important place in its architecture. The Government of Senegal gives importance to debt fund-raising through Sukuk offerings," says H.E. Ms. Oulimata Sarr, Minister of Economy, Planning & Cooperation of Senegal,

The Minister is spot on, for Senegal was the first country in the WAEMU and in West Africa, to raise funds through a maiden Sukuk Al Ijarah issuance way back in 2014. Since then, Sovereign Senegal has issued two more Sukuk bringing the aggregate funds raised through Sukuk to date to CFA630 billion (US$1.06 billion).

The Senegalese first mover transaction paved the way for other West African states to follow suit – Cote D'Ivoire, Mali and Togo, and outside WAEMU, Nigeria.

The potential is much bigger given some of the current barriers to issuance and entry into the market. Perhaps it is revealing to what extent WAEMU still needs to go to close the issuance gap – the Union and its regional central bank, BCEAO, does not have a common specific Sukuk issuance regulatory framework in place for member countries, let alone a common Sukuk law.

All the Sukuk issuances offered to date in the market have been issued on the basis of Regulation No. 02/2010/CM/WAEMU relating to the Common Fund for the Securitization of Receivables and Securitization Operations in the Union.

In addition, if any WAEMU member country wants to issue a Sukuk in the international market, it would be subject to any loans, facilities and debt instruments accrued with the International Monetary Fund and the World Bank. These countries would have to get the permission from the Fund and World Bank to ensure that they do not breach any debt ceilings implicit in their arrangements and must prove that they have the

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capacity to service the debts. This acts as a dampener to any ambition to raise funds in the international market through Sukuk, which can often be better value for money for National Treasuries and their Debt Management Offices.

The last time the Government of Senegal went to the market to raise funds through a sovereign domestic Sukuk issuance was in June 2022. The overwhelming success of that issuance begs the question as to why Sukuk as a public debt instrument has not proliferated in Senegal and the 8-nation WAEMU well beyond its current scope.

Senegal Sovereign CFA Sukuk Issuances to Date

ISSUANCE DATE	SIZE OF ISSUANCE	TENOR	MATURITY DATE	PROFIT RATE Per Annum	SUKUK STRUCTURE
June 2014	CFA100 billion	4 years	June 2018	6.25%	Sukuk Al Ijarah
September 2016	CFA200 billion	10 years	September 2026	6.00%	Sukuk Al Ijarah
June 2022	CFA330 billion	3 Tranches with 7-, 10- and 15-year tenors	1st - June 2030 2nd – June 2033 3rd – June 2038	Tranche 1 – 5.80% Tranche 2 – 5.95% Tranche 3 – 6.10%	Sukuk Al Ijarah

Source: Compiled by Mushtak Parker from official data April 2023

TRACTION IN SUKUK ISSUANCE

The return by the Government of Senegal to the domestic Sukuk market in early June 2022 through an issuance size bigger than the combined two previous offerings in 2014 (CFA100 billion) and 2016 (CFA200 billion) respectively, shows that there can be traction in Sukuk issuance in the national and regional markets.

In the June 2022 transaction, the Ministry of Finance raised CFA330 billion (US$525.4 million) through a three-tranche Sukuk Ijarah. In US dollar terms, it was a benchmark issuance.

The Sukuk was issued through Fonds Commun de Titrisation de Créances (FCTC), or the Common Fund for the Securitization of Claims, a special purpose vehicle (SPV) authorized and licensed by the Senegal Financial Market Authority (CREMPF), on behalf of the Obligor, Société Nationale de Gestion et d'Exploitation du Patrimoine Bâti de l'État (SOGEPA SN), the National Company for the Management and Exploitation of State Heritage, which effectively owns over 1,695 public buildings in Senegal.

Some of these buildings have contributed to the asset pool and the rental income for the sovereign Sukuk Ijarah issuances.

The lead arranger for the transaction was the local Banque BIS, with the Islamic Corporation for the Development of the Private Sector (ICD), the private sector funding arm of the Islamic Development Bank (IsDB), mandated as the Co-Arranger. Taiba Titrisation Sa, a limited liability company established under Senegalese laws and licensed by the CREMPF pursuant to regulations for the purposes of Sukuk issuances, and a subsidiary of ICD, acted as the Management Company of SPV.

According to a Senegal Ministry of Finance and Budget statement, the Sukuk issuance comprised three tranches – a first tranche of CFA55 billion with a seven-year tenor and a profit rate 5.80% per annum, a second tranche also of CFA55 billion with a 10-year tenor priced at a profit rate of 5.95% per annum, and a third tranche of CFA220 billion with a 15-year tenor and priced at a profit rate of 6.10% per annum.

