PROSPECTUS **NOT FOR GENERAL CIRCULATION IN THE UNITED STATES**

THE REPUBLIC OF SENEGAL

US$500,000,000 6.250% NOTES DUE 2024

ISSUE PRICE: 100%

The US$500,000,000 6.250% Notes due 2024 (the **Notes**) are issued by the Republic of Senegal (the **Republic** or **Senegal**). Interest on the Notes will be paid on 30 January and 30 July in each year. The first payment of interest will be made on 30 January 2015 for the period from and including 30 July 2014 to but excluding 30 January 2015. Principal of the Notes is scheduled to be paid on 30 July 2024, but may be paid earlier under certain circumstances as further described herein. The Notes initially will be sold to investors at a price equal to 100% of the principal amount thereof. For a more detailed description of the Notes, see "*Conditions of the Notes*" beginning on page 17.

The Notes have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the Securities Act) or with any securities regulatory authority of any state or other jurisdiction of the United States and may not be offered, sold or delivered within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws. Accordingly, the Notes are being offered, sold or delivered: (a) in the United States only to qualified institutional buyers (QIBs) (as defined in Rule 144A (Rule 144A) under the Securities Act) in reliance on, and in compliance with, Rule 144A; and (b) outside the United States in reliance on Regulation S (Regulation S) under the Securities Act. Each purchaser of the Notes will be deemed to have made the representations described in "*Plan of Distribution*" and is hereby notified that the offer and sale of Notes to it is being made in reliance on the exemption from the registration requirements of the Securities Act provided by Rule 144A. In addition, until 40 days after the commencement of the offering, an offer or sale of any of the Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if the offer or sale is made otherwise than in accordance with Rule 144A.

The Notes have not been and will not be registered under the regulations of the West African Economic and Monetary Union (the *Union économique et monétaire ouest africaine* or **WAEMU**) or Senegalese financial regulations. Unless they are registered and authorised by the financial regulators of WAEMU and Senegal, the Notes cannot be issued, offered or sold in these jurisdictions.

This prospectus (the **Prospectus**) has been approved by the Central Bank of Ireland, as competent authority under Directive 2003/71/EC as amended (which includes the amendments made by Directive 2010/73/EU to the extent that such amendments have been implemented in a relevant Member State of the European Economic Area) (the **Prospectus Directive**). The Central Bank of Ireland only approves this Prospectus as meeting the requirements imposed under Irish and EU law pursuant to the Prospectus Directive. Such approval relates only to Notes that are to be admitted to trading on the regulated market (the **Main Securities Market**) of the Irish Stock Exchange plc (the **Irish Stock Exchange**) or on another regulated market for the purposes of Directive 2004/39/EC (the **Markets in Financial Instruments Directive**) or that are to be offered to the public in any member state of the European Economic Area (**EU Member States**). Application has been made to the Irish Stock Exchange for the Notes to be admitted to the Official List (the **Official List**) and trading on its regulated market. This Prospectus constitutes a prospectus for the purpose of the Prospectus (Directive 2003/71/EC) Regulations 2005 (the **Prospectus Regulations**) (which implement the Prospectus Directive in Ireland). Reference in this Prospectus to being listed (and all date references) shall mean that such Notes have been admitted to trading on the regulated market of the Irish Stock Exchange.

The Notes have been rated B1 by Moody's Investors Service Limited (**Moody's**) and B+ by Standard & Poor's Credit Market Services Europe Limited (**Standard & Poor's**). Each of Moody's and Standard & Poor's is established in the European Union and is registered under the Regulation (EC) No. 1060/2009 (as amended) (the **CRA Regulation**). As such each of Moody's and Standard & Poor's is included in the list of credit rating agencies published by the European Securities and Markets Authority (**ESMA**) on its website (at http://www.esma.europa.eu/page/List-registered-and-certified-CRAs) in accordance with the CRA Regulation. A security rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating agency.

The Notes will initially be represented by two global certificates in registered form (the **Global Certificates**), one of which will be issued in respect of the Notes offered and sold in reliance on Rule 144A (the **Restricted Global Certificate**) and will be registered in the name of Cede & Co., as nominee for The Depository Trust Company (**DTC**) and the other of which will be issued in respect of the Notes offered and sold in reliance on Regulation S (the **Unrestricted Global Certificate**) and will be registered in the name of a nominee of a common depositary for Euroclear Bank SA/NV (**Euroclear**) and Clearstream Banking, *société anonyme* (**Clearstream, Luxembourg**). It is expected that delivery of the Global Certificates will be made on 30 July 2014 or such later date as may be agreed (the **Closing Date**) by the Republic and the Joint Lead Managers (as defined under "*Plan of Distribution*").

Prospective investors should be aware that none of the statistical information in this Prospectus has been independently verified.

AN INVESTMENT IN THE NOTES INVOLVES CERTAIN RISKS. PROSPECTIVE INVESTORS SHOULD HAVE REGARD TO THE FACTORS DESCRIBED UNDER THE HEADING "*RISK FACTORS*" ON PAGE 7.

Joint Lead Managers & Joint Bookrunners

CITIGROUP **SOCIÉTÉ GÉNÉRALE CORPORATE & INVESTMENT BANKING** **STANDARD CHARTERED BANK**

The date of this Prospectus is 28 July 2014.

The Republic accepts responsibility for the information contained in this Prospectus. To the best of the knowledge of the Republic (having taken all reasonable care to ensure that such is the case) the information contained in this Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

To the best of the knowledge and belief of the Republic, the information contained in this Prospectus is true and accurate in every material respect and is not misleading in any material respect and this Prospectus, insofar as it concerns such matters, does not omit to state any material fact necessary to make such information not misleading. The opinions and intentions expressed in this Prospectus with regard to the Republic are honestly held by the Republic, have been reached after considering all relevant circumstances and are based on reasonable assumptions.

The Joint Lead Managers have not independently verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Joint Lead Managers as to the accuracy or completeness of the information contained or incorporated in this Prospectus or any other information provided by the Republic in connection with the offering of the Notes. No Joint Lead Manager accepts any liability in relation to the information contained or incorporated by reference in this Prospectus or any other information provided by the Republic in connection with the offering of the Notes or their distribution.

No person is or has been authorised by the Republic to give any information or to make any representation not contained in or not consistent with this Prospectus or any other information supplied in connection with the offering of the Notes and, if given or made, such information or representation must not be relied upon as having been authorised by the Republic or any of the Joint Lead Managers.

Neither this Prospectus nor any other information supplied in connection with the offering of the Notes (a) is intended to provide the basis of any credit or other evaluation or (b) should be considered as a recommendation by the Republic or any of the Joint Lead Managers that any recipient of this Prospectus or any other information supplied in connection with the offering of the Notes should purchase the Notes. Each investor contemplating purchasing any Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Republic. Neither this Prospectus nor any other information supplied in connection with the offering of the Notes constitutes an offer or invitation by or on behalf of the Republic or any of the Joint Lead Managers to any person to subscribe for or to purchase any Notes.

Neither the delivery of this Prospectus nor the offering, sale or delivery of the Notes shall in any circumstances imply that the information contained herein concerning the Republic is correct at any time subsequent to the date hereof or that any other information supplied in connection with the offering of the Notes is correct as of any time subsequent to the date indicated in the document containing the same. The Joint Lead Managers expressly do not undertake to review the financial condition or affairs of the Republic during the life of the Notes or to advise any investor in the Notes of any information coming to their attention.

This Prospectus does not constitute an offer to sell or the solicitation of an offer to buy the Notes in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. The distribution of this Prospectus and the offer or sale of Notes may be restricted by law in certain jurisdictions. The Republic and the Joint Lead Managers do not represent that this Prospectus may be lawfully distributed, or that the Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Republic or the Joint Lead Managers which is intended to permit a public offering of the Notes or the distribution of this Prospectus in any jurisdiction where action for that purpose is required. Accordingly, no Notes may be offered or sold, directly or indirectly, and neither this Prospectus nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Prospectus or any Notes may come must inform themselves about, and observe, any such restrictions on the distribution of this Prospectus and the offering and sale of Notes. In particular, there are restrictions on the distribution of this Prospectus and the offer or sale of the Notes in the United States, the United Kingdom and the Republic of Senegal, see "*Plan of Distribution*".

IN CONNECTION WITH THE ISSUE OF THE NOTES, CITIGROUP GLOBAL MARKETS LIMITED AS STABILISING MANAGER (THE STABILISING MANAGER) (OR PERSON(S) ACTING ON BEHALF OF THE STABILISING MANAGER) MAY OVER-ALLOT NOTES OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE NOTES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL.

HOWEVER, THERE IS NO ASSURANCE THAT THE STABILISING MANAGER (OR PERSONS ACTING ON BEHALF OF THE STABILISING MANAGER) WILL UNDERTAKE STABILISATION ACTION. ANY STABILISATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE TERMS OF THE OFFER OF THE NOTES IS MADE AND, IF BEGUN, MAY BE ENDED AT ANY TIME, BUT IT MUST END NO LATER THAN THE EARLIER OF 30 DAYS AFTER THE CLOSING DATE OF THE NOTES AND 60 DAYS AFTER THE DATE OF THE ALLOTMENT OF THE NOTES. ANY STABILISATION ACTION OR OVER-ALLOTMENT MUST BE CONDUCTED BY THE RELEVANT STABILISING MANAGER(S) (OR PERSONS ACTING ON BEHALF OF ANY STABILISING MANAGER(S)) IN ACCORDANCE WITH ALL APPLICABLE LAWS AND RULES.

The Notes have not been approved or disapproved by the U.S. Securities and Exchange Commission or any other securities commission or other regulatory authority in the United States, nor have the foregoing authorities reviewed or passed upon the accuracy or adequacy of this Prospectus. Any representation to the contrary is a criminal offence.

This Prospectus is being submitted on a confidential basis in the United States to a limited number of QIBs for informational use solely in connection with the consideration of the purchase of the Notes. It may not be copied or reproduced in whole or in part nor may it be distributed or any of its contents disclosed to anyone other than the prospective investors to whom it is originally submitted.

Each purchaser or holder of interests in the Notes will be deemed, by its acceptance or purchase of any such Notes, to have made certain representations and agreements as set out in "*Plan of Distribution*".

NOTICE TO NEW HAMPSHIRE RESIDENTS

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENCE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE REVISED STATUTES WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE OF NEW HAMPSHIRE THAT ANY DOCUMENT FILED UNDER CHAPTER 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

INTERNAL REVENUE SERVICE (IRS) CIRCULAR 230 DISCLOSURE:

TO ENSURE COMPLIANCE WITH REQUIREMENTS IMPOSED BY THE IRS, EACH HOLDER IS HEREBY NOTIFIED THAT: (A) ANY DISCUSSION OF U.S. FEDERAL TAX ISSUES IN THIS DOCUMENT IS NOT INTENDED OR WRITTEN TO BE USED OR RELIED UPON, AND CANNOT BE USED OR RELIED UPON BY ANY HOLDER, FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED UNDER THE INTERNAL REVENUE CODE; (B) ANY SUCH DISCUSSION IS WRITTEN IN CONNECTION WITH, AND INCLUDED HEREIN TO SUPPORT, THE PROMOTION OR MARKETING (WITHIN THE MEANING OF CIRCULAR 230) OF THE NOTES; AND (C) EACH HOLDER SHOULD SEEK ADVICE BASED ON ITS PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

Some of the statements contained in this Prospectus, as well as written and oral statements that the Republic and its representatives make from time to time in reports, filings, news releases, conferences, teleconferences, web postings or otherwise, are or may be deemed to be forward-looking statements. Statements that are not historical facts, including, without limitation, statements about the Republic's beliefs and expectations, are forward-looking statements. These statements are based on current plans, objectives, assumptions, estimates and projections. When used in this Prospectus, the words "anticipates", "estimates", "expects", "believes", "intends", "plans", "aims", "seeks", "may", "will", "should", in each case, their negative or other variations or comparable terminology or in relation to discussions of strategy, plans, objectives, goals, future events or intentions, and any similar expressions generally identify forward-looking statements. Therefore, undue reliance should not be placed on them. The Republic has based these forward-looking statements on its current view with respect to future events and financial results. Forward-looking statements speak only as of the date on which they are made and the Republic undertakes no obligation to update publicly any of them in light of new information or future events.

Forward-looking statements involve inherent risks and uncertainties. The Republic cautions that a number of important factors could cause actual results to differ materially from those contained in any forward-looking statement.

In addition to the factors described in this Prospectus, including those discussed under the "*Risk Factors*", the following factors, among others, could cause future results to differ materially from those expressed in any forward-looking statements made herein:

- Adverse external factors, such as:
  - changes in international commodity prices or prevailing interest rates, which could adversely affect Senegal's balance of payments and budgetary expenditures;
  - changes in the monetary policy applicable in WAEMU countries which could affect inflation and/or growth rates; or
  - recession or low economic growth in Senegal's trading partners or changes in the terms on which multilateral lending institutions provide financial assistance to Senegal or fund new or existing projects which could decrease exports, adversely affect Senegal's economy and, indirectly, reduce tax and other public sector revenues, so adversely affecting the state budget.
- Adverse domestic factors, such as:
  - a decline in foreign direct investment, increases in domestic inflation, high domestic interest rates, exchange rate volatility or an increase in the level of domestic and external debt, which could lead to lower economic growth or a decrease in Senegal's international reserves; or
  - trade and political disputes between Senegal and its trading partners and other political factors in Senegal, which could affect the timing and structure of economic reforms, the climate for foreign direct investment and the pace, scale and timing of privatisations.

GLOSSARY AND CONVENTIONS

The following terms are used to refer to economic concepts that are discussed in this Prospectus:

- Gross domestic product (**GDP**) means the total value of goods and services produced inside a country during the relevant period. Unless otherwise stated references to GDP are to real, rather than nominal, GDP.
- Imports comprise all goods and services imported from abroad intended either for consumption or for inward processing. Exports comprise all goods and services exported from Senegal, which originate from domestic production or internal trade.
- The inflation rate is measured by the year-on-year percentage change in the consumer price index (**CPI**), unless otherwise specified. The CPI index measures inflation based on the price of a basket of approximately 740 goods and services weighted according to the Household Budget Survey and retail sales data. Year-on-year rates are calculated by comparing the average of the twelve monthly indices for the later period against the average of the twelve monthly indices for the prior period.
- The budget deficit is consolidated revenues minus consolidated expenditures of the general government. This is the principal measure of fiscal balance for countries participating in the European Economic and Monetary Union.
- General government debt (**general government debt**) consists of the sum of: (i) central government debt; (ii) extra budgetary debt (of government funds and agencies); and (iii) local government debt.

Capitalised terms which are used but not defined in any particular section of this Prospectus will have the meaning attributed thereto in **Conditions of the Notes** or any other section of this Prospectus.

Certain figures and percentages included in this Prospectus have been subject to rounding adjustments; accordingly figures shown in the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them.

References to a billion are to a thousand million.

In addition to the concepts and terms discussed above and in "*Presentation of Economic and Other Information*", in this Prospectus:

- **ACP** means the African, Caribbean and Pacific Group of States;
- **AFD** means *Agence Française de Développement*;
- **AfDB** means the African Development Bank;
- **ANSD** means the *Agence Nationale de la Statistique et de la Démographie*;
- **APIX** means the *Agence Nationale Chargée de la Promotion des Investissements et des Grands Travaux*;
- **APR** means *Alliance pour la République*;
- **ARTP** means the *Agence de Régulation des Télécommunications et des Postes*;
- **AU** means the African Union;
- **BADEA** means *La Banque Arabe pour le Développement Economique en Afrique*;
- **BEAC** means *Banque des Etats de l'Afrique Centrale*
- **BBY** means *Bennoo Bokk Yakaar*;
- **BCEAO** means the *Banque Centrale des Etats de l'Afrique de l'Ouest*;
- **BNDE** means *Banque Nationale de Développement Economique*;
- **BOAD** means the *Banque Ouest Africaine de Développement*;
- **BRS** means *Banque Régionale de Solidarité*;
- **BRVM** means *Bourse Régionale des Valeurs Mobilières*;
- **CCJA** means *Cour commune de justice et d'arbitrage;*

- **CENTIF** means *Cellule Nationale de Traitement des Informations Financières du Sénégal*
- **CET** means the common external tariff scheme agreed on by the member nations of WAEMU;
- **CIA World Factbook** means the Central Intelligence Agency World Factbook as at 11 July 2014;
- **CIMA** means the Inter-African Conference on Insurance Markets;
- **CMU** means *Couverture Maladie Universelle;*
- **CNCAS** means *Caisse Nationale de Crédit Agricole du Sénégal*;
- ***Conseil Constitutionnel*** means the Constitutional Council of the Republic of Senegal;
- **Constitution** means the Constitution of the Republic of Senegal, as adopted on 7 January 2001 (as amended);
- ***Cour des Comptes*** means the Court of Auditors of the Republic of Senegal;
- ***Cour Suprême*** means the Supreme Court of the Republic of Senegal;
- **CREI** means *Cour de Répression de l'Enrichissement Illicite*;
- **CREPMF** means the *Conseil Régional de l'Epargne Publique et des Marchés Financiers*;
- **CSM** means *Conseil Supérieur de la Magistrature*;
- **Definitive Notes** has the meaning ascribed to it in the Agency Agreement;
- **DGD** means *Direction Générale des Douanes*;
- **DGID** means *Direction Générale des Impôts et Domaines*;
- **DPEE** means *Direction de la Prévision et des Etudes Economiques*;
- **DSA** means Debt Sustainability Analysis;
- **DTF** means *Directions des transports Ferroviaires*;
- **ECCAS** means Economic Community of Central African States;
- **ECOWAS** means the Economic Community of West African States;
- **EFA** means Education For All;
- **EIB** means the European Investment Bank;
- **ESPS** means *l'Enquête de suivi de la pauvreté*;
- **FDI** means Foreign Direct Investment;
- **Fortesa** means Fortesa International Corporation;
- **FONSIS** means *Fonds Souverain d'Investissements Stratégiques*;
- **FONGIP** means *Fonds de Garantie des Investissements Prioritaires*;
- **FSE** means *Fonds de Soutien à l'Energie;*
- **FSIPP** means *Fonds de Sécurisation des Importations de Produits Pétroliers*;
- **FTT** means financial transactions tax;
- **GATT** means the General Agreement on Tariffs and Trade;
- **Government** means the Prime Minister, his ministers and their respective ministries;
- **GTI** means GTI Dakar;
- **Haute Cour de Justice** means the High Court of Justice of the Republic of Senegal;
- **HDI** means Human Development Index;
- **HIPC** means Heavily Indebted Poor Countries;

- **ICS** means *Industries Chimiques du Sénégal*;
- **ICSID** means the International Centre for the Settlement of Investment Disputes;
- **IDA** means the International Development Association;
- **IDB** means the Islamic Development Bank;
- **IFAD** means the International Fund for Agricultural Development;
- **IFC** means the International Finance Corporation;
- **IFFCO** means the Indian Farmers Fertiliser Cooperative Limited;
- **IMF** means the International Monetary Fund;
- **IPRES** means *L'Institution de Prévoyance Retraite du Sénégal*;
- **IRENA** means the International Renewable Energy Agency;
- **MCA** means Millennium Challenge Account;
- **MCC** means Millennium Challenge Corporation;
- **MDL** means Mineral Deposits Limited;
- **MDRI** means Multilateral Debt Relief Initiative;
- **MDG** means Millennium Development Goals;
- **MFDC** means the *Mouvement des Forces Démocratiques de la Casamance*;
- **Miferso** means the *Société des Mines de Fer du Sénégal Oriental*;
- **MIGA** means Multilateral Investment Guarantee Agency;
- **Millicom** means Millicom International Cellular S.A.;
- **MIO B.V.** means Millicom International Operations, B.V.;
- **NEPAD** means the New Partnership for Africa’s Development;
- **NPGG** means National Programme of Good Governance;
- **NPL** means Non-performing Loan;
- **OFNAC** means National Anti-Corruption (Office);
- **OHADA** means the *Organisation pour l’Harmonisation en Afrique du Droit des Affaires*;
- **OIC** means the Organisation of the Islamic Conference;
- **OPEC** means the Organisation of the Petroleum Exporting Countries;
- **PDS** means the *Parti Démocratique Sénégalais*;
- **PEFA Report** means the Public Expenditure and Financial Accountability Report;
- **PEPAM** means *Programme d’Eau Potable et d’Assainissement du Millénaire*;
- **PIC** means the Presidential Investment Council;
- **Port** means the Port of Dakar;
- **PPPs** means Public-private partnership;
- **PRACAS** means *Programme de Relance et d’Accélération de la Cadence de l’Agriculture Sénégalaise*;
- **PRAESC** means *Programme de relance des activités économiques et sociales en Casamance*;
- **PREAC** means *Programme de Réformes pour l’Amélioration de l’Environnement des Affaires et de la Compétitivité ;*
- **President** means the President of the Republic of Senegal from time to time;

- **PRGF** means the Poverty Reduction and Growth Facility;
- **PRGT** means Poverty Reduction and Growth Trust;
- **PRS** means Poverty Reduction Strategy;
- **PRSP** means Poverty Reduction Strategy Paper;
- **PS** means the *Parti Socialiste Sénégalais*;
- **PSE** means *Plan Sénégal Emergent*;
- **PSI** means Policy Support Instrument;
- **RR** means Randgold Resources;
- **Republic** or **Senegal** means the Republic of Senegal;
- **SAPCO** means the *Société d'Aménagement et de Promotion des Côtes et Zones Touristiques*;
- **SAR** means the *Société Africaine de Raffinage*;
- **SCA** means the *Stratégie de Croissance Accélérée*;
- **SDE** means *Sénégalaise des Eaux*;
- **SDR** means "Special Drawing Rights", an international type of monetary reserve currency, created by the IMF, which operates as a supplement to the existing reserves of member countries;
- **SEFICS** means *Société d'Exploitation des Industries Chimiques du Sénégal*;
- **Sentel** means the Sentel GSM S.A.;
- **SGP** means the Sabodala Gold Project;
- **SIGFIP** means the *Système Intégré de Gestion des Finances Publiques*;
- **SMEs** means small and medium-sized enterprises;
- **Sococim** means Sococim Industries;
- **TEU** means twenty foot equivalent container units;
- **UN** means the United Nations;
- **UNDP** means United Nations Development Programme;
- **UNESCO** means the United Nations Educational, Scientific and Cultural Organisation;
- **UNICEF** means the United Nations Children's Fund;
- **UPS** means the *Union Progressiste Sénégalaise*;
- **URD** means the *Union pour le Renouveau Démocratique;*
- **USAID** means the United States Agency for International Development;
- **VAT** means Value Added Tax;
- **WAEMU** means the West African Economic and Monetary Union;
- **WHO** means the World Health Organisation;
- **WTO** means the World Trade Organisation; and
- **ZFID** means the Free-Trade Zone of Dakar.

PRESENTATION OF ECONOMIC AND OTHER INFORMATION

Annual information presented in this Prospectus is based upon 1 January to 31 December periods (which is the fiscal year for the Republic), unless otherwise indicated. Certain figures included in this Prospectus have been subject to rounding adjustments; accordingly, figures shown for the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be the sum of the figures which precede them. Statistical information reported herein has been derived from official publications of, and information supplied by, a number of agencies and ministries of the Republic and by the BCEAO. Some statistical information has also been derived from information publicly made available by the IMF, the World Bank, the ANSD, the DPEE, the APIX, and other third parties. The Republic confirms that such information has been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published by such third parties, no facts have been omitted which would render the reproduced information inaccurate or misleading. Similar statistics may be obtainable from other sources, but the underlying assumptions, methodology and, consequently, the resulting data may vary from source to source. In addition, statistics and data published by a ministry or an agency of the Republic may differ from similar statistics and data produced by other agencies or ministries due to differing underlying assumptions or methodology. Certain historical statistical information contained herein is based on estimates that the Republic and/or its agencies believe to be based on reasonable assumptions. The Republic's official financial and economic statistics are subject to review as part of a regular confirmation process. Accordingly, financial and economic information may be subsequently adjusted or revised. With respect to GDP figures, the DPEE releases "preliminary estimates" of GDP figures for year *N-1* during the first quarter of a given year *N*. Then, during the second half of year *N*, the ANSD releases (i) "provisional estimates" for year *N-1* (adjusting or revising the DPEE's "preliminary estimates" for year *N-1* as necessary), (ii) "semi-definitive estimates" for year *N-2* (adjusting or revising the ANSD's "provisional estimates" for year *N-2* as necessary) and (iii) "final figures" for year *N-3* (adjusting or revising the ANSD's "semi-definitive estimates" for year *N-3* as necessary). With respect to foreign trade and balance of trade figures, the BCEAO begins releasing estimates for year *N-1* in January of a given year *N*. By the end of year *N*, the BCEAO will release final figures for year *N-1*. While the Government does not expect revisions deriving from these confirmation processes to be material, no assurance can be given that material changes will not be made.

The Republic adheres to the IMF's General Data Dissemination Standards which guides members in the dissemination of economic and financial data to the public. Senegal participates in the IMF's General Data Dissemination System (**GDDS**), which is designed to guide all member countries in the provision of their economic and financial data to the public. Data covered includes the real, fiscal, financial and the external sectors as well as socio-demographic data.

By participating in the GDDS Senegal has undertaken to:

- use the GDDS as a framework for statistical development;
- designate a country coordinator; and
- provide metadata to the IMF describing the current practices and plans for short- and long-term improvements in these practices.

A summary of the methodology under which Senegal prepares its metadata is found on the internet under the IMF's Dissemination Standards Bulletin Board. Senegal's metadata may be found on the IMF's website at http://dsbb.imf.org/Pages/GDDS/CtyCtgList.aspx?ctycode=SEN.

The BCEAO website (www.bceao.int) contains information, relevant legislation, press releases, publications, including statistics, research papers, guidelines and regulations and speeches.

Information contained in the above-mentioned websites is not incorporated by reference in this Prospectus and, therefore, is not part of this Prospectus.

All references in this Prospectus to **CFA** are to the (*Communauté Financière Africaine*), and **CFA franc** or **XOF** are to the currency of the member states of WAEMU (of which Senegal is one), all references in this Prospectus to **US$, U.S. dollars** and **USD** are to the currency of the United States of America and all references in this Prospectus to **EUR, Euro** and **€** are to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty establishing the European Community, as amended.

EXCHANGE RATE HISTORY

The "CFA franc" may designate two different currencies – "XOF" and "XAF" – controlled by two separate central banks (BCEAO & BEAC) but both with same exchange rate versus the Euro. Senegal's currency is the CFA franc (XOF), shared by the eight countries of the Western Africa Economic & Monetary Union (WAEMU), while the CFA franc (XAF) is shared by the six countries of the Economic Community of Central African States (ECCAS). Both CFA franc zones operate under a number of key operating principles:

- a fixed parity against the Euro, adjustable if required by economic reasons after consultation with the French government and unanimous decision of all member countries within each monetary area, namely the ECCAS of which the member countries are Cameroon, the Central African Republic, Chad, Congo (Brazzaville), Equatorial Guinea and Gabon, and the WAEMU, which consists of Benin, Burkina Faso, Côte d'Ivoire, Guinea-Bissau, Mali, Niger, Senegal and Togo;
- convertibility of the CFA franc to Euros without any fluctuation margins, at a rate of XOF/XAF 655.957 = €1.00 as of 1 January 1999, which is equivalent to the rate of XOF/XAF 100 = 1 French franc prevailing before that;
- guarantee of convertibility by France through the establishment by each regional central bank of an operations account with the French treasury with market-related yields or charges (these accounts can have a positive or negative balance thus providing an, in principle, unlimited overdraft facility to each central bank);
- free capital mobility between the WAEMU and France and the ECCAS and France; and
- the pooling of the foreign exchange reserves of each regional monetary area.

Solely for convenience, this Prospectus contains historical conversions of certain Euro amounts into U.S. dollars at specified rates. These conversions are solely illustrative, and you should not expect that a Euro amount actually represents a stated U.S. dollar amount or that it could be converted into U.S. dollars at the rate suggested, or any other rate. The following table shows the historical period-end, average, high and low noon buying rates in New York City for cable transfers in foreign currencies as certified by the Federal Reserve Bank of New York for the Euro, expressed in U.S. dollars per one Euro, for the periods and dates indicated.

	U.S. dollar/Euro			
Month	**Period end**	**Average rate[1]**	**High**	**Low**
January 2014	1.3500	1.3618	1.3682	1.3500
February 2014	1.3806	1.3665	1.3806	1.3507
March 2014	1.3777	1.3828	1.3927	1.3731
April 2014	1.3870	1.3806	1.3892	1.3704
May 2014	1.3640	1.3739	1.3924	1.3596
June 2014	1.3690	1.3595	1.3690	1.3522
July 2014 (through 18 July)	1.3515	1.3597	1.3681	1.3515

	U.S. dollar/Euro			
Year	**Period end**	**Average rate[1]**	**High**	**Low**
2010	1.3231	1.3276	1.3751	1.2970
2011	1.2973	1.3931	1.4875	1.2926
2012	1.3186	1.2859	1.3463	1.2062
2013	1.3779	1.3281	1.3816	1.2774
2014 (through 18 July)	1.3515	1.3699	1.3927	1.3500

(1) The average of the Noon Buying Rates on the last business day of each month (or portion thereof) during the relevant period for annual averages; on each business day of the month (or portion thereof) for monthly average.

Source: Federal Reserve Bank of New York

ENFORCEMENT OF CIVIL LIABILITIES

The Republic is a sovereign state. Consequently, it may be difficult for investors to obtain or realise upon judgments of courts in jurisdictions outside Senegal (including judgments predicated upon civil liability provisions of the securities laws of the United States or any state or territory within the United States) against the Republic without compliance with the enforcement procedure for foreign judgments in Senegal. The Republic will irrevocably appoint the Ambassador Extraordinary and Plenipotentiary of the Republic of Senegal to the Court of St. James' as its authorised agent on whom process may be served in any action arising out of or based on the Notes in an English court. The Republic will irrevocably submit to, and accept the exclusive jurisdiction of the courts of England with respect to any suit, action or proceeding arising out of or based on the Notes and has waived any objection to the courts of England on the grounds that they are an inconvenient or inappropriate forum.

To the extent that the Republic may in any jurisdiction claim for itself or its assets or revenues immunity from suit, execution, attachment (whether in aid of execution, before judgment or otherwise) or other legal process and to the extent that such immunity (whether or not claimed) may be attributed in any such jurisdiction to the Republic or its assets or revenues, the Republic agrees not to claim and irrevocably waives such immunity to the full extent permitted by the laws of such jurisdiction (and consents generally for the purposes of the State Immunity Act 1978 to the giving of any relief or the issue of any process in connection with any Proceedings). The Republic does not hereby waive such immunity from execution or attachment in respect of (a) property, including any bank account, used by a diplomatic or consular mission of the Republic or its special missions or delegations to international organisations, (b) property of a military character and under the control of a military authority or defence agency of the Republic or (c) property located in the Republic of Senegal and dedicated to a public or governmental use by the Republic (as distinct from property which is for the time being in use or intended for use for commercial purposes within the meaning of the State Immunity Act 1978).

Subject to international conventions, enforcement of foreign court judgments in Senegal is subject to the following conditions:

- the foreign courts rendering the relevant judgment must offer reciprocal treatment to judgments obtained in the courts of Senegal; if such reciprocal treatment is not offered by the foreign court where the judgment is obtained, Senegalese courts will re-examine the merits of the case;
- the Senegalese courts are not exclusively competent to hear the dispute, and the foreign courts are shown to have been competent to hear the dispute in accordance with their own respective laws;
- the foreign procedures were fully respected and the parties to the dispute were duly notified and properly represented in the proceedings;
- the dispute was properly resolved according to proper facts which were raised in the dispute;
- the foreign judgment is final, non-appealable and conclusive in accordance with relevant law; and
- the foreign judgment does not conflict with a prior Senegalese judgment on the same subject matter and is not contrary to public order in and public law principles in Senegal.

CONTENTS

OVERVIEW

The following is an overview of certain information contained elsewhere in this Prospectus. It does not purport to be complete and is qualified in its entirety by the more detailed information appearing elsewhere in this Prospectus. Prospective investors should also carefully consider the information set forth in "Risk Factors" prior to making an investment decision. Capitalised terms not otherwise defined in this overview have the same meaning as elsewhere in this Prospectus. See "Republic of Senegal", "Economy of Senegal", "Foreign Trade and Balance of Payments", "Public Finance", "Public Debt" and "Monetary System", among others, for a more detailed description of the Republic.

Overview of the Republic

General

Senegal is located on the westernmost point of the African continent on the Atlantic coast and has a population of approximately 12.87 million people. The Republic has an area of 196,722 square kilometres and it is bordered in the north by Mauritania, in the east by Mali, in the south by Guinea and Guinea-Bissau, in the west by The Gambia and by the Atlantic Ocean on a 531 kilometre coastline.

Senegal achieved independence from France in 1960. President Macky Sall was elected in 2012 with 65.8% of the vote. Senegal's Parliament currently comprises a unicameral chamber known as the National Assembly. The National Assembly has 150 seats, and its members are elected by universal suffrage (90 by majority vote and 60 by proportional vote) for five years. The next presidential election is due to be held in 2019 while the next parliamentary election is due to be held in 2017. Parliament is in session once a year, from October to June.

Economy

Senegal's economy has historically been heavily reliant on agriculture, in particular groundnut production. However, in recent years Senegal has managed to maintain a relatively diverse economy, with the groundnut sector making up only 2.5% of exports in 2013. The services (tertiary) sector is now the largest sector of Senegal's economy, accounting for 47.4% of nominal GDP in 2013 as a result of its continued dynamism and growth. Senegal's principal economic sectors include agriculture, telecommunications, tourism, construction and general commerce. Senegal's principal imports include crude oil, machinery and equipment, rice and transportation materials. Senegal's principal exports include refined petroleum products, fish, phosphoric acid and cement.

Senegal's nominal GDP for 2013 was estimated at XOF 7,307.7 billion. Real GDP growth was estimated at 3.5% in 2013 compared to 3.4% in 2012, primarily as a result of growth in the telecommunications and construction sectors, despite a slowdown in the secondary sector, including low production rates and lower gold prices in the mining industry.

Senegal has a common currency with other members of WAEMU, the CFA franc, which is pegged to the Euro at 1 Euro = XOF 655.957. The central bank of WAEMU, the BCEAO, manages monetary policy.

Statistical Data

The following selected economic information is qualified in its entirety by, and should be read in conjunction with, the detailed information appearing elsewhere in this Prospectus.

	2010	2011	2012	2013
	(XOF billions unless otherwise indicated)			
Domestic Economy				
Nominal GDP[(1)]	6,395.4	6,774.6	7,164.6	7,307.7
Real GDP[(1)]	4,882.0	4,962.8	5,129.6	5,303.9
Real GDP growth rate (%)	4.2%	1.7%	3.4%	3.5%
Balance of Payments				
Trade balance[(2)]	(950.5)	(1,183.6)	(1,468.9)	(1,574.3)
Exports (free on board)[(2)]	1,071.9	1,236.8	1,402.0	1,318.8
Imports (free on board)[(2)]	(2,022.4)	(2,420.4)	(2,870.9)	(2,893.1)
Public Finance				
Total revenue and grants	1,398	1,526	1,670	1,659
Total expenditure and net lending[(3)]	1,729	1,980	2,090	2,059
Overall fiscal balance (including grants)	(334)	(455)	(420)	(400)
Public Debt				
External Debt	1,792.3	2,059.9	2,277.5	2,367.7
Internal Debt	438.4	653.5	798.7	974.0
External Debt / Nominal GDP (%)	28.0%	30.4%	31.8%	32.4%

(1) Figures for 2011 are "semi-definitive estimates" of the ANSD that are subject to revision by the ANSD. Figures for 2012 are "provisional estimates" of the ANSD that are subject to revision by the ANSD. Figures for 2013 are "preliminary estimates" of the DPEE that are subject to revision by the ANSD. See "*Presentation of Economic and other Information*".

(2) Figures for 2013 are BCEAO estimates that are subject to revision by the BCEAO. See "*Presentation of Economic and other Information*".

(3) Excludes project-related wages and salaries included in capital spending, the salaries of autonomous agencies and health and education contractual workers included in transfers and subsidies

Source: *Government and IMF*.

Overview of Risk Factors relating to the Republic, the Notes and the Market Generally

An investment in the Notes involves significant risks, including (among others):

- Investing in securities involving emerging markets generally involves a higher degree of risk than more developed markets;
- Senegal may experience limited economic growth and fail to meet the PSE growth objectives;
- Senegal's economy is highly dependent on a small number of volatile sectors of the economy;
- Senegal is highly dependent on foreign imports, in particular food and crude oil;
- Senegal's economy may be negatively affected due to partner country fragility;
- Senegal is highly dependent on foreign aid;
- Senegal may continue to suffer from low foreign direct investment;
- Senegal suffers from chronic electricity shortages;
- Failure to grow the non-agricultural sectors of its economy may constrain Senegal's economic growth;
- Senegal's economic growth is dependent on the successful completion of a number of infrastructure projects, for which financing has not been obtained or committed in full to date;
- Failure to implement economic and fiscal reforms may have a negative effect on the performance of the Senegalese economy;
- A significant portion of Senegal's economy is not recorded;
- Failure to adequately address actual and perceived risks of corruption may adversely affect Senegal's economy and ability to attract foreign direct investment;
- Senegal's membership of the BCEAO may affect its ability to react to stresses in its economy and may subject it to economic policies that are not in its best interests;
- Senegal's Casamance region is politically unstable;
- High levels of debt could have a material adverse effect on Senegal's economy and its ability to service its debt, including the Notes;
- Senegal is a sovereign state. Consequently, it may be difficult for investors to obtain or realise judgments of courts in other countries against Senegal;
- Statistics published by Senegal may be more limited in scope and published less frequently and differ from those produced by other sources;
- Event of Default;
- Definitive Notes not denominated in an integral multiple of U.S.$200,000 or its equivalent may be illiquid and difficult to trade;
- While a Senegalese court will recognise and give effect to the choice of English law as the law governing the Notes, the enforcement of foreign judgments will be governed by Senegalese law;
- Fluctuations in exchange rates and interest rates may adversely affect the value of the Notes;
- The Notes may not be a suitable investment generally for all investors;
- The Republic's credit ratings are subject to revision or withdrawal, either of which could adversely affect the trading price of the Notes;
- The Notes are subject to modification, waiver and substitution;
- Payments may be subject to withholding tax under the EU Savings Directive;
- Transactions in the Notes could be subject to the European financial transactions tax;
- A change of law could affect the Notes;
- The Notes may be negatively affected by events in other emerging markets, including those in sub-Saharan Africa;
- There is no established trading market for the Notes and any trading market which develops may be volatile;
- There may be interest rate risks that affect the Notes; and
- Legal investment considerations may restrict certain investments.

Overview of the Terms and Conditions of the Offering

Issuer:	The Republic of Senegal
Description of Notes:	US$500,000,000 6.250% Notes due 2024 (the **Notes**), to be issued by the Issuer on 30 July 2014 (the **Issue Date**).
Joint Lead Managers:	Citigroup Global Markets Limited Société Générale Corporate & Investment Banking Standard Chartered Bank
Fiscal Agent:	Citibank, N.A., London Branch
Registrar:	Citigroup Global Markets Deutschland AG
Issue Price:	100%
Issue Date:	30 July 2014
Maturity Date:	30 July 2024
Interest:	6.250% per annum payable semi-annually in arrear on30 January and 30 July in each year.
Yield:	6.250%
Events of Default:	The Conditions will permit the acceleration of the Notes following the occurrence of certain events of default. *See "Conditions of the Notes—10. Events of Default".*
Negative Pledge:	So long as any of the Notes remains outstanding (as defined in the Agency Agreement), the Republic will not create or permit to subsist any Security (other than a Permitted Security) upon the whole or any part of its present or future assets, undertakings or revenues to secure: (i) any of its Public External Indebtedness; (ii) any Guarantees in respect of Public External Indebtedness; or (iii) the Public External Indebtedness of any other person; without at the same time or prior thereto securing the Notes equally and rateably therewith or providing such other arrangement (whether or not comprising Security) as shall be approved by an Extraordinary Resolution (as defined in the Agency Agreement). *See "Conditions of the Notes—4. Negative Pledge".*
Cross Acceleration:	An Event of Default will occur when: (i) any other Indebtedness of the Republic becomes due and payable prior to the stated maturity thereof by reason of default; or (ii) any such Indebtedness is not paid at maturity; or (iii) any Guarantee of such Indebtedness is not honoured when due and called upon and, in the case of (ii) or (iii), that failure continues beyond any applicable grace period; PROVIDED THAT the amount of Indebtedness referred to in (i) and/or (ii) and/or the amount payable under any Guarantee referred to in (iii) individually or in the aggregate exceeds US$ 20,000,000 (or its equivalent in any other currency or currencies). *See "Conditions of the Notes—10. Events of Default".*
Status of the Notes:	The Notes are direct, unconditional and (subject to the provisions of Condition 4 (*Negative Pledge*)) unsecured obligations of the Republic and (subject as provided above) rank and will rank *pari passu*, without any preference among themselves, with all other outstanding unsecured and unsubordinated obligations of the Republic, present and future, save only for such obligations as may be preferred by mandatory provisions of applicable law.

Meetings of Noteholders:	A summary of the provisions for convening meetings of Noteholders is set forth under "*Conditions of the Notes—13. Meetings of Noteholders and Modification*".
Modification:	The terms and conditions of the Notes may be modified with the approval by Extraordinary Resolution of 75% of the Noteholders voting at a meeting. Any such modification will be binding on all Noteholders. The Fiscal Agent may agree, without the consent of the Noteholders, to any modification of any of these Conditions or any of the provisions of the Agency Agreement either (i) for the purpose of curing any ambiguity or of curing, correcting or supplementing any manifest or proven error or any other defective provision contained herein or therein or (ii) in any other manner which is, in the sole opinion of the Republic, not materially prejudicial to the interests of the Noteholders. Any modification shall be binding on the Noteholders and shall be notified by the Republic to the Noteholders as soon as practicable thereafter in accordance with "*Conditions of the Notes—12. Notices*".
Taxation:	All payments in respect of the Notes by or on behalf of the Republic shall be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature (**Taxes**) imposed or levied by or on behalf of the Relevant Jurisdiction, unless the withholding or deduction of the Taxes is required by law. In that event, the Republic will pay such additional amounts as may be necessary in order that the net amounts received by the Noteholders after the withholding or deduction shall equal the respective amounts which would have been receivable in respect of the Notes in the absence of the withholding or deduction, subject to certain exceptions set out under "*Conditions of the Notes—8. Taxation*" and "*Taxation*".
Listing and admission to trading:	Application has been made to the Irish Stock Exchange for the Notes to be admitted to the Official List and trading on its regulated market.
Governing Law:	The Notes and any non-contractual obligations arising out of or in connection with the Notes are governed by and shall be construed in accordance with, English law.
Form:	The Notes will be issued in registered form in denominations of US$ 200,000 and integral multiples of US$ 1,000 in excess thereof.
Credit Ratings:	The Notes have been assigned a rating of B1 by Moody's and B+ by Standard & Poor's. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating agency. Credit ratings included or referred to in this Prospectus have been or, as applicable, may be, issued by Moody's and Standard & Poor's, each of which is established in the EU and is registered under the CRA Regulation.
Selling Restrictions:	The Notes have not been and will not be registered under the Securities Act and are subject to certain restrictions on transfers. See "*Plan of Distribution*" below.
Use of Proceeds:	The net proceeds of the issue of the Notes amount to approximately US$499,250,000 after the deduction of underwriting commissions in connection with the issuance of the Notes will be used by the Republic to repay the €150 million euro-denominated tranche, with Credit Suisse, London Branch, as lender, of the Republic's outstanding syndicated loan entered into in December 2013 and January 2014 (see "*Public Debt*"). The remainder will be applied by the Republic to priority public investment projects including projects in the electricity and transportation infrastructure and services sectors. See "*Use of Proceeds*".

