



2022 AVCA'S COUNTRY SNAPSHOT

SENEGAL



Country Overview

Located on the Western coast of Africa, Senegal has a national territory of almost 197,000 square kilometres and a population of 17.7 million. The country enjoys a dry and tropical climate, and its geographical location affords it a strong advantage with its capital city, Dakar, which is not only home to banks and other institutions serving all of Francophone West Africa, but also serves as a gateway to West African markets. In fact, the port of Dakar ranks as the 4th largest port in West Africa and the 12th largest across the continent, positioning Senegal as a major hub for shipping and transport within the region. The port of Dakar also serves as the first major port of call from Europe and is a crucial transshipment centre for landlocked countries in West Africa¹. Senegal's outward looking focus also extends to its trade agreements which includes the African Continental Free Trade Area (AfCFTA), and the African Growth and Opportunity Act (AGOA) which allows Senegal duty-free access to US markets up to 2025. Negotiations are also in process for an Economic Partnership Agreement with the European Union².

Senegal's Economic Outlook

Senegal has maintained a stable macroeconomic environment in recent years. The country has the fourth largest economy in the West African sub-region after Nigeria, Ghana, and Côte d'Ivoire; and occupies the second place after Côte d'Ivoire among Francophone African countries³. The International Monetary Fund has estimated that Senegal had a real GDP growth of 4.7% in 2021, with growth expected to further accelerate to 5.5% in 2022 and 10.8% in 2023⁴. This substantial economic growth is catalysed by the resumption of public investments, the development of the hydrocarbon sector, improvements in the construction industry and oil and gas production⁵. Senegal has enjoyed one of the highest GDP growth rates in the 15-member Economic Community of West African States (ECOWAS) over the last five years, with sustained economic growth rates averaging 6.5% between 2014 through 2019. These robust economic fundamentals and relative political stability is expected to continue supporting Senegal's long-term economic growth, promoting a fertile investment environment.

1 [Senegal - Market Overview \(trade.gov\)](https://trade.gov)

2 [Senegal - Trade Agreements](#)

3 [World Economic Outlook \(October 2021\) - GDP, current prices \(imf.org\)](#)

4 [Senegal and the IMF](#)

5 [Macroeconomic outlook | African Development Bank - Building today, a better Africa tomorrow \(afdb.org\)](#)

An Attractive Business Climate

The Government of Senegal has taken important steps to improve the country's business environment, anchored in regional and global cooperation. It set up Special Economic Zones with advantages for (large scale) investors and implemented business environment reforms to ease the registration and operating conditions for businesses in Senegal.

The Senegalese Government has been implementing the Business Environment and Competitiveness Reform Program (PREAC) since 2013⁶. Several progressive regulatory changes have been made, in particular: the abolition of the share capital for the creation of an LLC; the creation of one-stop shops for setting up a business; the dematerialization of customs procedures; the reduction of taxes

for companies that invest; as well as the various tax incentives allowed by the Investment Code and the free enterprise export regime. Senegal has also signed several Investment Protection and Promotion Agreements (APPI) with several dozen partner countries around the world. These agreements aim at improving the legal certainty of investments and provide the free repatriation of investment capital and returns on investment. They also guarantee expropriation, for a Most Favoured Nation (MFN) clause for the treatment of investors and compensation for losses in case of war, armed conflict, or riot.

Overall, Senegal affords a liberal investing landscape for potential investors with an array of opportunities across major sectors within its diversified economy.

Private Capital Investment in Senegal

Figure 1: Share of volume of private capital deals in West Africa, by country, 2016-2021