Senegal returned to the regional Islamic debt capital markets almost six years after its last Sukuk issuance in September 2016. This was the West African nation's third Islamic debt issuance, whilst the first and second issuances closed in 2014 and 2016, respectively.

The robust demand for the Sukuk Certificates from investors suggested that investor appetite for Senegalese sovereign credit risk is healthy and attracted orders from West African regional and Middle Eastern accounts. There is nothing to suggest that this investor vista has changed.

DEVELOPMENT IMPACT

According to Mouhamadou Madana Kane, CEO of BIS, "the Bank successfully syndicated the Sukuk to regional investors and those from the Middle East with an issue coverage rate of more than 110% within 3 days of subscription. This is the largest transaction in the history of the sub-regional market. We look forward to replicating Senegal's Sukuk success with other countries and corporates in the region."

The development impact and freeing of liquidity from the government-owned asset pool is implicit. Proceeds from the issuance are utilized to finance the acquisition of buildings to be used as administrative offices, as well as the financing of various other strategic government projects.

The Sukuk certificates were admitted for listing on the Bourse Regionale des Valeurs Mobilieres (BVRM) – again serving to widen the development and depth of the regional bourse and Islamic capital market. However, to increase the depth of the market requires a much greater frequency of regular sovereign domestic Sukuk issuances both in terms of volume, size of transactions and Sukuk structures.

Only in this way can a WAEMU Sukuk yield curve of substance be developed, which would enhance market confidence and attractiveness to investors especially from the MENA countries and beyond. This would also open the way for the development of a Sukuk secondary market for trading and unlocking even greater liquidity in the respective financial markets and economies.

The IsDB Group especially ICD played a facilitating developmental role in sovereign Sukuk origination in

Emerging and Frontier Markets. Despite regulatory challenges, the IsDB Group has advised a total of six sovereigns with debut Sukuk issuances, including Senegal, Jordan, Togo, Mali, Maldives, and Ivory Coast. In the process, the Group has opened the Sukuk market in these countries to further attract private companies and investors to the market.

The adjunct ambition is also to see Sukuk transactions for corporate clients. The WAEMU region has seen an increasing demand from sovereigns and corporates who are willing to explore alternative financing methods such as Sukuk.

Senegal has pioneered issuance of sovereign domestic Sukuk in the WAEMU Region through three transactions to date. It issued its maiden 4-Year CFA100 billion (US$168 million) Sukuk Ijarah in June 2014, which was priced at a profit rate of 6.25% per annum.

This was followed by a second issuance – a 10-year CFA200 billion ($341.5 million) Sukuk Ijarah in September 2016 which was priced at a profit rate of 6.0% per annum. The demand for the Sukuk certificates was robust in the regional context attracting orders of over CFA233 billion and the government upsized the issuance volume from the original CFA150 billion to CFA200 billion.

Despite being a frontier market for Islamic finance, Africa has been left behind in Sukuk issuance. In the year Senegal issued its debut domestic Sukuk, South Africa issued its maiden benchmark US$500 million in the international market, the only African sovereign to do so to date. Similarly, demand for Sukuk is increasingly coming from international actors in markets less exposed to Islamic finance.

According to Refinitiv's Sukuk Perceptions and Forecast Study 2022 titled 'Navigating a New Environment', global Sukuk issuance in FH 2022 raised US$100.9 billion, marginally lower than US$104.2 billion FH 2021. The main drivers of Sukuk issuance are sovereigns and they will continue to drive Sukuk issuance momentum in 2022 and beyond,

maintaining around a 60% share of global issuance since 2017. Sovereign Sukuk issued in FH 2022 totalled US$68.8 billion, of which 83% were issued by GCC, Malaysian and Indonesian governments.

A good sign is that the Sukuk secondary market was resilient as emerging market debt markets otherwise struggled. Refinitiv maintains that the global Sukuk secondary market grew during FH 2022. The value of Sukuk outstanding reached US$726.8 billion, up 4.4% from the end of 2021.

SUKUK AND BUILT HERITAGE

However, constraints remain surrounding Sukuk origination including in Africa and the WAEMU countries - legislative complexity and lengthy processes associated with Sukuk issuance, the need to identify physical collateral, complex documentation required for Islamic financial products, limited product offerings, and new tax laws that would allow equal fiscal treatment of Islamic finance products with conventional banking products.