	Unrestricted Global Note	Restricted Global Note
ISIN:	XS1090161875	US81720TAB17
Common code:	109016187	109265098
CUSIP:	—	81720TAB1

RISK FACTORS

An investment in the Notes involves a high degree of risk. Accordingly, prospective investors should carefully consider, among other things, the risks described below, as well as the detailed information set out elsewhere in this Prospectus, and reach their own views before making an investment decision. The risks and uncertainties described below are not the only risks and uncertainties the Republic faces. Additional risks and uncertainties not presently known to the Republic, or that the Republic currently believes are immaterial, could also impair its ability to make payments on the Notes. If any of the following risks actually materialises, the Republic's financial condition or prospects could be materially adversely affected. If that were to happen, the trading price of the Notes could decline and the Republic may be unable to make payments due on the Notes, and investors may lose all or part of their investment.

Risks related to the Republic of Senegal

Investing in securities involving emerging markets generally involves a higher degree of risk than more developed markets

Generally, investing in securities of emerging market issuers, such as Senegal, is only suitable for sophisticated investors who fully appreciate the significance of the risks involved in, and are familiar with, investing in emerging markets. Investors are urged to consult their own legal and financial advisers before making an investment. Such risks include, but are not limited to, higher volatility and more limited liquidity in respect of the Notes, greater political risk, a narrow export base, budget deficits, lack of adequate infrastructure necessary to accelerate economic growth and changes in the political and economic environment. Emerging markets can also experience more instances of corruption by government officials and misuse of public funds than do more mature markets, which could affect the ability of governments to meet their obligations under issued securities.

Investors should also note that emerging markets such as Senegal are subject to rapid changes and that the information set out in this Prospectus may become outdated relatively quickly.

Senegal may experience limited economic growth and fail to meet the PSE growth objectives

In January 2014, the Government adopted a new development strategy designed to promote accelerated development and transform Senegal into an emerging economy by 2035. The PSE sets forth certain benchmarks for the Republic's economic and social policies over the medium and long term. Over the next ten years, the PSE aims to effect a structural transformation of the economy, to diversify sources of economic growth, to place the economy on a sustainable growth trajectory of 7-8 % per annum, to multiply the per capita income by 1.5, to double the number of households living in the middle class and to triple exports by 2023. Given the PSE is expected to cost approximately US$19 billion for the period 2014-2018, a principal challenge for the success of the PSE is the Republic's ability to mobilise the financial resources necessary to finance its share in the PSE investment programme and to acquire and maintain the confidence of partner countries and international private sector investors. The Government may have difficulty funding the various infrastructure and construction projects it has planned, particularly in the light of the recent termination of a large investment project by multinational steelmaker ArcelorMittal (see "*Republic of Senegal—Legal Proceedings–ArcelorMittal Arbitration Proceedings*"), or foreign direct investment inflows may not increase significantly in the near term.

Prospects for economic growth in Senegal may be limited by a number of other factors. These include financing constraints that limit budgetary capacity, a lack of progress in improving public financial management and the efficiency of spending, and ambitious infrastructure programmes that may not yield expected economic benefits if complementary policies such as improvements in the business climate and governance fail to materialise.

Industrial development in Senegal has also been hampered by the fact that the state electricity utility is regularly forced to shut down parts of the national power grid because it cannot afford to pay for the fuel it needs to supply the nation's power plants and that the capacity installed is below demand. In addition, the electricity sector has suffered as a result of financial over-commitment, volatile fuel prices and outdated installations. See "*—Senegal suffers from chronic electricity shortages*".

Slower rates of economic growth than anticipated could have an adverse effect on the Government's revenues and could affect its ability to make payments under the Notes.

Senegal's economy is highly dependent on a small number of volatile sectors of the economy

Despite recent efforts to diversify its economy, Senegal remains reliant on its agricultural sector which is estimated to have accounted for approximately 6.8% of nominal GDP in 2013 and represents an important part of the informal economy. Other important sectors that have shown volatility in recent years include the fishing and mining sectors.

Agriculture in Senegal is dominated by food crops (cereals) and industrial crops (groundnuts and cotton). The performance of the agricultural sector is volatile, reflecting the high dependency on weather conditions and, in particular, rainfall amounts, which can vary significantly from year to year. Groundnuts are the main cash crop of Senegal and are intended to generate income for small farmers and foreign exchange for the Government. However, despite recent improvements, production is still low and levels remain below the levels of the 1980s.

The high cost structure of the farming industry has left Senegalese exporters uncompetitive against their Asian counterparts in European markets. Problems with quality and consistency of crops grown in Senegal such as rice have meant that demand for imports of certain crops is far stronger than demand for such crops grown within Senegal. Consequently, despite measures implemented to address this situation and move toward self-sufficiency, Senegal continues to import a significant amount of rice. According to the DPEE, in 2013, Senegal imported more than one million tonnes of rice, primarily from Southeast Asia. While the implementation of the Government's new agricultural programme PRACAS (see "*Public Finance—Investment Programmes—Agricultural Development Programme—PRACAS*") is expected to yield some improvements, including in the rice production sector, growth in the agricultural sector continues to be hampered by high fuel costs and organisational inefficiency. Growth rates also depend on reform of the land code, which is ongoing and may not succeed in stimulating development as intended.

Another important area, the fishing sector, which represents one of the largest contributors to total exports, has been in steady decline since the 1980s, although fish exports have gradually increased in recent years, generating XOF 185.7 billion in revenues in 2013 compared to XOF 155.6 billion in 2009.

Senegal's mining sector, which accounted for 2.0% of nominal GDP in 2013, has also experienced considerable volatility in recent years owing to its sensitivity to fluctuating commodities prices and production levels and the impact of changes in the Euro-U.S. dollar exchange rate. In 2012, the sector grew by 7.9%, before contracting in 2013 by 24.7%. The sharp contraction of the mining sector in 2013 primarily reflected lower gold and phosphate prices, decreased gold production and the impact of a strengthening of the Euro against the U.S. dollar.

A failure to successfully diversify Senegal's economy, or a period of low agricultural productions whether due to poor weather conditions such as drought or flood or other causes, may result in lower economic growth for the country than anticipated which may in turn result in the Republic being unable to meet its payment obligations under the Notes.

Senegal is highly dependent on foreign imports, in particular food and crude oil

Senegal suffers from a chronic deficit in its balance of payments, primarily due to its reliance on imports of food and crude oil. Senegal's imports of grains and cereals, in particular rice, have been increasing in recent years as a result of a variety of factors, including dry weather conditions that led to poor harvests, the development of the Port of Dakar that decreased importation costs and poor marketing and quality of certain domestic crops. In recent years, Senegal has experienced growth in the agricultural sector as well as improved harvests and has thereby managed to reduce its reliance on imports of grains and cereals. However, the country will continue to rely heavily on food imports in the near future and any future droughts or other adverse conditions may affect Senegal's internal production of food and therefore increase Senegal's dependence upon foreign imports. Senegal's high reliance on food imports in an environment of rising prices may lead to significant increases in inflation which could have a negative impact on the economy or potentially lead the Government to increase or create new subsidies, resulting in unplanned budgetary outlays.

Senegal does not produce any crude oil and relies on imports for all of its crude oil needs. In addition to the transport and infrastructure sectors' requirements for crude oil, Senegal's electricity sector, in particular the national electricity company Senelec, relies on hydrocarbon imports for approximately 90% of its power generation. Increases in the price of crude oil since 2007 have been one of several contributing factors to the numerous electricity shortages and blackouts throughout the country (see "*Economy of Senegal—Principal Sectors of the Economy—Energy*"). In addition, Senegal imports significant amounts of crude oil for refining activities carried out by SAR, which is partially state-owned. In 2013, Senegal imported over 1.3 million tonnes of crude oil, primarily from Nigeria. As a result, continued volatility in the price of crude oil and other commodities could have an adverse effect on Senegal's economy. Despite its intention to avoid subsidies, in an environment of rising prices the Government may need to maintain the existing subsidies at their current levels and create new ones resulting in unplanned budgetary outlays and inflation. Any such budgetary outlays or excessive inflation may adversely impact Senegal's economy and its ability to make payments under the Notes.

Senegal's economy may be negatively affected due to partner country fragility

Senegal has a number of trading partners in Africa upon which its economy heavily relies. Based on estimates prepared by the ANSD for 2013, over 14% of Senegal's exports are to Mali, while nearly 4.5% of exports are to Guinea and nearly 4.0% to The Gambia. Political instability, social unrest or an increase in fragility in these and other partner countries in the region are common and, among other factors, could result in a reduction in Senegal's exports to, and imports from, those countries. The recent political unrest and consequent threat of widespread instability in Mali have affected the entire Western African region, leading to a decrease of Senegalese exports to Mali from 24.4% in 2010 to 13.8% in 2012 and consequently negatively affecting economic growth and development. In addition, Senegal is a member of WAEMU, and events in other member states such as Côte d'Ivoire in early 2011 or Mali in 2012 (see "*Republic of Senegal—Foreign Relations—Africa—Côte d'Ivoire*"), may lead to action being taken by the BCEAO that is not in the best interests of Senegal. See "*—Senegal's membership of the BCEAO may affect its ability to react to stresses in its economy and may subject it to economic policies that are not in its best interests*". Further fragility among Senegal's partner countries could have an adverse effect on its economy and hamper prospects of growth, which may affect its ability to make payments under the Notes.

Senegal is highly dependent on foreign aid

Senegal has significant exposure to public debt from multilateral institutions and foreign governments, equivalent approximately to 29.1% of its nominal GDP in 2013, despite benefitting from significant debt relief in 2006 (see "*Public Debt—Overview*"). In addition, Senegal benefits from donations from a small number of large-scale donors including the IMF, USAID, the World Bank, the European Investment Bank (EIB), the Islamic Development Bank (IDB), the African Development Bank (AfDB) and the *Agence Française de Développement* (AFD). It is estimated that, in 2013, Senegal received a total of XOF 332.3 billion in foreign aid, of which XOF 165.9 billion (49.9%) was in the form of drawings on concessional loans and XOF 166.3 billion was in the form of grants. The continuance of such aid is dependent on the Republic's ability to comply with certain restrictions and covenants contained in the relevant donor programme documentation. If Senegal's foreign donors become unwilling or unable to continue to provide significant amounts of aid to the country, Senegal could face significant difficulties in, among other things, repaying public debt, providing social services and subsidies to key industries and implementing public works programmes, all of which could adversely affect economic growth and may affect Senegal's ability to make payments under the Notes.

Senegal may continue to suffer from low foreign direct investment

Foreign direct investment, which comprises equity capital, re-invested earnings and other capital inflows, decreased from XOF 187.7 billion in 2010 to XOF 148.0 billion in 2013, the equivalent of about 2% of nominal GDP. Foreign direct investment, which is necessary for Senegal to meet its ambitious development goals, remains low for a country the size of Senegal and is currently falling further still. Senegal was ranked 178 out of 189 economies surveyed in the World Bank 2014 *Doing Business* report, as compared to a ranking of 176 in the World Bank 2013 *Doing Business* report, signalling a need for the Government to continue its efforts to reform the economic and business environment. Absent a decrease in the perceived risks associated with investing in Senegal, including those described herein, there may not be any appreciable increase in foreign direct investment, which could adversely affect the Senegalese economy and limit sources of funding for infrastructure and other projects which are dependent on significant investment from the private sector. Existing levels of foreign direct investment may also fall further thereby significantly impeding the progress of sectors important to economic growth such as the infrastructure, financial and energy sectors.

Senegal suffers from chronic electricity shortages

A review conducted in September 2009 by the World Bank and the AFD identified several significant issues with the electricity sector that have not yet been resolved, including technical and mechanical deficiencies, inadequate tariffs, insufficient reinvestment in production facilities and inefficient management structures. Theft of electricity is also an issue that continues to affect the sector. Other factors affecting the reliable provision of electricity include the volatility in the price of oil from which approximately 90% of electricity generated in Senegal is sourced. Senelec has in the past been forced to reduce or even, in the case of a number of power plants, cease electricity production due to a shortage of fuel as a result of its inability to pay high prices for oil. As a response, in 2011, the Government began to implement "Project Takkal", which included, among other initiatives, the restructuring of certain of Senelec's financial indebtedness in order to improve its financial position, the construction of a number of coal-fired power stations and the leasing of temporary oil-powered generators. While the recovery plan produced generally positive results, insufficient progress has been made. Consequently, in January 2014, the Government approved a new electricity production plan for the 2014-2017 period, which is based on a policy of diversifying the sources of energy production, introducing more cost-effective production technologies and improved efficiency at Senelec, and encouraging private investment in the electricity sector. Further to Project Takkal and the Government's new electricity production plan, several new projects are underway. These include (a) the development of a coal-fired power station with an installed capacity of 125 MW in Sendou, expected to begin operations in late 2015; (b) the development of a diesel power plant with an installed capacity of 70 MW in Taïba Ndiaye, also expected to begin operations in late 2015; and (c) the import from Mauritania of heating fuel oil-generated electricity, which will increase from 20 MW in 2014 to 80 MW in 2015 and, from July 2016 onwards, will be natural gas-generated. However, failure to secure further investment or the plan's failure to effectively address existing problems may lead to continued, or even a further deterioration in, power generation problems and a continued lack of a reliable electricity supply. This would continue to have an adverse effect on Senegal's economy and its level of economic growth, and consequently its ability to make payments under the Notes. See "*Economy of Senegal—Principal Sectors of the Economy—Energy—Electricity*".

Failure to grow the non-agricultural sectors of its economy may constrain Senegal's economic growth

Over the last few years, Senegal has attempted to promote development of the non-agricultural sectors of its economy by encouraging trade, construction, telecommunications, financial services, mining and manufacturing activities. The secondary sector contracted in real terms by 1.5% from 2012 to 2013, grew by 1.6% from 2011 to 2012 and grew by 5.6% from 2010 to 2011. The tertiary sector grew in real terms by 6.4% from 2012 to 2013, by 3.3% from 2011 to 2012 and by 3.4% from 2010 to 2011. The secondary and tertiary sectors represented 19.5% and 47.4%, respectively, of nominal GDP in 2013 and 21.2% and 46.0%, respectively, of nominal GDP in 2012. However, the lack of infrastructure (including inadequate power supply and transportation systems), volatility in commodities prices and mineral production levels, low credit availability or consumer demand, local shortages of skilled managers and workers and inconsistent government policies may constrain development in these sectors and the current rate of growth may not be sustained in future periods. A failure to continue to grow the non-agricultural sectors of its economy may constrain Senegal's economic growth and thereby affect Senegal's ability to make payments under the Notes.

Senegal's economic growth is dependent on the successful completion of a number of infrastructure projects, for which financing has not been obtained or committed in full to date

The Government is currently pursuing, and, in connection with the PSE, will initiate, a number of infrastructure projects to promote economic growth, including the construction of the new Blaise Diagne International Airport, improvements to Senegal's rail network, the construction of country roads, the development of a new city in Diamniadio, the extension of the Dakar-Diamniadio toll road to Blaise Diagne International Airport and the development of a high-speed toll road network connecting the Dakar region to other key city centres such as Mbour, Thiès, Touba, Saint-Louis and Kaolack. See "*Public Finance—Investment Programmes—Infrastructure Investments*". Such projects will require significant funding over a number of years, and as of the date of this Prospectus, these projects have not been fully financed by the Government, multilateral lending institutions and/or other sources of financing. The other sources of financing are expected to include the World Bank, the AFD and the AfDB, although not all these funding commitments have yet been finalised. There is no guarantee that private investors in these infrastructure projects will remain able to meet their financing commitments. In addition, these projects involve a number of completion risks, including delays due to construction difficulties, weather or displacement of buildings and individuals to make way for such new developments. As a result of the inadequate state of Senegal's infrastructure, Senegal's current economic growth rate may not be sustainable without considerable investment and the completion of existing improvement plans. No assurance can be given that such projects will be financed and/or completed, which could lead to slower than expected economic development in the country and adversely affect its ability to meet GDP growth targets.

The Government has in the past sometimes failed to achieve its infrastructure targets due to, among other things, labour inefficiency, inadequate resources and equipment failure. Moreover, over 60% of the MCA budget of US$540 million donated by USAID is intended to be allocated to the building and restoration of roads. MCA funds are paid out in instalments based on Senegal successfully meeting certain specified benchmarks, including improvements concerning corruption in Senegal. If Senegal does not meet these benchmarks, MCA funds due to be advanced to target infrastructure development may not be made available. If the Government's infrastructure objectives are not successfully met, estimates for GDP growth may not be achieved in the government's forecast periods.

Failure to implement economic and fiscal reforms may have a negative effect on the performance of the Senegalese economy

The Government continues to implement economic and financial system reforms in order to improve the overall legal and regulatory environment, promote the private sector, diversify the economy, extend banking sector penetration and facilitate access to credit. The Government is also pursuing various fiscal reforms to control expenditure and improve the tax system. These reforms include the overhaul of the budgetary process, the reform of the tax system, the restructuring of the public energy sector and the strengthening of the banking and financial sector. Although the Government intends to proceed with its economic and fiscal reforms, difficulties remain. For example, Government finances have in the past been strained by inefficient subsidies such as those introduced following the increase in external prices of oil and food from 2006 to 2008. The Government suspended all subsidies on food in 2010 and has abolished those on butane gas, however, if world food and fuel prices rise significantly, some subsidies may be reintroduced in order to avoid public unrest.

Among the problems resulting from undisciplined budgetary processes and controls in the past were expenditures incurred outside the budget process and late payments to suppliers in the private sector. While these arrears have now been met in full, and improvements to the SIGFIP system should help to ensure prompt payment of private suppliers, there is no assurance that these or similar problems resulting from poor fiscal management will not re-occur.

A significant portion of Senegal's economy is not recorded

A significant portion of Senegal's economy is comprised of the informal, or shadow, economy. It is estimated that the informal economy accounts for approximately 50% of GDP and over 90% of jobs. See "*Economy of Senegal – Informal Economy*". The informal economy is not recorded and therefore cannot be effectively taxed, resulting in not only a lack of revenue for the Government but also ineffective regulation, unreliability of statistical information (including the understatement of GDP and the contribution of various sectors to GDP) and the inability to monitor or otherwise regulate a large portion of the economy. Failure to bring these sectors of the shadow economy into the real economy may adversely affect the Government's tax revenue forecasts, leading to a budget deficit which in turn may adversely affect Senegal's ability to make payments under the Notes.

Failure to adequately address actual and perceived risks of corruption may adversely affect Senegal's economy and its ability to attract foreign direct investment

As is the case in relation to other emerging market issuers, there have been allegations of corruption and misuse of funds by public officials in Senegal in recent years. Senegal has implemented and continues to pursue major initiatives to prevent and fight corruption and unlawful enrichment. The government of Macky Sall has, since 2012, made good governance and transparency in the management of public affairs a priority. In May 2012, President Macky Sall appointed the members of the Court of Repossession of Illegally Acquired Assets, or *Cour de Répression de l'Enrichissement Illicite* (CREI), thus reactivating the law against unlawful enrichment enacted in 1981 under President Abdou Diouf. The CREI has investigated allegations of corruption by several former Government officials or high ranking civil servants, including Mr. Karim Wade, the son of former President Abdoulaye Wade who served in his father's government. As of the date of this Prospectus, Mr. Karim Wade has been in prison for approximately one year and is expected to be tried on 30 July 2014. See "*Public Finance—Corruption and Transparency*".

While the efforts of the Government of Senegal have paid off, resulting in a significant improvement in the ranking of Senegal in Transparency International's Corruption Perceptions Index (from 105 out of 178 in 2010 and 94 out of 178 in 2012 to 77 out of 177 in 2013), continued corruption in the public sector and any future allegations, or perceived risk, of corruption in Senegal could have an adverse effect on the economy and may have a negative effect on Senegal's ability to attract foreign investment.

Senegal's membership in the BCEAO may affect its ability to react to stresses in its economy and may subject it to economic policies that are not in its best interests

Senegal is a member of the BCEAO, which sets interest rates and banking policies for all of the member states of WAEMU to protect the union from fluctuations in the global market and pegs the CFA franc currency to the Euro. The BCEAO makes interest rate policy decisions on the basis of union wide considerations. This means that Senegal is unable to revise its interest rate unilaterally and requires the BCEAO to do so across the union for any rate changes to become effective. In the event that it is in the interests of Senegal to revise the interest rates upwards or downwards in order to stabilise its economy, for example to combat inflation, then it may be unable to do so in a timely manner, or at all. Senegal's membership of the BCEAO also means that it may be adversely affected by events in other member states, such as the current political situation in Côte d'Ivoire, more severely than would otherwise be the case. This exposure to circumstances in other member states that are out of its control may adversely affect the position of the Senegalese economy and Senegal's ability to make payments under the Notes.

In addition, the BCEAO makes policy decisions on the basis of the best interests of WAEMU as a whole and is unable to make jurisdiction-specific decisions other than the amendment to national reserve requirements. As a result, the BCEAO may take action which is not in the interests of the Senegalese economy. This may have an adverse effect on Senegal's economy and its ability to make payments under the Notes.

Senegal's Casamance region is politically unstable

Casamance is the southern region of Senegal and is largely separated geographically from the rest of the country by The Gambia. Since 1982, the separatist MFDC has been fighting for an independent Casamance, first through popular protest, then since 1990 through a guerrilla war. Despite ceasefires and peace accords throughout the 1990s as well as improved security conditions in general, lasting peace has not been achieved. The peace accord signed between the Government and the MFDC in 2004 put a stop to terrorist action for a time. Renewed violence in 2009 and again in early 2011 between the MFDC and the Senegalese military led to further displacement of civilians and political instability in the region. In March 2011, the Government returned land to the people of the Casamance region following internationally financed clearing of land mines in those areas. Several Senegalese soldiers were killed in Senegal's Casamance region following separatist rebel attacks on army bases between 2011 and 2013. In April 2012, newly sworn-in President Macky Sall said that ensuring peace in the south would be a top priority for his administration in his first public speech. The Government has since been seeking to resolve the Casamance problem through enhanced cooperation with the governments of The Gambia and of Guinea Bissao, who share borders with Casamance. The Government has also made the economic development of the Casamance region a key policy objective and has involved several international partners in this effort. However, there can be no assurance that violent insurgency will not continue. Violent acts arising from and leading to instability and unrest in Casamance have had in the past, and could continue to have in the future, an adverse effect on investment and confidence in, and the performance of, the Senegalese economy.

High levels of debt could have a material adverse effect on Senegal's economy and its ability to service its debt, including the Notes

Any significant future borrowings, including the issuance of further domestic debt to finance Senegal's fiscal deficits and the issuance of external debt on local and foreign capital markets, could increase the risk of external debt distress. Following the reduction in external public debt attributable to the HIPC and the MDRI debt relief process of 2004 to 2006, Senegal's external debt as a proportion of GDP fell to 17.7% as of December 2006 but is now back up to 32.4% of GDP. With the implementation of the PSE and the investments associated therewith, the Government expects its external debt to continue to increase in the coming years. Similarly, Senegal has been increasingly raising financing on the WAEMU regional debt capital markets, resulting it its domestic debt increasing from a level of 5.8% of GDP in 2009 to 13.3% in 2013. Uncontrolled or high levels of indebtedness resulting from continued borrowing or decreasing GDP may negatively impact Senegal's sovereign credit rating or may impair Senegal's ability to service the Notes.

Senegal is a sovereign state. Consequently, it may be difficult for investors to obtain or realise judgments of courts in other countries against Senegal

Senegal is a sovereign State. As a result, it may be difficult for investors to obtain judgment against Senegal in foreign or Senegalese courts or to enforce foreign judgments, including judgments predicated upon civil liabilities under the securities laws of the United States or any state or territory within the United States against Senegal. Although Senegal will consent in the Conditions of the Notes to the giving of any relief or the issue of any process in connection with proceedings in England arising out of any dispute arising from or connected with the Notes and will agree to waive any immunity it may have in a suit, execution, attachment or other legal process in respect of any such proceedings, the waiver or immunity does not extend to any other proceedings and excludes from its scope certain diplomatic, military and other government properties. Moreover, the enforcement of foreign judgments is subject to the conditions and limitations described under "*Enforcement of Civil Liabilities*" and such limitations and conditions may make it difficult for investors to obtain or realise upon judgments of courts outside Senegal.

Statistics published by Senegal may be more limited in scope, published less frequently and differ from those produced by other sources

A range of government institutions produce statistics relating to Senegal and its economy. Senegal adheres to the IMF's General Data Dissemination Standards. However, these statistics may be less reliable, more limited in scope and published less frequently than in the case of other countries such that adequate monitoring of key fiscal and economic indicators may be difficult. Statistical data appearing in this Prospectus has, unless otherwise stated, been obtained from public sources and documents. Similar statistics may be obtainable from other sources, but the underlying assumptions, methodology and, consequently, the resulting data may vary from source to source. There can be no assurance that the statistics published by Senegal are as accurate or as reliable as those published by more developed countries.

Risks related to the Notes

Event of Default

The Conditions of the Notes contain a provision which, if an Event of Default occurs, allows the holders of at least 25% in aggregate principal amount of the outstanding Notes to declare all the Notes to be immediately due and payable by providing notice in writing to Senegal, whereupon the Notes shall become immediately due and payable, at their principal amount with accrued interest, without further action or formality.

The Conditions of the Notes also contain a provision permitting the holders of at least 50% in aggregate principal amount of the outstanding Notes to notify Senegal to the effect that the Event of Default or Events of Default giving rise to any above mentioned declaration is or are cured following any such declaration and that such holders wish the relevant declaration to be withdrawn. Upon such notification, Senegal shall give notice thereof to the Noteholders, whereupon the relevant declaration shall be withdrawn and shall have no further effect.

Definitive Notes not denominated in an integral multiple of US$200,000 or its equivalent may be illiquid and difficult to trade

The Notes have denominations consisting of a minimum of US$200,000 plus integral multiples of US$1,000 in excess thereof. It is possible that the Notes may be traded in amounts that are not integral multiples of US$200,000. In each such case a holder who, as a result of trading such amounts, holds an amount which is less than US$200,000 in his account with the relevant clearing system at the relevant time may not receive a certificate in respect of such holding (should certificates be printed) and would need to purchase a principal amount of Notes such that its holding amounts to US$200,000.

If certificates are issued, holders should be aware that certificates which have a denomination that is not an integral multiple of US$200,000 may be illiquid and more difficult to trade than Notes denominated in an integral multiple of US$200,000.

While a Senegalese court will recognise and give effect to the choice of English law as the law governing the Notes, the enforcement of foreign judgments will be governed by Senegalese law

The Notes are governed by English law and Senegal has submitted to the exclusive jurisdiction of the courts of England to settle any disputes that may arise out of or in connection with any Note. In respect of any proceedings between (i) Senegal and a Senegalese natural or legal person (which proceedings also include a non-Senegalese natural or legal person) or (ii) Senegal and a non-Senegalese natural or legal person, a Senegalese court will recognise and give effect to the choice of English law as the law governing the Notes except that all matters concerning authorisation and execution by the Republic, as well as the bringing of any actions and the enforcement of any judgments against the Republic in the courts of Senegal, will be governed by Senegalese law. Once recognised, the foreign judgment is equal to the judgment of a Senegalese court and is capable of enforcement in Senegal.

Fluctuations in exchange rates and interest rates may adversely affect the value of the Notes

The Issuer will pay principal and interest on the Notes in US$. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the **Investor's Currency**) other than US$. These include the risk that exchange rates may significantly change (including changes due to devaluation of the US$ or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to US$ would decrease (1) the Investor's Currency-equivalent yield on the Notes, (2) the Investor's Currency equivalent value of the principal payable on the Notes and (3) the Investor's Currency equivalent market value of the Notes.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal. In addition, investment in the Notes involves the risk that subsequent changes in market interest rates may adversely affect the value of the Notes.

The Notes may not be a suitable investment for all investors

Each potential investor in the Notes must determine the suitability of that investment generally in light of its own circumstances. In particular, each potential investor should:

- have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained in this Prospectus;
- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact such investment will have on its overall investment portfolio;
- have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including where the potential investor's currency is not US dollars;
- understand thoroughly the terms of the Notes and be familiar with financial markets; and
- be able to evaluate (either alone or with the help of a financial adviser) changes in economic conditions, interest rates and other factors that may affect its investment and its ability to bear the applicable risks.

The Republic's credit ratings are subject to revision or withdrawal, either of which could adversely affect the trading price of the Notes

The Notes have been rated B1 by Moody's and B+ by Standard & Poor's. The ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed herein, and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating agency. The Republic has no obligation to inform Noteholders of any revision, downgrade or withdrawal of its current or future sovereign credit ratings. A suspension, downgrade or withdrawal at any time of a credit rating assigned to the Issuer may adversely affect the market price of the Notes. Credit ratings included or referred to in this Prospectus have been issued by Moody's and Standard & Poor's, each of which is established in the European Union and is registered under the CRA Regulation.

The Notes are subject to modification, waiver and substitution

The Conditions of the Notes contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally, including material changes to the terms of the Notes and rescission of acceleration. These provisions permit defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority. Any such change in the terms of the Notes may affect the trading price of the Notes.

Payments may be subject to withholding tax under the EU Savings Directive

Under Council Directive 2003/48/EC on the taxation of savings income (the **Savings Directive**), EU Member States are required to provide to the tax authorities of other EU Member States details of certain payments of interest and other similar income paid by a person established within its jurisdiction to, (or secured by such a person for the benefit of) an individual resident in or certain limited types of entity established in that other EU Member State. See "*Taxation—EU Savings Directive*". For a transitional period, Luxembourg and Austria will instead impose a withholding system in relation to such payments (subject to a procedure whereby, on meeting certain conditions, the beneficial owner of the interest or other income may request that no tax be withheld) unless during such period they elect otherwise. The current rate of withholding under the Savings Directive is 35 per cent. The Luxembourg government has announced its intention to elect out of the withholding system in favour of automatic exchange of information with effect from 1 January 2015.

A number of non-EU countries and certain dependent or associated territories of certain EU Member States have adopted similar measures. On 24 March 2014, the Council of the European Union adopted a Council Directive 2014/48/EU amending the Savings Directive (the **Amending Directive**), which, when implemented, will amend and broaden the scope of the requirements described above. In particular, the Amending Directive will broaden the categories of entities required to provide information and/or withhold tax pursuant to the Savings Directive, and will require additional steps to be taken in certain circumstances to identify the beneficial owner of interest (and other income) payments, through a "look through" approach.

The EU Member States will have until 1 January 2016 to adopt the national legislation necessary to comply with this Amending Directive. If a payment under a Note were to be made or collected through a EU Member State or another country or territory which has opted for a withholding system and an amount of, or in respect of tax were to be withheld from that payment, neither the Issuer nor any Paying Agent nor any other person would be obliged to pay additional amounts with respect to any Note as a result of the imposition of such withholding tax. Holders of the Notes should consult their own tax advisers regarding the implications of the Directive in their particular circumstances.

Transactions in the Notes could be subject to the European financial transactions tax

On 14 February 2013, the European Commission published a proposal (the **Commission's Proposal**) for a Directive for a common financial transactions tax (**FTT**) in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia) (the **participating Member States**). The Commission's Proposal has very broad scope and could, if introduced, apply to certain dealings in the Notes (including secondary market transactions) in certain circumstances, which could expose Noteholders to increased transactions costs. The issuance and subscription of Notes should, however, be exempt. Under the current Commission's Proposal the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in the Notes where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State. By a joint statement issued on 6 May 2014, the Ministers of participating Member States confirmed their intention to work on a progressive implementation of the FTT, focusing initially on the taxation of shares and some derivatives. The first steps would be implemented at the latest on 1 January 2016. The Commission's proposal remains subject to negotiation between the participating Member States. It may therefore be altered prior to any implementation. Additional EU Member States may decide to participate. Prospective holders of the Notes are advised to seek their own professional advice in relation to the consequences of the FTT associated with subscribing for, purchasing, holding and disposing of the Notes.

A change of law could affect the Notes

The Conditions of the Notes are based on English law in effect as at the date of this Prospectus. No assurance can be given as to the impact of any possible judicial decision or change to English law or administrative practice after the date of issue of the Notes.

Risks relating to the Market Generally

The Notes may be negatively affected by events in other emerging markets, including those in sub-Saharan Africa

Economic distress in any emerging market country may adversely affect prices of securities and the level of investment in other emerging market countries as investors move their money to more stable, developed markets. Financial problems or an increase in the perceived risks associated with investing in emerging economies could dampen foreign investment in Senegal, adversely affect the Senegalese economy or adversely affect the trading price of the Notes. In addition, during such times, companies that operate in emerging markets can face severe liquidity constraints as foreign funding sources are withdrawn. Thus, even if the Senegalese economy remains relatively stable, economic distress in other emerging market countries could adversely affect the trading price of the Notes and the availability of foreign funding sources for the Government or private sector borrowers.

The disruptions experienced in the international capital markets in recent years have also led to reduced liquidity and increased credit risk premiums for certain market participants and have resulted in financing being unavailable for certain entities. Emerging markets may be particularly susceptible to disruptions in the capital markets and the reduced availability of credit or the increased cost of debt, which could result in them experiencing financial difficulty. In addition, the availability of credit within emerging markets is significantly influenced by levels of investor confidence in such markets as a whole and so any factors that impact market confidence (for example, a decrease in credit ratings or state or central bank intervention) could affect the price or availability of funding within any of these markets.

Adverse developments in other countries in sub-Saharan Africa, in particular, may have a negative impact on Senegal if investors perceive risk that such developments will adversely affect Senegal or that similar adverse developments may occur in Senegal. Risks associated with sub-Saharan Africa include political uncertainty, civil unrest and conflict, corruption, the outbreak of disease and poor infrastructure. Investors' perceptions of certain risks may be compounded by incomplete, unreliable or unavailable economic and statistical data on Senegal, including elements of the information provided in this Prospectus. See "*—Risks related to the Republic of Senegal—Statistics published by Senegal may be more limited in scope, published less frequently and differ from those produced by other sources*".

There is no established trading market for the Notes and any trading market which develops may be volatile

Application has been made to the Irish Stock Exchange for the Notes to be admitted to the Official List and trading on its regulated market. However, there will not be an established trading market for the Notes when issued and one may never develop. If a market does develop it may not be very liquid. Therefore, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. Illiquidity may have a severe adverse effect on the market value of the Notes.

Any market which develops for the Notes will be influenced by economic and market conditions in Senegal and, to varying degrees, interest rates, currency exchange rates and inflation rates in other countries, such as the United States, European Union Member States and elsewhere. Events in Senegal, in Africa or elsewhere may cause market volatility, which could adversely affect the liquidity or the price of the Notes. If the Notes are traded after their initial issuance, they may trade at a discount to their offering price, depending upon prevailing interest rates, the market for similar securities, general economic conditions and the financial condition of Senegal.

There may be interest rate risks that affect the Notes

An investment in the Notes involves the risk that subsequent changes in market interest rates may adversely affect the value of the Notes.

Legal investment considerations may restrict certain investments

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (i) the Notes are suitable legal investments for it, (ii) the Notes can be used as collateral for various types of borrowing and (iii) other restrictions apply to its purchase or pledge of the Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of the Notes under any applicable risk based capital or similar rules.

CONDITIONS OF THE NOTES

The following is the text of the Conditions of the Notes which (subject to modification and except for the paragraphs in italics) will be endorsed on the Certificates issued in respect of the Notes:

The U.S.$500,000,000 6.250% Notes due 2024 (the **Notes**, which expression shall in these Conditions, unless the context otherwise requires, include any further notes issued pursuant to Condition 14 (*Further Issues*) and forming a single series with the Notes) of The Republic of Senegal (the **Republic** or **Senegal**) are issued subject to and with the benefit of an agency agreement dated 30 July 2014 (such agreement as amended and/or supplemented and/or restated from time to time, the **Agency Agreement**) made between the Republic, Citigroup Global Markets Deutschland AG as registrar (the **Registrar**), Citibank, N.A., London Branch as fiscal agent and principal paying agent (the **Fiscal Agent**) and the other initial paying agents named in the Agency Agreement (together with the Fiscal Agent, the **Paying Agents**) and the other agents named in it (together with the Fiscal Agent, the Registrar and the other Paying Agents, the **Agents**). The holders of the Notes (the **Noteholders**) are entitled to the benefit of a Deed of Covenant (the **Deed of Covenant**) dated 30 July 2014 and made by the Republic. The original of the Deed of Covenant is held by the Fiscal Agent on behalf of the Noteholders at its specified office.

The statements in these Conditions include summaries of, and are subject to, the detailed provisions of and definitions in the Agency Agreement. Copies of the Agency Agreement are available for inspection during normal business hours by the Noteholders at the specified office of each of the Paying Agents. The Noteholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Agency Agreement and the Deed of Covenant applicable to them. References in these Conditions to the Fiscal Agent, the Registrar, the Paying Agents and the Agents shall include any successor appointed under the Agency Agreement.

*The owners shown in the records of Euroclear Bank SA/NV (**Euroclear**), Clearstream Banking, société anonyme (**Clearstream, Luxembourg**) and the Depository Trust Company (**DTC**) of book-entry interests in Notes are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Agency Agreement applicable to them.*

1. FORM, DENOMINATION AND TITLE

1.1 Form and Denomination

The Notes are issued in registered form in amounts of U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof (referred to as the **principal amount** of a Note). A note certificate (each a **Certificate**) will be issued to each Noteholder in respect of its registered holding of Notes. Each Certificate will be numbered serially with an identifying number which will be recorded on the relevant Certificate and in the register of Noteholders which the Republic will procure to be kept by the Registrar.

The Notes are not issuable in bearer form.

1.2 Title

Title to the Notes passes only by registration in the register of Noteholders. The holder of any Note will (except as otherwise required by law) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any interest or any writing on, or the theft or loss of, the Certificate issued in respect of it) and no person will be liable for so treating the **holder**. In these Conditions **Noteholder** and (in relation to a Note) holder, means the person in whose name a Note is registered in the register of Noteholders.

For a description of the procedures for transferring title to book-entry interests in the Notes, see "The Global Certificates".

2. TRANSFERS OF NOTES AND ISSUE OF CERTIFICATES

2.1 Transfers

A Note may be transferred by depositing the Certificate issued in respect of that Note, with the form of transfer on the back duly completed and signed, at the specified office of the Registrar or any of the Agents.

For a description of certain restrictions on transfers of interests in the Notes, see "The Global Certificates".

2.2 Delivery of new Certificates

Each new Certificate to be issued upon transfer of Notes will, within five business days of receipt by the Registrar or the relevant Agent of the duly completed form of transfer endorsed on the relevant Certificate, be mailed by uninsured mail at the risk of the holder entitled to the Note to the address specified in the form of transfer. For the purposes of this Condition 2, **business day** shall mean a day on which banks are open for business in the city in which the specified office of the Agent with whom a Certificate is deposited in connection with a transfer is located.

Except in the limited circumstances described herein (see "The Global Certificates—Registration of Title"), owners of interests in the Notes will not be entitled to receive physical delivery of Certificates. Issues of Certificates upon transfer of Notes are subject to compliance by the transferor and transferee with the certification procedures described above and in the Agency Agreement and, in the case of Restricted Notes, compliance with the Securities Act Legend.

Where some but not all of the Notes in respect of which a Certificate is issued are to be transferred a new Certificate in respect of the Notes not so transferred will, within five business days of receipt by the Registrar or the relevant Agent of the original Certificate, be mailed by uninsured mail at the risk of the holder of the Notes not so transferred to the address of such holder appearing on the register of Noteholders or as specified in the form of transfer.

2.3 Formalities free of charge

Registration of transfer of Notes will be effected without charge by or on behalf of the Republic or any Agent but upon payment (or the giving of such indemnity as the Republic or any Agent may reasonably require) in respect of any tax or other governmental charges which may be imposed in relation to such transfer.

2.4 Closed Periods

No Noteholder may require the transfer of a Note to be registered during the period of 15 days ending on the due date for any payment of principal, premium or interest on that Note.

2.5 Regulations

All transfers of Notes and entries on the register of Noteholders will be made subject to the detailed regulations concerning transfer of Notes scheduled to the Agency Agreement. The regulations may be changed by the Republic with the prior written approval of the Registrar. A copy of the current regulations will be mailed (free of charge) by the Registrar to any Noteholder who requests one.

3. STATUS

The Notes are direct, unconditional and (subject to the provisions of Condition 4 (*Negative Pledge*)) unsecured obligations of the Republic and (subject as provided above) rank and will rank *pari passu*, without any preference among themselves, with all other outstanding unsecured and unsubordinated obligations of the Republic, present and future, save only for such obligations as may be preferred by mandatory provisions of applicable law. The full faith and credit of the Republic is pledged for the due and punctual payment of the Notes.

4. NEGATIVE PLEDGE

4.1 Negative Pledge

So long as any of the Notes remains outstanding (as defined in the Agency Agreement), the Republic will not create or permit to subsist any Security (other than a Permitted Security) upon the whole or any part of its present or future assets, undertakings or revenues to secure: (i) any of its Public External Indebtedness, (ii) any Guarantees in respect of Public External Indebtedness, or (iii) the Public External Indebtedness of any other person, without at the same time or prior thereto securing the Notes equally and rateably therewith or providing such other arrangement (whether or not comprising Security) as shall be approved by an Extraordinary Resolution (as defined in the Agency Agreement).

4.2 Interpretation

In these Conditions:

Guarantee means any obligation of a person to pay the Indebtedness of another person including, without limitation: an obligation to pay or purchase such Indebtedness; an obligation to lend money or to purchase or subscribe shares or other securities or to purchase assets or services in order to provide funds for the payment of such Indebtedness; an indemnity against the consequences of a default in the payment of such Indebtedness; or any other agreement to be responsible for such Indebtedness.

Indebtedness means any obligation (whether present or future) for the payment or repayment of money which has been borrowed or raised (including money raised by acceptances and leasing).

Public External Indebtedness means any present or future Indebtedness (i) expressed or denominated or payable or which, at the option of the relevant creditor may be payable, in any currency other than the lawful currency from time to time of the Republic of Senegal, and (ii) which is in the form of, or is represented by, bonds, notes or other securities with a stated maturity of more than one year from the date of issue which are, or are capable of being, quoted, listed or ordinarily purchased or sold on any stock exchange, automated trading system, over the counter or other securities market.

Permitted Security means:

(i) any Security upon property to secure (A) Public External Indebtedness of the Republic or (B) any Guarantee by the Republic of Public External Indebtedness of any other Person, in either case incurred for the purpose of financing the acquisition or construction of such property and any renewal and extension of such Security which is limited to the original property covered thereby and which (in either case) secures any renewal or extension of the original secured financing;

(ii) any Security securing (A) Public External Indebtedness of the Republic or (B) any Guarantee by the Republic of Public External Indebtedness of any other person, in either case incurred for the purpose of financing all or part of the costs of the acquisition, construction or development of a project; provided that (X) the holders of such Public External Indebtedness or Guarantee expressly agree to limit their recourse to the assets and revenues of such project or the proceeds of insurance thereon as the sole source of repayments of such Public External Indebtedness and (Y) the property over which such Security is granted consists solely of such assets and revenues; and

(iii) any Security securing the Public External Indebtedness of the Republic or any Guarantee by the Republic of Public External Indebtedness of any other person which was in existence on 28 July 2014 and any renewal of such Security which is limited to the original property covered thereby and which secures any renewal or extension of the original financing, provided that the principal amount of the Public External Indebtedness secured thereby is not increased.