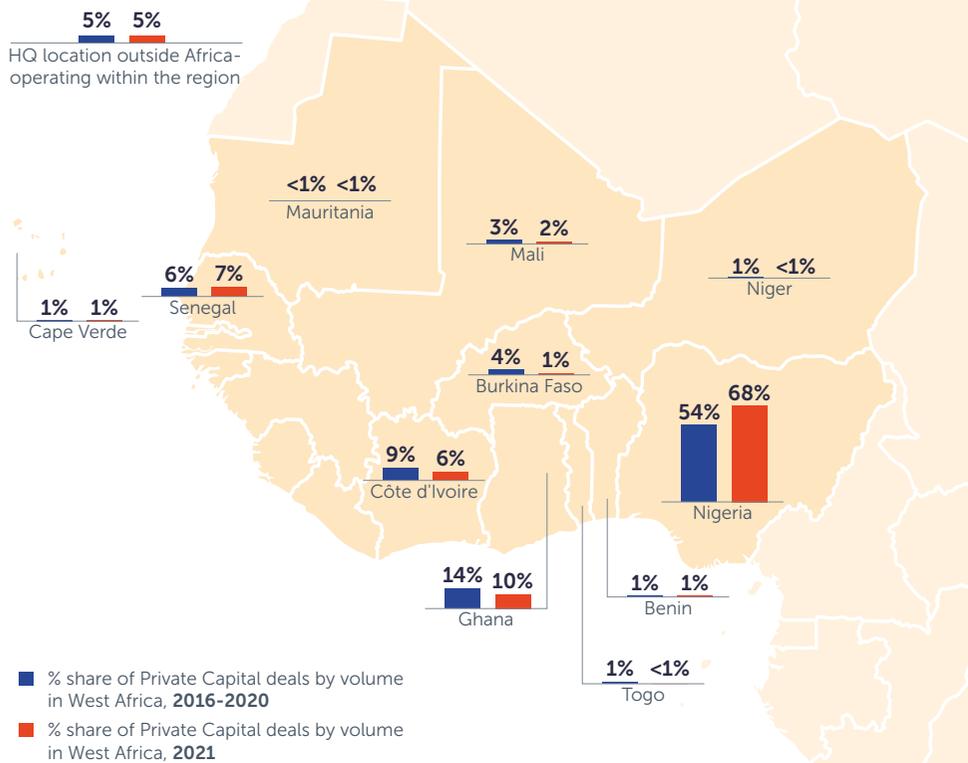
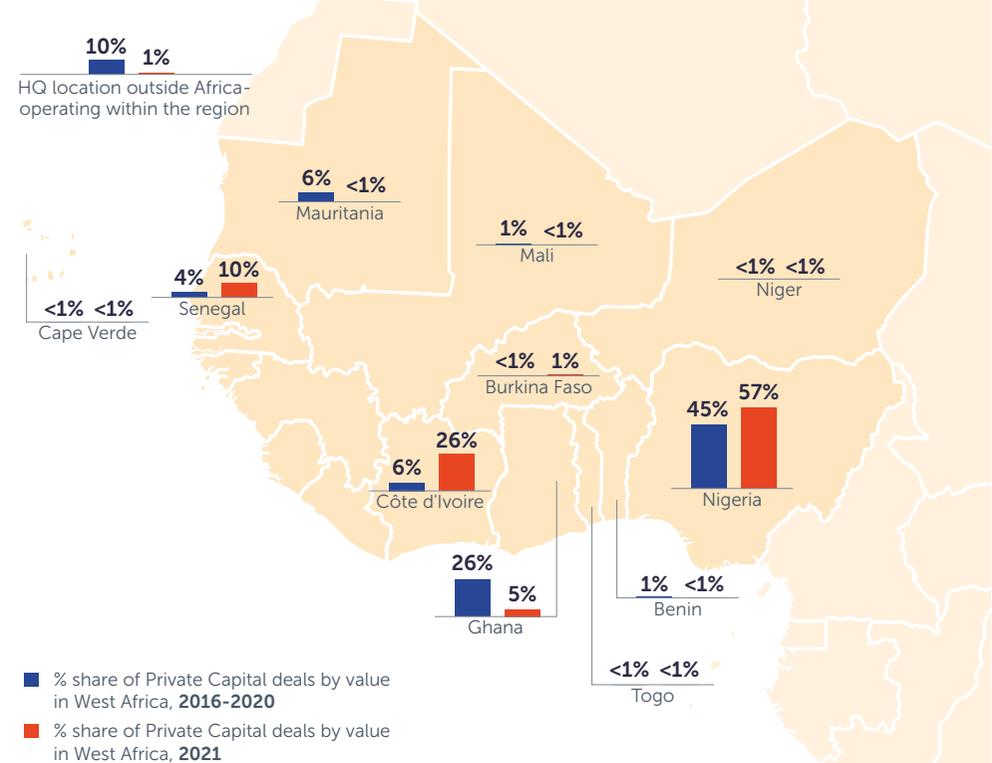


Figure 2: Share of value of Private Capital deals in West Africa, by country, 2016-2021



Senegal's ever-evolving business environment has made it favourable and growing market for private capital in West Africa. Senegal occupied the third place by deal volume in West Africa since 2019 but ascended to the third position in 2021 after Nigeria and Côte d'Ivoire. During the year, Senegal attracted US\$211.4mn of private capital. This is equivalent to an increase of more than 5x when compared to 2020 and corresponds to 53% of the total value of private capital deals recorded in the country between 2016 and 2021. The highly publicised US\$200mn super-sized deal in Wave, a provider of mobile money services, contributed to Senegal's repositioning as the leading force in Francophone West Africa in 2021.