In Senegal, Sukuk also embodies the approach of the State concerning the management of its built heritage,

through SOGEPA. "The enhancement of the State's built heritage, within the framework of this operation, makes it possible to use it as a support lever for the policy of managing public finances and improving the stock of buildings for administrative use. This is how substantial savings will be made by the State on rental charges for buildings used for administrative purposes. The Senegal Sukuk issuances, through the purchase of leasing contracts, allows the State of Senegal to move from a simple tenant to owner of the Ministerial Spheres of Diamniadio," explained the Ministry of Finance and Budget.

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The IsDB Group can help sovereign Sukuk origination in WAEMU countries such as Senegal in several ways. These include:

i) The unrolling of ICIEC's Sukuk Insurance Policy (SIP) as Risk Mitigation, Credit Enhancement and Third-Party Guarantee Solutions. The SIP is specifically targeted at sovereigns especially those with below investment grade ratings. Note that ratings are an essential requirement. In fact, the WAEMU Sukuk including the three Senegal transactions to date were all unrated. But ratings do act as a guide for pricing and the overvalued risk perceptions of western rating agencies of African country credit ratings does impact on cost of finance which is inevitably in the upward trajectory. This may also help lower insurance premiums for transactions.

ii) The IsDB can help in facilitating market depth by issuing Sukuk in CFA in WAEMU countries which are common to both entities. In this way, the IsDB Group can act as a market maker and also help attract a new cohort of potential investors in African sovereign risk.

iii) Through greater involvement in helping to develop the Islamic Capital Market in African Member States, the IsDB Group can also help, as Minister H.E. Ms. Oulimata Sarr suggested, dispel the biased, over valuation and hype of sovereign risk metrics about African member States harbored by the major international rating agencies.

ICIEC in Senegal
Iconic Impact Investments

1. Senegal's State of the Art Abdoulaye WADE National Football Stadium

Project Name	Abdoulaye WADE National Football Stadium
Sponsor	Government of Senegal
EPC Contractor	Summa Insaat, Türkiye
Borrower	Ministry of Economy and Planning, Senegal
Project Description	The construction of Abdoulaye WADE National Football Stadium. ICIEC insurance helped to mobilizing long term funding for the project.
ICIEC's Insurance Policy	Non- Honouringof Sovereign Financial Obligation (NHSFO) Policy
Policyholder	Standard Chartered Bank AKA Ausfuhrkredit-Gesellschaft mbH Société Générale, Paris Saudi National Bank
Insured amount	€266 million with a Murabaha Loan Structure
Percentage of Cover	95%
Tenor	10 Years
Development Impact	• The project will help to create nearly 400 jobs. • The stadium construction contributes to the creation of Diamniadio Urban Pole, one of Government of Senegal's flagship projects, which fits into the broader context of Plan Senegal Emergent ("PSE"). • A renewable energy system will produce and store solar energy that will power the stadium. • Key Results: Member State Development, Energy Transition, Culture and Urban Transformation.

ICIEC covered the €266 million Islamic financing provided by a pool of banks (led by Standard Chartered Bank (UK) and including AKA Ausfuhrkredit-Gesellschaft mbH (Germany), Societe Generale (France) and Saudi National Bank (Saudi Arabia)) to the government of Senegal for the construction of Senegal's state-of-the-art Abdoulaye WADE Stadium (Stade du Sénégal), the national football complex with two modern training grounds and a system to produce and store the solar energy that will power the stadium. In addition to creating nearly 400 jobs, the stadium construction project contributes to the creation of Diamniadio Urban Pole, one of the Government of Senegal's flagship projects, which fits into the broader context of Plan Senegal Emergent. ICIEC's involvement has helped to pool in the required financing for the project by issuing a Non-Honouring of Sovereign Financial Obligation (NHSFO) policy to the financing banks.

The stadium's financing model developed in the form of EPC+F (Engineering, Procurement, Construction and Financing), and based on close collaboration between public and private players, proved to be particularly innovative, according to The Public Infrastructure Management Company in the Urban Centers of Diamniado and Lac Rose (SOGIP). In fact, the financing model adopted for the Stadium offered more flexibility to the executing company on its choice of imports and sub-contracting.

The specific economic and social benefits of the Project are implicit, says SOGIP. Designed in the same vein as the Dakar Arena, the Abdoulaye Wade Stadium makes the urban center of Diamniadio "a sports hub of unequalled quality in the sub-region and a benchmark sports site at the international level."

It has a privileged geographical location with road and rail connections. With its 50,000-seat capacity, it has all the amenities needed to organize large-scale events. It also completes the Senegalese offering in terms of sports facilities next to the Dakar Arena.