Person means any individual, company, corporation, firm, partnership, joint venture, association, unincorporated organisation, trust or any other juridical entity, any state or agency of a state or other entity, whether or not having separate legal personality.

Security means any mortgage, pledge, lien, hypothecation, security interest, deed of trust, charge or other encumbrance including, without limitation, anything analogous to the foregoing under the laws of any jurisdiction.

5. INTEREST

5.1 Interest Rate and Interest Payment Dates

The Notes bear interest from and including 30 July 2014 at the rate of 6.250% per annum, payable semi-annually in arrear on 30 January and 30 July in each year (each an **Interest Payment Date**) and amounting to U.S.$31.25 per U.S.$1,000 principal amount of Note to be paid on each Interest Payment Date.

5.2 Interest Accrual

Each Note will cease to bear interest from and including its due date for redemption unless, upon due presentation, payment of the principal in respect of the Note is improperly withheld or refused or unless default is otherwise made in respect of payment. In such event, interest will continue to accrue until whichever is the earlier of:

(a) the date on which all amounts due in respect of such Note have been paid; and

(b) seven days after the date on which the full amount of the moneys payable in respect of such Notes has been received by the Fiscal Agent or the Registrar, as the case may be, and notice to that effect has been given to the Noteholders in accordance with Condition 12 (*Notices*).

5.3 Calculation of Broken Interest

When interest is required to be calculated in respect of a period of less than a full six months, it shall be calculated on the basis of a 360-day year consisting of 12 months of 30 days each and, in the case of an incomplete month, the number of days elapsed on the basis of a month of 30 days.

6. PAYMENTS

6.1 Payments in respect of Notes

Payment of principal and interest will be made by transfer to the registered account of the Noteholder or by U.S. dollar cheque drawn on a bank that processes payments in U.S. dollar mailed to the registered address of the Noteholder if it does not have a registered account. Payments of principal and premium (if any) and payments of interest due otherwise than on an Interest Payment Date will only be made against surrender of the relevant Certificate at the specified office of any of the Agents. Interest on Notes due on an Interest Payment Date will be paid to the holder shown on the register of Noteholders at the close of business on the date (the **record date**) being the fifteenth day before the due date for the payment of interest.

For the purposes of this Condition, a Noteholder's registered account means the U.S. dollar account maintained by or on behalf of it with a bank that processes payments in U.S. dollar, details of which appear on the register of Noteholders at the close of business, in the case of principal and premium (if any), on the second Business Day (as defined below) before the due date for payment and, in the case of interest, on the relevant record date, and a Noteholder's registered address means its address appearing on the register of Noteholders at that time.

6.2 Payments subject to Applicable Laws

Payments in respect of principal and interest on Notes are subject in all cases to any fiscal or other laws and regulations applicable in the place of payment, but without prejudice to the provisions of Condition 8 (*Taxation*).

6.3 No commissions

No commissions or expenses shall be charged to the Noteholders in respect of any payments made in accordance with this Condition 6.

6.4 Payment on Business Days

Where payment is to be made by transfer to a registered account, payment instructions (for value the due date or, if that is not a Business Day, for value the first following day which is a Business Day) will be initiated and, where payment is to be made by cheque, the cheque will be mailed, on the Business Day preceding the due date for payment or, in the case of a payment of principal and premium (if any) or a payment of interest due otherwise than on an Interest Payment Date, if later, on the Business Day on which the relevant Certificate is surrendered at the specified office of an Agent.

Noteholders will not be entitled to any interest or other payment for any delay after the due date in receiving the amount due if the due date is not a Business Day, if the Noteholder is late in surrendering its Certificate (if required to do so) or if a cheque mailed in accordance with this Condition arrives after the due date for payment.

In this Condition 6, **Business Day** means a day (other than a Saturday or Sunday) on which commercial banks are open for business in London and New York and, in the case of presentation of a Note Certificate, in the place in which the Note Certificate is presented.

6.5 Partial Payments

If the amount of principal, premium (if any) or interest which is due on the Notes is not paid in full, the Registrar will annotate the register of Noteholders with a record of the amount of principal, premium (if any) or interest in fact paid.

6.6 Agents

The names of the initial Agents and their initial specified offices are set out at the end of these Conditions. The Republic reserves the right at any time to vary or terminate the appointment of any Agent and to appoint additional or other Agents provided that:

(a) there will at all times be a Fiscal Agent and a Registrar;

(b) there will at all times be an Agent (which may be the Fiscal Agent) having a specified office in a European city which so long as the Notes are listed on the Irish Stock Exchange, shall be in such location as is required by the Irish Stock Exchange; and

(c) the Republic undertakes that it will ensure that it maintains a Paying Agent in a Member State of the European Union that is not obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any law implementing or complying with, or introduced in order to conform to, such Directive.

Notice of any termination or appointment and of any changes in specified offices given to the Noteholders promptly by the Republic in accordance with Condition 12 (*Notices*).

7. REDEMPTION AND PURCHASE

7.1 Redemption at Maturity

Unless previously redeemed or purchased and cancelled as provided below, the Republic will redeem the Notes at their principal amount on 30 July 2024.

7.2 Purchases

The Republic may at any time purchase Notes in any manner and at any price. All Notes which are purchased by or on behalf of the Republic may be cancelled, held or resold. Any Notes which are cancelled may not be re-issued.

8. TAXATION

8.1 Payment without Withholding

All payments in respect of the Notes by or on behalf of the Republic shall be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature (**Taxes**) imposed or levied by or on behalf of the Relevant Jurisdiction, unless the withholding or deduction of the Taxes is required by law. In that event, the Republic will pay such additional amounts as may be necessary in order that the net amounts received by the Noteholders after the withholding or deduction shall equal the respective amounts which would have been receivable in respect of the Notes in the absence of the withholding or deduction; except that no additional amounts shall be payable in relation to any payment in respect of any Note:

(a) presented for payment by or on behalf of a holder or beneficial owner who is liable for the Taxes in respect of the Note by reason of such holder having some connection with the Relevant Jurisdiction other than the mere holding of the Note; or

(b) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive; or

(c) presented for payment by or on behalf of a holder who would have been able to avoid such withholding or deduction by presenting the relevant Note to another Paying Agent in a Member State of the European Union; or

(d) presented for payment more than 30 days after the Relevant Date (as defined below) except to the extent that a holder would have been entitled to additional amounts on presenting the same for payment on the last day of the period of 30 days assuming that day to have been a Business Day (as defined in Condition 6 (*Payments*)); or

(e) presented for payment by or on behalf of a holder or beneficial owner who would have been able to avoid such withholding or deduction or other Tax by complying with any certification, identification, documentation or other reporting requirements concerning the nationality, residence, identity or connection with such Relevant Jurisdiction or entering into and complying with an agreement with a relevant tax authority; provided that (x) such declaration of non-residence or other claim or filing for exemption is required by the applicable law of the Relevant Jurisdiction as a precondition to exemption from the requirement to deduct or withhold all or a part of any such Taxes and (y) at least 30 days prior to the first payment date with respect to which such declaration of non-residence or other claim or filing for exemption is required under the applicable law of the Relevant Jurisdiction, the relevant holder at that time has been notified by the payor or any other person through whom payment may be made that a declaration of non-residence or other claim or filing for exemption is required to be made; or

(f) where such withholding or deduction is imposed as a result of any combination of (a) through (e) above.

8.2 Interpretation

In these Conditions:

(a) **Relevant Date** means the date on which the payment first becomes due but, if the full amount of the money payable has not been received by the Fiscal Agent on or before the due date, it means the date on which, the full amount of the money having been so received, notice to that effect has been duly given to the Noteholders by the Republic in accordance with Condition 12 (*Notices*); and

(b) **Relevant Jurisdiction** means The Republic of Senegal or any political subdivision or any authority thereof or therein having power to tax or any other jurisdiction or any political subdivision or any authority thereof or therein having power to tax to which the Republic becomes subject in respect of payments made by it of principal and interest on the Notes.

8.3 Additional Amounts

Any reference in these Conditions to any amounts in respect of the Notes shall be deemed also to refer to any additional amounts which may be payable under this Condition.

9. PRESCRIPTION

Pursuant to applicable Senegalese law, any money paid by the Republic to the Fiscal Agent for payment due under any Note that remains unclaimed at the end of five years after the due date for that payment will be repaid to the Republic, and the holder of such Note shall thereafter look only to the Republic for payment.

Claims against the Republic in respect of principal and interest shall become void unless made within a period of five years from the appropriate Relevant Date in the case of interest, and 10 years from the appropriate Relevant Date in the case of principal.

10. EVENTS OF DEFAULT

10.1 Events of Default

If any of the following events (**Events of Default**) shall have occurred and be continuing:

(a) if default is made in the payment of any principal, premium or interest due in respect of the Notes or any of them and the default continues for a period of 30 calendar days in the case of principal or premium or 30 Business Days (as defined in Condition 6) in the case of interest; or

(b) the Republic fails to perform any other obligations in respect of the Notes, and such failure continues for 45 days after any Noteholder has given written notice thereof to the Republic to remedy the failure and gives a copy of such notice to the Fiscal Agent; or

(c) (i) any other Indebtedness of the Republic becomes due and payable prior to the stated maturity thereof by reason of default; or

(ii) any such Indebtedness is not paid at maturity; or

(iii) any Guarantee of such Indebtedness is not honoured when due and called upon and, in the case of (ii) or (iii), that failure continues beyond any applicable grace period; PROVIDED THAT the amount of Indebtedness referred to in (i) and/or (ii) and/or the amount payable under any Guarantee referred to in (iii) individually or in the aggregate exceeds U.S.$ 20,000,000 (or its equivalent in any other currency or currencies); or

(d) the Republic ceases to be a member of the IMF or becomes ineligible to use the resources of the IMF; or

(e) the Republic declares a general moratorium on the payment of principal of or interest, premium, if any, or any additional amounts in respect thereof on all or any part of its Indebtedness; or

(f) for any reason whatsoever, (i) it shall become unlawful for the Republic to perform or comply with all or any of its obligations set out in the Notes, including, without limitation, the payment of interest on the Notes, as a result of any change in law or regulation in The Republic of Senegal or (ii) the Republic's obligations under the Notes are declared by a court of competent jurisdiction to be no longer binding or no longer enforceable against the Republic;

(g) if the Republic or any of its political sub-divisions acting on behalf of the Republic contests the validity of the Notes; or

(h) if the Republic shall deny any of its obligations under the Notes (whether by a general suspension of payments or a moratorium on the payment of debt or otherwise); or

(i) if any authorisation, consent of, or filing or registration with, any governmental authority necessary for the performance of any payment obligation of the Republic under the Notes, when due, ceases to be in full force and effect or remaining valid and subsisting.

then the holders of 25% or more in the aggregate principal amount of the Notes may, by written notice to the Republic at the specified office of the Fiscal Agent, declare the Notes due and payable immediately whereupon they shall become immediately due and payable at their principal amount together with accrued interest without further action or formality. Notice of any such declaration shall promptly be given to all other Noteholders by the Republic. Upon any declaration of acceleration, the principal, interest and all additional amounts payable on the Notes will become immediately due and payable on the date the Republic receives written notice of the declaration. No delay or omission of any Noteholder or any party to the Agency Agreement to exercise any right or remedy accruing upon any Event of Default shall impair any such right or remedy or constitute a waiver of any such Event of Default or any other breach of the Republic's obligations under the Agency Agreement.

If the Republic receives notice in writing from holders of at least 50% in aggregate principal amount of the outstanding Notes to the effect that the Event of Default or Events of Default giving rise to any above-mentioned declaration of acceleration is or are cured following any such declaration and that such holders wish the relevant declaration to be withdrawn, the Republic shall give notice thereof to the Noteholders (with a copy to the Fiscal Agent), whereupon the relevant declaration shall be withdrawn and shall have no further effect but without prejudice to any rights or obligations which may have arisen before the Republic gives such notice (whether pursuant to these Conditions or otherwise). No such withdrawal shall affect any other or any subsequent Event of Default or any right of any Noteholder in relation thereto.

10.2 Interpretation

For the purposes of this Condition:

Guarantee shall have the meaning given to it in Condition 4 (*Negative Pledge*); and

Indebtedness shall have the meaning given to it in Condition 4 (*Negative Pledge*).

11. REPLACEMENT OF CERTIFICATES

If any Certificate is lost, stolen, mutilated, defaced or destroyed it may be replaced at the specified office of the Registrar or the Agent upon payment by the claimant of the expenses incurred in connection with the replacement and on such terms as to evidence and indemnity as the Republic may reasonably require. Mutilated or defaced Certificates must be surrendered before replacements will be issued.

12. NOTICES

12.1 Notices to the Noteholders

All notices to the Noteholders will be valid if: (A) mailed to them at their respective addresses in the register of Noteholders maintained by the Registrar and (B) published in a leading English language newspaper having general circulation in London (which is expected to be the *Financial Times*). The Republic of Senegal shall also ensure that notices are duly given or published in a manner which complies with the rules and regulations of any stock exchange or other relevant authority on which the Notes are for the time being listed. Any notice shall be deemed to have been given on the fourth day after being so mailed or on the date of publication or, if so published more than once or on different dates, on the date of the first publication.

13. MEETINGS OF NOTEHOLDERS AND MODIFICATION

13.1 Meetings of Noteholders

The Agency Agreement contains provisions for convening meetings of the Noteholders to consider any matter affecting their interests, including the modification by Extraordinary Resolution of any of these Conditions or any of the provisions of the Agency Agreement. Such a meeting may be convened by the Republic and shall be convened by the Republic upon the request in writing of Noteholders holding not less than 10% of the aggregate principal amount of the Notes for the time being outstanding. The quorum at any meeting for passing an Extraordinary Resolution will be one or more persons present holding or representing more than 50% in principal amount of the Notes for the time being outstanding, or at any adjourned meeting one or more persons present whatever the principal amount of the Notes held or represented by him or them, except that at any meeting the business of which includes the modification of certain of these Conditions or certain provisions of the Agency Agreement (including any proposal to change any date fixed for payment of principal or interest in respect of the Notes, to reduce the amount of principal or interest payable on any date in respect of the Notes, to alter the method of calculating the amount of any payment in respect of the Notes or the date for any such payment, to change the currency of payments under the Notes or to change the quorum requirements relating to meetings or the majority required to pass an Extraordinary Resolution (each a **Reserved Matter**)) the necessary quorum for passing an Extraordinary Resolution will be one or more persons present holding or representing not less than two-thirds, or at any adjourned meeting not less than one-third, of the principal amount of the Notes for the time being outstanding. An **Extraordinary Resolution** means a resolution passed at a meeting duly convened and held in accordance with the provisions of the Agency Agreement by a majority of not less than 75% of the votes cast and will be binding on all Noteholders, whether or not they are present at the meeting.

In addition, the Agency Agreement contains provisions relating to Written Resolutions. A **Written Resolution** is a resolution in writing signed by or on behalf of the holders of not less than 75% of the aggregate principal amount of the Notes for the time being outstanding. Any Written Resolution may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Noteholders. Any Written Resolution shall be binding on all of the Noteholders, whether or not signed by them.

13.2 Modification

The Fiscal Agent may agree, without the consent of the Noteholders, to any modification of any of these Conditions or any of the provisions of the Agency Agreement either (i) for the purpose of curing any ambiguity or of curing, correcting or supplementing any manifest or proven error or any other defective provision contained herein or therein or (ii) in any other manner which is, in the sole opinion of the Republic, not materially prejudicial to the interests of the Noteholders. Any modification shall be binding on the Noteholders and shall be notified by the Republic to the Noteholders as soon as practicable thereafter in accordance with Condition 12 (*Notices*).

14. FURTHER ISSUES

The Republic may from time to time without the consent of the Noteholders create and issue further notes, having terms and conditions the same as those of the Notes, or the same except for the amount of the first payment of interest, which may be consolidated and form a single series with the outstanding Notes. The Republic does not currently intend to issue further notes forming a single Series with the Notes that have more than a *de minimis* amount of original issue discount (**OID**) for U.S. federal income tax purposes unless (i) such issuance would constitute a "qualified reopening" of the Notes for U.S. federal income tax purposes, or (ii) the Notes and the further notes have no more than a *de minimis* amount of OID. However, the determination regarding whether to proceed with any proposed further issue will be made at the time of such further issue and the Republic may decide to proceed, provided, however, that unless any further Notes are part of the same "issue" for U.S. federal income tax purposes or are issued pursuant to a "qualified reopening" for U.S. federal income tax purposes, such further Notes will have a separate CUSIP, ISIN or Common Code (as applicable) so that they are distinguishable from such Notes.

15. INDEMNITY OF THE FISCAL AGENT AND OTHER AGENTS

The Agency Agreement contains provisions for the indemnification of the Fiscal Agent and the other Agents and for their relief from responsibility. The Fiscal Agent and each other Agent is entitled to enter into business transactions with the Republic without accounting for any profit. The Fiscal Agent and the other Agents are agents of the Republic and none of them is a trustee or fiduciary for any of the holders of the Notes, except in the limited circumstances expressly provided for in the Agency Agreement.

16. CURRENCY INDEMNITY

The U.S. dollar is the sole currency of payment for all sums payable by the Republic under or in connection with the Notes. Any amount received or recovered in a currency other than U.S. dollars (whether as a result of, or the enforcement of, a judgment or order of a court of any jurisdiction or otherwise) by any Noteholder in respect of any sum expressed to be due to it from the Republic shall only constitute a discharge of the Republic to the extent of the U.S. dollar amount which the recipient is able to purchase with the amount so received or recovered in that other currency on the date of that receipt or recovery (or, if it is not practicable to make that purchase on that date, on the first date on which it is practicable to do so). If that U.S. dollar amount is less than the U.S. dollar amount expressed to be due to the recipient under any Note, the Republic shall indemnify such recipient against any loss sustained by it as a result. In any event, the Republic shall indemnify the recipient against the cost of making any such purchase. These indemnities constitute separate obligations, independent from the Republic's other obligations, shall give rise to a separate and independent cause of action, shall apply irrespective of any indulgence granted by any Noteholder and shall continue in full force and effect despite any judgment, order, claim or proof for a liquidated amount in respect of any sum due under any Note or any judgement or order.

17. GOVERNING LAW AND SUBMISSION TO JURISDICTION

17.1 Governing Law

The Agency Agreement, the Deed of Covenant and the Notes and any non-contractual obligations arising out of or in connection therewith are governed by, and shall be construed in accordance with, English law.

17.2 Jurisdiction of English courts

The Republic has irrevocably agreed for the benefit of the Noteholders that the courts of England are to have exclusive jurisdiction to settle any disputes which may arise out of or in connection with the Notes and any non-contractual obligations arising out of or in connection therewith and accordingly has submitted to the exclusive jurisdiction of the English courts. The Republic has waived any objection to the courts of England on the grounds that they are an inconvenient or inappropriate forum.

The Noteholders may take any suit, action or proceeding arising out of or in connection with the Notes and any non-contractual obligations arising out of or in connection therewith (together referred to as **Proceedings**) against the Republic in any other court of competent jurisdiction and concurrent Proceedings in any number of jurisdictions.

17.3 Appointment of Process Agent

The Republic hereby irrevocably and unconditionally appoints the Ambassador Extraordinary and Plenipotentiary of the Republic of Senegal to the Court of St. James's as its agent for service of process in England in respect of any Proceedings and undertakes that in the event of such agent ceasing so to act it will appoint another person as its agent for that purpose.

17.4 Sovereign Immunity

The Republic consents generally in respect of any Proceedings to the giving of any relief or the issue of any process in connection with such Proceedings including (without limitation but subject as provided in the following paragraph) the making, enforcement or execution against any property whatsoever of any order or judgment which is made or given in such Proceedings.

To the extent that the Republic may in any jurisdiction claim for itself or its assets or revenues immunity from suit, execution, attachment (whether in aid of execution, before judgement or otherwise) or other legal process and to the extent that such immunity (whether or not claimed) may be attributed in any such jurisdiction to the Republic or its assets or revenues, the Republic agrees not to claim and irrevocably waives such immunity to the full extent permitted by the laws of such jurisdiction (and consents generally for the purposes of the State Immunity Act 1978 to the giving of any relief or the issue of any process in connection with any Proceedings). The Republic does not hereby waive such immunity from execution or attachment in respect of (a) property, including any bank account, used by a diplomatic or consular mission of the Republic or its special missions or delegations to international organisations, (b) property of a military character and under the control of a military authority or defence agency of the Republic or (c) property located in the Republic of Senegal and dedicated to a public or governmental use by the Republic (as distinct from property which is for the time being in use or intended for use for commercial purposes within the meaning of the State Immunity Act 1978).

17.5 Other Documents

The Republic has in the Agency Agreement and the Deed of Covenant submitted to the jurisdiction of the English courts and appointed an agent in England for service of process, in terms substantially similar to those set out above. In addition, the Republic has, in such documents, waived certain rights to sovereign immunity and other similar defences which it may have, on terms substantially similar to those set out in Condition 17.4.

18. ARBITRATION

Any Proceedings arising from or connected with these Conditions (including a dispute regarding the existence, validity or termination of these Conditions) shall be referred to and finally resolved by arbitration under the Arbitration Rules (the **Rules**) of the London Court of International Arbitration (the **LCIA**).

In relation to Proceedings being resolved by arbitration, the arbitral tribunal shall consist of three arbitrators. The claimant shall nominate one arbitrator; the respondent shall nominate the second arbitrator; and a third arbitrator, who shall serve as Chairman, shall be appointed by the LCIA as soon as possible, preferably within 15 days of the appointment of the second arbitrator. If all the parties to an arbitration so agree, there shall be a sole arbitrator appointed by the LCIA as soon as possible, preferably within 15 days of such agreement. The seat of arbitration shall be London, England and the language of the arbitration shall be English. The parties exclude the jurisdiction of the courts under Sections 45 and 69 of the Arbitration Act 1996. Where disputes arise under these Conditions, which, in the reasonable opinion of the first tribunal to be appointed in any of the disputes (the **First Tribunal**), are so closely connected that it is expedient for them to be resolved in the same proceedings, the First Tribunal shall have the power to order that the proceedings to resolve the dispute before it shall be consolidated with those to resolve any of the other disputes (whether or not proceedings to resolve those other disputes have yet been instituted), provided that no date for the final hearing of the first arbitration has been fixed. If the First Tribunal so orders, the parties to each dispute which is a subject of its order shall be treated as having consented to their dispute being finally decided:

(a) by the First Tribunal unless the LCIA decides that it would not be suitable or impartial (in which case by a replacement tribunal appointed in accordance with the Rules) and

(b) in accordance with the procedure, at the seat and in the language specified in the arbitration agreement in the contract under which the First Tribunal was appointed, save as otherwise agreed by all parties to the consolidated proceedings or, in the absence of such agreement, ordered by the tribunal in the consolidated proceedings.

Before an arbitrator has been appointed by a Noteholder to determine a Proceeding, a Noteholder may, by notice in writing to the Republic, require that all Proceedings or a specific Proceeding be heard by a court of law. If a Noteholder gives such notice, the Proceeding or Proceedings to which such notice refers shall be determined in accordance with Condition 17.2 hereof. For the avoidance of doubt, this Condition 18 is for the sole benefit of the Noteholders.

19. RIGHTS OF THIRD PARTIES

No rights are conferred on any person under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of this Note, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

THE GLOBAL CERTIFICATES

The Global Certificates contain the following provisions which apply to the Notes in respect of which they are issued whilst they are represented by the Global Certificates, some of which modify the effect of the Conditions. Terms defined in the Conditions have the same meaning in paragraphs 1 to 6 below.

1. ACCOUNTHOLDERS

For so long as any of the Notes are represented by the Global Certificates, each person (other than another clearing system) who is for the time being shown in the records of DTC or Euroclear or Clearstream, Luxembourg (as the case may be) as the holder of a particular aggregate principal amount of such Notes (each an **Accountholder**) (in which regard any certificate or other document issued by DTC or Euroclear or Clearstream, Luxembourg (as the case may be) as to the aggregate principal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes) shall be treated as the holder of such aggregate principal amount of such Notes (and the expression **Noteholders** and references to **holding of Notes** and to **holder of Notes** shall be construed accordingly) for all purposes other than with respect to payments on such Notes, the right to which shall be vested, as against the Republic, solely in the nominee for the relevant clearing system (the **Relevant Nominee**) in accordance with and subject to the terms of the Global Certificates. Each Accountholder must look solely to DTC or Euroclear or Clearstream, Luxembourg, as the case may be, for its share of each payment made to the Relevant Nominee.

2. CANCELLATION

Cancellation of any Note following its redemption or purchase by the Republic will be effected by reduction in the aggregate principal amount of the Notes in the register of Noteholders and by the annotation of the appropriate schedule to the relevant Global Certificate.

3. PAYMENTS

Payments of principal and interest in respect of Notes represented by a Global Certificate will be made upon presentation or, if no further payment falls to be made in respect of the Notes, against presentation and surrender of such Global Certificate to or to the order of the Fiscal Agent or such other Agent as shall have been notified to the holders of the Global Certificates for such purpose.

Each payment in respect of a Global Certificate will be made to the person shown as the holder in the relevant register at the close of business (in the relevant clearing system) on the Clearing System Business Day before the due date for such payment, where **Clearing System Business Day** means a day on which each clearing system for which the Global Certificate is being held is open for business.

Distributions of amounts with respect to book-entry interests in the Unrestricted Notes held through Euroclear or Clearstream, Luxembourg will be credited, to the extent received by the Fiscal Agent, to the cash accounts of Euroclear or Clearstream, Luxembourg participants in accordance with the relevant system's rules and procedures.

Holders of book-entry interests in the Restricted Notes holding through DTC will receive, to the extent received by the Fiscal Agent, all distribution of amounts with respect to book-entry interests in such Notes from the Fiscal Agent through DTC. Distributions in the United States will be subject to relevant U.S. tax laws and regulations.

A record of each payment made will be endorsed on the appropriate schedule to the relevant Global Certificate by or on behalf of the Fiscal Agent and shall be *prima facie* evidence that payment has been made.

4. NOTICES

So long as the Notes are represented by a Global Certificate and such Global Certificate is held on behalf of a clearing system, notices to Noteholders may be given by delivery of the relevant notice to that clearing system for communication by it to entitled Accountholders in substitution for notification as required by Condition 12 (*Notices*). Any such notice shall be deemed to have been given to the Noteholders on the fourth day after the day on which such notice is delivered to Euroclear and/or Clearstream, Luxembourg (as the case may be) as aforesaid.

Whilst any of the Notes held by a Noteholder are represented by a Global Certificate, notices to be given by such Noteholder may be given by such Noteholder (where applicable) through Euroclear and/or Clearstream, Luxembourg and otherwise in such manner as the Fiscal Agent and Euroclear and Clearstream, Luxembourg may approve for this purpose.

5. REGISTRATION OF TITLE

Registration of title to Notes in a name other than that of the Relevant Nominee will not be permitted unless Euroclear or Clearstream, Luxembourg or DTC, as appropriate, notifies the Republic that it is unwilling or unable to continue as a clearing system in connection with a Global Certificate or, in the case of DTC only, DTC ceases to be a clearing agency registered under the U.S. Securities Exchange Act of 1934, and in each case a successor clearing system is not appointed by the Republic within 90 days after receiving such notice from Euroclear, Clearstream, Luxembourg or DTC or becoming aware that DTC is no longer so registered. In these circumstances title to a Note may be transferred into the names of holders notified by the Relevant Nominee in accordance with the Conditions, except that Certificates in respect of Notes so transferred may not be available until 21 days after the request for transfer is duly made.

The Registrar will not register title to the Notes in a name other than that of the Relevant Nominee for a period of 15 calendar days preceding the due date for any payment of principal, premium (if any) or interest in respect of the Notes.

If only one of the Global Certificates (the **Exchanged Global Certificate**) becomes exchangeable for Certificates in accordance with the above paragraphs, transfers of Notes may not take place between, on the one hand, persons holding Certificates issued in exchange for beneficial interests in the Exchanged Global Certificate and, on the other hand, persons wishing to purchase beneficial interests in the other Global Certificate.

6. TRANSFERS

Transfers of book-entry interests in the Notes will be effected through the records of Euroclear, Clearstream, Luxembourg and DTC and their respective participants in accordance with the rules and procedures of Euroclear, Clearstream, Luxembourg and DTC and their respective direct and indirect participants, as more fully described under "*Clearing and Settlement Arrangements*".

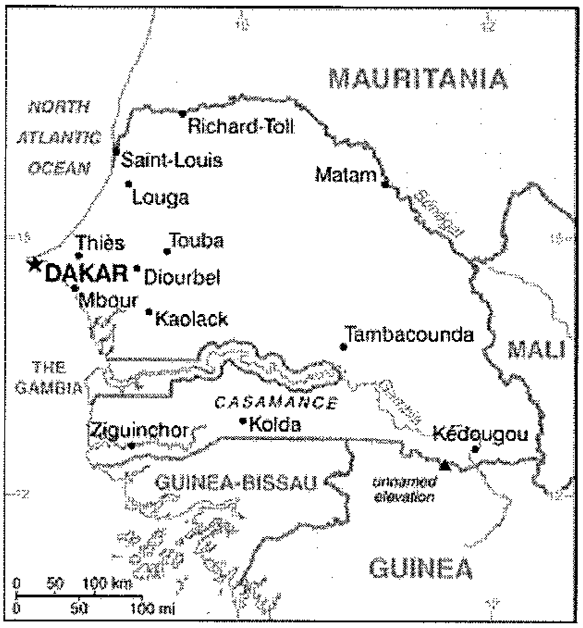
USE OF PROCEEDS

The net proceeds of the issue of the Notes, which amount to approximately US$499,250,000 after the deduction of underwriting commissions in connection with the issuance of the Notes, will be used by the Republic to repay the €150 million euro-denominated tranche, with Credit Suisse, London Branch, as lender, of the Republic's outstanding syndicated loan entered into in December 2013 and January 2014 (see "*Public Debt*"). The remainder will be applied by the Republic to priority public investment projects including projects in the electricity and transportation infrastructure and services sectors.

REPUBLIC OF SENEGAL

Location and Geography

Senegal is located on the westernmost point of the African continent on the Atlantic coast. The Republic occupies 196,722 square kilometres and is bordered in the north by Mauritania, in the east by Mali, in the south by Guinea and Guinea-Bissau, in the west by The Gambia and by the Atlantic Ocean on a 531 kilometre coastline. The capital city, Dakar, is on a peninsula situated on the western coast with a land area of approximately 500 square kilometres. The Republic's terrain is flat with sandy soil not exceeding 130 metres in altitude with the exception of the south-eastern border near Guinea. The Republic's three major rivers (the Senegal River in the north (1,641 kilometres in length), the Gambia River (1,120 kilometres in length) and the Casamance River (300 kilometres in length) in the south) flow from east to west. The climate is tropical, hot and humid with an average daily temperature of 17°C/63°F in the dry season (November to June) and 27°C/82°F in the wet season (July to October). The landscape is characterised by three types of vegetation: forest in the south, savannah in the interior and steppe in the north (all information from the CIA World Factbook).



Source: CIA World Factbook

History

Archaeological findings indicate that Senegal has been inhabited since prehistoric times. Islam was established in the Senegal River valley in the 11th century and the country's inhabitants remain predominantly Muslim to this day. In the 13th and 14th centuries, the area came under the influence of the Mandingo empires to the east. Much of the region then came to be controlled by the Jolof Empire, which developed an organised political system that persisted well into the 15th century. Trade links with Europe began to be established around this time, initially by the Portuguese, who were soon followed by the Dutch, British and French. During the 17th and 18th centuries, the main trading activities were the export of slaves and of gum arabic. Groundnut cultivation, the foundation of Senegal's modern economy, began in the mid-19th century. The French expanded their occupation of Senegal and instituted colonial rule during the governorship of General Louis Faidherbe (1854-65). The French eventually incorporated Senegal into French West Africa, which had Dakar as a capital. In 1946, Senegal became a French overseas territory. On 4 April 1960, Senegal and the French Sudan (now Mali) were granted independence and formed the Federation of Mali, which became a sovereign state on 20 June 1960. However, on 20 August 1960, the Legislative Assembly of Senegal proclaimed Senegal's national independence and announced its withdrawal from the federation. On 5 September 1960, Léopold-Sédar Senghor was elected President and Mamadou Dia became Prime Minister.

Dia was ousted by a motion of censure in 1962, marking the culmination of a political crisis opposing him to President Senghor. Senghor's power was consolidated as both the chief of state and head of the executive branch as a consequence of the diminution of the powers of the office of Prime Minister. After being re-elected three times, Senghor resigned as President at the end of 1980. Abdou Diouf, then Prime Minister, succeeded him by virtue of the Constitution.

Abdou Diouf was president from 1981 to 2000. Under President Diouf, Senegal formed with The Gambia the confederation of Senegambia on 1 February 1982. However, the envisaged integration of the two countries was never carried out, and the union was dissolved in 1989. The conflict with the MFDC separatist movement in the southern region of Casamance also began during Diouf's presidency with sporadic outbreaks of violence in the region and suppression by the Senegalese army (See "*Risk Factors–Risks related to the Republic of Senegal—Senegal's Casamance region is politically unstable*").

President Diouf and the PS, which had dominated Senegal's politics since independence, were defeated in the presidential election of 2000 by the PDS opposition leader Abdoulaye Wade with 58.5% of the vote. President Wade and the PDS succeeded in winning elections in 2007. During the 2012 presidential election, President Wade faced a presidential run-off, following the first ballot, against his former Prime Minister Macky Sall of the *Alliance pour la République* (APR) party, who won the run-off on 25 March 2012 with 65.8% of the vote.

Macky Sall took the oath of office as the fourth president of the Republic of Senegal on 2 April 2012 and appointed as Prime Minister the banker Abdoul Mbaye, who assumed leadership of a government restricted to 25 ministers. In September 2013, Aminata Touré, the outgoing Minister of Justice, replaced Abdoul Mbaye as Prime Minister. Ms Touré remained prime minister until the first week of July 2014, when, following the ruling APR party' poor showing in the 29 June 2014 nationwide local elections, President Sall replaced her as prime minister with Mohammed Dionne, who had been previously been in charge of the implementation of the *Plan Sénégal Emergent* (PSE).

Population, Education and Health

Population

According to the latest census of the population conducted in 2013 by ANSD, the population of Senegal is estimated at 12.87 million inhabitants and had an annual growth rate of 2.5% over the 2002-2013 period.

Senegal is currently characterised by a very young population. According to ANSD, half of Senegal's population is under the age of 18, while children under the age of 15 represent 42.1% of the total population. Individuals aged 65 years and over account for 3.5% of Senegal's total population. As a result, the dependency ratio is very high, corresponding to 84 inactive persons for every 100 active persons.

According to ANSD, more than half of Senegal's population lives in rural areas (54.8%) and nearly half of the urban population (49%) lives in the Dakar metropolitan area. According to ANSD, the population of the Dakar region was approximately 2.96 million in 2013, that is about 23% of the total population on less than 0.5% of the territory. Other major cities include Thiès, Touba, Diourbel, Mbour and Saint Louis.

According to the CIA World Factbook, approximately 94% of Senegal's population is Muslim, approximately 5% is Christian and approximately 1% holds indigenous beliefs. The Wolof and the Pular make up the largest ethnic groups, constituting approximately 43.3% and 23.8% of the population, respectively. The remaining population consists of Serer (14.7%), Jola (3.7%), Mandinka (3.0%), Soninke (1.1%), European and Lebanese (1%) and others (9.4%).

In 2012, Senegal's HDI value was 0.470, in the low human development category, positioning the country at 154 out of 187 countries and territories. Between 1980 and 2012, Senegal's HDI value increased from 0.322 to 0.470, an increase of 46% or an average annual increase of about 1.2%. The HDI is developed by the UNDP and provides a summary measure for assessing long-term progress in three basic dimensions of human development: a long and healthy life, access to knowledge and a decent standard of living.

The table below sets out selected comparative macroeconomic and demographic statistics for 2012 (unless otherwise indicated) for Senegal and for certain other countries:

	Senegal	Côte D'Ivoire	Kenya	Nigeria	South Africa	United States
GNI per capita (current US$)(1)	1,030.0	1,220.0	870.0	2,490.0	7,460.0	52,340.0
GDP growth (annual %)	3.5	9.5	4.6	6.7	2.5	2.8
Population growth (annual %)	2.9	2.3	2.7	2.8	1.3	0.7
Life expectancy at birth (years) (male/female)	62/65	50/51	59/63	52/52	54/58	76/81
Primary school enrolment (% net)	73.0	62.0(2)	82.0(2)	59.0(3)	85.0	92.0
Mortality rate, under-5 (per 1,000 live births)	60	108	73	124	45	7

(1) GNI per capita (formerly GNP per capita) is the gross national income, converted to US dollars using the World Bank Atlas method, divided by the midyear population. The World Bank Atlas method of conversion is used by the World Bank to smooth fluctuations in prices and exchange rates. The World Bank Atlas method applies a conversion factor that averages the exchange rate for a given year and the two preceding years, adjusted for differences in rates of inflation between the country and countries in the Euro zone, Japan, the United Kingdom and the United States.

(2) Figures for 2009.

(3) Figures for 2010.

Source: World Bank, World Development Indicators database, 2012 (unless otherwise indicated).

Education

According to ANSD, as of 2011, the literacy rate in Senegal for people over 15 years of age was 52.1% (66.3% of men and 40.1% of women). Article 8 of the Constitution provides a right to education, which is compulsory from the ages of 6 to 16, but the provision of formal education in Senegal continues to be constrained by management and structural issues, as well as under-capacity. The DPRE estimates that, in 2013, 16.5% of primary school classrooms in Senegal were in private schools, the remainder being in free public schools.

Significant efforts have been made in recent years to improve education levels and develop skills among the population. Enrolment statistics have steadily improved, with increases in pre-primary, primary and secondary net and gross enrolment rates. Senegal's net primary school enrolment rate remained approximately 73% in 2012, according to the World Bank. According to ANSD, Senegal's gross pre-primary enrolment rate increased from 8.0% in 2006 to 12.1% in 2013. The gross primary school enrolment rate increased from 83.4% in 2006 to 93.0% in 2013. The primary school completion rate remains relatively low, despite an increase between 2006 and 2013 from 49.7% to 65.9%.

Suboptimal enrolment rates coupled with a high dropout rate (9.8% in 2012, according to DPRE estimates) represent obstacles to progress. While Senegal's pupil-teacher ratio has decreased significantly in recent years, from 51 pupils per teacher in 2000 to 36.6 pupils per teacher in 2013, according to the DPRE, it remains high. These figures are more than double those in most emerging countries, where the ratio in 2013 typically ranged between 15 and 25 pupils per teacher, according to the DPRE. Efforts to improve technical and vocational training remain insufficient.

Higher education has witnessed significant growth in student enrolment, which, in 2012, was estimated at approximately 122,970 students. The number of new graduates increased from 29,908 in 2010 to 42,000 in 2012, of whom 40.9% were women. The significant influx in enrolment has posed problems for public universities forced to accommodate growing numbers of students, notwithstanding the emergence of private institutions. Despite the creation of new public universities (Bambey, Thiès, Ziguinchor) designed to alleviate overcrowding at the existing public universities and the growth of Gaston Berger University, Cheikh Anta Diop University remains overcrowded. In 2011, the Dakar region held 78.7% of Senegal's universities (public and private) and 82.8% of Senegal's public university students. Senegal's public university system continues to face difficulty accommodating the growing demand every year.

Health

Standards in the provision of medical and health services in Senegal are slowly improving under the direction of the Ministry of Health but generally fall significantly below the WHO's recommendations, in particular with respect to medical infrastructure coverage and the availability of qualified practitioners. This problem is particularly acute in Senegal's rural areas, where the availability of medical and health services, including practitioners and facilities, remains substandard and inconsistent. The number of physicians in the public sector reported by the ANSD in 2009 was 205, with more than a third of them located in the region of Dakar and only 1,361 nurses, 606 midwives, 41 nurses' aides and 269 skilled technicians. Senegal had 34 hospitals, although two of these were not functioning as of 2010. This equated to one hospital for every 495,598 people. There were also 78 health clinics, or one clinic for every 152,492 people. Of the total of 103 hospitals and health clinics, 28 are in Dakar and a further 27 are located in the next three largest cities. Access to health care by the poorest segments of the population, who lack medical insurance, is a key issue facing Senegal. Currently, only one in five Senegalese has access to healthcare.

According to the World Bank, in 2012, life expectancy at birth was approximately 62 years for men and 65 years for women. Malaria remains the leading cause of death in Senegal, despite a significant decline in the malaria morbidity rate in recent years (from 39.7% in 2000 to 3% in 2013 according to the Continuous Demographic and Health Survey) due to significant efforts to combat the disease. Cardiovascular disease, which has been largely neglected in favor of combatting communicable diseases, has become a major public health problem in Senegal.

According to the World Bank, the adult HIV/AIDS prevalence rate in Senegal was 0.5% in 2012, which is below the current average for other countries in West Africa. The government has implemented programs providing for free access to antiretroviral drugs. Efforts in recent years have led to a 50% reduction in new cases on an annual basis between 2001 and 2012. To combat HIV/AIDS, Senegal has a multi-sector strategic plan for the 2011-2015 period, which focuses on prevention and treatment and the attainment of MCGs. The plan's objectives include the provision of universal access to prevention and treatment services, the elimination of mother-child transmission, the maintenance of a prevalence rate below 1%, and the provision of treatment to 80% of persons living with HIV/AIDS.

Child mortality rates, regardless of cause of death, have declined significantly since 2000. According to the World Bank, the morality rate (under 5) decreased from in 139 per 1,000 live births in 2000 to 60 per 1,000 live births in 2012. This decrease is partly attributable to a significant improvement in national vaccination coverage, which increased from 59% of children aged 12-23 months in 2005 to 70% in 2011. According to DHS-MICS, the rate of chronic malnutrition in children under five years old decreased by half between 2000 and 2011, from 30% to 16%. According to the World Bank, the maternal mortality rate was 320 deaths per 100,000 live births during in 2013, a decrease of 24% from 2005. However, at this rate, the Government does not expect the MDG target of 127 deaths per 100,000 live births by 2015 to be met. Nevertheless, efforts have been made toward improving maternal heath, with the proportion of births attended by skilled health practitioners increasing from 49% in 1999 to 65.1% in 2010-11, according to EDS-MICS (2011).

According to the Ministry of Health, in 2012, only 13.6% of Senegalese citizens who are not eligible for compulsory medical coverage or otherwise recipients of public medical coverage (who comprise 80% of the Senegalese population) had private medical coverage through mutual health organisations, prompting the Government to launch, in September 2013, a universal healthcare initiative, the *Couverture Maladie Universelle* (CMU), designed to guarantee all Senegalese citizens access to a minimum level of healthcare. In order to reach this goal, the Government has budgeted XOF 5 billion for the programme in 2014 and will continue to allocate funds to this programme in the coming years. The CMU, operated through mutual health organisations, will also provide free healthcare to children under five years old and the elderly through the renewed "Plan Sésame" a State-sponsored programme that aims to provide access to health care services to all citizens over age 60. Low-income families that benefit from the Government's "family safety" grant will participate in the health insurance plan at a rate of XOF 5,000 per family per year. Through the CMU, the Government expects to increase the rate of healthcare coverage by mutual health organisations to 65.5% of the relevant Senegalese population by 2017.