Beyond Wave, there was strong momentum in private capital activity - the total deal volume in Senegal grew at 2.9x in 2021, when compared to the annual average over the period 2016-2020. This is due to a surge in venture capital deals, which concentrated 80% of reported deals in the country in 2021. To put this into context, VC deals only accounted for 6% of the total deal volume reported in Senegal between 2016 and 2020. A positive sign that the government's initiatives to foster the development of an innovation ecosystem in Senegal is bearing its first fruits. Indeed, in terms of government initiatives fostering the development of an innovation ecosystem in Africa, Francophone Africa stands out for pioneering a supportive legal framework for startups and small businesses. Senegal became the second African country to pass a Startup Act in December 2019, after Tunisia pursued start-up legislation in 2018. In both countries, the Act aims to create a better environment for innovation and entrepreneurship by providing tax-breaks and reducing the legal complexities of business regulation for SMEs.

An unexpected trend is the stunning growth of venture capital activity to the detriment of investments in infrastructure projects. These infrastructure projects historically dominated Senegal's private capital industry, accounting for 29% of the total deal volume and 96% of the total deal value between 2016 and 2020. The bulk of infrastructure projects that punctuated the industry so far included investments in companies that were involved in renewable energy power generation. For comparison, in 2021 venture capital deals accounted not only for almost the entire value of deals reported in Senegal (99%), but also for 80% of the total deal volume. This shows that the private capital landscape in Senegal is shifting; spanning more sub asset classes to adapt to the recent developmental challenges ensuing from the COVID-19 crisis. The appetite for diversification has led investors to inject capital into areas they never would have considered in the past.

Figure 3: Evolution of West African country ranking by deal volume

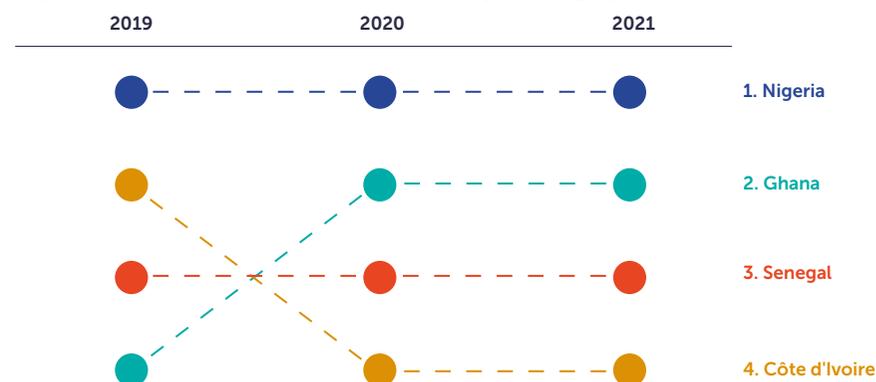


Figure 4: Value of private capital deals reported in Senegal, by year, US\$mn
Share of West African private capital deal value, by year, US\$mn