"***Mainly dedicated to football, it can also host other outdoor sports and other types of events and will be***

one of the key infrastructures that will host the YOG 2026. This stadium allows neighbouring countries that do not have infrastructures approved by CAF or FIFA to relocate matches that were to be played at home to Senegal," added SOGIP.

According to Selim Bora, Chairman of Summa Group, Türkiye, *"This ambitious project was also an EPC-F contract awarded in 2020, right before Covid 19 pandemic hit the world and everything stopped. Even during those months of lock down we were able to communicate and continue our correspondence with ICIEC officials which in fact saved the project since a Standard Chartered Bank led consortium were to facilitate the credit for 100% financing provided that the political risk insurance was covered by ICIEC."*

As per the request of the lending banks the timely and efficient intervention of ICIEC created an enormous comfort for all stakeholders serving as a leverage to lower the borrowing interest rates of the Government of Senegal thus creating a benchmark for other similar projects.

"It is noteworthy that in such "FAST TRACK" projects, 'Stade du Senegal' was delivered in 17 months. It is very important to have a partner such as ICIEC, which knows the challenges of doing business in Africa and the associated credit and investment risks. And which can navigate an efficient pathway to ensure delivery in a flexible and timely manner," he added.

The promoters and financiers of the Abdoulaye WADE Stadium should be commended for incorporating the metrics of environmental and societal impact in the project process and construction. Football, like other mass sports and culture are embedded functions of development like most other economic sectors.

As per the request of the lending banks the timely and efficient intervention of ICIEC created an enormous comfort for all stakeholders serving as a leverage to lower the borrowing interest rates of the Government of Senegal thus creating a benchmark for other similar projects.

2. Boosting Senegal as a Regional Airline Hub - Blaise Diagne International Airport (AIBD SA)

Project Name	Senegal as a Regional Airline Hub
Sponsor	Government of Senegal
EPC Contractors	Limak-Summa consortium, Türkiye
Insured Amount	€ 50 million
Project Description	The new Blaise Diagne International Airport (AIBD SA) is at the heart of Senegal's "Emerging Senegal" Plan and is regarded as a test of Senegal's economic prospects. It forms part of a suite of plans to relieve the congested capital with a recently constructed conference center, housing and stadium. The infrastructure project further aligns with the country's plans to invest more heavily in its tourism sector. AIBD is linked to Senegal's toll motorway, and it will be connected to the capital by high-speed train. The airport was completed by the Turkish Limak-Summa consortium and inaugurated in December 2017. A joint venture company of Limak, Summa and AIBD SA (LAS) has signed a 25-year concession agreement with the State of Senegal for the operation of the new airport. ICIEC's involvement helped to mobilize long term funding for the project.
ICIEC's Insurance Policy	Foreign Investment Insurance Policy
Policyholder	Industrial Development Corporation (IDC), South Africa
Tenor	15 Years
Development Impact	• The airport is expected to host 3 million passengers in the first phase, and in 2023 and 2035, the number of passengers is expected to increase to 5 million and 10 million, respectively. AIBD has a 5,600 square meter cargo area with 50,000 tons capacity to support the export of goods from Senegal. • During construction, 2,034 persons have been employed on site (including sub-contractors), of which 85% are local workers. • The Airport apron is 260,000 square meters big and has a parking capacity for 79 airplanes. 80,000 planes are expected to land and take off annually. • The New Airport facilities includes a state-of-the-art passenger terminal designed to accommodate a wide range of aircraft through 6 aerobridges, 30 aircraft stands, a cargo building compatible with the airport's long-term plan, as well as other specialized terminals and facilities. This will advance Senegal as a regional airline hub and boost the tourism industry and air cargo. • Key Results: Human Development, Member State Development.

Senegal is at the crossroads of the main air routes between Europe and America. Moreover, Dakar is one of the destinations most covered by international companies serving Africa. Beyond these elements, the President of the Republic H.E. Macky Sall, has initiated a revival of the sector with the establishment of an integrated ecosystem, namely a modern airport infrastructure and a developing national pavilion.

Added to this, is the fact that Senegal is a tourist destination. The rapid recovery of traffic after the Covid-19 pandemic, compared to other countries in the sub-region, sufficiently attests to the attractiveness of our airport platform.

Blaise Diagne International Airport was named the best airport in Africa for the quality of its services in several categories by Airports Council International in March 2023. Indeed, the airport has been registered in the Airport Service Quality (ASQ) programme which aims to secure an International Classification. This programme allows the operator and AIBD SA to monitor the performance in terms of improving the quality of service at Diass Airport.