Political System

The first constitution of Senegal was adopted on 24 January 1959 on its integration into the Federation of Mali, but was later replaced after the dissolution of the Federation of Mali by the constitution of 26 August 1960. After the fallout in 1962 between the then-President Senghor and Dia, the Prime Minister, the constitution was once again amended on 7 March 1963, removing the position of Prime Minister and establishing a presidential regime. As a result, Senegal became a de facto one-party state in the mid-1960s under the ruling *Union Progressiste Sénégalaise* (UPS), led by President Senghor. Through a series of amendments to the constitution, in 1974 multi-party politics was restored. The political system continued to be dominated, nonetheless, by the UPS, renamed the *Parti Scocialiste* (PS), through the presidencies of President Senghor and President Diouf and the legislative elections in the 1970s and 1980s. The 1988 elections, won by the PS, triggered rioting in the capital, Dakar, amid allegations of electoral fraud. Opposition leader Abdoulaye Wade of the *Parti Démocratique Sénégalais* (PDS) was arrested and briefly imprisoned. Political tensions eased in the following years and, under pressure from foreign governments, in 1991 President Diouf formed a multi-party coalition, which brought in several opposition leaders, including Mr. Wade. Although President Diouf was re-elected in 1993, political turmoil continued as the balance of power began to slowly shift away from the PS with the PDS increasing its representation in the National Assembly. In January 1994 rioting broke out in Dakar after the devaluation of the CFA franc led to sharp price increases.

A new unity government was formed in 1995, when Mr. Wade and several other opposition politicians were given ministerial posts. Prior to the May 1998 legislative election, former PS interior minister Djibo Ka left the PS to form the *Union pour le Renouveau Démocratique* (URD) party and around the same time Mr. Wade and his colleagues resigned from their ministerial posts. The opposition gained momentum from the splintering of the PS and rallied the electorate towards Mr. Wade's victory in the presidential election in 2000. After President Wade's election in 2000, a new Constitution was adopted by referendum (passing with a 94% majority) on 7 January 2001. The Constitution was amended several times thereafter, in particular to increase the President's political influence. The Senate was abolished in 2001, re-established in 2007 and then abolished again in September 2012. During the 2012 presidential election, President Wade faced a presidential run-off, following the first ballot, against his former Prime Minister Macky Sall of the APR, who won the run-off on 25 March 2012 with 65.8% of the vote. Mr. Sall took the oath of office as the fourth President of the Republic of Senegal on 2 April 2012.

Despite a powerful presidential regime, Senegal remains one of the most stable democracies in Africa, according to the CIA World Factbook.

Political Parties

Although a multi-party system since the mid-1970s, Senegal's political scene has been dominated by two main political parties, the PDS and the PS. Since the transition of power from the PS to the PDS in the 2000 elections, the dominance of political parties has largely been supplanted by the politics of large coalitions.

During the legislative elections of July 2012, *Benno Bokk Yaakar* (BBY), a coalition led by Moustapha Niasse supportive of President Macky Sall won against a sharply divided PDS. The BBY coalition claimed a wide victory, winning 119 of 150 seats in the National Assembly. As a result of this victory, President Sall secured support within the National Assembly of not only an absolute majority but also the three-fifths majority required to approve amendments to the Constitution. Former President Wade's PDS party won 12 seats, while the *Bokk Guiss Guiss* party, comprised of liberal dissidents, won four seats. On 30 July 2012, Moustapha Niasse was elected president of the National Assembly.

Shortly before the planned Senate elections in September 2012, President Sall decided on 28 August 2012 to introduce a draft constitutional law to abolish the Senate and return to a unicameral chamber. The draft, rejected at first reading by the Senate on 14 September 2012, was finally approved by the National Assembly on 19 September 2012, with immediate effect.

Executive Branch

The President

The President is elected by direct universal suffrage upon a majority vote in two rounds for a term of seven years. In October 2008, the Parliament voted to amend the Constitution to extend the term to seven years after having been reduced to five years in January 2001. A two-term limit applies to the President. The current President, Macky Sall, was elected on 25 March 2012 with 65.8% of the votes. In the event of the death of the President, the president of the National Assembly fulfils the role of President and must organise presidential elections between 60 and 90 days after the *Conseil Constitutionnel* confirms the vacancy of the executive office.

Under the Constitution, the President is vested with a number of duties and powers. Among other things, the President guarantees the operation of public institutions, national independence and the integrity of the territory. In furtherance of these duties, the President is commander-in-chief of the armed forces. In addition, the President appoints civil service employees.

The nation's policies are determined and its laws promulgated by the President. The Prime Minister is appointed and dismissed by the President, and the President appoints the members of the Government based on a proposal by the Prime Minister. The President and the Government develop specific policies together, while the Government has the power to propose laws to further such policies. If the laws are adopted by the Parliament, they are enacted by signature of the President.

The President appoints by decree the members of the *Conseil Constitutionnel*, the court responsible for validating the constitutionality of laws for a non-renewable term of six years. The President also appoints the 80 members of the Economic, Social and Environmental Council.

The Government

The Government, consisting of the Prime Minister, his ministers and their respective ministries, is accountable to the President and the Parliament through written and oral questions and the censure right of the Parliament and conducts state policy in conjunction with the President. The Prime Minister is the head of the Government and is appointed by the President. The remaining ministers are proposed by the Prime Minister and appointed by the President. The Prime Minister supervises the work of the Government and the execution of Senegal's laws. The current Prime Minister is Mohammed Dionne, who was appointed in July 2014. The Constitution prohibits the appointment of ministers who are members of Parliament and ministers are not permitted to conduct any other paid professional work in the public or private sector. The Government's primary purposes are to put into practice public policies and to apply the budget adopted by Parliament.

Legislative Branch

Senegal's Parliament currently consists of a unicameral chamber known as the National Assembly. The former upper house of Parliament, known as the Senate, was abolished in September 2012.

The National Assembly has 150 seats, and its members (known as deputies) are elected by universal suffrage (90 by majority vote and 60 by proportional vote) for five years. The next presidential election is due to be held in 2019 while the next parliamentary election is due to be held in 2017. The President of the National Assembly is elected for a term of one year by the members of the National Assembly. The current president of the National Assembly is Moustapha Niasse.

Parliament is in session from October to June.

The current Constitution, in force since 2001, has been amended numerous times. The most significant amendments include changes in 2006 to postpone the legislative elections to 2007 and increase the number of seats in the National Assembly from 120 to 150. In 2008, the constitution was amended again to extend presidential terms from five to seven years.

Parliament monitors the Government's activities through written and oral questions and the National Assembly can also pass a vote of censure on its own initiative or a vote of no confidence at the request of the Prime Minister, in which case the Prime Minister must immediately tender his resignation to the President.

Passage of Laws

Both the Government and the Parliament have the authority to propose draft laws: *projets de loi* come from the Government and *propositions de loi* come from Parliament. The *projets de loi* and *propositions de loi* are adopted pursuant to the same procedure. There are two principal types of law in Senegal. The Constitution provides for organisational laws (*lois organiques*) which are intended to clarify or complete constitutional measures. They are a part of the constitutional order and are of a higher importance than ordinary laws (*lois ordinaires*). After a draft law is submitted, Parliament votes on it. Organisational laws must be approved in the National Assembly by more than 50% of all deputies, while ordinary laws must be approved by more than 50% of the deputies present and voting. Approval of three-fifths of the members constituting the National Assembly is required for approval of amendments to the Constitution.

Following approval by Parliament, laws are then promulgated by the President. The President may refuse to promulgate a law and ask the National Assembly to re-examine certain provisions of a law. A law re-examined by the National Assembly must be approved by three-fifths of the members of the National Assembly. If the President still refuses to promulgate a law, the law is submitted to the *Conseil Constitutionnel* which checks the conformity of the law with the Constitution. If the *Conseil Constitutionnel* decides that it conforms, then the President must promulgate such law.

Finance Laws

Following preparation by the Minister of Finance (see "*Public Finance–National Budget*"), Parliament discusses and approves the annual finance bill (including the national budget), which must be filed with the office of the National Assembly, on or prior to the first day of the ordinary session of Parliament. The Parliament has a maximum of sixty days to approve the draft finance laws. If, as a result of an absolute necessity, the President is not able to file the annual finance bill in sufficient time in order for the Parliament to meet the required deadline, the ordinary session of Parliament is automatically extended until the adoption of the finance law. The National Assembly must vote within thirty-five days after the filing of the draft law. When the text is adopted, the law is immediately passed on to the President for promulgation. This initial budget law (*loi de finances initiale*) may be amended, if needed, over the course of the year by one or more "*lois de finances rectificatives*".

If the annual finance law has not been promulgated before the beginning of the financial year, the President is authorised to prescribe the continuation of the collection of the existing taxes and to renew by decree the services previously voted for.

Judicial Branch

The judicial system in Senegal is divided into the *Conseil Constitutionnel*, the *Cour Suprême*, the *Cour des Comptes*, the *Haute Cour de Justice*, appeal courts and the lower courts.

The *Conseil Constitutionnel* is, together with the *Cour Suprême*, one of the highest courts of Senegal. It is responsible for the protection of constitutional and legal rights, for resolving jurisdictional disputes between the executive and the legislative branches and for regulating the election process. Decisions of the *Conseil Constitutionnel* cannot be appealed. The *Conseil Constitutionnel* is composed of five judges (*sages*) appointed for terms of six years by the President. The terms of a maximum of two judges (not including the president and the vice-president of the *Conseil Constitutionnel*) can be renewed in any two year period. The members of the *Conseil Constitutionnel* cannot be removed prior to the expiration of their terms. The *Conseil Constitutionnel* has the power to determine the conformity of laws with the Constitution and can veto proposed laws that are deemed to be unconstitutional before they come into force. There are two ways in which it may be called upon to engage in a constitutional review. First, it may be requested by the President, or a proportion exceeding 10% of the deputies of the National Assembly to review the constitutionality of a law or proposed law. Second, the *Conseil Constitutionnel* may hear judicial review cases brought by any person referred to it by the appeal courts.

The *Cour Suprême* is the highest administrative and judicial court and forum for judicial review of activities of the President, the Government and other public bodies and the highest appeal court for litigation relating to electoral rolls and regional and municipal elections. It also has an advisory role, in that the President, Parliament and the Government may refer drafts of laws and regulations to it for legal advice. In addition, the *Cour Suprême* reviews on appeal judgments handed down by the appeal courts and tribunals. The magistrates of the *Cour Suprême* are professional judges appointed by the President after consultation with the CSM.

The *Cour des Comptes* is responsible for controlling public finances. It has the jurisdiction to audit the accounts of governmental and other public and quasi-public bodies. It adjudicates on all conflicts arising from the audits of these bodies, presents reports to Parliament and to the Government and may impose disciplinary sanctions and penalties on the relevant authorities, notwithstanding possible criminal investigations and prosecutions.

The *Haute Cour de Justice* rules on allegations of treason or breach of oath made against the President and allegations of crimes or conspiracy against the security of the Republic made against the Prime Minister and the ministers. Its eight judges and eight substitute judges are elected by the National Assembly. The other members of the *Haute Cour de Justice* are the president of the *Cour Suprême*, who chairs the court, the president of the Criminal Division of the *Cour Suprême* and a deputy chairman.

The lower courts comprise the 33 departmental courts, which hear criminal, family and minor commercial cases. Appeals from the departmental courts are heard by one of the 11 regional courts, which also rule in the first instance on certain substantial civil and commercial matters, certain serious criminal offences and offences committed by minors. There is also a system of employment tribunals.

Judicial Reform

On 28 October 2013, the Government presented to Parliament a roadmap detailing planned reforms in the area of local governance that are designed to bolster development at a local level. The organisation of the judicial system will be modified, with the creation of higher courts and lower courts replacing regional and departmental courts. This modification of the judicial system will be accompanied by an overhaul of the system for allocating competence between jurisdictions, so as to ensure that cases are handled swiftly and locally. The judicial reforms will also accelerate the digitisation of materials and information and create an electronic network, which will significantly reduce delays in the delivery of judicial decisions and other legal documents. The reforms introduced by the Government also aim to enhance the protected status of magistrates. The new law provides for an increase in the number of magistrates elected to the CSM, with four members elected for renewable two-year terms by the magistrates composing the council. The reforms will also bolster the guarantee of the protection of personal freedoms through amendments to the penal code and the criminal procedure code, which were finalised and submitted to the National Assembly in late 2013. In order to improve working conditions, the courts will be housed in more functional premises and a new National School of the Judiciary will be built by 2015. Furthermore, to face the growth in Senegal's prison population and in order to improve prison conditions, prisons will be refurbished and a modern penitentiary accommodating 1,500 inmates will be built in Sébikotane. The same facility will house the National Prison Administration Training School.

Local Authorities

Senegal is divided into 14 regions each administered by a governor. Senegal is further divided into administrative areas of 52 administrative departments (*départements*) which are sub-divided into 156 districts (*arrondissements*). The *départements* are administered by *préfets* and each *arrondissement* is presided over by a *sous-préfet*. Villages or neighbourhoods constitute the smallest regions of administrative authority; and are administered by village or neighbourhood chiefs, respectively. Governors, *préfets* and *sous-préfets* are appointed by the President, whilst village and neighbourhood chiefs are appointed by *préfets*.

Following a series of laws passed in 1996, there has been a gradual devolution of powers to these local authorities, which perform functions in the areas of education, health, public utilities and housing. Law N896-07 of 22 March 1996, as amended, which began the process of the devolution of certain powers, provided that the Government must provide local authorities with financial resources at least equivalent to the financial obligations arising out of the transfer of power to local authorities. In practice, the financial resources have been attributed to local authorities through a subsidy in an amount equal to a certain percentage of the VAT collected by the state. The percentage is revised each year after taking into account the progress of the transfer of power (see "*Public Finance—The Budget Process—Local Authorities*"). However, many local authorities still do not have the resources necessary to exercise the functions transferred to them by the laws passed in 1996. As part of its programme of devolution of power to the localities, Senegal therefore intends to progressively increase the resources of local authorities in tandem with the increased needs of local authorities. Devolution is expected to benefit the public finances in the long-term as the cost of providing public services is transferred. The Government's *Programme de Renforcement et d'Equipment des Collectivités Locales*, aimed at strengthening the financial resources of local authorities, was substantially completed in 2013. The programme has cost XOF 87.2 billion, of which XOF 47 billion was funded by the World Bank and XOF 10 billion by the AFD.

On March 19, 2013, the Republic launched the third phase of its decentralisation policy, known as the "*Acte III de la Décentralisation*" (Third Act of Decentralisation). The main objective of this reform is to organise Senegal into viable, competitive territories which encourage sustainable development at the local level. This reform has four key objectives: anchoring territorial coherence for a transformed administrative architecture; clarifying the division of authority between the state and the local governments; developing the contractual arrangements between those two levels of decision-making; and modernising public territorial management, specifically local finance oversight and human resources. Pursuant to decree N° 2013- 581 dated April 29, 2013, a national steering committee has been launched in order to monitor the implementation of this reform. Law n°2013-10 dated December 28, 2013 (which repeals and replaces law n° 96-06 dated March 22, 1996, law n°96-07 dated March 22, 1996 and law n° 96-09 dated March 22, 1996) also established a new *Code Général des Collectivités Locales*. Pursuant to this law, the organisation of regions into local authorities has been eliminated; instead, local authorities are created at the departmental level. Moreover, the allocation of powers between the departmental authority and the municipality has also been clarified.

Legal Framework

As a former French colony, Senegal derives many of its fundamental legal texts and customs from the French civil law system. The primary sources of law in Senegal are the Constitution, international treaties, legislation passed by the Parliament and governmental decrees. Since 1908, the legal texts of Senegal have been published in an official gazette. This gazette, entitled the *Journal Officiel de la Republique du Senegal*, is published by the General Secretariat of the Government.

As in most former French colonies, the French Civil Code of 1804 is the basis for non-criminal aspects of the legal system. The civil code was introduced in French colonies in 1833. It comprises the basic family, inheritance, trust, tort and contract law and the basic rules regarding the status of persons and is the basis of a variety of different codes today in Senegal including the Family Code, the Nationality Code and the Code of Civil and Commercial Obligations.

Business law is also influenced by Senegal's membership in the OHADA which was created on 17 October 1993. With 17 member countries, the primary goal of OHADA is to harmonise laws in the area of business and commercial law. Senegal's law in these areas is derived directly from the OHADA regulation and therefore complies with OHADA's harmonisation requirements. In addition, the OHADA treaty has created a supranational court to ensure uniformity and consistent legal interpretation across the member countries. Senegalese companies are accordingly subject to the jurisdiction of this court.

The government of President Macky Sall has, since 2012, made good governance and transparency in the management of public affairs a priority. The Government has thus reactivated the law against illicit enrichment enacted in 1981 under President Abdou Diouf to fight corruption among government officials and civil servants. In May 2012, President Macky Sall issued a decree appointing the members of the Court of Repossession of Illegally Acquired Assets, or *Cour de Répression de l'Enrichissement Illicite* (CREI), called for by the 1981 law. On the basis of allegations of serious corruption committed while President Abdoulaye Wade was in office, the CREI has initiated proceedings against several former government officials and high ranking civil servants, including Mr. Karim Wade, the son of former President Abdoulaye Wade who served in his father's government. As of the date of this Prospectus, Mr. Karim Wade has been in prison for approximately one year and is expected to be tried on 30 July 2014.

Legal Proceedings

ArcelorMittal Arbitration Proceedings

In 2007, ArcelorMittal Holdings AG entered into an agreement with the State of Senegal relating to an integrated iron ore mining and related infrastructure project. ArcelorMittal announced at the time that implementation of the project would entail an aggregate investment of $2.2 billion. Project implementation did not follow the originally anticipated schedule after initial phase studies and related investments. In May 2011 the State of Senegal commenced an arbitration before the Court of Arbitration of the International Chamber of Commerce, claiming breach of contract and provisionally estimating damages of US$750 million. In September 2013, the arbitral tribunal issued its first award ruling that Senegal is entitled to terminate the 2007 agreements and that a new arbitration phase will be held relating to the potential liability of ArcelorMittal as well as the amount of any damages which could be awarded to Senegal. However, in early June 2014, the Minister of Mines of Senegal announced that a settlement had been agreed between Senegal and ArcelorMittal in late May 2014 whereby ArcelorMittal has agreed to pay US$150 million and to relinquish all project studies to Senegal.

Millicom—Sentel Arbitration Proceedings

In November 2008, MIO B.V. and Sentel, subsidiaries of the global telecommunications company Millicom instituted arbitration proceedings against the Republic of Senegal at the ICSID in Washington under provisions of Sentel's licence and international law. MIO B.V. and Sentel sought compensation for the purported expropriation of the Senegal licence and monetary damages for breach of the licence. The level of compensation claimed amounts to approximately US$200 million. In August 29, 2012, the parties settled their dispute amicably pursuant to an agreement amending and extending Sentel's license in Senegal against payment by Millicom of US$ 103 million to Senegal by December 2013.

Other Proceedings

In November 2013, French cement group Vicat filed an arbitration request against Senegal before the OHADA arbitration court, or *Cour commune de justice et d'arbitrage* (CCJA), in Abidjan, Côte d'Ivoire for breach of anti-competition rules in relation with the award of the Dangote Group cement project in Senegal.

In addition, in November 2012, MCF, a Portuguese construction company, initiated international arbitration proceedings against Senegal before the European Development Fund arbitration court in relation to the rehabilitation works of a portion of the Kaolack – Tambacounda road. The arbitration is seated in Dakar and the arbitral award is expected to be issued by February 2015.

The Instability in the Casamance Region

Casamance is the southern region of Senegal and is largely separated from the rest of the country by The Gambia. The region is culturally, ethnically and historically distinct from the remainder of Senegal, in part as it was subjugated by the Portuguese before being integrated into the French colony of Senegal in 1888.

A separatist movement has existed in Casamance both before and since Senegal gained independence from France in 1960. The separatists claim that Casamance accepted being subsumed into Senegal during independence in return for a promise by Léopold Senghor, the first president of Senegal, that after 20 years as part of Senegal, the region would be permitted its independence. In the early 1980s, when the Senegalese government refused to acknowledge these claims and it became clear that no move towards autonomy would be tolerated, independence demonstrations began. Since 1982, the MFDC has been fighting for an independent Casamance, first through popular protest, then since 1990 through a guerrilla war. Despite ceasefires and accords throughout the 1990s and improved security conditions, a lasting peace has not been achieved and over 60,000 civilians have been displaced.

The peace accord signed between the Government and the MFDC in 2004 quelled unrest for a time, however, some within the movement saw the ceasefire as a betrayal and there was violence between two opposing factions within the MFDC for a brief period immediately thereafter. In December 2006, the situation deteriorated further with the murder of prominent political figure Oumar Lamine Badji, a close political ally of former President Wade. The killing was attributed to the MFDC by the Government at the time but there is still no evidence that members of the MFDC were responsible. Renewed violence in the region in 2009 and again in December 2010 and early 2011 between the MFDC and the Senegalese military led to further displacement of civilians and political instability in the region. In March 2011, the Government returned significant lands to the people of the Casamance region following internationally financed clearing of land mines in those lands.

Since President Sall's election in 2012, unrest has diminished amid a general pacification effort in the Casamance Region. Several initiatives have been launched under PRAESC in order to gradually secure a sustainable peace and reintegrate the population into a favourable economic and social environment that will promote long-term development, while respecting the particularities of the region. Such initiatives also include the launch of new development programmes in the region. See "*Risk Factors—Risks related to the Republic of Senegal—Senegal's Casamance region is politically unstable*".

Foreign Relations

Senegal's foreign policy is based on three fundamental principles: (i) the furtherance of Senegal's economic and social development; (ii) the promotion of peace between nations; and (iii) the strengthening of international cooperation. These principles apply to the distinct areas of policy regarding Africa and the rest of the world.

Africa

Senegal has been actively involved in regional peacekeeping operations in Burundi, Rwanda, the Central African Republic, the Democratic Republic of Congo, Côte d'Ivoire, Liberia, Sudan and recently in Mali. While Senegal's relations with its neighbouring countries have at times been volatile, it currently maintains generally positive relations with its West African neighbours.

Côte d'Ivoire

Côte d'Ivoire and Senegal share a commercial relationship reflecting their status as the largest and second largest economies in WAEMU, respectively. According to BCEAO estimates, 3.9% of all Senegalese exports in 2013 were destined for the Côte d'Ivoire, making it the third largest African recipient of Senegal's products. It was also the origin in 2013 of an estimated 2.3% of Senegal's imports.

Mauritania

After years of tense relations with Mauritania following a minor border incident in 1989 that led to riots in both countries in which hundreds of people died and thousands of Mauritanians were exiled from Senegal and Senegalese exiled from Mauritania, diplomatic relations between the two countries resumed in 1992. While tensions arose occasionally in subsequent years, Senegal's relationship with Mauritania has improved significantly since 2009, when, following a coup in Mauritania the previous year, Senegal hosted and successfully mediated negotiations that led to presidential elections. As part of the strengthening of the economic cooperation between Senegal and Mauritania, Senegal will be importing from Mauritania heating fuel oil-generated electricity, which will increase from 20 MW in late 2014 to 80 MW in 2015 and, from July 2016 onwards, natural gas-generated electricity.

Guinea-Bissau

In the past, relations with Guinea-Bissau have been complicated by the presence there of many refugees from Senegal's Casamance region, and by the Casamance separatists' use of Guinea-Bissau as a base of operations. However relations have improved since the 2012 coup in Guinea-Bissau, during which Senegal sent troops in to help stabilise the situation, and the subsequent presidential elections. In 2014, the newly elected president of Guinea-Bissau made an official visit to Senegal, during which he stressed the importance of close ties between the two countries and cooperation in the region.

Mali

Mali is Senegal's most active regional trade partner, with 14.7% of Senegal's exports in 2013 going to Mali according to BCEAO estimates. Dakar serves as the main gateway for Mali's exports and imports. These strong relations have been reaffirmed through productive diplomatic and military cooperation, particularly in the context of the 2012 conflict in northern Mali, when Senegal sent troops in to Mali under the AU and UN banners. There are also growing agricultural ties between the two countries.

Rest of the World

Senegal's policy is to foster broad-based foreign relations and it has opened economic offices in Paris, Brussels, Madrid, Washington and Beijing as part of an initiative to improve links with target countries.

France

As a former French colony, Senegal has maintained strong ties with France since independence. France is Senegal's most significant European trading partner and one of its largest trading partners overall. According to BCEAO estimates, in 2013, 17.7% of Senegal's imports came from France.

The United States

The United States is a key target in Senegal's attempts to diversify its international relations. This effort was bolstered by the official visit of President Barack Obama to Dakar in June 2013, conducted as part of his diplomatic trip to Africa, which also included official visits to South Africa and Tanzania. The United States provides economic and technical assistance through different agencies such as USAID and MCC.

In September 2009, MCC signed a five-year, US$540 million compact with Senegal designed to reduce poverty and invest in economic growth by unlocking the country's agricultural productivity and expanding access to markets and services. This goal will be achieved through the rehabilitation of major national roads and strategic investments in irrigation and water resource management infrastructure, with a focus on the peripheral northern and southern regions of Senegal. The Government has identified two national-level strategies: to reduce poverty in Senegal through economic growth and to increase the country's food security. Both of these priorities have been facilitated through MCC's US$540 million compact. Currently, the following projects are being pursued, with completion expected in September 2015: an irrigation and water resource management project in the north of Senegal and the rehabilitation of the Richard Toll Ndioum and Ziguinchor – Vélingara roads.

In 2010, the Government of Senegal and USAID signed a cooperation programme of US$777 million for the 2010-2015 period. This programme is designed to promote education (US$78 million allocated), health (US$341million allocated), economic growth (US$321 million allocated), and democracy, good governance and the peace process in Casamance (US$36 million allocated). In 2013, USAID extended US$111 million to Senegal. In the field of education, the USAID programme extended reading training to over two million students and helped finance the construction of 17 academic establishments. Through its *Programme d'Eau Potable et d'Assainissement du Millénaire* (PEPAM), a XOF 21 billion drinking water and sanitation programme with specified objectives for both urban and rural areas to be achieved by 2015 and beyond, USAID recently helped to install in the Tambacounda, Kolda, Sédhiou and Ziguinchor regions 350 manual pump wells, eight large multi-village hydraulic systems and 4,000 traditional latrines in 70 schools and 39 medical centres.

China

Senegal's relations with China have improved significantly in recent years, in particular since the restoration of full diplomatic ties with China in October 2005. This improvement is illustrated by the official visit by

President Sall to China in February 2014. China and Senegal have strengthened their relations initiated in 2009 by a series of investment agreements and China has pledged significant financial support to Senegal. In 2013, China extended loans of approximately XOF 8 billion to finance the supplementary phase of construction of the "Boucle de Dakar" electricity network and approximately XOF 69 billion to help finance the Gouina hydroelectric project. China has also agreed to provide financing in respect of phase II of the E-Government project, the second phase of the national security network and the first phase of the extension of the electricity grid in Dakar and its suburbs. Since July 2012, China has provided to Senegal, through five economic and technical cooperation agreements, grants amounting to approximately XOF 28 billion as well as a XOF 3.2 billion interest-free loan in November 2013. These grants and interest-free loan are to be used to finance a number of existing and future projects, including, among others, the construction of a national wrestling arena and a primary school in Tivaouane Peulh, provision of hospital equipment, and the construction of the Confucius Institute at Cheikh Anta Diop University in Dakar. China is now Senegal's fourth largest provider of funding and its second largest trading partner after the European Union.

Iran

Prior to a diplomatic rupture in 2011 (see below), commercial relations with Iran had gradually strengthened over several years, as evidenced by the construction by Iran Khodro, an Iranian car manufacturer, of an assembly plant in Thiès, operational since 2008. The SENIRAN Auto plant in Thiès has a capacity of 11,000 vehicles per annum and has diversified its production output to include tractors and minibuses in addition to cars. Additionally, Iran and Senegal had initiated discussions to create a jointly-owned investment company as well as to open a branch of an Iranian commercial bank in Dakar, and numerous joint projects in the areas of infrastructure, energy, mines and agriculture, among others, were being contemplated. However, Senegal severed diplomatic ties with Iran in February 2011 upon the discovery of an illegal arms shipment to The Gambia, which was believed to be destined for the MFDC. This diplomatic rupture did not, however, affect the private investment of Iran Khodro. In 2013, the two countries restored diplomatic ties following discussions at the OIC summit in Cairo. Economic relations have since recommenced slowly, although it is expected that they will intensify significantly in the years to come in light of Iran's intention to make Senegal its port of entry into Africa.

Membership of International Organisations

Senegal is dependent on international organisations for a large part of its annual revenue. It has a number of framework agreements with large international organisations and less rigid agreements with other such organisations.

UN, World Bank and WTO

Senegal, along with a number of other newly independent former French colonies, became a member of the UN in 1960 and the World Bank in 1962, and is a member of IMF. Senegal has played a part in a number of regional peacekeeping missions under UN auspices (see "*–Armed Forces*"). It received its first funding from the World Bank in 1966 for a railroad project. See "*Public Debt–Relationship with Multilateral Lending Institutions and other External Creditors*" for information on Senegal's relationships with the World Bank and IMF. In addition, Senegal joined the WTO in 1995, having been a member of its predecessor, GATT, since 1963.

African Union

Senegal is one of 54 members of the AU, the successor to the Organisation of African Unity. The AU is modelled on the European Union and has had a common parliament since March 2004 when the Pan African Parliament was created. In addition, the AU aims to have a central bank, a court of justice, common defence and a single currency. Its day-to-day affairs are run by the AU Commission. All member states are supposed to pledge 0.5 per cent of their GDP to fund the AU. This would allow the AU to double its staff and make headway with the implementation of NEPAD. NEPAD is a vision and strategic framework for Africa, designed to address issues such as escalating poverty levels and underdevelopment in Africa. However, few member states comply with the funding requirement and so expansion remains unimplemented and the AU is reliant on donor support. In addition, many members are reluctant to make the necessary concessions regarding their sovereignty. The AU is however prepared to sanction military interventions which it does through its Peace and Security Council.

ECOWAS

Senegal is also a member of the ECOWAS, a regional grouping founded on 28 May 1975 with the signing of the Treaty of Lagos. ECOWAS is headquartered in Abuja, Nigeria and has 15 West African countries as members (Benin, Burkina Faso, Cape Verde, Côte d'Ivoire, Gambia, Ghana, Guinea, Guinea-Bissau, Liberia, Mali, Niger, Nigeria, Senegal, Sierra Leone and Togo). Its mission is to promote economic integration in all fields of economic activity, particularly industry, transport, telecommunications, energy, agriculture, natural resources, commerce, monetary and financial questions, and social and cultural matters. It was founded to achieve "collective self-sufficiency" for the member states by means of economic and monetary union creating a single large trading bloc. The very slow progress towards this aim meant that the treaty was revised in Cotonou on 24 July 1993, towards a looser collaboration. The ECOWAS Secretariat and the ECOWAS Bank for Investment and Development are the two main institutions to implement policies.

The ECOWAS nations signed a non-aggression protocol in 1990 and two earlier agreements in 1978 and 1981. They also signed a Protocol on Mutual Defence Assistance, in Freetown, Sierra Leone, on 29 May 1981, which provided for the establishment of an Allied Armed Force of the Community.

The ECOWAS Community Court of Justice was created by a protocol signed in 1991 and included in Article 6 of the Revised Treaty of the Community that came into existence in 1993. The Court legally came into being when the 1991 protocol entered into force on 5 November 1996. The jurisdiction of the Community Court of Justice, laid out in Article 9, Article 10 and Article 76 of the Revised Treaty, mandates the Court to rule on disputes between states over interpretations of the Revised Treaty and provides the ECOWAS Council with advisory opinions on legal issues. Like its companion courts the European Communities Court of Justice and the East African Court of Justice, it has jurisdiction over breaches of fundamental human rights.

WAEMU and BCEAO

WAEMU is an organisation consisting of eight West African states established to promote economic integration among countries that share a common currency, the CFA franc. WAEMU was created by a treaty signed at Dakar, Senegal, on 10 January 1994 by the heads of state and governments of Benin, Burkina Faso, Côte d'Ivoire, Mali, Niger, Senegal, and Togo. On 2 May 1997, Guinea-Bissau, a former Portuguese colony, became its eighth (and only non-Francophone) member state. The Central Bank of West African States (BCEAO) is the common central bank of the eight member states which form WAEMU. See "*Monetary System–The BCEAO*" for information on the BCEAO's role in WAEMU.

WAEMU is also a customs union and monetary union. Its objectives are greater economic competitiveness through open and competitive markets, rationalisation and harmonisation of the legal environment, convergence of macroeconomic policies and indicators, the creation of a common market, coordination of sectorial policies and harmonisation of fiscal policies.

ACP

Senegal is also a member of the ACP, an organisation created in 1975. It is composed of 79 African, Caribbean and Pacific states, with all of them, save Cuba, signatories to the Cotonou Agreement, also known as the "ACP-EC Partnership Agreement" which binds them to the European Union. There are 48 countries from Sub-Saharan Africa, 16 from the Caribbean and 15 from the Pacific. The ACP was originally created with the aim of fostering cooperation between its members and the European Community. The ACP has evolved to also cover agreements with the European Union in the areas of trade, economics, politics and culture.

Organisation of the Islamic Conference

Historically, Senegal has maintained favourable relations with the Arab Gulf states, in part because of its involvement in the Islamic community. Senegal is a member of the OIC and in 2008 was the host country for its 11th annual summit. Senegal was elected Chairman of the OIC at that summit. The OIC is an inter-governmental organisation which has a membership of 57 states and four observer members from four continents. The objectives of the OIC are stated to be the safeguarding and protection of the interests of the Muslim world in the spirit of promoting international peace and harmony.

IRENA

Senegal signed the Statute of the IRENA, which was established in Bonn on 26 January 2009. As of the date of this Prospectus, 148 states and the European Union have signed the Statute of IRENA, which has been ratified by 69 states. IRENA aspires to become the main driving force for promoting a rapid transition towards the widespread and sustainable use of renewable energy on a global scale. This treaty was ratified by Senegal on 19 October 2010 by the deposit of its instrument of ratification with IRENA.

IMF and PSI Programme

Senegal participates in the IMF's PSI, a programme that offers low-income countries that do not want, or need, IMF financial assistance a flexible tool that enables them to secure IMF advice and support without a borrowing arrangement. In particular, the PSI is intended for countries that show reasonable growth rates, low core inflation rates and an adequate level of international reserves, and which have begun to demonstrate the viability of their net domestic and external debt. The PSI is designed to promote a close policy dialogue between the IMF and a member country, normally through semi-annual IMF assessments of the member's economic and financial policies. This support from the IMF also delivers clear signals to donors, creditors, and the general public about the strength of the country's economic policies. The PSI is available to all PRGT-eligible countries with no current or prospective balance of payments need, that have broadly achieved and maintained a stable and sustainable macroeconomic position, consistent with strong and durable poverty reduction and growth, and that have institutions of sufficient quality to support continued good performance. The PSI is designed to support member countries in achieving the objectives of their PRS. Countries have the flexibility to specify policy objectives and design reform strategies that are tailored to their own economic conditions. In general, policies aim to consolidate macroeconomic stability and push ahead with structural measures to boost growth and jobs. These include measures to improve public sector management, strengthen the financial sector, or build up social safety nets. PSI is at the disposal of all the member countries admitted to benefit from the PRGT in particular those that established a PRS.

Over the course of its various review missions, the IMF has noted that programme implementation has remained satisfactory and that the quantitative criteria and indicative targets have been generally met for the relevant period, although certain benchmarks have at times been met after their respective deadlines. In its most recent PSI review, dated July 2014, the IMF noted the Government's significant efforts to improve the business environment, with a focus on facilitating the creation of new businesses and real estate transactions, accelerating the delivery of building permits, and the adoption of a new legal framework for PPPs as well as progress that has been made in the electricity sector with the implementation of major generation projects which should improve supply and reduce production costs.

Others

In early 2014, the EIB pledged nearly XOF 200 billion to help finance the PSE, becoming one of Senegal's key financing partners. Additionally, the EIB has extended XOF 12 billion in financing to Senegal to be used in the area of hydraulics and sanitation.

The AFD has pledged approximately XOF 475 billion toward the financing of the PSE, of which it has already contractually committed to provide approximately XOF 310 billion to help finance the PSE's first phase "priority actions" during 2014-2018 period. The funding will be used in the areas of agriculture, energy, transportation infrastructure, education and training and health. See "*Public Debt–Relationship with Multilateral Lending Institutions and other External Creditors*".

Senegal has also benefited from a significant amount of funding the Arab Bank for Economic Development in Africa (BADEA) characterised by highly concessional financing, technical operations assistance through non-reimbursable grants and other forms of support. Since BADEA and Senegal commenced relations in 1975, BADEA has provided over US$300 million in financing to Senegal, allowing for the implementation of significant projects in the areas of infrastructure, agriculture, water, sanitation and health, among others. Current BADEA financing includes a US$10 million loan provided in 2012 to finance the bulk of a water supply project in the Sine Saloum delta, which is currently in development. Additionally, over the past few years, BADEA has provided funding to Senegal in connection with the construction of the Joal-Samba Dia-Djiffère road, the provision of hospital equipment, sanitation works at the Cité Soleil, and the restoration and extension of irrigation in the Waoundé region.

Senegal is a founding member of the Community of Sahel-Saharan States, a regional economic community which was established on 4 February 1998 in Tripoli together with Libya, Mali, Chad, Niger, Sudan and Burkina Faso.

Armed Forces

The Senegalese armed forces are divided into the Army, the Navy (the *Marine Sénégalaise*) and the Air Force (the *Armée de l'Air du Sénégal*). According to the World Bank, Senegal's military spending represented 1.5% of GDP in 2010. The Senegalese armed forces rarely intervene in politics and have never attempted a coup d'état. Major engagements in the past include involvement in Operation Desert Storm and being invited into both The Gambia (in 1981) and Guinea Bissau (in 1998) to help prevent coups. The armed forces are currently involved with the UN Stabilisation Mission in Mali and the joint AU/UN Mission in Darfur and in the Central African Republic.

Country Ratings

In June 2014, S&P affirmed Senegal's long-term and short-term foreign and local currency sovereign credit ratings of B+ and B, respectively, noting that, while Senegal continues to have large (though narrowing) twin deficits and lack of monetary policy flexibility, its real GDP per capital growth is slowly accelerating and that it has strong governance compared to its similarly-rated peers.

In November 2013, Moody's affirmed Senegal's B1 rating and maintained its stable outlook.

To date, Senegal has not defaulted on its sovereign debt (domestic and external) following the restructuring obtained in 2006.

ECONOMY OF SENEGAL

Overview and Economic Policy

Senegal has the second largest economy in WAEMU (after Côte d'Ivoire). Senegal's principal industries include agriculture, tourism, telecommunications and construction and general commerce. Senegal's most significant imports include grains and cereals, such as rice, wheat and flour and crude oil. Senegal's significant exports include refined petroleum products, fish, groundnut products, cotton, gold, phosphoric acid and cement. Senegal has experienced continuous growth over the past several years, although the level of growth has fluctuated from year to year. In 2006, Senegal's real GDP growth fell to 2.4%, primarily as a result of low-yielding harvests, before recovering in 2007 and 2008 and then dropping again to 2.4% in 2009, mainly due to the effects of the global financial crisis. Despite rising to 4.2% in 2010, the real GDP growth rate fell to 1.7% in 2011 due to decreased agricultural production due to the effects of a severe drought in the Sahel. In 2012, despite a difficult international context marked by both the debt crisis in the Euro zone, a slowdown in the emerging markets and socio-political instability in Mali, real GDP growth rebounded to 3.4%. In 2013, the growth rate remained steady at an estimated 3.5% primarily as a result of growth in the telecommunications and construction sectors, despite a slowdown in the secondary sector, including low production rates in the mining industry.

In order to minimise such fluctuations and spur growth in the future, Senegal has sought to diversify its economy away from its traditional reliance on the groundnut oil industry and, in 2014, launched the *Plan Sénégal Emergent* (PSE), a 10-year strategic plan designed to further its aim of achieving emerging economy status by 2035 (see description below).

Senegal's economy is divided into three sectors—primary, secondary and tertiary—which follow global categorisations and not any economic prioritisation. The primary sector includes the production of raw materials and basic foods, the secondary sector comprises manufacturing, processing and construction, and the tertiary sector covers the service industry, including the tourism sector, financial services, real estate and business services. In 2013, the primary sector accounted for 14.2% of estimated nominal GDP, of which 48.0% related to agriculture, while the secondary sector represented 19.5% of estimated nominal GDP. The services, or tertiary, sector is now the largest sector of Senegal's economy, and accounted for approximately 47.4% of estimated nominal GDP in 2013, according to the latest DPEE estimates. Despite sustained growth since 2011, the primary sector continues to struggle due to inadequate infrastructure and vulnerability to poor weather conditions of the agricultural sector, which the Government is currently trying to address by diversifying the types and locations of agricultural activities. Competitiveness in the secondary sector remains constrained by financial difficulties affecting certain key industry players and decreased mineral commodity prices. Competitiveness in the tertiary sector is growing as Senegal's efforts to make business conditions more favourable are paying off. See *"—Principal Sectors of the Economy*".

Senegal's economic policy in recent years has focused on liberalisation and privatisation, together with economic and budgetary reform, under the guidance of the IMF through its PSI programme in particular (see "*Republic of Senegal—Membership of International Organisations—IMF and PSI Programme*"). In return, Senegal has benefited from significant debt relief (under both the HIPC and MDRI programmes – see "*Public Debt—Overview*"). The ensuing reduction in public debt enabled the Government to make structural investments in infrastructure and the social sectors, in particular education and health.

The Government of Senegal has developed an Accelerated Growth Strategy (SCA), an ongoing programme which has been in place since 2008, with the goal of facilitating economic growth and combatting poverty. The SCA sets out certain basic principles for creating an investment-friendly business environment as a prerequisite to private sector development. Based on the recommendations of the Integrated Framework for Trade Related Technical Assistance (a programme implemented by several multilateral institutions and the WTO), the SCA targets those segments of Senegal's economy believed to have the highest growth potential, including agriculture and fishing. Linking production to marketing and trade, the SCA contains detailed measures to diversify agricultural and agro-food produce in domestic, regional and international markets.

In December 2012, the Presidential Council for Investments (*Conseil Présidentiel de l'Investissement*) headed by President Macky Sall approved a three-year (2013-2015) Reform Program for the Improvement of the Business Environment and Competitiveness, or *Programme de Réformes pour l'Amélioration de l'Environnement des Affaires et de la Compétitivité* (PREAC), which aims to make Senegal one of the 10 most attractive countries in Africa so as to generate private investments with a high social and economic impact. Measures implemented to date under this programme include accelerating the procedure for setting up new businesses, computerising or suppressing a number of procedures to accelerate the delivery of building permits and facilitate real estate transactions, adopting a new legal framework for PPPs, and voting for and implementing a new, modernised OHADA corporate law. These reforms also include the reform of the tax and customs laws and procedures, as well as implementing through APIX a single-window scheme allowing enterprises to subscribe to the water, electricity, wastewater and telecommunications systems within 40 days.