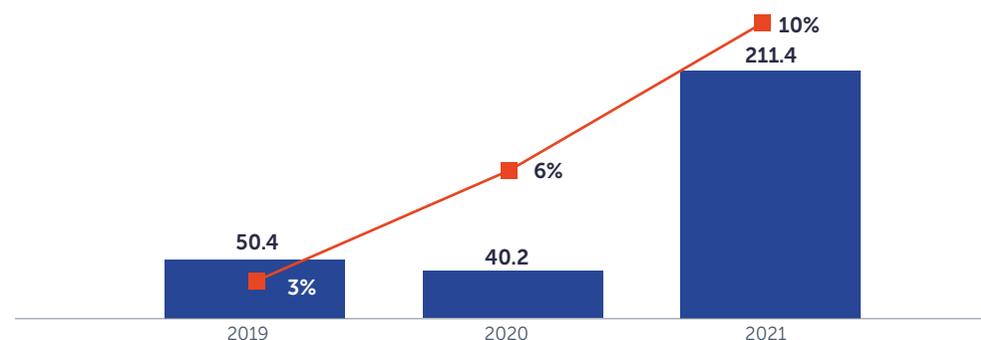
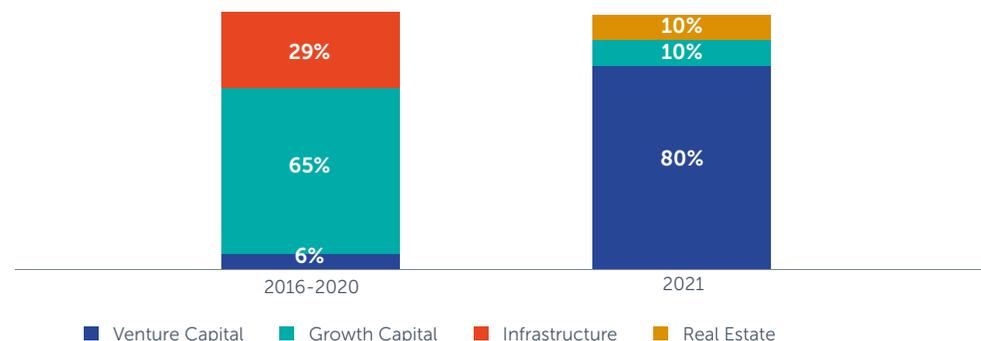
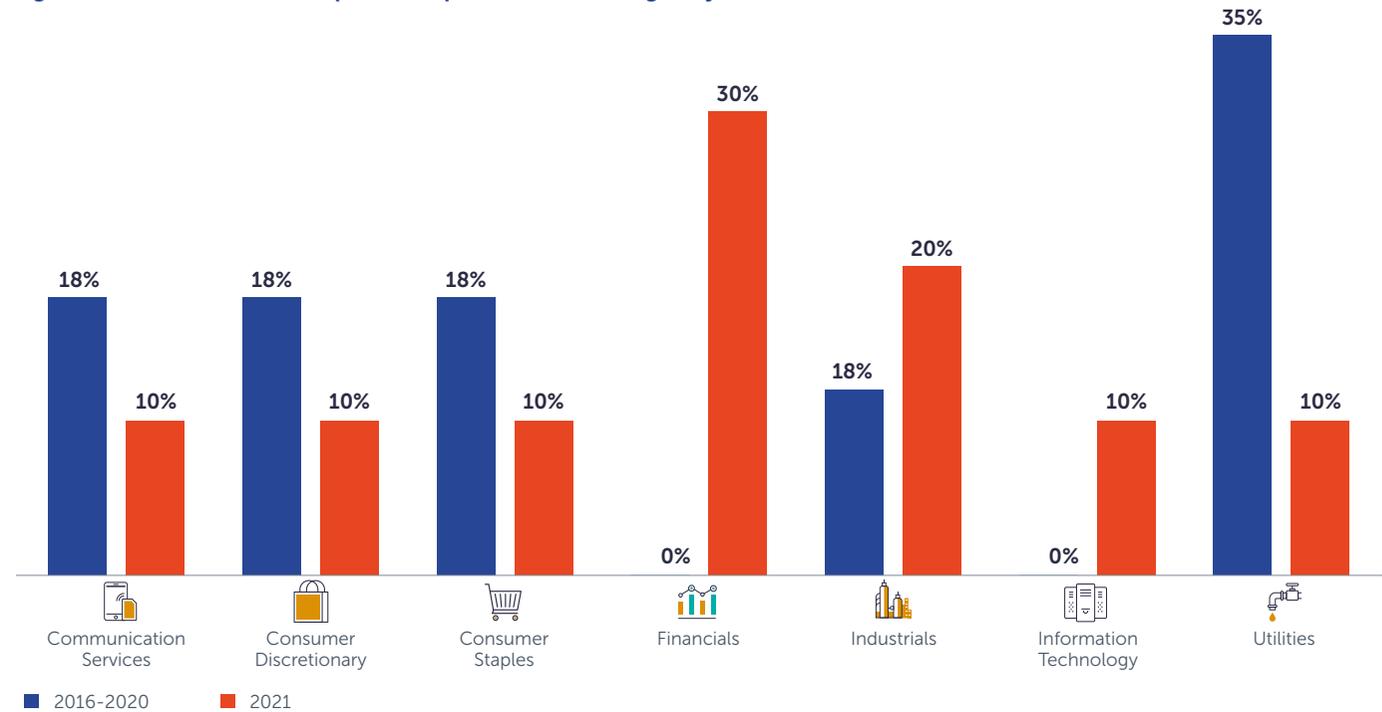