AIBD SA is a genuine economic engine of the country. Its operations have created more than a thousand jobs and its contribution to and impact on the economy of Senegal is well established.

The objective clearly displayed by the Senegalese authorities is to make Blaise Diagne International Airport (AIBD), inaugurated in December 2017, the leading air hub in West Africa by 2035 with 3.5 million passengers in 2025 and 10 million in 2035.

Already in 2019, AIBD handled 2.5 million passengers, which was not far from its maximum capacity of 3 million. ***In 2022, the number of passengers handled at AIBD SA stood at 2,629,348***, or 105% of 2019 traffic (before COVID-19).

Added to this, is the fact that Senegal is a tourist destination. The rapid recovery of traffic after the Covid-19 pandemic, compared to other countries in the sub-region, sufficiently attests to the attractiveness of our airport platform.

This volume of traffic is carried by 39 airlines, including Air Senegal (the national carrier with 19 destinations), Air France, Delta Airlines and Royal Air Maroc, which use AIBD serving 40 destinations to Africa, Europe and the United States.

In total, Senegal's airports recorded servicing 2,773,391 passengers in 2022, 95% of them through AIBD. Of these, 48% of the passengers received in 2022 were processed on arrival compared to 46% for departure and only 6% for transit.

Following the encouraging trend in passenger traffic in accordance with the objectives set, it is envisaged within the framework of the air hub projects to strengthen the reception capacity with the extension of the Diass passenger terminal intended to support the growth in air traffic post Covid-19, as well as the development plan of Air Senegal including the opening of new routes and in the long term the development of the airport in HUB PAX.

Senegal has also embarked on a vast programme for the rehabilitation of regional airports (PRAS) carried out in two phases and which is an ambitious project to bring all our airport platforms up to standard. In addition, a complete upgrade of the runways and reconstruction of all infrastructure is planned.

Regarding freight, AIBD recorded 34,512 tons of freight traffic in 2022. The airport's capacities will have to be increased to 80,000 tons with the construction of a new freight area with enhanced hangar and administrative buildings.

3. Business Hotel and Dakar Expo Center and Sports Complex

Project Name	CICAD Business Hotel, CICAD Expo Center and Diamniadio Multifunctional Sports Center (Dakar Arena)
Sponsor	SOGIP. SA, Dakar, Senegal (State-owned enterprise)
EPC Contractor	Summa Insaat, Senegal
Project Description	ICIEC provided cover to help in mobilizing long term financing from Turk Eximbank for the construction of Radisson Diamniado Hotel, Dakar Expo Center, and Dakar Arena at the heart of the Diamniadio urban hub.
Insured Amount	€134 million
Insurance Policy	Non- Honouring of Sovereign Financial Obligation (NHSFO)
Policyholder	Turk Eximbank
Percentage of cover	95%
Tenor	11 years
Development Impact	• The Project contributes to the promotion of Senegal's export of goods and services. • Development of Senegal's Economic Infrastructure in line with its development efforts. • Promotion of business and expo-tourism sector. • Development of the sports infrastructure in favor of the youth (around 67% of the population). • 700 workers have been employed during, and after the construction period. • The facility was built in the context of a sustainable city to the benefit of school and professional sports ecosystems. • Positions Senegal as a sports and events hub beyond the 2026 Youth Olympic Games. • Direct and indirect jobs created in the management and maintenance of the site. • Key Results: Human Development, Member State Development. 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

ICIEC provided €134 million cover to Turk Eximbank for the construction of Radisson Diamniado Hotel, Dakar Expo Center and Dakar Arena at the heart of the Diamniadio urban hub.

A luxurious business hotel with 152 rooms and suites near the Abdou Diouf International Conference Center (CICAD), the Radisson Diamniadio with a room occupancy rate of 85% has an exceptional setting and offers its customers all the guarantees of safety and health security. Built according to a modern and neat architecture, its comfort and its equipment make it a strategic base for any intervention in this area of activities.

The Dakar Expo Center is a modular exhibition space, made up of 6 halls ranging from 1,400 m^2 to 4,500 m^2. It is built according to the best international standards. Its large reception capacity, its latest generation equipment and its great flexibility of use make it an essential platform for trade in the sub-region. The Dakar Expo Center is an ideal tool for organizing events and international exhibitions of all sizes.

ICIEC provided **€134 million** cover to Turk Eximbank for the construction of Radisson Diamniado Hotel, Dakar Expo Center and Dakar Arena at the heart of the Diamniadio urban hub.