As a result of these efforts aimed at improving the availability of financing and the business environment, Senegal joined the category of middle-income countries under the Atlas method, with a gross national income per capita for 2012 of US$1,030 according to the World Bank.

Plan Sénégal Emergent (PSE)

In January 2014, the Government launched a new development strategy designed to promote accelerated development and transform Senegal into an emerging economy by 2035. The plan is based on three pillars: (i) higher and sustainable growth and structural transformation through which Senegal will become a regional hub through improved infrastructure and private investment with a focus on developing targeted sectors; (ii) human development, with a focus on key social sectors and expanding the social safety net; and (iii) better governance, peace and security. The PSE sets forth certain benchmarks for the state's economic and social policies over the medium and long term. Over the next ten years, the PSE aims to effect a structural transformation of the economy, to diversify sources of economic growth, to place the economy on a sustainable growth trajectory of 7-8 % per annum, to multiply the per capita income by 1.5, to double the number of households living in the middle class and to triple exports by 2023. The PSE seeks to boost output from key industries, including agriculture, fishing and agro-business as well as the mining sector and tourism. The Government also plans to make Senegal a logistics hub for West Africa's market of approximately 300 million people. The Government calculates that the PSE will create 100,000 to 150,000 jobs per annum.

The core of the PSE is the "priority action plan", consisting in 17 major reforms and 27 major projects to be implemented over 2014–18, for a total cost of about US$19 billion. While the private sector is expected to contribute to the financing and implementation of the PSE, including through PPPs, a large part of the investment effort will be borne by the State budget. The PSE reaffirms the need to preserve fiscal sustainability, and therefore endeavours to keep the fiscal deficit on a downward trend. Accordingly, the State is pursuing internal efforts to increase revenue, streamline current expenditures and improve the efficacy of capital expenditures, while concurrently soliciting the financial support of bilateral and multilateral partners.

The State is engaged in an active investment promotion strategy to stimulate the development of high-growth sectors and promote the realisation of strategic capital-intensive projects through private funding or public/private partnerships. Additionally, the state is pursuing partnerships with large industrial groups and leading companies in strategic sectors, in addition to investment funds. With the aim to gain the commitment of all stakeholders and a significant mobilisation of public and private financial resources, internally and externally, from both public and private partners, the Government of the Republic of Senegal successfully organised, with technical support from the World Bank and the UNDP, an Advisory Group meeting (a round table with funders) on 24 and 25 February 2014 at the headquarters of the World Bank in Paris. To date, the State has secured pledges worth over US$7 billion from donors over the 2014-2018 period. The main contributors are expected to be multilateral and regional banks, including the World Bank, AfDB, IDB and BOAD. The EU, France, U.S. and China have also expressed strong interest. The projects given immediate priority include energy development, electrification of rural areas, construction of housing projects, improvement of rice production, restoration of railroads (Dakar-Bamako railroad) and airports, modernisation of ports, construction of warehouses and development of tourism.

A principal challenge for the success of the PSE is to acquire and maintain the confidence of partner countries and other international actors, particularly given the cost of the project and the dependence on multilateral and bilateral financing sources. This will require the ability to rapidly demonstrate the efficacy of the implementation of the PSE. Another challenge is the modernisation of public administration. In this respect, administrative reforms continue, specifically those concerning fiscal administration and those concerning entities charged with defining the state's economic policy. Moreover, to accommodate the additional investment while keeping the fiscal deficit in check, substantial current expenditure streamlining will be needed. Finally, keeping to the implementation schedule of key projects poses a further challenge.

Gross Domestic Product

GDP is a measure of the total value of final products and services produced in a country in a specific year. Nominal GDP measures the total value of final production and services at current prices. Real GDP measures the total value of final production and services at constant prices of a particular year, thus allowing historical GDP comparisons that exclude the effect of inflation. Real GDP figures used herein are based on constant 1999 prices.

The DPEE estimates that Senegal's nominal GDP for 2013 was XOF 7,307.7 billion. Real GDP grew 5.1% on average between 2002 and 2007; the GDP growth rate subsequently fell from 4.9% in 2007 to 3.2% in 2008 and 2.4% in 2009. GDP growth declined between 2007 and 2009 due in large part to the impact of the global economic downturn, but nevertheless remained positive. Despite its minimal exposure to the international financial markets, Sub-Saharan Africa and Senegal in particular were not spared by the global economic downturn. The region was affected by the decline in prices for raw materials, decreased demand for metal and mineral exports, the decrease in wire transfers and the decrease in tourism. However, in 2010 the level of real GDP growth rebounded to 4.2% as a result of the recovery in global demand and raw material prices, before falling to 1.7% in 2011 due primarily to decreased agricultural production attributable to the effects of a severe drought in the Sahel. In 2012, despite a difficult international context marked by both the debt crisis in the Euro zone, a slowdown in the emerging markets and socio-political instability in Mali, real GDP growth rebounded to 3.4%. In 2013, the growth rate remained steady at an estimated 3.5% primarily as a result of growth in the telecommunications and construction sectors, despite a slowdown in the secondary sector, including low production rates in the mining industry.

Gross Domestic Product by Sector

NOMINAL GROSS DOMESTIC PRODUCT BY SECTOR

The following table sets out nominal GDP figures across the different sectors of the economy for the periods indicated.

	2010	2011[(1)]	2012[(1)]	2013[(1)]	2014[(1)]
			(XOF billions)		
Primary sector	**978.9**	**864.6**	**995.2**	**1038.1**	**1135.8**
Agriculture	551.6	400.7	513.6	498.3	558.7
of which Subsistence Agriculture	389.4	312.3	401.3	386.4	425.6
of which Industrial and Export Agriculture	162.2	88.4	112.3	111.9	133.1
Livestock and Hunting	266.9	288.1	291.6	335.1	355.5
Forestry	58.8	61.1	64.3	66.9	69.6
Fishing	101.6	114.6	125.7	137.9	152.0
Secondary sector	**1,309.5**	**1,452.6**	**1,516.7**	**1,423.8**	**1,525.5**
Mining	117.8	141.9	193.5	146.9	164.7
Fatty foods production	8.4	8.8	6.4	4.8	5.1
Other Industries[(2)]	765.0	846.1	858.9	803.5	843.3
Electricity, Gas and Water	171.8	171.8	174.9	165.1	178.1
Construction	246.4	284.1	283.0	303.5	334.3
Tertiary sector	**2,925.0**	**3,140.6**	**3,293.8**	**3,462.2**	**3,665.1**
Commerce	1003.2	1083.8	1147.2	1149.6	1190.1
Transport, Post and Telecommunications	666.2	701.2	749.0	834.4	900.6
Education and Training	242.9	266.2	285.1	304.1	318.6
Health and Social Services	81.6	88.0	93.8	104.4	108.6
Other Services[(3)]	931.2	1001.4	1018.7	1069.8	1147.3
of which Accommodation and Restaurant Services	46.6	49.8	47.2	47.6	52.9
of which Financial Services	196.0	227.8	245.1	265.0	294.5
of which Real Estate Activities	354.7	371.8	379.7	398.3	424.5
Public administration	**1,181.9**	**1,316.8**	**1,359.0**	**1,383.6**	**1,455.4**
Nominal GDP	**6,395.4**	**6,774.6**	**7,164.6**	**7,307.7**	**7,781.8**

(1) Figures for 2011 are "semi-definitive estimates" of the ANSD that are subject to revision by the ANSD. Figures for 2012 are "provisional estimates" of the ANSD that are subject to revision by the ANSD. Figures for 2013 are "preliminary estimates" of the DPEE that are subject to revision by the ANSD. Figures for 2014 are projections of the DPEE that are subject to revision by the ANSD. See "*Presentation of Economic and other Information*".

(2) Other industries includes refining activities, processing of agricultural products, manufacturing and construction of transport materials, among other things.

(3) Other services includes tourism-related services, real estate, financial services and business services among other things.

Source: DPEE

PROPORTION OF TOTAL NOMINAL GROSS DOMESTIC PRODUCT BY SECTOR

The table below provides information regarding Senegal's output by sector as a proportion of its total nominal GDP for the periods indicated:

	2010	2011(1)	2012(1)	2013(1)	2014(1)
Primary sector	**15.3%**	**12.8%**	**13.9%**	**14.2%**	**14.6%**
Agriculture	8.6%	5.9%	7.2%	6.8%	7.2%
of which Subsistence Agriculture	6.1%	4.6%	5.6%	5.3%	5.5%
of which Industrial and Export Agriculture	2.5%	1.3%	1.6%	1.5%	1.7%
Livestock and Hunting	4.2%	4.3%	4.1%	4.6%	4.6%
Forestry	0.9%	0.9%	0.9%	0.9%	0.9%
Fishing	1.6%	1.7%	1.8%	1.9%	2.0%
Secondary sector	**20.5%**	**21.4%**	**21.2%**	**19.5%**	**19.6%**
Mining	1.8%	2.1%	2.7%	2.0%	2.1%
Fatty foods production	0.1%	0.1%	0.1%	0.1%	0.1%
Other Industries(2)	12.0%	12.5%	12.0%	11.0%	10.8%
Electricity, Gas and Water	2.7%	2.5%	2.4%	2.3%	2.3%
Construction	3.9%	4.2%	3.9%	4.2%	4.3%
Tertiary sector	**45.7%**	**46.4%**	**46.0%**	**47.4%**	**47.1%**
Commerce	15.7%	16.0%	16.0%	15.7%	15.3%
Transport, Post and Telecommunications	10.4%	10.4%	10.5%	11.4%	11.6%
Education and Training	3.8%	3.9%	4.0%	4.2%	4.1%
Health and Social Services	1.3%	1.3%	1.3%	1.4%	1.4%
Other Services(3)	14.6%	14.8%	14.2%	14.6%	14.7%
of which Accommodation and Restaurant Services	0.7%	0.7%	0.7%	0.7%	0.7%
of which Financial Services	3.1%	3.4%	3.4%	3.6%	3.8%
of which Real Estate Activities	5.5%	5.5%	5.3%	5.5%	5.5%
Public administration	**18.5%**	**19.4%**	**19.0%**	**18.9%**	**18.7%**
Nominal GDP	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

(1) Figures for 2011 are "semi-definitive estimates" of the ANSD that are subject to revision by the ANSD. Figures for 2012 are "provisional estimates" of the ANSD that are subject to revision by the ANSD. Figures for 2013 are "preliminary estimates" of the DPEE that are subject to revision by the ANSD. Figures for 2014 are projections of the DPEE that are subject to revision by the ANSD. See "*Presentation of Economic and other Information*".
(2) Other industries includes refining activities, processing of agricultural products, manufacturing and construction of transport materials, among other things.
(3) Other services includes tourism-related services, real estate, financial services and business services among other things.
Source: DPEE

REAL GROSS DOMESTIC PRODUCT BY SECTOR

The table below provides information regarding Senegal's real GDP by sector for the periods indicated (based on constant 1999 prices):

	2010	2011(1)	2012(1)	2013(1)	2014(1)
			(XOF billions)		
Primary sector	**704.8**	**600.8**	**654.0**	**676.7**	**747.6**
Agriculture	406.6	293.6	345.1	347.4	403.9
of which Subsistence Agriculture	262.1	214.2	251.5	250.5	291.0
of which Industrial and Export Agriculture	144.5	79.4	93.6	96.8	112.9
Livestock and Hunting	205.6	213.0	211.2	230.0	234.8
Forestry	30.6	32.0	33.6	34.6	35.0
Fishing	62.0	62.2	64.1	64.7	74.0
Secondary sector	**977.5**	**1,034.0**	**1,050.9**	**1,035.0**	**1,121.2**
Mining	54.2	59.0	63.7	48.0	52.2
Fatty foods production	6.6	6.0	4.6	3.4	5.3
Other Industries(2)	584.9	625.0	634.7	608.5	661.8
Electricity, Gas and Water	121.5	118.2	124.8	129.1	145.6
Construction	210.3	225.7	223.0	246.0	256.3
Tertiary sector	**2,386.7**	**2,468.5**	**2,550.9**	**2,709.2**	**2,776.8**
Commerce	777.1	796.8	825.3	815.4	834.9
Transport, Post and Telecommunications	662.1	679.0	714.1	827.4	829.4
Education and Training	169.0	177.4	181.6	188.8	195.9
Health and Social Services	86.1	89.8	91.6	98.8	103.5
Other Services(3)	692.4	725.7	738.3	778.8	813.2
of which Accommodation and Restaurant Services	32.7	33.6	31.7	30.0	36.6
of which Financial Services	167.0	194.6	214.5	240.0	239.3
of which Real Estate Activities	250.0	258.8	265.6	277.5	276.7
Public administration	**812.9**	**859.6**	**873.8**	**883.0**	**920.4**
Real GDP	**4,882.0**	**4,962.8**	**5,129.6**	**5,303.9**	**5,566.1**

(1) Figures for 2011 are "semi-definitive estimates" of the ANSD that are subject to revision by the ANSD. Figures for 2012 are "provisional estimates" of the ANSD that are subject to revision by the ANSD. Figures for 2013 are "preliminary estimates" of the DPEE that are subject to revision by the ANSD. Figures for 2014 are projections of the DPEE that are subject to revision by the ANSD. See "*Presentation of Economic and other Information*".
(2) Other industries includes refining activities, processing of agricultural products, manufacturing and construction of transport materials, among other things.
(3) Other services includes tourism-related services, real estate, financial services and business services among other things.
Source: DPEE

PERCENTAGE CHANGE IN REAL GROSS DOMESTIC PRODUCT BY SECTOR

The table below provides information on percentage change in Senegal's real GDP by sector as compared to the previous year, for the periods indicated:

	2010	2011(1)	2012(1)	2013(1)	2014(1)
Primary sector	**5.8%**	**(14.8%)**	**8.9%**	**3.3%**	**7.3%**
Agriculture	4.9%	(27.8%)	17.6%	0.3%	10.3%
of which Subsistence Agriculture	(1.6%)	(18.3%)	17.4%	1.2%	8.0%
of which Industrial and Export Agriculture	19.2%	(45.1%)	17.9%	(2.3%)	16.6%
Livestock and Hunting	9.0%	3.6%	(0.8%)	8.9%	4.0%
Forestry	5.4%	4.3%	5.0%	3.0%	3.0%
Fishing	2.1%	0.3%	3.1%	0.9%	5.0%
Secondary sector	**3.8%**	**5.8%**	**1.6%**	**(1.5%)**	**5.3%**
Mining	6.5%	9.0%	7.9%	(24.7%)	8.9%
Fatty foods production	3.2%	(9.2%)	(23.6%)	(26.1%)	3.0%
Other Industries(2)	**2.6%**	**6.8%**	**1.6%**	**(4.1%)**	**3.6%**
Electricity, Gas and Water	7.5%	(2.7%)	5.6%	3.4%	6.8%
Construction	4.7%	7.3%	(1.2%)	10.3%	8.0%
Tertiary sector	**4.3%**	**3.4%**	**3.3%**	**6.4%**	**4.6%**
Commerce	2.1%	2.5%	3.6%	(0.5%)	2.0%
Transport, Post and Telecommunications	7.1%	2.5%	5.2%	15.9%	6.3%
Education and Training	1.8%	5.0%	2.4%	4.0%	3.7%
Health and Social Services	3.3%	4.3%	2.0%	7.8%	3.0%
Other Services(3)	5.0%	4.8%	1.7%	5.5%	5.9%
of which Accommodation and Restaurant Services	2.0%	2.7%	(5.5%)	(5.3%)	10.0%
of which Financial Services	8.8%	16.6%	10.2%	11.9%	10.0%
of which Real Estate Activities	2.8%	3.5%	2.6%	4.5%	5.0%
Public administration	2.8%	5.7%	1.7%	1.1%	3.7%
Real GDP	**4.2%**	**1.7%**	**3.4%**	**3.5%**	**4.9%**

(1) Figures for 2011 are "semi-definitive estimates" of the ANSD that are subject to revision by the ANSD. Figures for 2012 are "provisional estimates" of the ANSD that are subject to revision by the ANSD. Figures for 2013 are "preliminary estimates" of the DPEE that are subject to revision by the ANSD. Figures for 2014 are projections of the DPEE that are subject to revision by the ANSD. See "*Presentation of Economic and other Information*".
(2) Other industries includes refining activities, processing of agricultural products, manufacturing and construction of transport materials, among other things.
(3) Other services includes tourism-related services, real estate, financial services and business services among other things.
Source: DPEE

REAL GROSS DOMESTIC PRODUCT, CONSTANT PRICES ANNUAL PERCENTAGE CHANGE

The table below sets out real GDP growth in Senegal, WAEMU, Sub-Saharan Africa and the world for the periods indicated:

	2011	2012	2013	2014
Senegal(1)	1.7	3.4	3.5	4.9
WAEMU(2)	1.2	6.6	5.5	6.4
Sub-Saharan Africa(2)	5.5	4.9	4.9	5.4
World(2)	3.9	3.2	3.0	3.6

(1) Figures for 2011 are "semi-definitive estimates" of the ANSD that are subject to revision by the ANSD. Figures for 2012 are "provisional estimates" of the ANSD that are subject to revision by the ANSD. Figures for 2013 are "preliminary estimates" of the DPEE that are subject to revision by the ANSD. Figures for 2014 are projections of the DPEE that are subject to revision by the ANSD. See "*Presentation of Economic and other Information*".
(2) Figures for 2014 are IMF projections.
Source: Senegal figures - DPEE (Senegal figures); World figures - IMF World Economic Outlook (April 2014); WAEMU and Sub-Saharan Africa figures - IMF Regional Economic Outlook (Sub-Saharan Africa) (April 2014).

Outlook for 2014 and Beyond

Spurred by the modest acceleration in the global economy expected in 2014, the improved socio-political situation in West Africa and, in particular, Mali, the expected completion of large mining and infrastructure projects and the initial impact of PSE initiatives, the Senegalese economy is expected to continue its recovery in 2014. The DPEE estimates a real GDP growth rate of 4.9% in 2014, reflecting continued growth in the primary and tertiary sectors as well as recovery in the secondary sector. In particular, a rebound in agricultural production (assuming normal rainfalls), mining (in particular gold, and zircon production in connection with a new zircon project becoming operational) and industry (reflecting, among others, a resolution of the technical issues affecting fertiliser production), as well stepped-up public investment efforts (including those related to the implementation of the PSE) and continued strength in the telecommunications and financial sectors are expected to contribute to economic growth in 2014. In light of the anticipated impact of the PSE and assuming a continued improvement in global economic conditions and the situation in Mali, the Government expects growth to continue in the medium-term, with GDP growth expected to reach double its current level by 2017. The Government expects the telecommunications, financial and construction sectors to remain strong, with improved growth in the mining, tourism and agriculture and agrobusiness sectors, among others.

The indicators used by the DPEE to assess Senegal's economic performance for the first quarter of 2014 show a slight improvement compared to the same period in 2013. According to these indicators, domestic economic activity experienced a 3.2% growth thanks in particular to the strengthening of the secondary sector. New jobs in the formal economy increased by 3.6% and inflation decreased by 0.1%. Budgetary revenues recorded an increase of 2.7%, mainly due to the good performance of direct taxes. Domestic credit rose by CFA 222.8 billion, or 9.7% and monetary supply by 7.5%. However, exports and imports decreased by 6.4% and 9% respectively over the first quarter 2014.

Principal Sectors of the Economy

Senegal's primary sector, which includes agriculture, livestock and hunting, forestry and fishing, is currently in transition. It is shifting from traditional practices, based on fishing and cash crop exports, to a more diversified sector. According to DPEE, the sector contributed an estimated 14.2% of nominal GDP in 2013 and employed approximately 50% of Senegal's working population (full-time). According to ESPS, in 2011, agriculture, livestock and forestry employed nearly 45.7% of the working population. The sector is vulnerable to fluctuating weather conditions, and food security continues to be an issue, especially as Senegal remains heavily reliant on imports, leaving it susceptible to rising global food prices. Following a 14.8% contraction in primary sector real GDP in 2011 reflecting a steep decline in agricultural production in the wake of a severe drought in the Sahel region, primary sector real GDP increased by 8.9% in 2012 and 3.3% in 2013.

Senegal's secondary sector remained stagnant, experiencing a 1.5% contraction in real GDP in 2013 as compared to growth of 1.6% in 2012. The decrease in 2013 reflected a significant contraction within the mining (-24.7% in 2013 compared to +7.9% in 2012) and fatty foods (peanut oil) production (-26.1% in 2013 compared to -23.6% in 2012) sectors, as well as numerous other industries, including sugar and chocolate production, cereals, petroleum refining and chemical manufacturing. The sharp decrease in the mining sector reflects the continued financial difficulties of *Industries Chimiques du Sénégal* (ICS), lower gold and phosphate prices, decreased gold production and the impact of a strengthening of the Euro against the U.S. dollar in 2013. These decreases were offset, however, by growth in the construction, electricity, gas and water, meat and fish processing and preservation and leather production sectors.

Senegal's tertiary sector grew by 6.4% in 2013 compared to 3.3% in 2012, reflecting primarily growth in transport (+12.4% in 2013 compared to +2.6% in 2012), telecommunications (+17.1% in 2013 compared to +6.1% in 2012) and financial services (+11.9% in 2013 compared to +10.2% in 2012).

Agriculture, Livestock and Hunting, Forestry and Fishing

The agricultural sector saw growth in real GDP of 0.3% in 2013 compared to 17.6% in 2012. The marked decrease in the rate of growth in 2013 as compared to 2012 is attributable to lower levels of production in the agricultural sector due to uneven rainfall as well as the fact that agricultural production in 2012 had been both particularly robust and come after an especially poor 2011 season, when the effects of a severe drought in the Sahel caused the agricultural sector to contract by 27.8%. Such volatility reflects the agricultural sector's high dependency on weather conditions and, in particular, rainfall amounts, which can vary significantly from year-to-year. The agriculture sector is particularly vulnerable to seasonal fluctuations in rainfall given only 4% of Senegal's cultivated lands are irrigated.

Subsistence agriculture showed real growth of 1.2% in 2013 compared to 17.4% in 2012. The growth in 2013 was principally driven by growth of 5% in the fruit and vegetables sector, which was largely offset by a contraction in the grain sector (corn and rice in particular) owing to bad weather conditions and poor seed quality. Industrial agriculture real GDP decreased by 2.3% in 2013 compared to an increase of 17.9% in 2012. This decrease was principally driven by a decrease in groundnut production resulting from poor weather conditions, which was partially offset by an increase in cotton production.

In the livestock and hunting sector, real growth was estimated at 8.9% in 2013 compared to a 0.8% contraction in 2012. This growth was the result of increases in the production of milk (9.9%), poultry (13.8%) and beef (5.3%) largely attributable to the increased availability of feed following the agricultural sector's strong recovery in 2012.

The Government has identified fishing as one of Senegal's key potential growth areas in light of its importance to food self-sufficiency in Senegal. Key strategies within this area include sustainable management of resources, the modernisation of the traditional sector, the development of aquaculture and the further development of secondary industries, including processing and packaging. The sector showed estimated real growth of 0.9% in 2013 compared to 3.1% in 2012, which deceleration reflected an increase in industrial fishing following the reopening of a fishery complex that had been temporarily shut down that was largely offset by a decrease in artisanal fishing.

Agricultural Production. The table below sets out information regarding Senegal's agricultural production volumes (in tonnes) for the periods indicated:

Agriculture (tonnes)	2010	2011	2012	2013
Maize	147,208.0	109,177.0	117,728.9	108,547.0
White Rice	604,043.0	405,824.0	469,648.9	436,153.0
Sorghum	162,599.0	86,865.0	137,574.1	92,028.5
Millet	813,295.0	480,759.0	662,614.1	515,364.8
Fonio	1,374.0	1,735.0	1,497.5	1,488.3
Manioc	181,236.0	154,879.0	189,468.6	146,030.6
Groundnuts	1,286,855.0	527,528.0	692,572.4	677,456.1
Cotton	26,045.0	25,367.0	32,250.2	32,983.4

Source: DPEE

Senegal's primary cash crop is groundnuts, which account for approximately one-third of cultivated land in Senegal. In the course of the last few years, peanut oil sales have generated approximately US$48 million per year for the Senegalese economy. The groundnut industry is dominated by Suneor, Senegal's former national peanut oil production company, which was privatised in 2005. Suneor is the largest peanut oil producer in Senegal and one of the world's largest peanut oil exporters, exporting approximately 15,000 tonnes of peanut oil in 2013. Most of Suneor's product goes to the EU, the United States and China. The groundnuts trade association, the *Comité National Interprofessionnel de l'Arachide*, determines the price paid to growers, taking into account the tax imposed on vegetable oils since 2006, as well as the rise in local peanut oil prices since 2007. The price paid to groundnuts producers is currently set at XOF 200 per kilogramme. Groundnut buyers benefit from a state subsidy whereby losses they incur on the international markets are reimbursed. In addition to difficulties linked to economic conditions, groundnut production levels are highly unstable, in part due to the sensitivity of the sector to low or unpredictable rainfall. In terms of volume, groundnut production decreased by 2.2% in 2013 compared to 2012 as a result of poor weather conditions.

Senegal benefits from plentiful water resources and arable land that remain underexploited. Of Senegal's 3.8 million hectares of arable land, only 2.6 million hectares are currently cultivated and only 140,000 hectares are irrigated. Senegal is attempting to diversify its agricultural sector away from a single crop-dominated system by encouraging cultivation of crops such as maize and manioc as well as fruit and vegetables to meet both domestic demand and for export. Reflecting such efforts, fruit and vegetable exports increased in cash terms by 73.2% in 2013 compared to 2012, while mangos and potatoes have experienced particularly increased production levels.

Since 2013, the Republic has begun implementation of its *Programme de Relance et d'Accélération de la Cadence de l'Agriculture Sénégalaise* (PRACAS), an initiative aimed at reducing Senegal's dependence on imported foodstuffs, developing its exports and generating new forms of employment and revenue. PRACAS' preliminary phase runs from 2014 to 2017 and is expected to cost a total of XOF 581 billion. PRACAS has four targets: (1) self-sufficiency in rice by 2017, with a national annual production of 1,600,000 tonnes (this is expected to cost XOF 424.7 billion, partially offset by a saving to the economy of XOF 313.3 billion per year and a potential growth in GDP of 2%, resulting from substituting domestic production for rice imports); (2) self-sufficiency in onions by 2016/7, with a national annual production of 350,000 tonnes (this is expected to cost XOF 20.9 billion, partially offset by a saving to the economy of XOF 9.25 billion and increased revenues for onion producers); (3) improvement of performance in the peanut sector and the achievement of a national annual peanut production of 1,000,000 tonnes, at a cost XOF 92 billion; and (4) development of the out-of-season fruits and vegetables sectors through the achievement of a combined annual export volume of 157,000 tonnes, at a cost of XOF 43.5 billion. The costs of implementing targets (3) and (4) are expected to be partially offset by a reduction in imports of natural oils and a XOF 28.5 billion inflow into the economy each year. The Government intends to meet PRACAS' targets by, among other things, intensifying agricultural production and improving water management, agricultural research and education and quality control.

Mining

While mining currently accounts for a small portion of Senegal's GDP, new exploration techniques, increased foreign investment and the construction of a new industrial transport infrastructure are expected to capitalise on underexploited minerals. Mining promotional efforts based on the amended legal and regulatory framework and modernisation of geological and mining infrastructure have attracted significant investment flows toward the exploration and production of gold, iron, zircon and cement, amounting to nearly US$4 billion for the period 2009-2013. The country is one of the world's largest phosphate producers, but a number of other segments have begun to be developed, particularly gold and zircon (see "*Foreign Trade and Balance of Payments–Foreign Direct Investment*"). Enhancing the role that the mining sector plays in Senegal's economy, both through its contribution to exports and in helping to diversify the national economy, is an important objective of the PSE. Key initiatives planned include developing the phosphate fertilizer sector, re-launching efforts to develop the Falémé iron ore mine, which has estimated reserves of approximately 750 million tonnes, accelerating the launch of zircon exploitation and gold production in the Kédougou region, promoting artisanal mining and transforming Dakar into a regional mining industry hub.

Phosphates. ICS, one of the world's largest phosphate producers and owner of a mining concession in Senegal, operates the mine of Tobéne in Taïba, whose natural reserves are estimated to be in excess of 50 million tonnes and whose production capacity is approximately 600,000 tonnes of phosphoric acid per year. Management problems, poor investments and the lack of a reliable source of energy threatened ICS' survival in 2006 and led to the sale of a majority stake in ICS to a consortium led by IFFCO, an Indian company, in 2008. The Government of Senegal retains a 15% stake in ICS. Though output subsequently improved, in 2014, the situation remains precarious; ICS' indebtedness stood at XOF 100 billion on 30 June 2013 and its production had dropped by one-third to 1,200 tonnes per day. In 2013, ICS produced only 260,000 tonnes of phosphoric acid, less than half its production capacity. Measures to save ICS, an important company for the Senegalese mining industry, are being considered by the Government. Discussions were initiated with the ICS consortium with a view to strengthening investments through the possible inclusion of new partners.

Meanwhile, the Matam phosphate mines project is well on its way to implementation with the finalisation of market research and technical feasibility, economic and financial viability and environmental impact studies. There are proven reserves of approximately 40 million tonnes of high quality lime, plus the potential for an additional 100 million tonnes. The launch of the phosphates exploitation of Matam will increase production and promote the development of investment in fertilisers.

Phosphates and phosphoric acid are estimated to have accounted for 7.9% of total exports in 2013, a decrease of 4.2% compared to a share of exports of 12.1% in 2012. 100% of ICS's phosphoric acid production is exported to India for use by IFFCO, thereby shielding Senegal to a certain extent from fluctuations in the market.

Gold. Senegal's West Birimian gold province holds some of the largest gold deposits in Africa. In the area of the Sabodala project, Oromin discovered deposits with significant potential estimated at 2.24 million ounces in Golouma South, Golouma West Kerekounda, Massato and Kourouloulou concessions. The current project company, SGP, was initially spearheaded by Australia-based MDL. MDL commenced operations in Senegal in the last quarter of 2008 through SGP. With regard to this project, the State has a free carried interest of 10% of the project, a right to a payment of US$4.1 million, due over the first four years of production; a 3% royalty (increased to 5% pursuant to an expected revision of the Mining Code) calculated on the value of gold shipments, and specified annual financial contributions toward local authority development, regional administration and training of Directorate of Mines and Geology staff. SGP has been granted an eight-year tax exemption, including value-added tax and company tax, and is not subject to import duties. In late 2010, MDL divested its interest in the SGP project company to the Teranga Gold Corporation, a Canada-based company which is listed in Toronto and Australia. The interests of the Government in the project company were not affected by the demerger. Industrial exploitation of gold began in 2009 and the majority of production is exported. Exports amounted to XOF 222.3 billion in 2012 and decreased by 26.8% to XOF 162.3 billion in 2013 due primarily to lower global gold prices. Senegal is estimated to have produced 6.4 tonnes of gold in 2013.

A three million ounce deposit was discovered at Massawa in Eastern Senegal by RR, an African focused gold mining and exploration company, in 2008. Three additional deposits have been discovered recently, in Boto (2.5 million ounces), Mako petewole (1.6 million ounces) and Makabingui (1.0 million ounces). All four deposits are currently the subject of feasibility studies.

Zircon. Zircon is a silicate mined primarily for its use in zirconium, a strong metal that resembles titanium and is highly resistant to corrosion. It is used in the jewellery, chemicals, textile and pharmaceutical industries. Zircon is a mineral of choice most often used in construction materials or high-tech industries such as aerospace.

Senegal's zircon deposits occur in its coastal sand dunes and are mined by cutter suction dredging. Deposits are estimated to be in excess of 1.3 billion tonnes of sand averaging 2% heavy metal. MDL and Eramet have developed the Grande Côte Consortium's zircon project North of Dakar. The Grande Côte Consortium is 65% held by MDL, 24% held by Eramet with the remaining 10% held by Senegal. Output for the project is expected to be approximately 75,000 to 85,000 tonnes annually, which would make it the fourth largest zircon producer in the world. The production of zircon and ilmenite (used in the production of paper and plastic) officially began in early April 2014. The Grande Côte Consortium expects the facility to produce 80,000 tons of zircon and 600,000 tonnes of ilmenite destined for the global market during its first year of operation, generating a potential 3% increase in Senegalese exports and the creation of 2,000 new jobs.

Cement. The cement sector in Senegal is made up of two companies: Sococim and Ciments du Sahel. A third company, Dangote Group, is currently constructing a new cement plant with a capacity of 1.5 million tonnes per annum, which is expected to be operational in the second half of 2014.

Sococim has supplied the Senegalese market with cement since the 1950s. It was taken over by the Vicat Group, the third largest cement company in France in 1999 and currently supplies cement to domestic markets and neighbouring countries. The Sococim plant has a capacity of 3.5 million tonnes per annum. Ciments du Sahel is a slightly smaller cement producer, with a capacity of 3 million tonnes per annum, mainly for the consumption of domestic markets.

According to the DPEE, based on the statistical data of both producers (Sococim and Ciments du Sahel), cement production increased to 3.988 million tonnes in 2013 compared to 3.981 million tonnes in 2012, a modest increase of 7,600 tonnes in absolute terms.

Iron Ore. In 2007, ArcelorMittal Holdings AG entered into an agreement with the State of Senegal relating to an integrated iron ore mining and related infrastructure project. ArcelorMittal announced at the time that implementation of the project would entail an aggregate investment of $2.2 billion. Project implementation did not follow the originally anticipated schedule after initial phase studies and related investments. In May 2011 the State of Senegal commenced an arbitration before the Court of Arbitration of the International Chamber of Commerce, claiming breach of contract and provisionally estimating damages of US$750 million. In September 2013, the arbitral tribunal issued its first award ruling that Senegal is entitled to terminate the 2007 agreements and that a new arbitration phase will be held relating to the potential liability of ArcelorMittal as well as the amount of any damages which could be awarded to Senegal. However, according to a press release issued by the Minister of Mines of Senegal in early June 2014, a settlement was agreed between Senegal and ArcelorMittal in late May 2014 whereby ArcelorMittal has agreed to pay US$150 million and to relinquish all project studies to Senegal. As part of the PSE, the Government intends to re-launch efforts to develop the Falémé iron ore mine by finding a long-term mining industry partner.

Other Minerals. Other exploration projects include those for uranium, lithium and tin. The Government believes that its investments in upgrading the country's infrastructure will enhance development prospects for these resources.

Energy

Approximately one-third of the energy that Senegal consumes comes from hydrocarbons and over 48% comes from wood and coal, mainly for use in domestic cooking, although efforts are being made to reduce reliance on wood and coal through the supply of gas stoves. According to DPEE estimates, Senegal's crude oil imports in 2013 amounted to 1.3 million tonnes, of which more than 80% was used for domestic consumption.

Electricity

The transmission and distribution of electricity in Senegal's rural areas is exclusively managed by Senelec, Senegal's national electricity utility, which also produces a portion of the country's electricity. Senelec purchases the remainder from private operators involved in rural concessions and two independent producers, GTI and Kounoune Power. Current installed capacity is approximately 587 MW, and new diesel and coal-fired plants are expected to increase installed capacity in the country to approximately 1,018 MW by 2017. Individuals consume over half the electricity supply in Senegal, while less than 10% is consumed by industry. The production of electricity is estimated to have increased by approximately 4.1% in 2013 due to the facility improvements and increased capacity at Senelec.

An attempt to privatise Senelec in 1999 was unsuccessful, and the company was renationalised in 2001 (see "—*Privatisations*"). More recently the company has been recapitalised twice since 2007 at a cost of approximately US$215 million. This was due primarily to Senelec's failure to sufficiently raise tariffs despite volatility in the price of oil, on which Senegal relies for over 90% of its power needs. In 2007, the Government reviewed the country's electricity sector and determined a recapitalisation of XOF 109 billion was required. The Government spent XOF 65 billion the same year and the remainder was committed by the World Bank and the AFD, which provided a first tranche of XOF 42 billion in 2008. In September 2009, the World Bank and the AFD conducted a site visit to determine how Senelec's issues could be addressed and identified several structural problems (see "*Risk Factors—Risks related to the Republic of Senegal—Senegal suffers from chronic electricity shortages*"). In late 2010, the Government formulated an emergency plan, called Project Takkal, to be implemented during the 2010-2014 period in an attempt to address Senelec's insufficient structural production capacity and precarious financial position, which were leading to chronic power shortages and adversely affecting economic growth, investment and domestic households. As part of the Government's effort to help finance the required investments, a special energy sector support fund, the *Fonds de Soutien à l'Energie* (FSE), was set up in February 2011. The FSE is funded by general government expenditure, special taxes and donor funds. The fund is audited annually. The recovery plan produced generally positive results, including a clear improvement in service quality. In particular, so as to ensure the availability of sufficient quantities of electricity for its customers, Senelec has enhanced electricity generation through the lease of new, and rehabilitation of existing, electricity generators. However, insufficient progress has been made and, while Senelec's financial situation has improved, implicit and explicit electricity subsidies cost Senegalese taxpayers XOF 137.5 billion in 2013 and XOF 160 billion in 2012. Substantial tax and domestic supplier arrears were also incurred in 2013 with respect to Senelec. In order to enhance transparency in public spending, estimations and analyses with regard to the direct or indirect electricity subsidies are included in draft budgets presented to the Parliament.

In January 2014, the Government approved a new electricity production plan for the 2014-2017 period, which is based on a policy of diversifying the sources of energy production, energy mix, introducing more cost-effective production technologies and improved efficiency at Senelec, and encouraging private investment in the electricity sector. Currently, approximately 90% of electricity generated in Senegal is sourced from petroleum, rendering the industry vulnerable to volatility in oil prices. In order to improve the production mix and thereby reduce this dependency, the following projects are being pursued: (a) the development of a coal-fired power station with an installed capacity of 125 MW in Sendou, expected to begin operations in late 2015; (b) the development of a diesel power plant with an installed capacity of 70 MW in Taïba Ndiaye, also expected to begin operations in late 2015; and (c) the import from Mauritania of fuel oil-generated electricity, which will increase from 20 MW annually in 2014 to 80 MW annually in 2015. From July 2016 onwards 125 MW of natural-gas generated electricity will be imported annually from Mali. These three priority projects will be complemented in the medium-term by the gradual commissioning of a coal-fired power plant with an installed capacity of 270 MW in Mboro, beginning in January 2017 and the introduction of 150 MW of energy from renewable sources including wind (50 MW) and solar power (100 MW). It is expected that these projects, once operational, will lead to a progressive decline in Government subsidies to electricity prices, while also leading to a reduction in costs for end-users. Additionally, the Government will focus on development of hydroelectric energy projects on both the Senegal River and Gambia River. The projects currently in development have the potential to generate approximately 368 MW and 1348 GWh of electricity per annum.

The Government is also pursuing measures to increase the electricity penetration rate from 26% to 60% under the auspices of the *Agence Senegalese d'Electrification Rurale*, which project has the backing of the World Bank.

Oil & Gas

Senegal currently has no domestic crude oil production and only a small reserve of natural gas, although exploration efforts have been launched to exploit the country's limited resources. The national oil company, Petrosen, controls the exploration process and is currently in partnership with four international oil companies, with ten research and production sharing contracts in place. Any onshore resources are expected to be relatively small, but could be commercially viable considering the country's dependence on petroleum products for its electricity.

Offshore resources have more potential, and Senegal has an interest in the Dome Flore bloc, which it shares with Guinea Bissau. The bloc is believed to contain approximately one billion barrels of heavy crude oil, although Senegal's only refinery, *Société Africaine de Raffinage* (SAR), does not currently have the ability to process heavy crude oil. In 2013, a joint venture agreement was entered into between Cairn Energy (40%), ConocoPhillips (35%), FAR Limited (15%), Petrosen (10%) for the purpose of exploring three contiguous blocks offshore Senegal (Rufisque, Sangomar and Sangomar Deep). The three blocks cover an area of more than 7,000km^2 near shore to deep water exploration over the shelf, slope and basin floor of the Senegalese portion of the productive Mauritania-Senegal-Guinea-Bissau Basin. Exploration drilling commenced in the first half of 2014. In the event of a commercial success, ConocoPhillips will have the option to operate the future development of the resource

SAR supplies the national market with approximately two-thirds of all refined products. As the sole refinery in Senegal, SAR is also the principal supplier of refined petroleum products for the export market. SAR is currently majority-owned by the private sector (34% by the Saudi Bin-Laden Group and 20% by Total). State-owned Petrosen owns 46% of the company. The Government intends to reduce its participation in the capital of SAR by way of transfer of a portion of its interest. SAR's refining capacity is approximately 120 tonnes per hour. SAR cannot refine crude oil with elevated sulphur content due to the lack of a hydro desulphurisation unit, and oil with low sulphur content is more expensive on the international market. All of the crude oil SAR refines comes from Nigeria. In the short- and medium-term, the Government intends to continue to be involved in oil refining, given the important role SAR currently plays in securing the country's supply of petroleum products. In light of this, an emergency programme designed to reduce technical problems at the refinery, which expose the Government to major incident risks that could compromise production, will be implemented.

Fuel prices within Senegal are currently subject to a price ceiling fixed by the Government based on international crude oil prices, plus the cost of freight, refining and a profit margin. Although companies are permitted to trade fuel below such ceiling, most sales of fuel in Senegal are executed at the Government's set price. The Government has also established a petroleum products storage depot with a capacity of 164,000m^3 at the Mbao site in conjunction with the DIPROM group through the creation of Senstock which is held by DIPROM (55%), Total (25%) and SAR (20%). In order to support SAR, the Government has created a fund

(FSIPP) for the security of oil imports and granted a temporary support margin (until 2016), which has enabled SAR to obtain financing from banks to repay trade receivables. However, no guarantee has been granted.

Almost all natural gas production in Senegal is undertaken by Fortesa, which produces approximately 100,000m^3 per day. Fortesa sells its product to both Senelec as well as other industrial customers such as Sococim.

Telecommunications and Information Technology

Telecommunications is one of Senegal's most rapidly developing sectors. Advances in technology, the emergence of teleservices (such as call centres), the partial privatisation of the country's primary telecommunications provider, Sonatel, a subsidiary of Orange, and the gradual liberalisation of this sector since 2004 have contributed to the sector's success. In 2013, telecommunications, together with the postal sector, contributed XOF 516.7 billion to the national economy, which represented a share of approximately 7.1% of nominal GDP, and had annual growth rates of 8.0% in 2012 and 10.8% in 2013, much of it coming from the mobile phone and internet segments.

The legislative framework for the telecommunications sector is overseen by the ARTP, which manages competition, the development of new technologies and the management of radio frequencies. The country uses satellite transmission and transmission by submarine cables to facilitate international communications. Additionally, the Government seeks to take advantage of Senegal's strategic geographic position to create a regional hub.

According to the ARTP, the number of fixed line subscriptions in December 2013 was approximately 343,000, an increase of 1.1% from a year earlier. Nearly 80% of fixed lines were residential. The penetration rate was low, at just 2.5%. Mobile phone use is high in Senegal with over 13 million subscriptions as of December 2013, an increase of 14.5% compared to the previous year. Over 85% of the country is covered by a mobile cellular network. According to ARTP, the mobile penetration rate reached 96.8% at the end of 2013, the vast majority comprising prepaid lines. Internet use has grown significantly in recent years due to a number of initiatives in progress to increase penetration. Internet services and penetration rates have grown considerably as costs continue to drop for both services and hardware and the Government has made increasing penetration rates a priority. At the end of 2013, Senegal had approximately 2.3 million internet subscribers, an increase of 264.9% from a year earlier. The penetration rate was 16.91%. By comparison, the penetration rate in 2010 was just 0.7%.