Figure 5: Share of volume of private capital deals reported in Senegal, by investment stage and year, US\$mn



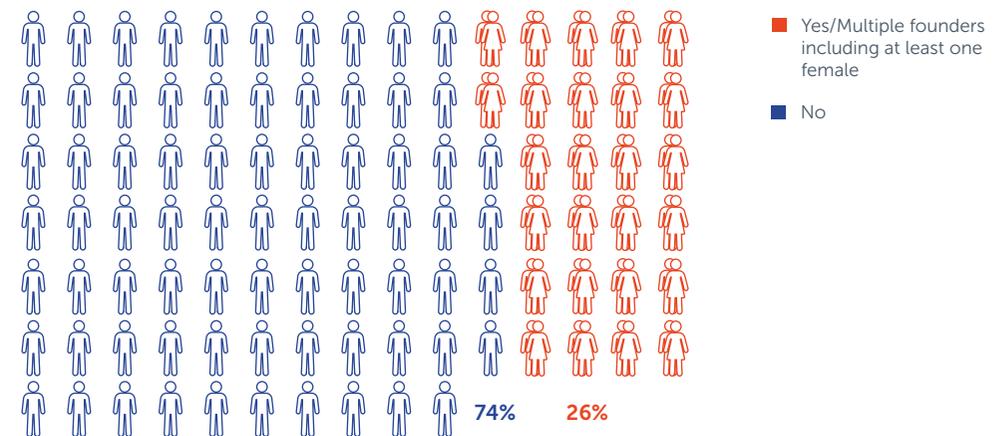
From a sector perspective, the Financials sector gained prominence in Senegal's private capital landscape, accounting for 30% of the total deal volume and 95% of the total deal value in 2021. Historically Utilities dominated investments in the country and accumulated 35% of the total deal volume and 97% of the total deal value from 2016 to 2020. As COVID-19 has accelerated demand for digital transactions, capital continued to flow to FinTech platforms. Notable deals within the Financials sector in 2021 include the Series A round in Wave, the financing of Cauri Money, a digital banking platform and Kalpay, a QR-code based payment solution. Beyond Financials, Industrials was another raising sector that accounted for 20% of the total deal volume. This is an increase when compared to Industrials' annual average share between 2016 and 2020, 12%. The increased proportion of the sector was driven by deals in logistics platforms designed to facilitate transportation and delivery across locations.

Figure 6: Share of volume of private capital deals in Senegal, by sector, 2016 – 2020 vs 2021



Turning to venture capital, AVCA's *2021 Venture Capital in Africa Report*⁷ shows that Senegal established its predominance among Francophone West African countries and occupies the second place after Morocco among the Francophone African countries, by deal volume in 2021. Senegal's tech ecosystem continues to thrive, with an increasing number of projects scaling tech-enabled solutions to the continent's challenges. Technology appeared to be a strong area of interest within the investment space in Senegal. 73% of VC deal volume in 2021 was in technology or technology-enabled companies operating across a variety of sectors, such as Fintech (33%), Supply Chain Tech (13%), Adtech (7%) and Mobility Tech (7%). From a diversity perspective, the data shows that the industry was favourable to female founders in Senegal. 26% of investee companies in 2021 were start-ups with a female founder or a founding team that included at least one female. This is slightly above the share observed in the VC investments on the continent (24%) the same year. In addition, 20% of the deals reported in Senegal were in companies led by women, compared to only 13% in Africa.

Figure 7: Share of VC deal volume by female founded startups in Senegal, 2021





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Championing Private Investment in Africa

The African Private Equity and Venture Capital Association is the pan-African industry body which promotes and enables private investment in Africa.

AVCA plays an important role as a champion and effective change agent for the industry, educating, equipping and connecting members and stakeholders with independent industry research, best practice training programmes and exceptional networking opportunities.

With a global and growing member base, AVCA members span private equity and venture capital firms, institutional investors, foundations and endowments, pension funds, international development finance institutions, professional service firms, academia, and other associations.

This diverse membership is united by a common purpose: to be part of the Africa growth story.