These infrastructures helped to:

- ✓ Host sub-regional and international fairs and forums,
- ✓ Complement the overall touristic and events offering of Senegal in general and the urban center of Diamniadio in particular,
- ✓ Diversify the city's touristic and events offerings,
- ✓ Strengthen the attractiveness of the urban center and the capacity to host large-scale events,
- ✓ Create sustainable jobs and develop skills for the population, particularly in the surrounding municipalities,
- ✓ Increase the profitability of event infrastructures (Dakar Arena, Exhibition Center, Abdoulaye WADE Stadium), and
- ✓ Generate revenue through commercial exploitation.

As per SOGIP, "*the infrastructures of the urban center of Diamniadio respond to a desire to build quality, innovative and sustainable works, intended to accelerate the emergence of this new city which aims to be modern, functional, and attractive. These infrastructures draw the contours of the Senegal of tomorrow.*"

"They make it possible to diversify the tourist and event offer of the Senegal destination. Because they are located 30 minutes from Dakar and only a stone's throw from Blaise Diagne airport. They are also served by the motorway and the Regional Express Train.

Added to this, are the conveniences offered by these latest-generation infrastructures. They meet the highest standards, are fully operational to host all types of events, seminars, regional and global forums through any other event or cultural event. These are modular spaces, and the related services can be adapted according to needs. About fifteen trade shows, forums and fairs have taken place at the Dakar Expo Center."

4. Rehabilitation of a Wastewater Collector in Dakar, Senegal

Project Name	Rehabilitation of Wastewater Collector in Dakar, Senegal
Sponsor	Management Company of the Urban Poles of Diamniadio and Lac Rose (SOGIP SA), Senegal
Project Description	ICIEC provided a €50 million cover as part of a €126 million facility to Société Générale. The facility is used to rehabilitate the Hann-Fann Wastewater Collector in Dakar, Senegal, built more than 70 years ago and is in an advanced stage of degradation. The collector provides approximately 8 km of evacuation and treatment of wastewater, covering more than ten city districts. season.
Insured Amount	€50 million
Insurance Policy	Non-Honouring of Sovereign Financial Obligation (NHSFO)
Policyholder	Société Générale
Tenor	10 Years
Development Impact	• The rehabilitation takes care of health-related issues for the population, increases the attractiveness of the city of Dakar, and guarantees security to the population. The children suffer from Malaria and diarrhea because of the wastewater conditions in some of Dakar's districts. Thanks to this project, 16.5% of the children from Dakar (around 150,000 boys and girls) will see an improvement in their health condition. • The project will take care of health-related issues for the population, it increases the attractiveness of the city of Dakar and guarantees security to the population. • The rehabilitation will significantly improve the city's wastewater safety, enhancing resilience against sanitation-related health issues for the population, especially during the flood. • A more effective wastewater collector will also increase the attractiveness of the city of Dakar to foreign direct investment. The project will also reduce the risk of the population contracting respiratory diseases due to the absorption of some toxic chemicals. On the economic front, the project creates 6,151 direct and indirect jobs. • Key Results: Wastewater Development, Member State Development. 

The only wastewater treatment plant in the northern system of the city of Dakar with a capacity of 19,200m3/day operated with a volume load equal to 208%. Hence a strong degradation of its purification performance and the depollution rate.

The project, which increases its capacity to 92,000 m3/day, therefore makes it possible to meet the wastewater treatment needs of the northern area of Dakar, which will attract a population of approximately 1.6 million inhabitants by 2041. With the increase in the treatment capacity of the station, the project offers the possibility of increasing the rate of access to sanitation in the area served.

The project, which increases its capacity to **92,000 m3/day,** therefore makes it possible to meet the wastewater treatment needs of the northern area of Dakar, which will attract a population of approximately **1.6 million** inhabitants by 2041.

The Economic Impact of the project

- The wastewater treatment plant provides for sludge methanation and energy recovery from the biogas produced by cogeneration. This recovery will ensure self-sufficiency in electrical energy for around 50% of its operating needs. In fact, the electricity production planned at full capacity by 2041 amounts to approximately 6.5 Mw/h per year.
- The plant will produce sufficiently stabilized sludge, by anaerobic digestion, which will be used as a substitute for chemical fertilizers.
- A daily volume of 11700 m3 of purified water at a tertiary level will be produced and will be valued in agriculture, floriculture among other needs. The project thus offers an alternative to the use of drinking water in a context of water stress and will enable the National Sanitation Office of Senegal (ONAS) to strengthen its financial resources from the recovery of by-products. The achievements of this new station are part of the State's approach to promoting the circular economy in its interventions.