The telecommunications market is dominated by three operators: Sonatel, Tigo and Expresso. Their main areas of operations are the mobile telephone, fixed telephone and internet sectors. Sonatel and Expresso are involved in all three sectors while Tigo concentrates its activities on the mobile telephone and internet markets. According to ARTP, Sonatel's market share in the mobile telephone sector in terms of number of subscriptions was 56.8% in December 2013, compared to 22.0% for Tigo and 21.2% for Expresso. Sonatel is also the leader in the fixed telephone market, with a market share of over 85%. Sonatel's market share in the internet sector in terms of number of subscriptions was 50% in December 2013, compared to 16% for Tigo and 34% for Expresso. Sonatel is the only operator to offer ADSL.

Sonatel is the national telecommunications company and is a joint venture of France's Orange group and the Senegalese State, who own 42% and 28% of the company's shares, respectively. As of 31 December 2012, 24.5% of Sonatel shares are publicly traded on the BRVM, and the remainder of the company is owned by current and former employees. Orange's stake in Sonatel has contributed to Senegal's telecommunications infrastructure and service offerings being relatively modern and reliable. For example, Sonatel recently deployed Senegal's first 4G LTE network. Sonatel's telephone covers more than 22 million customers throughout the region. It is pursuing an equipment programme for rural zones under which several hundred villages have been connected to its network.

Construction and Real Estate

While much of the first decade of the 21st century saw rapid expansion in Dakar, overall nationwide growth in the construction sector diminished considerably during the 2008-2009 global economic downturn. Since then, however, Senegal's construction sector has largely recovered, growing by an estimated 8.0% in 2013 and spurred by a number of demographic drivers that have contributed to increased demand in recent years, including the return of expatriates, an emerging middle class, a sharp population increase and increasing urbanisation and rural exodus. Construction sector growth has also been stimulated by Government efforts, including major projects designed to improve the country's infrastructure, such as Blaise Diagne International Airport and the Dakar—Diamniadio toll road, as well as projects stemming from the Government's aim of providing a roof for every Senegalese.

Although seaside areas remain the most expensive for real estate, new road development has enticed investors towards the Senegalese peninsula's interior. New infrastructure is encouraging businesses to look beyond the

Plateau district of Dakar, which has long been the zone for high rise office, commercial and residential real estate. New projects are expected to commence along the Northern distribution road (*Voie de Dégagement Nord*), particularly in the middle market segment, and in areas near the completed highway leading to the new airport in Diass. As these new road connections become operational, the geographic scope of middle and high end real estate markets are expected to continue to grow. The Government believes the country's continued political stability means that Dakar will continue to be an attractive destination for high-end real estate investors seeking a foothold in West Africa.

Over the past several years, Dakar has faced a persistent housing shortage (like much of Senegal), exacerbated by the small property tax base and a lack of available land on which to build. Currently, the residential and business real estate market is booming. Construction sector growth in Dakar has been enhanced through increased investment from foreign real estate groups. The majority of the private and public investments in housing in Senegal are concentrated in Dakar.

The Government is currently pursuing certain reforms aimed at encouraging deregulation, transparency and simplification of procedures within the construction industry. These include the following:

- establishment of a dedicated office in the city hall of Dakar for building permit applications;
- computerisation of the process of issuing building permits;
- computerisation of the registration of real estate rights, including sales of public land;
- merger of the registration process and publication of real estate rights;
- reduction of land registration fees from 15% to 10% of the sale price;
- increase of land registry staff, including surveyors;
- establishment and maintenance of an inventory of public and private assets of the Republic; and
- policy of ensuring that each sale of state-owned land is made in compliance with applicable laws and regulations and the proceeds are recorded in the budget.

In May 2014, President Sall officially launched the development of the new city centre of Diamniadio, located 27 kilometres from Dakar, near the Blaise Diagne International Airport of Diass. This project, which according to the Government marks the beginning of the implementation of the PSE and will be built on about 2,000 ha, entails the building of 40,000 housing units, hotels, a new university and government buildings, in addition to an international convention and conference centre expected to be completed in November 2014. The Government expects that the construction of the Diamniadio new city centre will create up to 75,000 jobs over the next four years.

Tourism

Tourism is Senegal's second largest foreign currency earner and generates significant employment in the country, making it a vital sector of the Senegalese economy. In 2012, Senegal received 804,000 tourists and tourist receipts amounted to XOF 207.8 billion, a decrease of 5.9% compared to 2011. The Government believes that there is significant opportunity for growth within this sector.

Tourism in Senegal has traditionally relied on its tropical resort-style attractions, but in recent years experienced some difficulty competing with cheaper resort destinations that have benefitted from access to low cost airlines and, until 2011, lower VAT rates and also suffered from uncertainty surrounding the 2012 presidential elections. To regain lost market share and increase revenue, the Government included tourism in the SCA. The resulting plan aimed to make tourism Senegal's primary foreign currency earner, modernise existing infrastructure, expand and diversify the industry's offerings and improve its marketing campaigns to attract additional visitors. Senegal's tourism promotion company, the *Société d'Aménagement et de Promotion des Côtes et Zones Touristiques du Sénégal* (SAPCO), in partnership with the country's infrastructure agency, has identified certain regions in the country which will be targeted for development. The Government is also seeking external private investment and is targeting southern European, South African and Gulf investors as the most likely investors for the sector. Investment incentives include a temporary exemption from VAT on construction materials and services for three years and access to import credit from the Government of up to 40% of the amount of the investment for the first five years. In 2011, the Government reduced VAT rates applicable to the tourism sector from 18% to 10%. Additionally, the Government has launched a strategic tourism development plan for the 2014-2018 period which aims to attract two million tourists per year by 2018, promote job creation within the tourism industry, enhance infrastructure and logistic services, improve and rehabilitate existing resort areas while developing new areas and create conditions that encourage private-sector investment.

SAPCO's diversification efforts are focusing on business, cultural, and eco-tourism. Business tourism is focused primarily in Dakar, where international hotels hold a variety of conferences and conventions. Cultural tourism is focussed on the city of Saint Louis, a UNESCO World Heritage site whose colonial architecture is being refurbished with the assistance of foreign aid. The city also has an annual jazz festival that attracts visitors from France and other West African countries. Finally, eco-tourism has been targeted as the most significant growth area for tourism in Senegal. The country has several nature parks and animal reserves, and the Government believes ecotourism will ensure sustainable development in rural areas that will protect the environment and the local populations from overdevelopment. At the same time, the economic benefits to such areas are expected to help reduce poverty and migration to urban centres.

To market these areas, the Government is encouraging international promotion through the media, internet and tour operators as well as improved access through increased domestic and international flights. To meet the projected rise in air traffic, construction of Blaise Diagne International Airport is expected to be completed in 2015 (see "*Public Finance—Investment Programmes—Infrastructure Investments—Blaise Diagne International Airport*"). While attracting new visitors and securing the necessary financing for tourism promotion has been difficult in the wake of the global economic downturn, the Government believes the diversification efforts and the strategic tourism development plan for 2014-2018 will have a number of positive effects for the sector, including the development of local human resources, promotion of socio-economic growth, the modernisation of transport infrastructure and increased foreign direct investment.

Financial Services

Banking

For a description of the banking sector in Senegal, see "*Monetary System–The Banking Sector*".

Insurance

Insurance remains prohibitively expensive for most Senegalese, although the number of people taking out life insurance policies increased slightly from 2001 to 2011 as a result of tax incentives introduced in 2002. Insurance companies are represented by the Senegalese Federation of Insurance Companies (*Fédération Sénégalaise des Sociétés d'Assurance*). In 2012, there were a total of 24 insurance companies in Senegal, of which 16 are damage insurance providers and six are life insurance providers. The insurance sector generated revenues of approximately XOF 92.2 billion in 2012, down 1.4% from approximately XOF 93.5 billion in 2011. This decrease was attributable to life insurance, which recorded a decline in turnover of 7.4% in 2012 compared to 2011 due to the termination of a large retirement indemnity contract, and was partially offset by 0.5% increase in damage insurance in 2012.

According to the Ministry of Economy, Finance and Planning, penetration rates remain low, amounting to approximately 1.28% of GDP in 2012 against 1.38% in 2011. The failure to penetrate the market further is primarily due to the low per capita income and a dearth of insurance products aimed at low-income individuals. With the adoption in 2012 of a new regional regulation, insurance sector participants have, with the State's support, begun to implement microinsurance in the agricultural insurance sector in particular.

Senegal is a member of the CIMA, a regional African organisation that governs the insurance sector in 16 countries. Senegal is the third largest insurance market in the CIMA zone, after Côte d'Ivoire and Cameroon. Senegal's insurance penetration rate (i.e., as a percentage of GDP) is above the CIMA zone average of 1%. The penetration rate on the African continent is 4.3%, while the global penetration rate is 6.5%.

Public spending on insurance amounted to 9.8% of total public expenditures in 2012 compared to 9.6% in 2011 and related primarily to bank deposits, securities and rights *in rem* in immovable property.

Infrastructure

The development of Senegal's infrastructure and transportation services is a key component of its strategy to reduce poverty and develop into an emerging economy. Senegal has a number of major infrastructure projects planned or in development, many of which are being implemented in connection with the PSE, which the Government believes are critical to the continued growth and development of the Senegalese economy. However, some of the projects are not fully financed and may not be completed within the timeframes discussed below.

Roads

While the cross-border road network in the region surrounding Senegal is of poor quality, the road system within Senegal meets or exceeds regional standards. 5,305 kilometres of Senegal's over 15,000 kilometres national road network are fully paved, 62% of the network is in good or average condition and there have been recent upgrades to the main roads leading in and out of Dakar. A substantial portion of foreign aid is dedicated to road expansion and heavy traffic is a problem for the routes to and from Dakar. The Dakar-Diamniadio toll road project, which was completed in August 2013, has significantly reduced traffic congestion in the Dakar region and provides an economic stimulus to the Dakar region (see "*Public Finance—Investment Programmes—Infrastructure Investments—Dakar-Diamniadio Toll Road*"). In addition, a new road linking Dakar to Mali was completed in 2012. The Government expects this new road to enhance the attractiveness of Dakar to importers into Mali. The Government considers the development of an efficient road network and transportation services as a key part of its strategy to unlock the economic potential of the country and has initiated several projects across its territory to this effect. (see "*Public Finance—Investment Programmes—Infrastructure Investments*").

Airports

Senegal accounts for a substantial proportion of air traffic in WAEMU and is the second busiest hub in West Africa after Nigeria. Senegal has 15 civil airports throughout the country, of which four serve international flights. Dakar's Léopold Sédar Senghor International Airport handles by far the most traffic and is currently the only airport in West Africa that has been certified by the International Civil Aviation Organisation and rated satisfactory by the American Federal Aviation Administration for its air security.

Approximately 30 different airlines serve Senegal, including Senegal Airlines, the national carrier. The majority of routes from Dakar serve Europe and other West African capital cities. Air France, Air Portugal, SN Brussels, Corsair and Iberia offer regularly scheduled services to Europe. As tourism increases, charter flights from Europe have also become more frequent. West African air traffic is dominated by regional carriers, and traffic between West African capitals and Dakar makes up the majority of daily departures and arrivals. Dakar also benefits from stop-over traffic between North America and Southern Africa. Under a special regulatory regime, passengers may embark aircraft in Senegal during a stop-over landing, which increases traffic on these routes and encourages airlines to use Dakar's main airport in this manner. The Government intends to take advantage of this source of potential revenue by finalising a modern replacement to the Léopold Sédar Senghor International Airport at Blaise Diagne International Airport, expected to be complete in mid-2015. In addition, Senegal Airlines, the national airline, was inaugurated in January 2011, although it has experienced financial difficulties since. In 2013, Senegal Airlines currently owns three Airbus aircraft and two ATR aircraft. The Government expects these two developments to enhance the position of Dakar as a regional transport hub. See "*Public Finance—Investment Programmes—Infrastructure Investments—Blaise Diagne International Airport*".

Rail Transportation

Senegal's railroad infrastructure consists in a network of 1,057 kilometres of primary tracks and 151 kilometres of secondary tracks comprising three railway lines. The main railway junction is located in Thiès. Senegal and Mali jointly operate a 1,288 kilometre international railroad line (of which 644 kilometres are located in Senegal and 584 kilometres are located in Mali) that runs between Dakar and Bamako and constitutes one of the main transportation corridors in Western Africa. The main rail operators are the SEFICS, the *Petit Train de Banlieue*, Transrail SA (the concessionaire of the Dakar–Bamako railroad) and the DTF. Despite growing demand, Senegal's railroad sector is constrained by outdated tracks and outdated rolling stock. The poor quality of tracks in the Senegalese portion of the Dakar-Bamako railroad considerably hampers Mali's business toward the port of Dakar. The relatively high rate of derailments (0.45 derailments per one million UT) and the low reliability of locomotives (15 breakdowns of main lines locomotives for 100,000 kilometres) underscore these problems. Meanwhile Transrail is increasingly operating at a deficit as it loses market share to road transportation. To address the difficulties affecting the railroad sector, the Government is pursuing several plans to improve Senegal's rail network. See "*Public Finance—Investment Programmes—Infrastructure Investments—Improvements to Senegal's Rail Network*".

Ports

The *Port Autonome de Dakar* (the **Port Authority**) is the port authority for the Port of Dakar (the **Port**) and was created in 1987 as a national company. In 2005, the Port was recapitalised to better integrate its functions and support a more modern and efficient operating system. The Port is a deep water port accessed by a channel with a 250-metre-wide entrance. Protected by the Island of Goree, the channel is open 24 hours a day. The Port has two separate zones (northern and southern) that are divided by the fishing port, repair shops and a military area. According to the Port Authority, the piers in the Port's northern zone have depths of 5-12 metres, and they specialise in containers, solid bulk and liquid bulk cargoes. The northern zone includes the container terminal, which has been operated and developed by Dubai's DP World under a concession since 2007. According to the Port Authority, the container terminal covers an area of 24 ha and approximately 700 metres of linear quay with three berths dredged from 12m to 13m. The container port has four wharf gantry cranes, four Gottwald cranes on tyres, ten yard gantry cranes, 15 reach stackers and 400 plugs and sockets for reefer containers. According to the Port Authority, subject to the terms of DP World's concession agreement, the Port will be expanded as part of the "Port of the Future" project through the construction of a new terminal with a capacity of 1.5 million TEUs. The Port's southern zone handles general cargo, part of the container traffic (40%), the transit traffic of the Republic of Mali, as well as passenger traffic. The southern zone has three terminals for roll-on/roll-off ("ro ro") traffic, 12 for general cargo and two tugs and pilot boats stations. The southern zone's piers have depths of 8.5-10 metres.

According to the Port Authority, the Port was visited by 2,858 vessels in 2012, compared to 2,931 vessels in 2012. In 2012, the Port handled a total of approximately 11.8 million tonnes of cargo, an increase of 4% over 2011, including 9.1 million tonnes of outgoing cargo and 2.8 million tonnes of incoming cargo. Of the total cargo handled in 2012, cargo destined for import accounted for 60%, cargo destined for export accounted for 16% and cargo in transit accounted for 15%. 97% of cargo in transit comprised goods in transit to or from Mali, an increase of 14% compared to 2011.

Environment

According to Senegal's Ministry of the Environment and Sustainable Development, the current primary threats to Senegal's environment include inadequate waste management infrastructure, the proliferation of unregulated personal and industrial waste dumps, inadequate facilities to handle dangerous waste (e.g., biomedical waste), industrial pollution, coastal erosion due to rising sea level, soil degradation and deforestation. In an effort to address these challenges, the Government has launched a three year plan (2014-2016) whose principal objectives are as follow:

- improve environmental monitoring and data management so as to optimise the use of natural resources and the environment;
- bolster efforts to counter deforestation and soil degradation;
- enhance conservation of biodiversity and protected areas;
- tackle pollution, including chemical and other noxious waste, and climate change; and
- improve procedural efficiency within the Ministry of the Environment and Sustainable Development, provide support to environmental sector players through development of partnerships, encourage private investment and bolster job creation within the environment and natural resources domain.

The programme is expected to cost approximately XOF 84.5 billion over the course of its three-year term.

Senegal lost approximately 45,000 ha of forest per year between 1990 and 2000 and 40,000 ha per year between 2000 and 2010. Deforestation is mostly the result of drought, clearing for fuelwood, charcoal and logging, though poaching, wildlife trafficking and hydroelectric projects have further degraded forest areas. Government officials have blamed deforestation for increased soil erosion, flooding and periodic droughts which have had an adverse impact on regional agriculture.

To slow the gradual encroachment of the desert and combat climate change, Senegal announced in 2005 that it planned to promote a "Great Green Wall" of trees stretching for nearly 7,000 kilometres (4,375 miles), from Dakar to Djibouti along the Sahel. Eleven countries are involved in the project. Senegal has already begun planting trees in connection with the project, having planted approximately 50,000 acres of trees by 2012.

Approximately 12% of land in Senegal is under some form of protection. The country is exceptionally bio-diverse for its size. In 2003, Senegal was home to more than 2,100 plant species and over 1,000 animal species. Senegal has several national parks, covering approximately 4% of the country's total surface area and six protected marine areas. Game in forest reserves is classified by law as partially or completely protected, but poaching remains a problem.

Dakar suffers from problems typical of many major urban centres such as improper sanitation (especially during the rainy season, when sewers overflow) and air pollution from motor vehicles. Senegal has 26 cubic kilometres of renewable water resources of which approximately 90% is used for farming activity and 3% for industrial purposes. Environmental agencies include the Ministry of Scientific and Technical Research, which is responsible for coordinating all research and development in Senegal.

Employment and Labour

The majority of Senegal's labour force is made up of agricultural workers, although a sizable minority work as street sellers. The Constitution guarantees workers the right to unionise, but the union can legally exist only after registering with the Ministry of the Interior. The Constitution grants all people the right to work.

The size of Senegal's informal economy makes accurate unemployment rates difficult to assess (see "—*Informal Economy*"). However, ANSD estimated the labour force participation rate in 2011 at 49.5% (as a percentage of all Senegalese over the age of 15) and the rate of unemployment in 2011 at 10.4% (as a percentage of the total labour force). According to ANSD, 32.1% of Senegalese over the age of 10 are unemployed. The proportion of the population living below the poverty line in 2011 was 46.7% (as compared to 55.2% in 2001). The World Bank estimates that only one person in four works on a full time basis, while three in five work on a seasonal basis. The median salary in the informal sector in Dakar did not exceed US$68 a month in 2007 and approximately three in five Senegalese workers reported that they would work more if they had the opportunity.

In the formal sector, even though Senegal has one of the best productivity rates in Africa, it lags behind other emerging countries. Annual productivity gains are low, which prevents the emergence of Senegalese businesses that are truly competitive at the international level. In the informal sector, average productivity is lower than that of the formal sector, while its share of total employment has increased sharply in the last decade.

Despite the Government's efforts to address these problems, labour reform has been limited. Only 6.4% of workers in Senegal were registered with the social security system in 2011, only one-fourth of workers based in Dakar have an enforceable employment agreement and 91.2% of the working population claim to receive less than the legal minimum wage (XOF 209.10 an hour).

Women, who represent approximately 40% of the labour force, are employed primarily in the agricultural sector (50.6%), although they are well represented in small trade. Women merchants often join the African Network for the Promotion of Working Women (*Réseau Africain pour la Promotion de la Femme Travailleuse*), an organisation that provides employment training and support to women.

Privatisations

In the 1970s and 1980s, Senegal faced budgetary pressure from the substantial operating costs of its state-owned businesses. In 1985, the Government reacted to this pressure by producing a new economic policy on privatisation. Senegal's substantive privatisation programme began in 1987 with the passage of a law governing the sale of state interests in national companies. The objectives of the Government's privatisation programme include reducing the state's role in the economy, encouraging competitiveness of Senegalese companies both within WAEMU and on a global scale and improving public finances. From the start of the programme to 2013, 33 state organisations were privatised. As of July 2014, there are nine companies fully owned by the State, including the national lottery, the post and Senelec, and seven organisations of an industrial, commercial, technical or scientific nature fully owned by the State, including the Office of National Sanitation. There are 13 companies in which the Government owns a majority stake, including SAPCO, the tourism development and promotion agency, Petrosen, the national oil company, APIX, the national investment promotion agency, and BNDE, the national bank for economic development. In addition, there are 26 companies in which the State holds owns a minority stake, including Sonatel, ICS, Miferso and Suneor. On the date of this Prospectus, the privatisation of the lottery has passed consultation stage, with the steering committee taking advice from consultants as to how best to enable the State to disengage itself from the gaming sector whilst ensuring a sufficient legal framework to protect the public and prevent money laundering. The next stage is the preparation of a detailed report on the company, following which a timetable for its privatisation will be released. There are also advanced plans to sell off 90% of the state holding of the *Centre Expérimental de Recherches et d'Etudes pour l'Equipment*, a research agency. Progress with these, and other planned privatisations, remains slow.

The Government considers public private partnerships as an important factor of growth and job creation, in particular in the context of the PSE. In addition to facilitating the realisation of major infrastructure projects, PPPs are expected to boost Senegalese production, particularly in the agricultural sector, to stimulate the core of local SMEs and to develop the private sector. Senegal first adopted a BOT law in 2004, which allowed the development of the major infrastructure projects initiated by the Government of former President Wade, such as the Blaise Diagne International Airport or the Dakar–Diamniado toll road. To further capitalise on the country's strong potential to attract private investors and realise such partnerships, Senegal adopted in February 2014 a new law on PPPs with a view to providing a more flexible framework for private sector involvement and extending the use of PPPs outside of the infrastructure sector.

Informal Economy

Despite recent efforts to regulate working practices more closely and to expand the taxation pool, a large portion of the Senegalese economy is made up of the informal economy, where activities remain unrecorded and as a result taxes remain unpaid. It is estimated that the informal economy, which includes virtually all of the agricultural sector, trade and transportation services, accounts for approximately 50% of GDP and over 90% of jobs. According to the ANSD, the non-agricultural sector employs approximately half of Senegal's active population. In 2011, the non-agricultural informal sector generated XOF 2,655 billion, representing more than 41.6% of GDP. The informal sector may be more lucrative for certain workers as the average informal sector worker earns more than the official minimum wage of XOF 209.10 per hour.

Social Security

Senegal has ratified the International Labour Organisation's Social Security (Minimum Standards) Convention and put in place a modern system of social security. This key Government scheme aims to protect workers and their family members from various risks (excluding disease and unemployment) and to provide pensions. Benefits under the scheme include maternity allowances, child benefits and an "accident at work" benefit, which are all provided by the employer. According to IPRES, the changes to the benefits system from 2002 to 2013 have resulted in a rise in pension levels of 92.5% in value. Nonetheless, only a small proportion of Senegalese are covered by any form of social security.

Housing

There are several challenges facing the provision of housing in Senegal. According to the World Bank, the proportion of the population living in urban centres has increased by an average annual rate of 3% since the early 1990s, with a consequent rise in the demand for housing in Senegal's largest cities. The CIA World Factbook predicts an annual rate of urbanisation from 2010 to 2015 of 3.3%. Other factors have also contributed to heightened demand and a decreased supply of housing throughout the country, in particular the 2005 flooding and the conflict in Casamance.

In May 2014, President Sall officially launched the development of the new city centre of Diamniadio, located 27 kilometre from Dakar, near the Blaise Diagne International Airport of Diass. This project, which according to the Government marks the beginning of the implementation of the PSE and will be built on about 2,000 ha, entails the building of 40,000 housing units, hotels, a new university and government buildings, in addition to an international convention and conference centre expected to be completed in November 2014. The Government expects that the construction of the Diamniadio new city centre will create up to 75,000 jobs over the next four years.

Drinking Water, Sanitation

According to the WHO and UNICEF, in 2012 approximately 74% of the population in Senegal had access to "improved" drinking water sources (defined as sources that, by nature of their construction or through active intervention, are protected from outside contamination) and approximately 52% had access to "improved" sanitation (defined as sanitation that hygienically separates human excreta from human contact). There is a considerable gulf in levels of access to improved water and sanitation, which vary greatly between the urban population (92% and 67%, respectively) and the rural population (60% and 40%, respectively). The efforts of the Government to address the current deficiencies in the domestic water supply are concentrated on the USAID's PEPAM, a XOF 21 billion drinking water and sanitation programme with specified objectives for both urban and rural areas to be achieved by 2015. Its goals include reaching 100% access to drinking water in urban areas by 2015 and 98% access to drinking water in rural areas by 2017, and 85% access to improved sanitation in urban areas and 70% access to improved sanitation in rural areas in each case by 2017. According to the 2014 Annual Review, from 2005 to 2013, an average of XOF 69.34 billion per year was made available under PEPAM, of which in 2013 54% originated from loans, 27% from grants and 14% directly from the Government.

Regarding water supply for industry and agriculture, Senegal has identified irrigation and management of water resources as one of the two principal areas towards which it will put the US$540 million it is receiving between 2010 to 2015 under the MCA and is currently pursuing corresponding projects. The Government plans to permanently irrigate areas with strong potential for agricultural production in the delta and middle course of the Senegal River. The largest water supplier in the Republic is SDE, a PPP which provides water to approximately five million people. In January 2011, SDE became the first African water supplier to be quality certified by the International Standards Organisation.

SMEs

SMEs are viewed by the Government as one of the most important drivers of economic growth for the future. SMEs account for almost 90% of companies, 30% of GDP, 60% of jobs, 42% of modern sector jobs and 30% of company value-added contribution. The key challenge in this area is a lack of access to financing adapted to the needs of SMEs. In its departmental policy letter of October 2010, the ministry in charge of SMEs outlined its vision for the sector: to improve the development and competitiveness for SMEs in a favourable business environment to ensure strong and sustainable economic growth. The general targets of the Government include establishing support facilities and non-financial services for SMEs and ensuring a diversified financial sector which is able to adapt to the needs of SMEs. Under these general targets are specific policy objectives, which, for the target of diversification of the financial sector, include encouraging the development of new banking products for SMEs and educating SME owners about methods of financing.

Additionally, in its roadmap presented to Parliament on 28 October 2013, the Government stated that beyond the financing of public investment, it will support the development of SMEs, given the important role they play in the economy. In 2013, so as to help SMEs overcome constraints that they currently face when seeking access to funding, including high interest rates, the Government launched a system of financial support through the Senegal sovereign wealth fund, or *Fonds Souverain d'Investissements Stratégique* (FONSIS), the National Bank for Economic Development, or *Banque Nationale de Développement Economique* (BNDE), and the Guaranty Fund Priority Investments Fund, or *Fonds de Garantie et d'Investissements Prioritaire* (FONGIP). Senegalese SMEs can now apply for credit from BNDE or FONSIS and may obtain guarantees from FONGIP on more attractive terms than previously. The resources provided by the Deposit and Consignment Office (*Caisse des Dépôts et Consignations*) will further strengthen the system for financing SMEs.

FOREIGN TRADE AND BALANCE OF PAYMENTS

Introduction

Balance of Payments

The balance of payments is used to record the value of the transactions carried out between a country's residents and the rest of the world. The balance of payments is composed of:

- the current account, which comprises:
  - net exports of goods and services (the difference in value of exports minus imports);
  - net financial and investment income; and
  - net transfers; and
- the capital and financial accounts, which comprise the difference between financial capital inflows and financial capital outflows.

Current Account

One of the most important components of the current account is the trade balance. The four primary factors that drive the trade balance are:

- the relative rate of economic growth of a country as compared to that of its trading partners generally, if a country's economy grows faster than that of its trading partners, its relative level of consumption of goods and services will tend to increase, and its level of imports will tend to increase more rapidly than its level of exports;

- the relative level of domestic prices against foreign prices, as reflected by the real exchange rate – generally, if a country's domestic prices increase relative to those of its trading partners, there is a tendency for the country's level of exports to decline, and for its level of imports to increase;

- changes in production costs, technology, and worker skills – more efficient production will tend to lower production cost, which in turn will tend to lower prices. As prices fall, there will be a tendency for the country's level of exports to increase; and

- changes in consumer tastes, which may affect the demand for a country's goods and services abroad, and the demand for foreign products in the domestic market.

Capital and Financial Accounts

The capital and financial accounts quantify foreign direct investments and monetary flows into and out of a nation's financial markets.

Balance of Payments

As a member of WAEMU, Senegal's balance of payments accounts are compiled and disseminated by the BCEAO. The following table shows Senegal's balance of payments based on figures compiled by the BCEAO, the Government and the IMF.

	2010	2011	2012	2013[(1)]	2014[(1)]
			(*XOF billions unless otherwise indicated*)		
Current account	**(288.9)**	**(541.0)**	**(780.2)**	**(822.0)**	**(848.7)**
Trade Balance	(950.5)	(1,183.6)	(1,468.9)	(1,574.3)	(1,641.2)
Exports (free on board)	1,071.9	1,236.8	1,402.0	1,318.8	1,478.5
Imports (free on board)	(2,022.4)	(2,420.4)	(2,870.9)	(2,893.1)	(3,119.7)
Services and income (net)	(106.0)	(191.4)	(208.8)	(165.2)	(182.8)
Credits	622.5	676.8	747.2	791.7	834.9
Debits	(728.5)	(868.2)	(956.0)	(956.8)	(1,017.7)
Of which: interest on public debt	(46.1)	(66.5)	(58.3)	(55.4)	(72.0)
Unrequited current transfer (net)	767.5	834.0	897.6	917.5	975.3
Private (net)	734.1	771.7	821.8	874.1	915.1
Public (net)	33.4	62.3	75.8	43.4	60.2
Of which: budgetary grant	21.5	38.3	52.7	19.8	42.0
Capital and financial account	**409.6**	**482.2**	**722.6**	**800.9**	**1,008.1**
Capital account	149.5	119.4	202.8	187.3	221.3
Private capital transfers	8.0	6.6	6.8	8.0	8.2
Project grants	143.6	114.6	158.5	169.8	213.1
Debt cancellation and other transfer[(2)]	(2.1)	(1.8)	37.5	9.5	-
Financial account	260.1	362.8	519.8	613.6	786.8
Direct investment	130.7	137.2	112.4	131.4	145.1
Portfolio investment	104.4	352.5	131.6	73.4	270.0
Other investment	25.0	(127.0)	275.8	408.7	371.7
Public sector (net)	237.8	426.0	334.4	156.2	380.9
Of which: Disbursements	191.1	175.0	323.0	194.8	274.9
Programme loans	29.7	40.0	117.7	33.5	53.0
Project loans	161.4	135.0	205.3	161.3	221.9
Other	81.9	317.5	82.5	41.4	297.0
Of which: Amortisation	(35.2)	(66.5)	(71.1)	(80.0)	(191.0)
Private sector (net)	22.3	(63.3)	185.4	457.5	405.9
Errors and omissions	(4.7)	3.8	4.1	-	-
Overall balance	116.0	(55.1)	(53.5)	(21.1)	159.4
Financing	(116.0)	55.1	53.5	21.1	(159.4)
Net foreign assets (BCEAO)	(16.5)	6.2	(49.3)	11.3	(159.4)
Deposit money banks	(99.5)	48.9	100.5	9.8	0.0
Residual financing gap	0.0	0.0	0.0	0.0	0.0
Memorandum items:					
Current account balance	(288.9)	(541.0)	(780.2)	(822.0)	(848.7)
Including current official transfers (% of GDP)	(4.5%)	(7.9%)	(10.9%)	(11.2%)	(10.6%)
Excluding current official transfers (% of GDP)	(5.0%)	(8.9%)	(11.9%)	(11.8%)	(11.4%)
Gross official reserves (imputed reserves) [(3)]	1,008.3	996.4	1,034.2	1,067.8	-
(% of broad money) [(3)]	39.1	36.7	35.7	34.1	-
WAEMU gross official reserves[(3)]	6,770.8	7,293.5	7,051.2	6,574.0	-
(% of broad money) [(3)]	55.0	5.4	47.0	39.7	-
(months of WAEMU imports of GNFS) [(3)]	6.6	5.7	5.0	4.5	-
Gross domestic product	6,395.4	6,774.6	7,164.6	7,307.7	7,781.8

(1) Figures for 2013 are BCEAO estimates that are subject to revision by the BCEAO. Figures for 2014 are projections of the BCEAO. See "*Presentation of Economic and other Information*".
(2) Includes receipts from MCA grants during 2011-15.
(3) Projected figure for 2014 not yet available.
Sources: BCEAO

Senegal had an estimated external current account deficit of 11.2% of GDP in 2013 compared to 10.9% of GDP in 2012, based on BCEAO balance of payments figures. The position in 2013 represented a deterioration of 6.7% of GDP relative to 2010. The forecast for 2014 shows an improvement of 0.3% of GDP to 10.9% of GDP.

Between 2011 and 2013, Senegal's current account deficit steadily rose, reflecting primarily a deterioration of the trade balance deficit, despite a steady increase in remittance levels over the period. The deterioration in the current account deficit was also partially offset by an improvement in the services deficit over the period, driven by a rebound in the tourism and commercial air travel sectors in 2013. The income deficit increased during the 2011-2013 period due to a rise in payments relating to foreign direct investments and portfolio investments. In 2013, the current account deficit stood at XOF 822.0 billion, an increase of 5.4% compared to 2012 reflecting an increase in the trade balance deficit in 2013, as exports decreased by 5.9% while imports increased by 0.8%. The current account deficit in 2012 had, in turn, deteriorated by XOF 239.2 billion (+44.2%) compared to 2011, as imports increased at a faster pace than exports.

Within WAEMU, Senegal shows a healthy balance of payments surplus: XOF 234.7 billion in 2011 and XOF 184.8 billion in 2012, the two most recent years for which figures are available. This trade balance remains positive in relation to all WAEMU states except for Côte d'Ivoire, with which Senegal had a trade deficit of XOF 65.4 billion in 2012. In 2012, Senegal had a XOF 192.7 billion surplus in the balance of trade with Mali. The disparity between Senegal's WAEMU and overall trade balance figures can be attributed to increased West African demand, the success of regional Senegalese exporters and the proximity to the neighbouring markets.

Senegal had a trade deficit of XOF 73.3 billion with the African continent in 2012 as compared to a trade surplus of XOF 63.9 billion in 2011 due primarily to a rise in the level of crude oil imports from Nigeria. The deficit in trade with the Americas fell from XOF 331.1 billion in 2011 to XOF 287.0 billion in 2012. Senegal's trade deficit with Asia deteriorated from XOF 363.8 billion in 2011 to XOF 464.0 billion in 2012.

Foreign Trade

The table below sets out information regarding Senegal's exports and imports for the periods indicated:

	2009	2010	2011	2012	2013[(1)]	2014[(1)]
			(*XOF billions*)			
Exports						
Groundnut products	20.5	32.9	47.2	21.0	33.5	32.3
Fishery products	155.6	162.3	197.7	176.8	185.7	194.2
Petroleum products	207.8	216.1	193.7	207.7	217.3	223.3
Phosphates	6.1	5.8	5.9	8.1	9.1	12.2
Fruit and vegetables	14.4	17.0	23.1	25.4	44.0	46.0
Cotton	6.0	10.3	11.4	11.3	11.6	13.1
Phosphoric acid	61.5	100.9	156.8	158.3	89.9	120.6
Cement	60.2	82.7	97.4	95.5	81.8	95.1
Salt	9.3	9.6	11.2	11.3	11.7	14.8
Fertilisers	3.4	2.3	3.8	3.8	5.7	2.2
Other[(2)]	433.7	420.8	472.3	673.4	615.1	712.3
Reshipped goods[(3)]	11.6	11.2	16.2	9.4	13.2	12.5
Total Exports (Free on Board)	**990.1**	**1,071.9**	**1,236.8**	**1,402.0**	**1,318.8**	**1,478.5**
Imports						
Oil and oil derivatives	495.4	647.2	880.7	943.7	959.4	978.7
Rice	135.3	140.0	176.0	231.4	227.8	215.4
Wheat	52.9	58.0	74.1	97.0	95.2	101.3
Sugar	26.3	42.3	55.6	50.2	52.4	55.0
Dairy	64.8	61.6	53.6	48.4	37.3	36.2
Other food products	173.8	153.7	172.3	212.2	228.9	244.3
Beverages and tobacco	39.1	23.2	30.4	41.2	49.9	53.2
Pharmaceutical and perfume products	87.8	83.2	96.7	125.5	124.9	143.9
Wood and paper	70.1	62.8	67.7	85.2	85.0	92.2
Textiles	77.0	67.8	61.9	77.1	87.7	94.9
Other consumer goods	2.4	5.1	4.8	8.2	10.6	12.2
General machinery and equipment	372.2	328.8	363.0	412.6	458.8	546.6
Transportation materials	165.5	172.1	211.0	242.9	226.6	283.5
Chemicals, fertilisers and other secondary sector products	409.4	426.9	465.4	665.1	587.0	663.7
Total Imports (Cost Insurance Freight)	**2,172.0**	**2,272.7**	**2,713.2**	**3,240.6**	**3,231.3**	**3,521.2**

(1) Figures for 2013 are BCEAO estimates that are subject to revision by the BCEAO. Figures for 2014 are projections of the BCEAO. See "*Presentation of Economic and other Information*".
(2) Other exports include other food products, textiles and gold.
(3) Goods that have been reshipped as exports after having arrived in Senegal as imports, passed customs and remained temporarily warehoused in port.
Source: BCEAO

Exports

The main products exported by Senegal, which comprised nearly 50% of all exports in 2013, are:

- petroleum products (accounting for 16.5% of all exports in 2013, according to DPEE estimates);
- fishery products (14.1%);
- phosphoric acid (6.8%);
- cement (6.2%);
- fruit and vegetables (3.3%); and
- groundnuts products (2.5%)

In cash terms, exports decreased approximately 5.9% between 2012 and 2013 from approximately XOF 1,402.0 billion to XOF 1,318.8 billion, due primarily to political instability in Mali, which impacted cement and "other" exports in particular; lower global demand reflecting, in particular, the recession in certain European countries; and ICS' financial difficulties, which affected phosphoric acid exports. Exports increased approximately 13.4% in 2012 from approximately XOF 1,236.8 billion in 2011, due primarily to increased exports of gold, petroleum products and phosphates.

Imports

Senegal's imports are mainly focused on the following products, which comprised nearly 60% of all imports in 2013:

- oil and oil derivatives (accounting for 29.7% of all imports in 2013, according to DPEE estimates);
- general machinery and equipment (14.2%);
- rice (7.0%); and
- transportation materials (7.0%);

Over the 2011-2013 period, imports increased steadily due mainly to an increase in the import of oil and oil derivatives, predominately from Nigeria, and food products, including principally wheat and rice. Rice imports derived primarily from Southeast Asia. In cash terms, imports increased 10.0% to XOF 3,231.3 billion in 2013 compared to XOF 3,240.6 billion in 2012, which, in turn represented an increase of 19.4% compared to XOF 2,713.2 billion in 2011. The deceleration in growth in the value of imports in 2013 was largely due to lower global prices despite generally higher volumes across the key categories.

Trading Partners

Senegal's principal trading partners are Mali, France, Nigeria, India and China. The table below shows the destination of Senegal's exports and the origin of its imports for the periods indicated:

	2009	2010	2011	2012	2013(1)
			(*% of total*)		
Exports(2)					
Americas	**0.4**	**0.4**	**0.4**	**0.3**	**0.9**
United States	0.2	0.2	0.2	0.2	0.4
Europe	**28.2**	**22.6**	**25.4**	**27.2**	**25.7**
Switzerland	8.3	8.0	9.1	13.5	9.5
France	5.8	4.8	4.6	4.5	4.4
Italy	2.8	2.3	2.9	2.3	1.8
Spain	2.3	2.8	3.1	2.3	2.5
Greece	1.4	0.8	0.7	0.6	0.4
Netherlands	1.5	1.0	1.0	0.9	2.4
United Kingdom	4.2	1.0	1.5	1.0	1.4
Africa	**45.3**	**51.5**	**42.6**	**42.6**	**46.4**
Mali	19.3	24.4	15.8	13.8	14.7
The Gambia	3.7	3.8	3.3	3.3	3.7
Mauritania	2.9	2.4	2.7	2.7	2.3
Guinea-Bissau	2.4	2.1	2.1	2.3	3.3
Guinea	3.4	3.9	4.8	4.1	4.4
Côte d'Ivoire	3.0	2.5	2.2	2.6	3.9
Cameroon	0.4	1.5	2.0	2.0	1.3
Burkina Faso	1.1	1.2	1.7	2.4	2.3
Togo	1.0	1.0	1.2	1.2	1.2
Benin	0.7	1.0	0.9	0.7	1.0
Asia	**12.6**	**16.2**	**22.2**	**20.4**	**16.6**
China	1.3	0.8	0.8	0.6	0.8
Japan	0.2	0.2	0.4	0.4	0.2
India	8.2	10.2	14.7	11.8	7.0
Imports(3)					
Americas	**10.6**	**9.6**	**12.2**	**9.5**	**8.1**
United States	3.0	2.8	4.8	2.7	2.9
Brazil	3.8	2.5	3.4	2.1	2.4
Argentina	2.1	2.2	1.9	1.8	1.3
Europe	**45.0**	**48.3**	**46.0**	**46.2**	**48.0**
France	19.9	20.1	18.1	16.2	17.7
Netherlands	2.9	4.4	4.8	2.0	5.8
Spain	4.3	3.4	3.7	3.4	4.5
Germany	3.6	2.5	1.9	2.0	2.5
Belgium and Luxembourg	2.3	2.2	1.6	2.4	2.8
Italy	3.3	2.2	3.1	2.1	2.0
United Kingdom	1.9	2.7	3.4	4.6	1.7
Ireland	0.5	0.6	0.4	0.3	0.5
Switzerland and Liechtenstein	0.4	1.1	0.6	0.7	0.8
Turkey	1.2	1.8	3.7	2.4	2.9
Ukraine	1.0	2.6	1.5	1.4	1.7
Africa	**18.9**	**18**	**18.6**	**20.9**	**19.4**
Nigeria	9.2	10.5	10.1	12.9	11.6
Côte d'Ivoire	3.0	2.3	2.9	2.9	2.3
South Africa	2.0	1.8	1.9	1.6	1.7
Morocco	1.7	1.3	1.0	1.1	1.1
Egypt	0.5	0.6	0.3	0.4	0.6
Asia	**24.4**	**23.2**	**22.1**	**21.9**	**23.3**
China	9.0	8.9	7.0	6.3	8.1
Japan	1.8	2.4	1.6	1.8	2.0
Thailand	5.5	3.4	3.8	1.8	1.5
India	2.2	2.7	2.0	6.3	5.5

(1) Figures for 2013 are BCEAO estimates that are subject to revision by the BCEAO. See "*Presentation of Economic and other Information*".
(2) Export figures in table do not include exports to Australia, ships' stores (*provisions de bord*) exports and exported products whose destination is unknown.
(3) Import figures in table do not include imports from Australia.
Source: DPEE

In 2013, 46.4% of Senegal's exports went to Africa. Among African nations, Mali was the largest recipient of Senegalese exports, with 14.7% of the total, followed by Côte d'Ivoire with 3.9% and The Gambia with 3.7%. In 2013, 25.7% of Senegal's exports went to Europe, with Switzerland receiving the majority (9.5%). Among Asian countries, India received the bulk of Senegal's exports with 7.0%. Exports to the Americas remain limited, accounting for only 0.9% of total exports in 2013.