Health Impact of the project

- To preserve the living environment of the surrounding populations. To neutralize all the nuisances that may be generated by the installations (olfactory, sound, visual) within the framework of the project by the installation of adequate systems, in particular odor treatment, insulation of noisy technical buildings etc.
- A discharge system consisting of a 1,200-meter marine outfall will allow treated waste to be discharged into the sea without any possibility of beach pollution, thus preserving the marine environment.

Social Impact

- The station will allow the creation of direct and indirect jobs, whether at the level of its operation with new trades or at the level of recovery of by-products.
- Furthermore, the project will improve the quality of life of the surrounding neighborhoods, which would add value to the socio-economic development of the area.

5. Supporting Rural Access to Education and Medical Facilities

Project Name	Supporting Rural Access to Education and Medical Facilities in Senegal
Sponsor	Government of Senegal
Project Description	ICIEC issued a €81 million NHSFO policy to BMCE/Bank of Africa for the financing related to the construction of six university campuses under the Republic of Senegal Ministry of Education sponsorship. The campuses are in rural areas, and each is designed to include a fully functioning medical center. The seminal project is a significant effort to support the government of Senegal's efforts to fight academic disengagement whilst preventing the spread of COVID-19. Developing basic infrastructure for educational purposes is crucial to Senegal's sustainable economic development and empowering communities. ICIEC's support for this project is enhancing access to education and healthcare for many Senegalese citizens in traditionally underserved regions, contributing to job creation and the development of critical infrastructure, and supporting the growth of Senegal's economy.
Insured Amount	€81 million
Policy Type	Non-Honouring of Sovereign Financial Obligation (NHSFO)
Policyholder	BMCE, Bank of Africa
Percentage of cover	95%
Tenor	7 Years
Development Impact	• The project contributes to improving the students' academic performance by increasing the number of accommodation facilities offering a better studying environment and living quarters. It also improves the environment for training and research and enhances the school environment by promoting higher education at the regional level. It fosters motivation for needy students and relieves low-income parents and students. • Key Results: Human Development, Access to Medical and Educational Facilities, Member State Development. 

ICIEC provided €81 million cover through a Non-Honouring of Sovereign Financial Obligation (NHSFO) Policy to support Jet Contractors, a leading Moroccan contractor and developer, in financing the construction of six university campuses under Senegal Ministry of Education sponsorship.

ICIEC's support for this project is enhancing access to education and healthcare for many Senegalese citizens in traditionally underserved regions, contributing to job creation and the development of critical infrastructure, and supporting the growth of Senegal's economy.

The Project is also in line with achieving Goal 4 of the UN SDGs which emphasises that greater investment in quality education is key to alleviating poverty and ending population growth. Due to gender inequality, girls are disproportionately affected by lack of access to education — still one in four girls does not attend secondary school and in sub-Saharan Africa, the number of girls out of secondary school has increased by 7 million since 2007 due to the region's population growth.

ICIEC provided **€81 million** cover through a Non-Honouring of Sovereign Financial Obligations (NHSFO) Policy to support Jet Contractors, a leading Moroccan contractor and developer, in financing the construction of six university campuses under Senegal Ministry of Education sponsorship.

6. Dakar Market of National Interest and Truck Station

Project Name	Dakar Market of National Interest and Truck Station Project
Sponsor	SOGIP. SA, Dakar, Senegal (State-owned enterprise)
EPC Contractor	DM Yatirim ve Insaat San.,Senegal
Project Description	ICIEC insurance cover facilitated the mobilization of long term financing for the construction of Dakar Market of National Interest and Truck Station (Gare des Gros Porteurs).
Insured Amount	US$78 million
Insurance Policy	Non-Honouring of Sovereign Financial Obligation (NHFSO)
Policyholder	Turk Eximbank
Percentage of Cover	95%
Tenor	11 Years
Development Impact	• Deconcentrate the capital city suffering from overpopulation and limited availability of land. • Development of Senegal's Economic Infrastructure in line with its development efforts. • Development of the agricultural sector. • Connects producers of agricultural products and livestock farming to the distribution markets. • Job creation during, and after the construction period. App. 200 workers have been employed. • Key Results: Member State Development. 


MARCHE D'INTERET NATIONAL

Partnerships in Senegal

ICIEC signed MoUs with Senegalese Agencies to Promote Foreign Investment

ICIEC signed a Memorandum of Understanding (MoU) with APIX S.A, which is Senegal's main agency for attracting inward foreign direct investment (FDI) and facilitating business creation and development, including that of SMEs. The agreement facilitates joint efforts to promote Senegal as an FDI destination for ICIEC and IsDB Group member countries.

ICIEC also signed an MoU with the Sovereign Fund for Strategic Investments (FONSIS), the investment arm of the Government of Senegal.

Under the agreement, ICIEC seeks to catalyse FDI flows into Senegal by promoting FONSIS among ICIEC member countries and facilitating access to ICIEC's political risk insurance (PRI) products and guarantees.

On signing both MOUs, Mr. Oussama Kaissi stated that ***"Developing countries often have problems attracting requisite levels of inward private FDI flows partly because projects are often deemed not 'bankable' therefore unattractive to especially private capital. Projects involving climate adaptation, food security and infrastructure present even bigger challenges for private investors because of various risks. Private sector development and engagement is one of the main pillars of our strategy."***

This requires credit enhancement that insurers such as ICIEC are well positioned to do through their sustainability policies and access to member countries' national and subnational bodies, which engage with relevant climate action and food security projects and transactions. Embedding commercial opportunities and helping corporates and banks make a material difference to support positive development outcomes is something that risk mitigation tools can facilitate.

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Testimonial

Selim Bora,

Chairman of Summa Group, Türkiye

Partnering with ICIEC in Support of Development Projects in Senegal

Impact and Importance of Such Cooperation

As Summa Group we came across ICIEC and its highly qualified world class colleagues for the purpose of political risk coverage and insurance during the construction and financing of Abdou Diouf International Conference Center project. Summa Group was given the EPC-F function in June 2013.

Turkish Eximbank provided the financing for this project and one of the conditions was to provide political risk coverage. The challenge we all had was the delivery deadline of the project because Senegal was going to host the 15th French speaking countries "Francophone" Summit in October 2014 and there was no facility to host such an event.

Therefore, we only had 18 months ahead of us to negotiate, design, build and arrange the financing for this project. The timely contribution of ICIEC was highly important to the project because otherwise the terms and conditions regarding interest rate and duration of the loan could not have been on such favourable terms, which was acceptable to all stakeholders.

ENORMOUS COMFORT

The involvement of ICIEC created an enormous comfort to all stakeholders including third parties involved with the Project such as underwriters, intermediary banks, participating banks, Turkish Eximbank, Senegalese authorities and all others.

The timely contribution of ICIEC was highly important to the project because otherwise the terms and conditions regarding interest rate and duration of the loan could not have been on such favourable terms, which was acceptable to all stakeholders.

The Abdou Diouf Conference Center became "The Epicenter" of Diamniadio, the newly created urban development of Senegal where today more than 10,000 people are living, working, studying, and enjoying all the associated infrastructure built around the project since it was inaugurated.

After the successful experience we had with ICIEC in 2013, the other most significant project we worked together was "Stade du Senegal", inaugurated in February 2022. This ambitious project incorporating a 50,000-seater world class football stadium was also an EPC-F contract awarded in 2020, right before Covid 19 pandemic hit the world and everything stopped.

Even during those months of lock down we were able to communicate and continue our correspondence

It is noteworthy that in such "FAST TRACK" projects, 'Abdou Diouf Conference Center' was delivered in 11 months and 'Stade du Senegal' in 17 months. It is very important to have a partner such as ICIEC, which knows the challenges of doing business in Africa and the associated credit and investment risks.

with ICIEC officials which in fact saved the project since a Standard Chartered Bank led consortium were to facilitate the credit for 100% financing provided that the political risk insurance was covered by ICIEC.

Again, as per the request of the lending banks the timely and efficient intervention of ICIEC created an enormous comfort for all stakeholders serving as a leverage to lower the borrowing interest rates of the Government of Senegal thus creating a benchmark for other similar projects.

It is noteworthy that in such "FAST TRACK" projects, 'Abdou Diouf Conference Center' was delivered in 11 months and 'Stade du Senegal' in 17 months. It is very important to have a partner such as ICIEC, which knows the challenges of doing business in Africa and the associated credit and investment risks. And which can navigate an efficient pathway to ensure delivery in a flexible and timely manner.

VALUE CREATION THROUGH COOPERATION

The impact and importance of such cooperation shows itself in the development of such emerging countries and its economies and serves as a reference for other countries of Africa as an important example of value creation.

Today, through the new urban development Diamniadio, Senegal has become a symbol and model of prosperity, which many other countries in Africa are trying to replicate.

As a special note, it needs to be acknowledged that without the leadership and commitment of Mr. Oussama Kaissi, CEO of ICIEC, it would never have been this easy to reach such collective achievements. I would like to thank him and his team for their invaluable contribution to the African Continent and prosperity of the nations in need of support.

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