In 2013, 48.0% of Senegal's imports came from Europe, with France accounting for 17.7% of total imports. Africa provided 19.4% of imports to Senegal, with Nigeria providing the largest share at 11.6% of total imports. Asia's share of Senegalese imports stood at 23.3% of total imports in 2013, with China providing the largest share (8.1%).

Trade Policy

The future of Senegal's foreign trade will be affected by the outcome of the Doha Round of the WTO negotiations. Senegal seeks easier access to foreign markets and is attempting to increase productivity to facilitate its integration into world trade. Senegal's foreign trade regime is strongly influenced by regional integration policy due to its membership of WAEMU and ECOWAS. The National Committee for International Trade Negotiations, chaired by the Minister for Commerce, actively monitors and participates in the multilateral WTO negotiations and on-going processes of regional integration.

In January 2000, Senegal put into effect a tariff scheme that conforms to the CET scheme agreed on by member nations of WAEMU. Under this tariff structure, Senegal has four simple tariff rate categories: 0% on cultural and scientific goods, agricultural inputs, and capital goods and computer equipment not available from local production; 5% on raw materials, crude oil, and cereals for industry; 10% on semi-finished products, intermediate goods, diesel and fuel oil; and 20% on consumer goods, capital goods and computer equipment available from local production and vehicles. As of 1 January 2015, the ECOWAS CET scheme will replace the WAEMU CET. The ECOWAS CET scheme will include a fifth tariff rate category of 35%. This category will apply to a wide range of products, with an emphasis on those already produced in the region. There also exists an array of other import tariffs, with a maximum combined rate of 52% and VAT of 18% applied to all imports.

Foreign Direct Investment

There are significant levels of foreign investment in the Senegalese economy, especially from its former colonial power France, which, with approximately 250 local subsidiaries of French businesses, accounted for almost 25% of the formal economy in 2009. However, increasingly the country is also developing links with other European countries, the United States, Middle Eastern countries, Asia and Africa (in particular Nigeria, Morocco and South Africa). Senegal has a significant services sector (accounting for nearly half of GDP in 2013) and an emerging information economy is beginning to attract international investors. As a prominent centre for the French-speaking West African region, the capital, Dakar, is host to a number of regional institutions and branches of international organisations. Most sectors are open to 100% foreign investment, but there are some sectors, such as telecommunications, electricity, mining and water, which require partnership with local firms. Foreign direct investment has decreased from XOF 187.7 billion in 2010 to XOF 148.0 billion in 2013. Gross foreign direct investment remained stable at about 2% of GDP in 2012 and 2013.

The principal sectors currently attracting foreign investment in Senegal include mining, telecommunications and chemicals. Senegal's Sabodala region, situated in the south-east of the country, close to the Malian border, has significant deposits of gold and Senegal's coastal dunes contain zircon. Australia-based MDL has made large investments in both areas, including a establishing a joint venture with France-based Eramet. Orange has a large interest in Sonatel, and Tigo another telecommunications company operating in Senegal, is owned by Millicom, based in Luxembourg. Finally, ICS, which produces phosphates from its mine in Taiba, phosphoric acid and several fertilisers and operates a rail system and port facility for the transportation of its products, is majority owned by IFFCO. Investment inflows were negatively affected by the global economic downturn but have since recovered.

Senegal's Investment Code sets out tax incentives according to the size of the investment and the sector. The minimum investment to qualify for favourable tax treatment is XOF 5 million and the creation of a minimum of three jobs for Senegalese workers. The common regime provides for the total exemption from direct and indirect taxes for three years and an exemption from duty on goods not produced locally. For SMEs the period is two years. Sectors covered by the Investment Code include manufacturing, tourism, mining and mineral exploitation, agriculture and fishing. These companies are also eligible for a tax allowance in respect of re-invested profits.

Tax advantages are granted depending on the stage of the investment. During the construction or development phase of eligible investments, customs duties and VAT are waived on imports of materials which could not have been sourced in Senegal, and VAT is not payable on local supplies of goods or services necessary for the project. During the operational phase, the company is not required to pay lump-sum tax contributions for a period of eight years, it receives tax credits for investments attributable to the project for a period of five years, and is allowed to recruit workers on limited duration contracts for a period of up to five years.

In addition, there is a further incentive contained in the investment law which allows an investor investing over XOF 250 billion to negotiate the tax advantages that the project will receive as part of a framework agreement with the State.

Other tax incentives to induce investment include:

- the ZFID, which has been in existence since 1974 and was modified in December 1995 to provide an exemption from all direct taxes (except on salaries), exemption from all taxes on equipment or materials used in the production of goods for export (applicable to companies that plan to export at least 60% of production), and an exemption from all taxes on export goods;
- industrial areas for SMEs in Dakar, Saint Louis, Kaolack, Thiès, and Ziguinchor. To be eligible, a foreign company must invest between XOF 5 million and XOF 200 million, create at least 100 jobs, and have at least 51% of its shares owned by Senegalese shareholders. The company would be exempt from the following taxes for a period of either five years (in Dakar) or seven years (in other areas): corporate tax, import duties and taxes on equipment and materials used in manufacture, and duties on acquisition of land and buildings, stamp duties and taxes on turnover payable for services rendered by management companies of the industrial area; and
- in October 1996, a law was adopted that declared the entire country an export-free zone. Accordingly, any company in Senegal that exports at least 80% of its output (irrespective of whether they are domestic or foreign) is eligible for a period of 25 years for certain tax reductions and relief on customs duties.

The table below sets out information regarding FDI into Senegal for the periods indicated:

	2010	2011	2012	2013
	(XOF billions, unless otherwise indicated)			
Private investments	1,000.8	1,246.4	1,277.7	1,361.4
FDI	187.7	159.6	141.0	148.0
FDI portion of private investments (%)	18.8%	12.8%	11.0%	10.9%

Source: APIX/DPEE.

Remittances

Remittances grew strongly for several years, reaching approximately 12.0% of GDP in 2013 according to BCEAO figures. The BCEAO estimated an increase from XOF 821.8 billion in 2012 to XOF 874.1 billion in 2013, with close to two-thirds of remittances originating in the United States, France, Spain, and Italy. The BCEAO projects the level of remittances for 2014 to represent approximately 11.8% of GDP.

PUBLIC FINANCE

Fiscal Policy

The Government is committed to a fiscal policy stance aimed at preserving debt sustainability while providing sufficient resources for priority social sectors and infrastructure investment. To this end, the Government intends to rely on the following strategic goals:

- Macroeconomic stability supported by conservative fiscal policies and more efficient expenditure with the aim of fighting poverty;
- Increased public revenues to cover priority expenditure and, in particular, infrastructure;
- Making further progress in relation to fiscal management, while avoiding the accumulation of payment arrears; and
- Making improvements to the business climate of the country through structural reforms.

Since 2011, the Government has pursued a fiscal policy focused on reducing the fiscal deficit through a growth-friendly strategy of widening the tax pool, improving the effectiveness of tax collection and streamlining Government expenditure. As a result of these efforts, the fiscal deficit has decreased from 6.7% of nominal GDP in 2011 to 5.8% in 2012 and 5.5% in 2013. The Government's objective is to reduce the fiscal deficit to 5.1% of nominal GDP in 2014 and to less than 4% in 2018.

Cost savings efforts have focused on targeting inefficiencies in government expenditures, including with respect to civil servant wages, with a focus on wage moderation to offset the impact of new hiring; restructuring and rationalising government agencies, with a focus on closing or merging agencies and ensuring better supervision; and reducing costs of utilities other public services. The Government is also focusing on a shift toward longer-term debt with lower interest expenses. The success and continuation of the State's efforts to streamline expenditures have taken on increased significance in light of the launch, in early 2014, of the PSE, which anticipates a significant increase in public investment while concurrently reaffirming the State's need to continue its policy of fiscal deficit reduction.

In 2013, budgetary management efforts saw the implementation of the new general tax code designed to improve tax revenues by the extension of the tax base and better management of tax expenses. In 2013, Senegal faced a significant budget shortfall due to a larger-than-expected reduction of the personal income tax in the wake of the 2013 tax reforms, transitory VAT collection shortfalls reflecting the phasing out of VAT withholding by government agencies, difficulties at Senelec, which was unable to fully satisfy its tax liability, and lower non-tax revenue. The new tax reforms aim to improve Senegal's business climate and introduce a fairer system of taxation. Focus has also been placed on increasing existing, and introducing new, taxes and improving tax collection efforts, including through changes to the VAT system and enhanced electronic tax payment and filing methods.

Foreign Aid

The Countries that provide aid to Senegal are highly concentrated, with a high proportion of overall aid provided by a small number of large bilateral and multilateral donors. Based on disbursements, this group of donors comprises France (principally through AFD), the United States, the UN, China and the World Bank, through its subsidiaries the IDA, the IFC and the MIGA (see "*Public Debt—Relationship with Multilateral Lending Institutions and other External Creditors*"). Donor countries and institutions generally provide aid in the form of grants or concessional loans for the funding of infrastructure projects. The Government estimates that, in 2013, Senegal received a total of XOF 332.3 billion in foreign aid, of which XOF 165.9 billion (49.9%) was in the form of drawings on concessional loans and XOF 166.3 billion was in the form of grants. In 2012, Senegal received the following amounts from its five most significant donors: XOF 135.8 billion from France, XOF 94.0 billion from the World Bank through its subsidiaries, XOF 55.8 billion from the UN, XOF 54.7 billion from the Unites States, XOF 54.4 billion from China. The flow of aid from "emerging donors", in particular India, China and the Arab countries, remains limited, although China's contribution of foreign aid to Senegal has increased significantly in recent years. Since 2012, Senegal has received over XOF 100 billion in loans and grants from China, which is now Senegal's fourth largest provider of funding. In 2012, over 60% of foreign aid received by Senegal came from bilateral donors, while the remainder came from multilateral donors. Together, AFD and the IDA provided Senegal with over 50% of all concessional loan funding in 2012.

Corruption and Transparency

Transparency International's Corruption Perception Index for 2013 ranked Senegal 77 out of 177 countries, down from 94 in 2012. In partnership with the UNDP and the World Bank, Senegal implemented the NPGG in 2001, in order to increase the quality of public services, improve local, judicial and economic governance, improve the quality of parliamentary work and implement new information and communication technologies in the public sector. The NPGG's objectives include an increase in the standard of living in Senegal, furtherance of the liberalisation of the Senegalese economy by improving the efficiency of economic and social institutions, promotion of the private sector by creating an environment with the necessary flexibility for increased investment and job creation from both domestic and international sources. The NPGG is part of the Government's on-going effort to promote transparency in the management of public affairs, to create a favourable environment for development of the private sector and to ensure the supremacy of the law in Government affairs.

The Government's efforts to promote transparency have included the adoption of a *Code des Marchés Publics* by the Council of Ministers in 2007, which was drawn up in a participative process involving civil society, the private sector and donors, the adoption of measures necessary to implement the 2009 WAEMU transparency code directive, and the implementation of a system of oversight comprised of an audit court, state inspector-general and financial and ministry oversight function. The government of Macky Sall has, since 2012, made good governance and transparency in the management of public affairs a priority. President Sall created a new Ministry of Good Governance in order to strengthen the mechanisms of regulation and the oversight of good governance. The World Bank has noted Senegal's positive indicators of good governance. The 2013 Ibrahim Index of Good Governance put Senegal in 10th place in Africa and 3rd out of 16 countries in West Africa.

President Sall has also sought to fight corruption. He has reactivated the Court of Repossession of Illegally Acquired Assets, or *Cour de Répression de l'Enrichissement Illicite* (CREI), reactivated judicial cases from 2008, and created new structures such as the national anti-corruption body, OFNAC. The mission of OFNAC is to fight corruption, embezzlement of public funds and fraud. OFNAC has the power of self-referral (own initiative investigation). OFNAC is composed of twelve members appointed by decree. Senegal's anti-money laundering (AML) efforts are led by CENTIF.

National Budget

In 2010, Senegal introduced and implemented a new budgetary procedure under the guidance of the IMF. The executive branch has the authority to initiate and propose the budget to Parliament, and the newly implemented procedure sets forth a series of deadlines for the ministers and the President with the goal of presenting the budget to the National Assembly as a draft law (*projet de loi*) in October when the annual parliamentary session begins. Once the budget has been approved by Parliament, the President must promulgate the budget into law within eight days. In addition, the budget for a particular year must be promulgated into law before the end of the preceding year. The initial budget may be amended, if needed, over the course of the year by one or more "*lois de finances rectificatives*".

Further to the recommendations of the PEFA Report published in 2007, the Government, with technical advice from the IMF, adopted a new Financial and Budgetary Reform Plan in 2009. This plan is intended to sustain the progress which had previously been made in terms of development, reform, budget execution and the improvement in the quality of accounting and management accountability.

The SIGFIP system for the management of public finances was implemented in 2005. SIGFIP is a nationwide computer network which is used to prepare the budget and keep accurate records of government spending. The system is also used to produce reports and tables showing public spending over specified periods, which are provided to multilateral institutions which monitor Senegal's public finances, such as the IMF. In late 2010 an interface between SIGFIP and a second expenditure accounting system, "Aster", was completed. The interface between the SIGFIP and Aster applications that allows for the transfer of information from SIGFIP to Aster is operational, while the interface that allows for the transfer of information from Aster to SIGFIP is currently in the test phase.

The Budget Process

The budget process in Senegal is governed by the "Decree on Preparation of the Budget of the State" of 30 January 2009. Pursuant to that decree the preparation of the budget is the responsibility of the Ministry of Economy, Finance and Planning and once agreed with the other Ministries and governmental institutions is approved by the National Assembly and finally the President.

A summary of the budget process is set forth below:

Budget Planning

Early in the year, the macro-economic and budgetary framework for the following year's budget is drawn up by the Minister of Finance. This framework sets out the growth assumptions and their effect on the overall financial position of the budget as well as on specific areas of expenditure for the budgetary year in question and the two following years.

By 30 April, this framework must be distributed to the other ministries and governmental institutions, requesting that they each provide their proposals for revenues and expenditures for the following year within that framework. Each of the ministries and governmental institutions must also produce a summary of the previous two years' performance compared to budget as well as their future strategy, including key priorities.

On the basis of this information the draft budget outline is then presented to the Government by 31 May, and in June the Prime Minister decides on the allocation of revenues and expenditures between the ministries and governmental institutions in line with the Government's priorities. By 15 June, the Prime Minister must set the spending limits for each of the ministries and governmental institutions and each ministry and governmental institution sets out its proposal within the relevant spending limits on the basis of the framework.

Budget Conferences and Arbitration

Conferences are held at which ministries and governmental institutions present their proposals to, and discuss them with, the relevant departments of the Ministry of Economy, Finance and Planning. Any disagreements can be submitted to the Minister of Finance for pre-arbitration. Pre-arbitration sessions must be held with the Minister of Finance by 15 August, and thereafter any disagreements still existing are referred to arbitration by the Prime Minister by 30 August at the latest.

Following the completion of the arbitration process the Minister of Finance must prepare the draft finance bill by 15 September.

Adoption of the Finance Bill

The draft finance bill is adopted by the Council of Ministers before the end of September and then submitted to the National Assembly by the opening day of the session of Parliament at the latest.

The finance law must then be voted on by Parliament, passed into law by the President and published by 31 December.

Local authorities

Within the parameters of existing finance legislation, the Government's policy is to provide local government with a subsidy representing 5.5 percentage points of VAT revenues accrued to the state budget from the previous year. Of this, 3.5% is given to the endowment fund for decentralisation and 2% for the funding of the equipment of local authorities.

The table below sets out the Government's financial operations for the periods indicated:

	2010	2011	2012	2013	2014[1]
			(XOF billions)		
Total revenue and grants	1,398	1,526	1,670	1,659	1,805
Revenue	1,236	1,376	1,464	1,471	1,587
Tax revenue	1,195	1,287	1,379	1,343	1,459
Non-tax revenue	42	50	44	90	89
FSE	-	39	41	38	38
Grants	162	150	206	188	219
Budget	21	38	52	20	38
Projects	140	113	154	168	181
Total expenditure and net lending[2]	1,729	1,980	2,090	2,059	2,201
Current expenditure	995	1,233	1,257	1,263	1,306
Wages and salaries	392	428	462	465	486
Interest due	60	104	108	113	126
Of which: external	38	62	52	55	58
Of which: internal	22	42	56	58	68
Other current expenditure	543	702	687	685	694
Transfers and subsidies	240	335	355	336	336
Goods and services	-	-	333	349	358
Capital expenditure	736	718	814	801	888
Domestically and non-concessionally financed	437	475	492	477	530
Externally (concessionally) financed	299	244	322	324	358
Net lending	(2)	28	19	(5)	7
Of which: On-lending	1	36	37	10	10
Selected public sector entities balance	(3)	0	0	0	0
Primary fiscal balance	(270)	(351)	(313)	(287)	(269)
Overall fiscal balance (including grants)	(334)	(455)	(420)	(400)	(396)
Overall fiscal balance (excluding grants)	(496)	(605)	(626)	(588)	(614)
Financing	334	455	420	400	396
External financing	180	422	436	204	396
Drawings	198	359	501	214	137
Programme loans	30	40	118	53	58
Project loans	160	135	205	167	177
T-bills and bonds issued in WAEMU (net)	8	184	178	(6)	(98)
Non-concessional loans	0	224	0	53	408
Eurobond issuance	0	224	0	0	240
Deposit	0	0	0	0	0
Other non-concessional borrowing[3]	0	0	0	53	168
Assistance PPTE	19	13	-	-	-
Amortisation due	(36)	(175)	(65)	(63)	(149)
Domestic financing	156	33	(13)	181	38
Banking system	155	12	(195)	163	34
Of which: T-bills and T-bonds, domestic (net)	-	-	25	11	58
Nonbank financing	1	21	183	18	4
Settlement of payment delays	-	-	(3)	15	(38)
Errors and omissions	(2)	0	0	(1)	0
Financing gap	0	0	0	0	0
Memorandum items:					
Budgetary float (programme definition)	-	-	50	50	50
New issues of government securities	-	-	492	563	-
Gross domestic product	6,395	6,775	7,165	7,308	7,782

(1) Figures for 2014 are Government and IMF projections.
(2) Excludes project-related wages and salaries included in capital spending, the salaries of autonomous agencies and health and education contractual workers included in transfers and subsidies.
(3) Assumes that part of the deficit in 2013 will be financed with a syndicated loan in foreign currency of XOF 245 billion.
Sources: Government and IMF estimates and projections.

Investment Programmes

The Republic has developed a number of investment programmes in order to focus investment in areas which need it the most, including infrastructure and agriculture. These programmes are intended to promote the most efficient use of available funds and to focus external financing on the sectors that will support Senegal's ambition to achieve the strategic vision of the PSE.

Agricultural Development Programme - PRACAS

Since 2013, the Republic has begun implementation of its *Programme de Relance et d'Accélération de la Cadence de l'Agriculture Sénégalaise* (PRACAS), an initiative aimed at reducing Senegal's dependence on imported foodstuffs, developing its exports and generating new forms of employment and revenue. PRACAS' preliminary phase runs from 2014 to 2017 and is expected to cost a total of XOF 581 billion. PRACAS has four targets: (1) self-sufficiency in rice by 2017, with a national annual production of 1,600,000 tonnes (this is expected to cost XOF 424.7 billion, partially offset by a saving to the economy of XOF 313.3 billion per year and a potential growth in GDP of 2%, resulting from substituting rice imports for domestic production); (2) self-sufficiency in onions by 2016/7, with a national annual production of 350,000 tonnes (this is expected to cost XOF 20.9 billion, partially offset by a saving to the economy of XOF 9.25 billion and increased revenues for onion producers); (3) improvement of performance in the peanut sector and the achievement of a national annual peanut production of 1,000,000 tonnes, at a cost XOF 92 billion; and (4) development of the out-of-season fruits and vegetables sectors through the achievement of a combined annual export volume of 157,000 tonnes, at a cost of XOF 43.5 billion. The costs of implementing targets (3) and (4) are expected to be partially offset by a reduction in imports of natural oils and a XOF 28.5 billion inflow into the economy each year. The government intends to meet PRACAS' targets by, among other things, intensifying agricultural production and improving water management, agricultural research and education and quality control.

Infrastructure Investments

The Government views the development of infrastructure and transportation services as a requirement for economic growth and poverty reduction. Their contribution to GDP is estimated to have been 4% on average over the period 2000-2011, while their part in the added value of the tertiary sector was on average 9% between 2000 and 2011. Because of this direct contribution to, and effect on, the economic and social performance of the Senegalese economy, the Government places this sector at the heart of its sustainable development strategy and has made it a priority sector of the PSE.

Senegal's public works investment agency, APIX, was created in 2000 with the mandate of finding ways to help the country address its infrastructure needs by developing an ambitious investment program, while at the same time improving the business environment in Senegal, promoting Senegal as an investment destination and researching and identifying investment partners for the Government.

Over the past decade, APIX has initiated several major infrastructure projects in various levels of development. These include the Blaise Diagne International Aiport, the toll roads between Dakar and Diamniadio which is currently being extended to Mbour via the new international airport and improvements to Senegal's railway system. The Government has not secured complete financing for all these projects at this stage. See "*Economy of Senegal—Infrastructure*" and "*Risk Factors—Risks related to the Republic of Senegal—Senegal's economic growth is dependent on the successful completion of a number of infrastructure projects, for which financing has not been obtained or committed in full or at all to date*".

Blaise Diagne International Airport

A new international airport, to replace the existing Leopold Sedar Senghor airport of Dakar-Yoff, is under development in Diass to meet the demand for medium- and long-haul air traffic, including passenger and freight traffic. In addition, it is intended that the new development will include premises for the maintenance of aircraft and the storage and conservation of fresh produce. The new airport will cover an area of 4,100 hectares against the current airport's size of 800 hectares. Aéroport International Blaise Diagne SA, the company tasked with the construction of the airport, plans to construct two 3,500m by 75m runways designed for existing and future high capacity aircraft, such as the Airbus A380. The new airport will have an initial capacity of three million passengers and 50,000 aircraft per year with the possibility that new modules could be constructed to triple these capacities by 2020. The facility will consist of a 42,000m^2 terminal. The estimated cost of the new airport is approximately XOF 400 billion, not including costs related to relocation of and provisions for local populations, which are estimated at XOF 12.4 billion. This cost is being met by loans from commercial and development banks, revenue from the existing airport and by a levy on air tickets which has been in place since 2005.

The main objectives of the airport construction project are to:

- relieve the pressure on Dakar's automobile traffic;
- create an air traffic hub in Senegal and a preferential stopover in West Africa for air traffic to and from Europe, North and South America;
- facilitate conditions to increase tourism;
- develop Senegal's export industry and play a leading economic role in the region;
- attract foreign investment flows; and
- develop the performance of airport related industries such as aeronautical maintenance.

Construction of the project by the Saudi Bin Laden group began in 2007 and the airport is expected to be operational by late 2015. When complete the airport will be operated by Fraport NG, a German company which manages twelve other airports worldwide.

Extension of Dakar – Diamniadio Toll Road to Blaise Diagne International Airport

Construction of a 32 kilometre toll road from Dakar to Diamniadio was completed in August 2013 as part of a 30-year PPP project with Eiffage SA, a French construction company. The construction of this toll road, amounting to approximately XOF 148 billion, was financed 60% by the State, the AFD and the AfDB and 40% by the private sector. The toll road has significantly improved conditions in the transportation sector in the Dakar region and has encouraged the emergence of new zones of investment and economic development between Dakar and Diamniadio. Following the opening of the Dakar-Diamniadio toll road in 2013, the Government signed a further contract with Eiffage SA for a 16.5 kilometre extension of the toll road from Diamniadio to Blaise Diagne International Airport in Diass. The extension of the toll road will have a total cost XOF 78 billion, of which the Government will be responsible for 71% and the private sector for 29%. The project is expected to be completed by August 2016 but negotiations are underway to align the commissioning timetable for this extension project with that of Blaise Diagne International Airport which is expected in late 2015.

Blaise Diagne International Airport – Mbour Toll Road

The 62 kilometre toll road from Blaise Diagne International Airport to Mbour is currently being constructed by Chinese company under a PPP contract for an estimated total cost of XOF 48 billion. The Government is seeking to raise XOF 16 billion in order to finalise the financing for this project. The toll road is expected to be completed in 2016 but negotiations are ongoing in order to align its construction timetable with that of Blaise Diagne International Airport, which is expected to be completed in late 2015. A key purpose of this toll road is to connect Dakar and the new international airport to the growing city of Mbour and the tourist resorts of the *Petite Côte* region.

Other Road Projects

The Government is pursuing various studies and initiatives with a view to developing an integrated toll road network between Dakar and other key city centres, through the extension of the Dakar-Diamniadio toll road to Thiès, Saint-Louis, Touba and Kaolack.

In order to facilitate the economic development of the country's regions, the Government is developing various paved road projects across the territory, including a 335 kilometre road from Ndioum to Ourossogui to Bakel, a 250 kilometre road from Tambacounda to Kidira to Bakel and a 250 kilometre road from Tambacounda to Mata in the North-eastern region of the country and a 137 kilometre road between Senoba and Ziguinchor in the Southern region.

Furthermore, to facilitate the opening up of the rural areas, which concentrate about 60% of the population with a high level of poverty, and reduce inequalities between the regions, the Government announced its *Programme National de Routes Rurales* under which it plans to construct 1,000 kilometre of country roads across the territory. This programme will require annual financing amounting to XOF 35 billion per year. Feasibility studies in respect of the programme are expected to be completed by the end of 2014.

Improvements to Senegal's Rail Network

The Government plans to upgrade or extend several parts of Senegal's rail network in order to promote commerce and increase exports to the countries of WAEMU. In particular, the upgrade of the Dakar – Bamako line (for an estimated cost of XOF 321.5 billion for the Senegal part of the line) is expected to facilitate the exploitation of resources in eastern Senegal such as phosphates in Matam and iron ore deposits in the Falémé region. Improved rail networks will also meet the demand for efficient transportation connections between Dakar and its suburbs. A tramway project in Dakar is thus envisaged and will include a 35 kilometre line. Feasibility studies for this project are estimated around XOF 550 million.

Other planned upgrades include a third track on the line between Dakar and Thiès, which would also have a link to the new airport at Diass, reopening the rail line between Thiès and Saint Louis, building a new 50 kilometre standard gauge rail link between central Dakar and the new Blaise Diagne International Airport for an estimated cost of XOF 125 billion, and building new tracks from Tambacounda to service the mines at Matam and Falémé. It is expected that these projects will be effected principally through private sector financing.

Electricity Production Plan (2014-2017)

In January 2014, the Government approved a new electricity production plan for the 2014-2017 period, which is based on a policy of diversifying the sources of energy production, energy mix, introducing more cost-effective production technologies and improved efficiency at Senelec, and encouraging private investment in the electricity sector. Currently, approximately 90% of electricity generated in Senegal is sourced from petroleum, rendering the industry vulnerable to volatility in oil prices. In order to improve the production mix and thereby reduce this dependency, the following projects are being pursued: (a) the development of a coal-fired power station with an installed capacity of 125 MW in Sendou, expected to begin operations in late 2015; (b) the development of a diesel power plant with an installed capacity of 70 MW in Taïba Ndiaye, also expected to begin operations in late 2015; and (c) the import from Mauritania of fuel oil-generated electricity, which will increase from 20 MW annually in 2014 to 80 MW annually in 2015. From July 2016 onwards 125 MW of natural-gas generated electricity will be imported annually from Mali. These three priority projects will be complemented in the medium-term by the gradual commissioning of a coal-fired power plant with an installed capacity of 270 MW in Mboro, beginning in January 2017 and the introduction of 150 MW of energy from renewable sources including wind (50 MW) and solar power (100 MW). It is expected that these projects, once operational, will lead to a progressive decline in Government subsidies to electricity prices, while also leading to a reduction in costs for end-users.

Taxation

The country adopted a VAT rate of 18% in May 2001. Tax revenue in Senegal since 2000 has been above WAEMU's convergence rate of 17% of GDP. VAT is the single biggest source of income through taxation. In 2007, the government suspended VAT and customs duties on a number of products, such as rice, wheat, powdered milk and bread, in order to keep prices down. In 2011, the VAT rate was reduced in the tourism sector from 18% to 10%, in a bid to increase competitiveness. This measure is expected to encourage growth in the medium and long-term, whilst reducing VAT revenues in the short-term by approximately XOF 4 billion a year.

Corporate income is subject to two kinds of tax. First, there is corporate income tax (*impôt sur les sociétés*). This is levied at a rate of 30%. Second, there is a compulsory minimum tax (*impôt minimum forfaitaire*), proportional to turnover. Senegal operates on the territoriality principle, meaning that Senegal based companies doing business outside the country do not pay tax on related profits. Foreign companies are subject to a 10% withholding tax on profits made in Senegal that are not reinvested there. Dividends are subject to a payment at source at a maximum rate of 10% from their gross amount. Personal income tax is levied at progressive rates up to a maximum of 40%. In addition, there exist various other withholding taxes. These include a 16% levy on capital revenue, 8% on debt repayments, a 3% salary payroll tax paid by employers (*la contribution forfaitaire employeur*), a contribution to the housing fund, and a 1% tax on salaries for the national federation of employers.

In 2013, Senegal faced a significant budget shortfall due to a larger-than-expected reduction of the personal income tax in the wake of the 2013 tax reforms, transitory VAT collection shortfalls reflecting the phasing out of VAT withholding by government agencies, difficulties at Senelec, which was unable to fully satisfy its tax liability, and lower non-tax revenue.

Tax revenues decreased 2.6% in 2013 to XOF 1,343 billion from XOF 1,379 billion in 2012 primarily as a result of lower revenues from personal income tax and taxes on domestic goods and services. The decrease was partially offset by increased revenues from customs duties (*recouvrements de la douane*) and corporate income tax in 2013. Direct tax revenues are composed principally of corporation tax, amounting to 35% in 2013, and personal income tax, amounting to 55% in 2013. Corporate income tax increased from XOF 113.9 billion in 2012 to XOF 135.7 billion in 2013, or an increase of 19.1%. The increase resulted primarily from the increase of the corporate income tax rate from 25% to 30%. The increase in corporate income tax in 2013 was partially offset by a 7.4% decrease in personal income tax revenue resulting from changes introduced by the new tax code in 2013. In 2013, indirect taxes decreased by 0.9% from XOF 909.1 billion in 2012 to XOF 900.8 billion in 2013 primarily due to a 9.0% decrease in revenue from taxes on domestic goods and services and, in particular, non-oil VAT following the 2013 elimination of VAT withholding applied to large enterprises. This decrease was largely offset by an 8.4% increase in revenues from customs duties in 2013.

Substantial efforts are being undertaken to reverse the erosion of budget revenues observed in 2013 and 2012. The new tax code, introduced in January 2013, established a simpler, more equitable, stable and effective tax regime. The tax administration reforms include the introduction of cash refunds for VAT credits, changes to the remuneration of tax inspectors to ensure adequate incentives to broaden the tax base rather than a focus on a few large taxpayers, and increased staffing, which is required for a resolution of existing tax arrears, a comprehensive audit of VAT credits, and more intensive use of various sources of information. In particular, reform measures designed to increase revenues include eliminating VAT exemptions for indirect exports and external financing transactions that take the form of subsidies or non-reimbursable donations, applying VAT to telecommunication operators, establishing a tax on cosmetic products, increasing the tax on tobacco and applying a system for advanced payment of income tax levied on industrial and commercial imports. The elimination of the VAT withholding applied by government agencies to large enterprises, while lowering revenues in the short term, will ultimately improve the cash position of enterprises and facilitate VAT collection. Tax revenues generated from the mining sector are equally expected to increase. Since March 2013, the Government no longer uses tax stabilisation measures in respect of prices for petroleum products. The DGD and the DGID will jointly supervise and exchange information with a view to improving the collection of tax revenues.

Expenditure

Total expenditure and net lending is estimated at XOF 2,059 billion for 2013 compared to XOF 2,090 billion in 2012, a decrease of XOF 31 billion or 1.5%.

Expenditure can be broadly classified into current expenditure and capital expenditure, with current expenditure being further divided between staff costs, interest expenses on public debt and other current expenditure.

Capital Expenditure

Capital expenditure decreased 1.5% in 2013 to XOF 801 billion from XOF 813.7 billion in 2012 as a result of a decrease in domestic financing. Capital expenditure financed from domestic sources amounted to XOF 477 billion in 2013, a decrease of 2.9% from XOF 492 billion in 2012. Capital expenditure from internal sources thus represented 59.6% of total capital expenditure in 2013, reflecting the Government's desire to finance its own investment programme. The ratio of capital expenditure from internal resources to tax revenue was 35.5% in 2013 compared to 35.7% in 2012, well above the 20% WAEMU floor. These investments are focused mainly on priority sectors such as infrastructure, education, agriculture, livestock and hydraulics. Approximately 76.0% of these investments were carried out in the form of capital transfers.

Compared to 2012, investment operations in the form of capital transfers increased by 1.5% in 2013, while those made directly by the state decreased by 14.9%.

Investments financed from external sources were estimated at XOF 324 billion in 2013, an increase of 0.6% from XOF 322 billion in 2012.

Current Expenditure

Current expenditure increased 0.5% in 2013 to XOF 1,263 billion compared to XOF 1,257 billion in 2012 due primarily to increases in staff costs and interest expense on both external and domestic public debt.

Staff Costs

Staff costs (wages and salaries) amounted to XOF 465 billion in 2013, representing an increase of 0.7% compared to XOF 462 billion in 2012. The ratio of payroll tax revenue reported was 34.6% compared to 34.1% for the previous year, below the WAEMU ceiling of 35%. These expenses consist primarily of base salaries (41.3%) and bonuses and allowances (32.9%).

Interest Expense on Public Debt

Expense for interest on public debt amounted to XOF 113 billion in 2013, an increase of 4.8% compared to XOF 108 billion 2012. Interest payments increased on both external and domestic debt. Interest payments on external debt increased to XOF 55 billion in 2013 from XOF 52 billion in 2012, while interest payments on domestic debt increased to XOF 58 billion in 2013 from XOF 56 billion in 2012. The higher debt service cost reflects, in part, higher recourse to market financing.

Other Current Expenditure

Other current expenditures (transfers and subsidies and goods and services) decreased by 0.4% in 2013 to XOF 685 billion from XOF 687 billion in 2012. This was due to the Government's policy of rationalisation of current expenditures of part of its general cost-saving efforts.

PUBLIC DEBT

Overview

Senegal's total public debt outstanding was XOF 3,341.7 billion as of the end of 2013, an increase of 8.6% from XOF 3,076.2 as of the end of 2012. Of Senegal's total public debt outstanding as of the end of 2013, XOF 2,367.7 billion (or 70.9%) represented external debt and XOF 974 billion (or 29.1%) represented domestic debt. Since 2012, the Government has made significant efforts to control the growth rate in outstanding debt. During the 2007-2011 period, the average annual growth rate in outstanding debt was 21.8%, considerably higher than the average annual growth rate of about 11.0% during the 2011-2013 period. The main issues for public debt sustainability are sustained external borrowing on non-concessional terms and sustained high fiscal deficits. As part of its efforts to control government spending, the Government is focusing increasingly on procuring longer-term debt financing with lower associated interest expenses.

The HIPC Initiative entailed coordinated action by multilateral organisations and governments to reduce to sustainable levels the external debt burdens of HIPCs. The MDRI goes further by providing full debt relief so as to free up additional resources to help such countries reach the World Bank's MDG. Unlike the HIPC Initiative, the MDRI does not propose parallel debt relief on the part of official bilateral or private creditors, or of multilateral institutions other than the IMF, IDA, and the AfDB.

Senegal's debt was significantly reduced as a result of the MDRI, which took effect in 2006. This reduced Senegal's debt to multilateral institutions by XOF 1,112.8 billion, of which XOF 845.9 billion had been owed to the IDA, XOF 172.0 billion to the AfDB and XOF 85.9 billion to the IMF. Under the HIPC initiative, 12 Paris Club creditors cancelled a total of XOF 428.5 billion between September 2004 and May 2006. HIPC and MDRI debt relief lowered Senegal's external public debt from 50.8% of GDP as of 31 December 2003 to 17.7% of GDP as of 31 December 2006.

Following the reduction in external public debt attributable to the HIPC and MDRI debt relief of 2004 to 2006, Senegal's external debt as a proportion of GDP began to rise again, from 17.7% as of 31 December 2006 to 19.7% as of 31 December 2008. External debt as a proportion of GDP increased sharply to 27.0% as of 31 December 2009 as the global economic crisis began to have an impact on Senegal's public finances. By 31 December 2013, external debt had increased further to XOF 2,367.7 billion, or 32.4% of GDP. Of this amount approximately 63.7% was owed to multilateral institutions (in particular the World Bank and AfDB), Arab countries held 7.3% and commercial debts, including the 2011 Eurobond, constituted 10.1%. With the implementation of the PSE and the investments associated therewith, the Government expects its external public debt to continue to increase in the coming years.

In addition to external debt incurred principally with international multilateral lenders, Senegal also raises debt domestically through the sale of government securities. Senegal's domestic public debt amounted to XOF 974 billion, or 13.3% of nominal GDP as of the end of 2013. Domestic public debt is denominated in local currency and held by WAEMU banks.

In 2013, domestic debt accounted for 29.1% of total public debt, up from 7.3% in 2005. The increase in domestic debt from 2005 to 2013 was due in large part to the reduction of the volume of total debt as a result of the debt forgiveness in 2006, but also due to the increasing maturity of the regional capital markets established in 2000 and Senegal's consequent increasing use thereof as external debt sources dried up following the global financial crisis.

Senegal increasingly uses domestic debt issuances to provide an alternative source of funding. Instruments used include short-term treasury bills (*Bons de Trésor*) with a maturity of less than two years, and bonds (*Obligations*) with a maturity of greater than two years. Senegal also issues loan notes (*Emprunts Obligataires*) which are sold more widely and are listed on the regional exchange, the BRVM, which is based in Abidjan, Côte d'Ivoire. Repayment on these loan notes is spread over the next five to ten years.

Senegal raised a total of XOF 393.0 billion in 2013 in the domestic and regional bond markets, including XOF 154.7 billion treasury bills with an interest rate of 5.69% and XOF 238.3 billion bonds with interest rates of 6.93% and maturities ranging from three to ten years. These securities are sold primarily to banking institutions with a small minority being sold to pension funds and private individuals.

In May 2011, Senegal issued a US$500 million Eurobond with a maturity of ten years, a coupon of 8.75% and a yield at issuance of 9.125% for investors. A portion of the proceeds of the issue were used to effect the early redemption of Senegal's US$200 million bonds issued in December 2009. The proceeds of the Eurobond were also used to help finance the Dakar-Diamniado Toll Road and to support the energy sector by investing in infrastructure in accordance with the Takkal Plan. The proceeds of the issue of the Notes described in this Prospectus will be used by the Republic to repay the €150 million euro-denominated tranche, with Credit Suisse, London Branch, as lender, of the Republic's outstanding syndicated loan entered into in December 2013 and January 2014 (see below). The remainder will be applied by the Republic to priority public investment projects including projects in the electricity and transportation infrastructure and services sectors (see "*Use of Proceeds*").

In December 2013 and January 2014, Senegal raised XOF 250 billion to finance its budget by way of a syndicated loan led by Banque Atlantique. The financing includes a XOF 150 billion tranche with a 7-year maturity and nominal interest rate of 6.5% and a €150 million euro-denominated tranche due in January 2015, with Credit Suisse, London Branch, as lender (the **CS Loan**). The Government intends to use a portion of the proceeds of the Notes described in this Prospectus toward the early repayment of the CS Loan. See "*Use of Proceeds*".

On 18 July 2014, Senegal issued a sukuk bond. The purpose of the sukuk is to create an investment vehicle for Islamic investors to manage their cash. The Government expects to obtain approximately XOF 100 billion from the issue. Citicorp Securities West Africa, CGF Bourse and Impaxis Securities S.A are the lead managers. The bond may be listed on the BRVM and will have a maturity of 4 years with an interest rate of 6.25%. The proceeds will be used to finance infrastructure projects.

No local authorities in Senegal have incurred any material levels of public debt, with the exception of the *Commune de Dakar*, which currently has a XOF 6.6 billion loan from the AFD outstanding. In March 2014, the municipal council of the *Commune de Dakar* approved the issuance of XOF 20 billion in bonds to finance infrastructure. The transaction is currently awaiting a visa from the WAEMU financial markets regulatory authority.

IMF Forecasts

The IMF uses a framework for conducting public and external DSAs to help detect, prevent, and resolve potential debt crises. The DSA framework analyses a country's capacity to finance its policy objectives and service its debt without having to make unduly large adjustments to its fiscal policy, which could otherwise compromise its stability.

The DSA framework has the following three objectives:

(i) assess the current debt situation, its maturity structure, whether it has fixed or floating rates, whether it is indexed, and by whom it is held;

(ii) identify vulnerabilities in the debt structure or the policy framework far enough in advance so that policy corrections can be introduced before payment difficulties arise; and

(iii) in cases where such difficulties have emerged, or are about to emerge, examine the impact of alternative debt-stabilising policy paths.

The DSA analyses the sustainability of a country's total public debt and total external debt, both of which have a baseline scenario based on macroeconomic projections accounting for the government's intended policies. The IMF applies a series of sensitivity tests to the baseline scenarios to provide a probabilistic upper bound for the debt dynamics under various assumptions regarding policy variables, macroeconomic developments, and financing costs. The paths of debt indicators under the baseline scenarios and the stress tests allow the IMF to assess a country's vulnerability to a payments crisis.

According to the IMF/IDA's DSA published in July 2014 in connection with the 7th PSI review, Senegal's external debt burden remains at a low risk of debt distress, all the debt burden indicators remain considerably below their policy-dependent indicative thresholds, and debt ratios in present value terms are lower than in the previous DSA reflecting the use of a higher discount rate. However, the DSA suggested that there is not much space for higher fiscal deficits if the low risk rating is to be preserved and indicated a need for caution in the recourse to non-concessional borrowing. The IMF raised the total non-concessional external debt ceiling, which had stood at US$800 million since 2013, to US$1,006 million over the 2011–14 period in order to allow for the issuance of the Notes.

Most of Senegal's public financing needs are projected by the IMF to be filled through external concessional borrowing, and any remaining needs will be covered in the regional market as liquidity conditions in WAEMU are projected to improve. Senegal's overall access to concessional financing is expected to decline as it develops. The IMF forecasts a gradual decrease in Senegal's fiscal deficit from over 5% in 2013 to approximately 4% in 2018. The IMF projects that grants for 2014 will be XOF 218.6 billion. Grants are mainly provided by traditional partners such as the United States, Canada, European Union, Saudi Arabia and Spain.

Public Debt

The tables below sets out information regarding Senegal's outstanding public debt as at the end of the years indicated.

	2009	2010	2011	2012	2013
	(XOF billions, except for percentages)				
External Debt					
Multilateral Creditors	**973.8**	**1,160.7**	**1,311.9**	**1,416.1**	**1,509.3**
IMF	163.2	188.3	194.4	188.9	175.1
World Bank	480.9	510.1	598.5	660.3	702.4
IEB	10.4	16.8	18.1	17.1	19.4
AfDB	101.3	157.4	194.2	214.8	260.8
OPEC/IDB/BADEA	136.8	175.8	170.8	183.6	189.8
Others	81.2	112.2	135.9	151.4	161.9
Bilateral creditors	**559.5**	**529.7**	**487.9**	**611.8**	**619.2**
OECD	190.5	169.2	143.6	228.5	239.5
Arab countries	252.7	223.5	162.8	183.3	171.7
Other	116.3	136.9	181.5	199.8	208.0
Commercial debts	**90.0**	**102.0**	**251.1**	**249.6**	**239.2**
Total External Debt	**1,624.4**	**1,792.3**	**2,059.9**	**2,277.5**	**2,367.7**
% Nominal GDP	**26.9%**	**28.0%**	**30.3%**	**31.8%**	**32.4%**
Domestic Debt					
Statutory Overdraft	24.4	16.52	8.4	0.0	0.0
Bank Debt	40.7	30.5	12.5	0.0	150.0
Treasury Bills	128.5	159.0	304.1	322.4	248.1
Treasury Bonds	156.3	232.2	328.4	476.4	575.9
Total Domestic Debt	**349.8**	**438.4**	**653.5**	**798.8**	**974.0**
% Nominal GDP	**5.8%**	**6.9%**	**9.6%**	**11.1%**	**13.3%**

Source: Ministry of Economy, Finance and Planning /DGCPT.

The following table shows the amount of debt service payments for each of the last five years for external and internal debt:

	2009	2010	2011	2012	2013
	(XOF billions)				
External					
Principal	34.4	40.8	174.8	81.9	86.9
Interest	22.4	36.7	59.8	50.7	53.3
Total	56.8	77.6	234.6	132.6	140.2
Internal					
Principal	153.9	99.7	200.3	407.8	368.0
Interest	20.9	18.9	38.7	63.6	57.1
Total	174.8	118.6	239.0	471.5	425.1
Total	**231.6**	**196.2**	**473.6**	**604.1**	**565.3**

Source: Ministry of Economy, Finance and Planning /DGCPT.

The following table shows the amount of debt service payments for 2014 and the following years for external and internal debt:

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
	(XOF billions)										
External											
Principal	174.8	91.4	95.9	97.6	104.4	96.0	84.7	322.8	84.3	84.4	81.7
Interest	52.3	51.1	49.6	48.0	46.4	44.7	42.5	32.7	23.1	21.8	20.5
Total	227.1	142.5	145.5	145.6	150.8	140.7	127.1	355.5	107.4	106.2	102.2
Internal											
Principal	348.5	229.1	110.3	90.3	74.2	49.6	33.6	21.7	8.4	8.4	0.0
Interest	42.2	35.0	25.0	18.1	12.3	7.4	4.1	1.9	1.0	0.4	0.0
Total	390.7	264.1	135.3	108.4	86.5	57.0	37.8	23.6	9.3	8.8	0.0
Total	**617.9**	**406.6**	**280.9**	**253.9**	**237.3**	**197.7**	**164.9**	**379.1**	**116.7**	**115.0**	**102.2**

Source: Ministry of Economy, Finance and Planning /DGCPT.

The following table shows the maturity profile for external and internal debt:

	Less than 1 year	1 to 5 years	5 to 10 years	10 years +
External				
External Debt	7.1%	15.8%	27.3%	49.9%
Internal Debt	35.8%	56.8%	7.4%	-

Source: Ministry of Economy, Finance and Planning /DGCPT.

The following list shows the outstanding issues of securities of Senegal as at the date of this Prospectus:

Domestic Securities

Treasury Bills

Issue Date	Outstanding Principal Amount	Interest Rate	Maturity Date
	(*XOF billions*)		
2012	87.8	6.55%	2014
2013	73.3	5.83%	2014 and 2015
2014	45.5	5.18%	2015 and 2016
Total	**206.6**		

Treasury Bonds

Issue Date	Outstanding Principal Amount	Interest Rate	Maturity Date
	(*XOF billions*)		
2007	27.3	5.5%	2017
2008	14.6	7.0%	2018
2009	8.5	6.5%	2014
2010	38.4	6.8%	2015
2011	44.0	6.5%	2014
2012	206.7	6.4%	2015 and 2019
2013	236.3	6.25%	2016, 2018 and 2023
Total	**575.9**		

External Securities

Issue Date	Outstanding Principal Amount	Interest Rate	Maturity Date
Eurobonds	(*US$ millions*)		
2011	500.0	8.75%	2021
Total	**500.0**		
Other	(*EUR millions*)		
2014	150.0	5.36%	2015(1)
Total	**150.0**		

(1) The Republic intends to apply a portion of the proceeds of the Notes described in this Prospectus toward the early repayment of the €150 million CS Loan. See "*Use of Proceeds*".

As of 31 December 2013, Senegal's outstanding public domestic debt was held primarily by commercial banks which accounted for XOF 890.7 billion or 91.4% of total domestic debt. Pension funds and insurance companies accounted for 4.4%, while private individuals and other investors accounted for 4.2%.

The following table shows the utilisation of external debt proceeds by sector as of the date of this Prospectus:

External Securities

	Amount Utilised
Eurobonds	(*US$ millions*)
Primary	-
Secondary	500
Tertiary	-
Other	(*EUR millions*)
Primary	
Secondary	150
Tertiary	-

In addition to the debt set out above, the Government has guaranteed certain obligations of Senelec, the state electricity company. See "*Economy of Senegal—Principal Sectors of the Economy—Energy—Electricity*".

Relationship with Multilateral Lending Institutions and other External Creditors

International Monetary Fund (IMF)

In October 2007, Senegal requested a PSI from the IMF. The IMF's framework for PSIs is designed for low-income countries that may not need IMF financial assistance, but still seek close cooperation with IMF in preparation and endorsement of their policy frameworks. PSI-supported programs are based on country-based poverty reduction strategies adopted in a participatory process involving private entities and development partners. The initial three-year PSI for Senegal was approved in November 2007 to support the country's economic reform efforts and expired in December 2010. It was aimed at consolidating macroeconomic stability, increasing the country's growth potential, and reducing poverty. The programme focused on maintaining a sound fiscal policy stance and enhancing fiscal governance and transparency. It also included measures to develop the private sector and increase the financial sector's contribution to growth.

The IMF approved a second three-year PSI in December 2010 to support economic reform through reducing the fiscal deficit, increasing transparency, encouraging the private sector and strengthening the financial sector. The second PSI was extended in 2013 by one year and will expire in December 2014. The terms of the second PSI included (a) limiting the amount of non-concessional debt incurred during the period covered by the new PSI; (b) restricting the use of the proceeds of such debt to non-concessional financing to be used exclusively for the extension of the Diamniadio toll highway towards the Blaise Diagne International Airport, Thiès, and Mbour; (c) requiring the proceeds to be held in an escrow account from which only payments in relation to the Diamnadio toll highway may be made; and (d) imposing reporting and auditing requirements.

World Bank

As of 31 December 2013, the World Bank had approved approximately 170 projects for Senegal totalling approximately US$3.7 billion. The portfolio of World Bank projects included, as of 31 December 2013, 20 active projects (including five region-based projects) and 14 fiduciary grants totalling approximately US$985.3 million. These 20 projects are in the areas of rural development, energy, mines, water and sanitation, transportation, local development, workers' rights, fishing and governance. World Bank financing projects currently include loans totalling approximately US$14 million to enhance the management and use of central government finances, approximately US$40.9 million in support of the Government's poverty reduction strategy, approximately US$80.5 million in respect of a sustainable and inclusive agribusiness project, approximately US$40.5 million toward the development of Senegal's health and nutrition sector and aid toward the realization of a development hub project in Casamance.

The IFC's activities in Senegal are particularly focused on proactive project development in the energy sector, the investment climate, and SME development. Since Senegal became a member of the IMF, it has received a total of approximately US$243.5 million in financing from the IMF. Currently, IMF-financed projects amount to approximately US$85 million. Current projects relate to infrastructure development and efforts to facilitate trade and enhance the security of foodstuffs. Previously, the IFC contributed €17 million to the financing of the Kounoune power station. In addition the IFC has been involved in improvements to the transport sector. Its assistance has taken the form of acting as global coordinator for and providing a €22.5 million long-term debt facility to the Dakar-Diamniadio Toll Road project and the development of a public private sector scheme to expand Senegal's minibus replacement program. The IFC has also engaged in discussions with Senelec with a view to providing guarantee support in respect of certain electricity production projects, including the Tobene Power project in Taiba Ndiaye. The IFC is also providing consulting services in the microfinance sector.

MIGA's exposure in Senegal includes a US$164 million guarantee of the Dubai Port World's project to modernise the container terminal at the Port of Dakar, a US$7.3 million guarantee of Cotecna Inspection S.A. and a US$125 million guarantee of Sonatel in support of its investments in Guinea, Guinea-Bissau and Mali.

African Development Bank (AfDB)

The Republic's relationship with the AfDB is based on a framework underpinned by the Country Strategy Document for 2010-2015 covering economic governance and the management of public finance, the investment climate, the diversification of the economy, investment opportunities in the private sector and infrastructure. Current projects include a €70 million loan for the financing of the new airport and a XOF 33.5 billion loan for the financing of the Dakar-Diamniadio toll road. The AfDB has also granted a €10 million loan to the concessionaire of the Dakar-Diamniadio toll road project. The AfDB has recently extended financing to other sectors, including education (XOF 2,474 billion loan to finance a virtual university), hydraulics (XOF 11,103 billion loan to finance the restoration of ecological and economic aspects of the Lac de Guiers) and local roadways (XOF 11,263 billion loan to finance local roads under the national local development programme).

Islamic Development Bank (IDB)

Senegal is one of the beneficiaries of the IDB's Jeddah Declaration, under which the IDB provides financing to facilitate the development of areas important to food self-sufficiency, such as agriculture, irrigation and warehousing. In addition certain social sectors (such as education, training and health), infrastructure, energy and transport are included as targets. Currently, total approved IDB financings in Senegal amount to XOF 700 billion and relate to various sectors, including infrastructure, electricity, hydraulics, sanitation, education and health. In 2010, the IDB launched its Member State Partnership Strategy, adopted in Senegal in 2012, in connection with which a three-year financing programme was initiated through which the IDB will extend US$507 million in financing to Senegal between 2013 and 2015. The principal sectors affected include road infrastructure, agriculture, electricity, sanitation, Islamic finance, women's entrepreneurship and private sector development. In May 2014, the IDB announced that it would extend an additional US$1.1 billion in financing to Senegal, of which 35% has already been approved for specified projects, with a view to making funds available to support the first phase of the PSE. Senegal also receives financing from IDB affiliates, including the Islamic Corporation for the Development of Private Sector and the Islamic Corporation for the Financing of International Commerce, among others.

International Fund for Agricultural Development (IFAD)

IFAD has been involved in Senegal since 1979, financing 17 different projects targeting rural development. The total aggregate aid provided by IFAD since 1979 amounts to US$428.6 million, of which 48.6% represents concessional financing. IFAD's "Country Strategic and Opportunities Program" (COSOP), which covers the 2010-2015 period, targets funding amounting to US$30 million for agricultural and rural development through the Agricultural and Rural Development Support Project (PADAER). COSOP provides a unique framework programme closely aligned with Senegal's agricultural development and investment strategy. IFAD's contributions are aimed at supporting the World Bank's MDGs, including the goal of reducing poverty and hunger and promoting women's rights. In particular, through IFAD's help, Senegal aims to reduce the poverty level by 50% by 2015. Current projects include the original Agricultural Sector Support Project, (XOF 15.8 billion in IFAD financing), PADAER (XOF 25.8 billion in IFAD financing) and the Agricultural Sector Support Project Extension (XOF 25 billion in IFAD financing, provided in March 2014).

Other multilateral institutions with which Senegal has ties with include BOAD, BADEA, the EIB, ECOWAS, the Nordic Development Fund and the OPEC Fund for International Development. All of these bodies finance projects and investment programs in Senegal. However, unlike the multilateral institutions listed above, these institutions do not lend within a framework agreement agreed in advance with Senegal.

Concessional/Non-concessional Debt

Concessional debt is debt with lower interest rates and longer repayment periods than typical or standard market or multilateral debt that is generally provided to poor countries.

To ensure debt sustainability, the Government will continue to abide by the general principle of not contracting or guaranteeing external borrowing on non-concessional terms, although non-concessional debt may be incurred for specific projects subject to IMF approval.

The issuance of the Notes on non-concessional terms, for use as stated herein, has been approved by IMF as an exception to this general principle. The Republic has received the final approval of IMF for the issuance of up to US$500 million of Notes.

Guarantees

The Government's policy is to avoid providing guarantees and, in particular, guarantees in respect of non-concessional financing. The only current contingent state liabilities are payment guarantees on behalf of Senelec to two independent power producers: GTI and Kounoune Power. It is not possible to quantify these contingent liabilities; however the Government foresees only a low risk of the liabilities materialising.

Furthermore, the risk of over-indebtedness remains low in Senegal. Resistance tests of the external debt sustainability analysis (DSA) lead to overrun the indicator NPV/ Export in a lasting manner if key variables such as growth and primary deficit return to last years' average. This justified maintaining a low risk rate for now, under the assumption of budgetary consolidation and strengthening of debt management.

MONETARY SYSTEM

The Franc zone and the BCEAO

Senegal has been a member of the Franc zone since its independence in 1960 and a member of the WAEMU since 1962. The BCEAO, located in Dakar, is the common central bank for the WAEMU member States.

The Franc zone

The Franc zone is composed of 14 French-speaking countries of sub-Saharan Africa, the Comoros and France. It is the offspring of monetary relations between France and its former African colonies, reflecting the desire of its member nations to maintain an institutional framework of monetary cooperation. Like the Bank of Central African States (BEAC) and the Central Bank of the Comoros, the BCEAO has an operational account on the books of the French Treasury, which guarantees the convertibility of its CFA franc (XOF). The peg of the XOF to the French franc was replaced by a peg to the Euro as from January 1, 1999. The substitution of the Euro for the French franc does not affect the monetary cooperation mechanism of the Franc zone in any way.

The monetary cooperation between France and the African countries of the Franc zone is governed by four fundamental principles: a guarantee by the French Treasury of unlimited convertibility of the three central African banks' franc, a fixed peg, free transferability and centralisation of currency reserves. In exchange for this convertibility guarantee, the Franc zone central banks have the obligation to deposit at least 50% of their currency reserves on an operational account with the French Treasury (this rate is set at 65% for the Central Bank of Comoros). The management of the operational account is formalised by agreements between the French authorities and representatives of the member States of the three central banks. They are operated as current accounts opened at the French Treasury, are remunerated and may, in exceptional circumstances, have a debit balance. The convertibility guarantee comes into play when the operational account is overdrawn. Several preventive measures, provided for in the operational account agreement, are put into place to avoid any overdrafts.

The cooperation between France and the Franc zone is the subject of regular meetings between French and African officials, in particular the biannual meeting of the Finance Ministers of the Franc zone.

The BCEAO

The BCEAO is the common central bank of the eight member states which form WAEMU, which are Benin, Burkina Faso, Côte d'Ivoire, Guinea-Bissau, Mali, Niger, Senegal and Togo. The BCEAO is a public international institution with headquarters located in Dakar. It is governed by the bylaws annexed to the WAEMU Treaty. Across the territory of all WAEMU member States, it enjoys privileges and immunities usually only granted to international financial institutions. The BCEAO is managed by a Governor, a board of directors and national credit committees. The Governor of the BCEAO is appointed by the Council of Ministers for a renewable six-year term.

The reform of the institutions of the WAEMU and Central Bank which took place in 2010 strengthened the independence of the BCEAO and established a better division of roles and responsibilities between the different WAEMU and BCEAO entities. These entities are as follows:

- The WAEMU Council of Ministers, in which every member-state of WAEMU is represented by two ministers, is responsible for the implementation of general guidelines and decisions by the Conference of Heads of State and Government (*Conférence des Chefs d'Etats et de Gouvernment*), which is the WAEMU supreme body, and for defining the regulatory environment of the financial and banking system and the WAEMU exchange rate policy. For the latter, it is assisted by an Exchange Rate Committee (*Comité de Change*);

- The Monetary Policy Committee (*Comité de Politique Monétaire*) is responsible for establishing the monetary policy;

- The Board of Directors is in charge of the management of the issuing institute as an organisation. It is assisted by an Audit Committee;

- The Governor is responsible for the management of the BCEAO and implements the monetary policy defined by the Monetary Policy Committee; and

- The National Credit Committees (*Comités Nationaux de Crédit*), are consultation committees at the member State level, comprised of representatives of the Administration and of principal associations or socio-professional groups. They are in charge of issuing opinions and recommendations on the functioning of the banking system to better manage the concerns of economic actors in the implementation of credit and monetary policy.

As an issuing institution and a monetary authority, the BCEAO maintains a wide range of relationships with banks and financial institutions working with the WAEMU member states. These relationships consist mainly of monitoring the stability and operations of the banking system and distribution/credit control operations. In line with its bylaws, the BCEAO grants assistance to banks and financial institutions authorised to conduct business in WAEMU member states. This assistance includes advances secured by government securities issued or guaranteed by member states, as well as discounts, acquisitions, sales, repurchases or secured loans against security of claims in respect of WAEMU's member states, companies and individuals.

In addition to issuing the common currency in the member states, which is the exclusive mission of the BCEAO, the BCEAO is in charge of (i) defining and implementing monetary policy, (ii) ensuring the stability of the WAEMU banking and financial system, (iii) promoting, monitoring and safeguarding payment systems, (iv) implementing the WAEMU exchange rate policy, (v) centralising the WAEMU currency reserves, (vi) accounts keeping for WAEMU member States; and (vii) monitoring banking and financial activity. The principal objective of the Central Bank is to ensure price stability. The principal monetary policy objectives of the BCEAO are to reinforce price stability, target inflation and maintain the CFA franc-Euro peg. The BCEAO also supports the economic policies of WAEMU member States to foster sound and sustainable growth.

Monetary policy tools include setting the main interest rate and a system of mandatory reserves. Their implementation takes into account changes in the internal and external economic and financial environment of the WAEMU zone, in particular the situation of the Euro zone. As a result of the peg of the CFA franc to the Euro, the monetary policies of the CFA Franc zone closely follow those of the European Central Bank. Slight policy differences will normally arise as a result of the fact that BCEAO usually takes into account its members' economic situations such as inflationary pressures, the outcome of agricultural campaigns, trends in credits to the economy and bank liquidity.

The BCEAO cut one of its key interest rates by 0.5 percentage points to 4.25% at its June 2009 monetary policy meeting, signalling its concerns over the impact of the global economic downturn on CFA zone economic growth. Since 2009, the BCEAO has decreased interest rates further on numerous occasions in order to help to support economic growth across the WAEMU region. In 2014, the BCEAO further reduced its two key interest rates to 2.5% and 3.5%. In the wake of the economic downturn, the BCEAO eased required reserve requirements for banks in several of its member countries that were most affected in order to help stimulate domestic credit in their economies. In late 2010, the BCEAO decided to apply the same reserve requirements to all member states and has since decreased the reserve requirement threshold further.

With respect to monitoring of credit institutions, a banking commission (*commission bancaire*) was created on April 24, 1990 and is chaired by the Governor of the BCEAO. It is entrusted with the supervision of the organisation and control of the banking system in the WAEMU.

The WAEMU is characterised, in particular, by the adoption of a single foreign exchange policy in all member States in order to ensure the freedom of financial relations within the Franc zone. Financial payments and capital movements between the WAEMU and foreign countries, as well as foreign exchange transactions within the WAEMU, can only take place through the BCEAO, the postal administration or a licensed intermediate bank.

Inflation

The table below sets out certain information regarding inflation rates in Senegal for the periods indicated:

Inflation (Consumer Price Index)	2011	2012	2013
Annual average	3.4%	1.4%	0.7%

Source: ANSD

The rate of CPI inflation fluctuated between 0.5% and 4.0% between 2000 to 2006. Inflation rose to 5.3% and 6.6% in 2007 and 2008, respectively, primarily due to the sharp increase of food prices caused by the poor harvests of those years. The CPI rate then fell sharply to a negative rate of 1.0% in 2009 as harvests improved and global demand fell due to the financial and economic crises. In June 2010, the CPI basket was updated with a lesser concentration on food prices. However, the price of food remained the main factor in reversing the deflation of 2009 to produce an inflation rate of 1.3% in 2010. The rate of inflation rose further to 3.4% in 2011 before decreasing to 1.4% in 2012 in part due to weakness in global commodities prices and Government efforts to support disadvantaged sections of the population. In 2012, the Government launched measures to limit inflation with respect to basic foodstuffs, such as rice, oil and sugar, following consultation with sector players. In 2013, the inflation rate decreased further to 0.7% owing to weaker agricultural commodity prices in international markets. According to the IMF, inflation is expected to remain moderate at approximately 2.0% in 2014 in the context of more stable global commodity markets.

The government expects inflation to stay below WAEMU's 3.0% inflation rate ceiling. Improved yields for grains and cereals should support a gradual decline in inflationary pressures over the near term. The entire CFA franc zone has historically exhibited low inflation, notwithstanding the high rate of inflation in 2008, because of the relative stability of the regional currency as well as the conservative monetary policy of the BCEAO. This helps dampen downside inflationary risks in Senegal, which stem in part from its high dependence on food- and energy-related imports.

Money Supply and Foreign Reserves

The following table sets out certain information regarding Senegal's money supply, including foreign reserves, as at 31 December for each of the years indicated:

	2008	2009	2010	2011	2012	2013
			(XOF billions)			
Net foreign assets	762.3	858.6	987.8	930.6	879.4	858.3
BCEAO(2)	653.1	725.3	734.5	726.2	775.5	764.2
Commercial banks	109.2	133.2	253.4	204.5	103.9	94.1
Net domestic assets	1,244.3	1,367.5	1,589.9	1,786.8	2,015.2	2,268.8
Net domestic credit	1,467.3	1,602.5	1,883.8	2,114.7	2,239.4	2,565.4
Net credit to the government	27.8	110.5	236.8	158.7	94.6	151.1
Central bank	(14.2)	117.4	202.0	102.8	(38.9)	21.4
Commercial banks	33.1	(9.3)	37.0	54.0	129.6	123.6
Other institutions	8.8	2.4	(2.2)	1.9	3.9	6.0
Credit to the economy	1,439.6	1,492.0	1,647.0	1,956.0	2,144.8	2,414.3
Other items (net)	(223.0)	(235.0)	(294.0)	(327.9)	(224.1)	(296.6)
Broad money (M2)	2,006.6	2,226.0	2,577.7	2,717.4	2,894.7	3,127.1
Currency outside banks	474.3	494.8	561.8	588.1	584.6	619.9
Total deposits	1,532.3	1,731.2	2,015.9	2,129.3	2,310.1	2,507.3
Demand deposits	778.9	863.7	1,024.7	1,060.7	1,191.7	1,367.4
Time deposits	753.5	867.5	991.2	1,062.7	1,118.4	1,139.9
			(Change in percentage of beginning-of-period broad money stock)			
Net foreign assets	(4.5)	4.3	5.0	(2.1)	(1.8)	(0.7)
BCEAO	0.4	3.2	0.4	(0.3)	1.7	(0.4)
Commercial banks	(5.0)	1.1	4.7	(1.8)	(3.5)	(0.3)
Net domestic assets	6.2	5.5	8.6	7.2	7.9	8.1
Net credit to the government	(3.5)	3.7	4.9	(2.9)	(2.2)	1.8
Credit to the economy	10.7	2.4	6.0	11.4	6.5	8.6
Other items (net)	(1.0)	0.5	2.3	1.2	(3.6)	2.3
Broad money (M2)	1.7	10.9	15.8	5.4	6.5	8.0
			(Change in percentage of beginning-of-period broad money stock) (Units indicated)			
Memorandum items:						
Velocity (GDP/M2; end of period)	3.0	2.7	2.5	2.5	2.5	2.3
Nominal GDP growth (% growth)	10.0	1.2	6.4	5.9	5.8	2.0
Credit to the economy (% growth)	17.2	3.6	10.4	18.8	9.6	12.6
Credit to the economy/GDP (%)	24.2	24.8	25.8	28.9	29.9	33.0
Variation of net credit to the government (from previous year; XOF billions)	(68.4)	82.8	126.3	(78.1)	(64.1)	56.5
Central bank refinance rate (eop/latest; %)	4.75	4.25	4.25	4.25	4.0	3.5

(1) Difference in 2009 between changes in net foreign assets and net international reserves owing to SDR allocation.
Sources: BCEAO and IMF estimates and projections

The money supply (broad money) is estimated to have grown by 8.0% in 2013 to XOF 3,127.1 billion compared to XOF 2,894.7 billion in 2012. The overall domestic liquidity rate (broad money as a percentage of nominal GDP) of the economy grew from 40.4% in 2012 to 42.8% in 2013. The increase in money supply reflected an increase of XOF 197.2 billion in total deposits and an increase of XOF 35.3 billion in currency outside banks in 2013.

Net foreign assets were estimated to have decreased by approximately 2.4% in 2013 to XOF 858.3 billion from XOF 879.4 billion in 2012. This decrease primarily reflected a decrease of XOF 11.3 billion in net foreign assets held by BCEAO and a decrease of XOF 9.8 billion in net foreign assets held by commercial banks. Net domestic assets were estimated to have increased approximately 12.6% in 2013 to XOF 2,268.8 billion from XOF 2,015.2 billion in 2012 reflecting primarily an increase in credit to the economy of XOF 269.5 billion and an increase in net credit to the government of XOF 55.6 billion. The increase in credit to the economy is due primarily to increases in credits to the public works, industry, commerce, transport, warehousing and telecommunications, energy and miscellaneous services sectors.

Exchange Rate

Due to its membership in the WAEMU monetary zone, Senegal applies an exchange regime that is exempt from any restrictions on payments and transfers relating to normal international transactions.

The common currency of the WAEMU is the XOF (which is pegged to the Euro at a fixed exchange rate of: 1 Euro = XOF 655.957). This rate has been fixed and has not changed since the introduction of the Euro. Prior to this, it was fixed to the French franc.

The Banking Sector

Banking

There are currently 21 active banks and two financial institutions in Senegal following the creation of BNDE and the Banking Commission's approval of the opening of a branch of BCI-Mali in Senegal. Of these, three institutions, the subsidiaries of Société Générale, BNP Paribas and CBAO Groupe of AttijariWafa Bank, had an aggregate market share in terms of deposits, credits and total assets of 59.0%, 45.6% and 39%, respectively, as of December 2013. No Senegalese bank is 100% State-owned.

The banking sector is relatively concentrated, with foreign banks representing a significant portion of sector participants. The five biggest banks hold 66% of the total assets and collect 79% of the total deposits held by Senegalese banks. A large number of microfinance institutions offer limited financial services targeting low-income households (see *"—Microfinance and Non-Bank Financial Institutions*"). Additionally, the Senegalese financial system includes more than 20 insurance companies. The regional capital securities market is a marginal source of financing, except for the Republic. The Interbank market remains underdeveloped.

Banks in Senegal offer commercial and retail banking and deposits and loans, but do not offer wealth management or underwriting services. Although relatively few Senegalese use banking services, the country has one of the largest banking industries in the region due to its role in the WAEMU, with 21% of WAEMU's banking assets concentrated in Senegal, and the country's banks account for about approximately 23% of profits within WAEMU. The strength of the banking sector is reflected in the comparatively low interest rates that are found in Senegal compared to the other WAEMU countries: the average in 2012 was approximately 7.31% across all products, compared with an average of 7.47% for the region. The stock of domestic lending amounted to XOF 2,565.4 billion as of 31 December 2013, an increase of 14.6%, compared to XOF 2,239.4 billion as of 31 December 2012. This was mainly due to the increase in the net position of the Government and credit to the private sector. The ratio of deposits to GDP was approximately 34.2% in 2013 (as compared to 28.0% for the WAEMU). However, approximately 53% of loans are short-term credits, and the vast majority of loans are granted to a limited number of companies. This is due to Senegal's sizable informal sector, which operates entirely outside Senegal's established financial sector and therefore is generally not eligible for bank borrowing. Profits for the Senegalese banking sector reached approximately XOF 55 billion in 2013 up 37% from 2012. The BCEAO considers Senegal to be a significantly "under-banked" country, with a penetration rate of banking products of just 9%, or 24% including microfinance products, but WAEMU plans to raise the penetration rate regionally to 20%.

Despite this, the IMF has stated that the Senegalese banking system has structural weaknesses. Historically, several banks have been persistently non-compliant with prudential requirements. However the number of banks in compliance increased from 61% in November 2010 to 95% in December 2013. Stress tests carried out in late 2013 by the Government and the IMF suggest that liquidity and interest rate risks can be overcome because Senegal's banks tend to be highly liquid, while mismatches in maturity between assets and liabilities are minimal. Only loan concentration is viewed as a major source of vulnerability, given loans generally extend to a limited number of sectors and companies and Senegal's banks have significant exposure to the public sector. Those conclusions are corroborated by typical indicators of financial strength, which suggest that Senegalese banks are generally well capitalised, profitable, and highly liquid, although asset quality is a principal source of concern.

In March 2010, following a national consultation on Senegal's credit system, a committee was set up by a Decree of the Minister of Economy and Finance to monitor the implementation a number of measures designed to improve the finance, banking and insurance sectors, microfinance institutions and other financial intermediaries and the legal framework of access to financial services. Key measures include (i) adoption of legislation promoting the development of leasing activities, (ii) the strengthening of the banking system and the development of dematerialised means of payment, (iii) the improvement of banking supervision in order to maintain the stability of the banking system and (iv) the development of a private shareholding majority for any bank in which the Republic holds a majority stake to comply with the recommendation of the Council Ministers of WAEMU and to gradually reduce or maintain the Republic's participation in banks to a maximum participation of 25%. The action plan was updated in 2013 given that its implementation was behind schedule. The revised plan contains 65 measures, some of which have already been implemented, and is expected to be completed by the end of 2014. The measures of the revised plan include promoting and developing factoring and reducing delays in registering guaranties and security. Key measures of the original plan that have already been completed include the adoption of legislation promoting the development of leasing activities, fiscal adjustments to the new tax code and enhanced efforts to promote quality within the financial services.

Microfinance and Non-Bank Financial Institutions

Due to the small number of Senegalese with established bank accounts, microfinance is very popular and continues to grow. While microfinance institutions offer services in both urban and rural areas, approximately half of their activity is concentrated in the Dakar metropolitan area. Most Senegalese hold accounts with microfinance institutions rather than with regular banks. The emergence of microfinance institutions has increased the number of Senegalese with access to financial services by 20%. According to the BCEAO, there were 238 entities offering microfinance services in Senegal as of 31 December 2012. However, the market is dominated by a small number of nationwide microfinance networks. Smaller entities are often single branch mutual savings and loans businesses, and the Government believes consolidation of some of these entities will improve lending standards and increase depositor security. The Government expects several of the large banks operating in the region to enter the microfinance market. The Government also sees microfinance as a key source of financing for SMEs. The microfinance sector in Senegal, and throughout WAEMU, is regulated by the BCEAO.

There are two non-bank financial institutions operating in the lending market in Senegal, both specialising in leasing.

Regulation and Monitoring

The regulation of the banking sector is performed by the Banking Commission, which has the responsibility of monitoring the organisation and control of banks and financial institutions. It meets at least once every quarter. It has a permanent secretariat composed of BCEAO officers, who prepare, for its review, reports and studies concerning compliance by WAEMU credit institutions with liquidation and universal rules on sound management.

The minimum share capital requirement for banks operating in the WAEMU region was increased for newly created institutions from XOF 1 billion to XOF 5 billion in January 2008 and was further increased to XOF 10 billion in 2011. In September 2014, the Council of Ministers is expected to determine the date on which such increase will become applicable to existing banks. According to the BCEAO, the capital adequacy ratio (capital to total assets) of Senegal's banking sector stood at 9.6% in 2012 and 9.4% in 2013. Several banks in Senegal have suffered increases in the number of non-performing loans (NPLs) in their portfolios due to the global financial crisis that began in 2008, although the amount of NPLs was still just approximately 8.5% of the banks' aggregate loan portfolios as at December 2013. As a result, one of these banks has been in breach of the minimal capital requirements of the BCEAO from time to time. To address this the Government plans to work closely with the BCEAO to monitor the implementation of the new capital requirements being introduced. The Government does not believe that the current level of NPLs poses a systemic threat.

In order to fulfil its responsibilities, the Banking Commission has the following powers: (i) document and on-site visits of banks and financial institutions; (ii) approval of banks and financial institutions operating on the territory of a WAEMU member state; (iii) implementation of administrative measures in case of non-compliance with applicable provisions (warning, injunction, disciplinary measures); and (iv) disciplinary sanctions depending on the seriousness of the violation (warning, reprimand, suspension or ban of some or all operations, limitations on practicing the profession, suspension or resignation of responsible executives, withdrawal of authorisation).

Regional Stock Exchange

On December 18, 1996, the eight member States of the WAEMU established a regional stock exchange, the *Bourse Régionale des Valeurs Mobilières* (BRVM). The BRVM is a specialised financial institution which is responsible for organising and ensuring the proper execution of securities transactions and proper information of the public.

The BRVM has the following functions: organising the market, managing the rating and trading of securities, publishing courses and stock market information and ensuring the promotion and development of the securities market. The BRMV has a representative from each WAEMU country. The BRVM is headquartered in Abidjan, Côte d'Ivoire. All trading is completed through intermediary companies, which also hold most of the securities for investors.

The BRVM is an entirely electronic stock exchange. The central site of the stock exchange in Abidjan ensures all of the quotation services, the negotiations and the diffusion of information. The BRVM is composed of a stock market which has two compartments for equity debt securities.

The Council for Public Savings and the Financial Market is the regulatory organism of the regional financial market. In 2012, this organism strengthened market regulations to safeguard transactions and the interests of market actors. The introduction of financial ratings was made mandatory for market issuers. This mechanism strengthens the transparency of actors and aligns counterparty risks with credit conditions to increase market efficiency via a better allocation of resources.

In 2013, the BCEAO created the *Agence UEMOA-Titres*, an agency responsible for supporting and coordinating recourse to financial markets by WAEMU member states. The agency assists sovereign issuers in the region with respect to issues relating to capital markets and helps to organise relationships between sovereign issuers and investors, notably by publishing an annual calendar of all sovereign bonds issuances planned by WAEMU member states.

Stock Market

As of the date of this Prospectus, 37 companies are listed on the BRVM market, including 31 Ivorian companies, two companies from Burkina Faso and one each from Benin, Senegal and Togo.

Sonatel, the only publicly traded company incorporated in Senegal, is the BRVM's most heavily traded and largest stock. The total capitalisation of the BRVM as at 31 December 2013 was XOF 6.7 billion. Viewed as the "engine" of the market, Sonatel had a market capitalisation of XOF 2,010 billion as of 31 December 2013.

To measure the development of the listed companies' stock price, the BVRM has implemented two indices: the BVRM 10, grouping the 10 most liquid shares, and the BVRM composite, grouping together all of the listed companies. Reflecting the economic recovery witnessed in the West African region, including the resurgence of the Côte d'Ivoire's economy, the BRVM recorded a significant increase of its benchmark indices in 2013: 39.3% for the BRVM Composite and 33.9% for the BRVM 10. The market capitalisation of all listed securities increased by 39.74% to XOF 5,633 billion at the end of 2013 compared to XOF 4,031 billion at the end of 2012. The BRVM topped XOF 5,000 billion of market capitalisation on May 27, 2013. At the end of December 2013, stock market activity experienced significant growth, with the BRVM 10 index rising by 33.9% to 246.3 points while the composite BRVM reached 232.0 points, reflecting an increase of 39.3%. Capitalisation increased by 37.9%, reaching XOF 6706.2 billion.

The table below shows the evolution of BVRM 10 and of BVRM composite over the past three years.

	2011	2012	2013
BVRM 10	158.49	184.04	246.34
BVRM composite	138.88	168.58	232.02

Source: BRVM

The robust character of the BVRM continued in the first quarter of 2014 with increases in the BVRM 10 and BVRM composite indices of 19.6% and 25.6%, respectively.

Bond market

The BVRM is one of the most dynamic bond markets in Africa with 35 borrowings listed as of December 31, 2013, for a total market capitalisation of XOF 1,072.78 billion.

The 35 bonds are composed of 12 sovereign borrowings, 16 public and private sector borrowings and 7 borrowings by the Regional and International Institutions. The sovereign borrowings are the largest in the market and represent XOF 494.88 billion, or 46.13% of the global market capitalisation of this market as of December 31, 2013.

2014-2021 Strategic Plan

The 2014-2021 Strategic Plan for the WAEMU regional financial market is centred around four key objectives:

- enhancing the attractiveness of the regional financial market and its contribution to financing WAEMU's economies;
- strengthening protections for savers, as well as monitoring market participants;
- improving regional and international institutional integration, and organisation, functioning and financing of all market players; and
- promoting the financial market at the WAEMU level and strengthening inter-African and international cooperation.

The major ongoing reforms consist of strengthening regional integration and increasing the stock market's impact on financing the economy. The BRVM and other ECOWAS stock markets are working to implement a mechanism for cross-transactions with stock markets in Lagos, Nigeria and Accra, Ghana for 2015. The possibility to take positions across these three markets should contribute to improving the depth of the

WAEMU regional financial market. In addition, the BRVM plans to open a compartment dedicated to SMEs in order to position itself as an alternative to bank financing.

Hedging and Derivatives

Senegal has established a derivatives programme to hedge the currency exposure of its currently outstanding US$500 million notes due 2021. Senegal entered into a series of cross-currency swaps with a financial institution to convert its US dollar exposure to Euros in order to align its liability exposures to the currency which serves as the underlying peg to its domestic currency. Senegal has conducted these hedge arrangements in accordance with International Swaps and Derivatives Association standard terms at then prevailing market rates.

TAXATION

The comments below are of a general nature only and are based on the provisions currently in force. Prospective Noteholders should consult their tax advisers as to the applicable tax laws and specific tax consequences of acquiring, holding and disposing of the Notes.

Senegal

Under Senegalese law, the Notes are exempt from withholding tax, income tax and other similar taxes imposed by the Republic. As a result, holders of the Notes will not be subject to withholding tax, income tax or other similar taxes in Senegal in connection with their purchase, holding or sale of the Notes, including upon the payment of principal or interest.

United States

U.S. Federal Income Taxation

The following summary of certain U.S. federal income tax considerations of the purchase, ownership and disposition of the Notes by a U.S. Holder (as defined below) is based upon the U.S. Internal Revenue Code of 1986, as amended, final, temporary and proposed Treasury Regulations issued thereunder, and published judicial and administrative interpretations thereof, each as of the date hereof, and all of which are subject to change, possibly with retroactive effect.

This summary does not purport to be a complete analysis of all potential tax consequences. This discussion does not address all of the U.S. federal income tax consequences that may be relevant to an investor in light of such investor's particular circumstances or to investors subject to special treatment under U.S. federal income tax laws, such as non-U.S. investors, certain financial institutions, certain U.S. expatriates, insurance companies, retirement plans, dealers in securities or foreign currencies, traders in securities that elect mark-to-market tax accounting, U.S. Holders whose functional currency is not the U.S. dollar, partnerships (or entities treated as partnerships for U.S. federal income tax purposes), or partners therein, tax-exempt organisations, regulated investment companies, real estate investment trusts, persons subject to alternative minimum tax and persons holding the Notes as part of a "straddle", "hedge", "conversion transaction" or other integrated transaction. In addition, this discussion is limited to persons that purchase the Notes for cash at original issue and at their "issue price" and that hold the Notes as capital assets for U.S. federal income tax purposes.

For purposes of this discussion, the term **U.S. Holder** means a beneficial owner of a Note that is, for U.S. federal income tax purposes, (i) an individual that is a citizen or resident of the United States, (ii) a corporation created or organised in, or under the laws of, the United States, any state therein or the District of Columbia, or (iii) otherwise subject to U.S. federal income tax on a net income basis with respect to the Notes

The Republic does not currently intend to issue further notes forming a single Series with the Notes that have more than *de minimis* (as defined below) original issue discount for U.S. federal income tax purposes (**OID**) unless such further notes are issued in a "qualified reopening" for U.S. federal income tax purposes. However, the determination regarding whether to proceed with any proposed further issue will be made at the time of such further issue and the Republic may decide to proceed, provided, however, that unless any further notes are part of the same "issue" for U.S. federal income tax purposes or are issued pursuant to a "qualified reopening" for U.S. federal income tax purposes, such further Notes will have a separate CUSIP, ISIN or Common Code (as applicable) so that they are distinguishable from such Notes.

Prospective purchasers of the Notes should consult their own tax advisers concerning the tax consequences of investing in Notes in light of their particular circumstances, including the application of the U.S. federal income tax considerations discussed below, as well as the application of other tax laws.

Payments of stated interest

Payments of stated interest on the Notes generally will be taxable to a U.S. Holder as ordinary income at the time that such payments are received or accrued, in accordance with such U.S. Holder's usual method of accounting for U.S. federal income tax purposes. Interest income on a Note generally will constitute foreign source income for U.S. federal income tax purposes and generally will be considered "passive" income, which is treated separately from other types of income in computing the foreign tax credit that may be allowable to U.S. Holders under U.S. federal income tax laws. U.S. Holders should consult their own tax advisers regarding the calculation and availability of foreign tax credits.

Original Issue Discount

The Notes are expected to be issued with less than *de minimis* OID for U.S. federal income tax purposes. OID will be considered to be *de minimis* if it is less than 0.25% of the principal amount multiplied by the number of complete years to maturity. However, if the Notes are issued at a discount equal to or greater than *de minimis* OID, each United States Holder generally will be required to include OID in its income as it accrues, regardless of its regular method of tax accounting, using a constant yield method, possibly before such U.S. Holder receives any payment attributable to such income.

Sale, exchange and redemption of Notes

Generally, upon the sale, exchange or redemption of a Note, a U.S. Holder will recognise taxable gain or loss equal to the difference between the amount realised on the sale, exchange, or redemption (less any amount attributable to accrued but unpaid stated interest, which will be treated as a payment of interest in the manner described above) and such U.S. Holder's adjusted tax basis in the Note. A U.S. Holder's adjusted tax basis in a Note generally will equal the amount paid for the Note increased by the amount of OID, if any, included in the U.S. Holder's income with respect to the Note and decreased by any payments (other than stated interest payments) received by such holder with respect to the Note. Such gain or loss generally will be capital gain or loss and will be long-term capital gain or loss if at the time of sale, exchange or redemption the Note has been held by such U.S. Holder for more than one year. Certain non-corporate U.S. Holders (including individuals) may be eligible for preferential rates of taxation on long-term capital gain. The deductibility of capital losses by U.S. Holders is subject to limitations. Gain or loss realised by a U.S. Holder on the sale or retirement of a Note generally will be U.S. source.

Information reporting and backup withholding

Information returns may be filed with the U.S. Internal Revenue Service (the **IRS**) (unless the U.S. Holder establishes, if requested to do so, that it is an exempt recipient) in connection with payments on the Notes (including, if any, OID accrued in the manner described above), and the proceeds from the sale, exchange or other disposition of Notes. If information reports are required to be made, a U.S. Holder may be subject to U.S. backup withholding if it fails to provide its taxpayer identification number, or to establish that it is exempt from backup withholding. The amount of any backup withholding imposed on a payment will be allowed as a credit against any U.S. federal income tax liability of a U.S. Holder and may entitle the U.S. Holder to a refund, provided the required information is timely furnished to the IRS.

U.S. Holders should consult their own tax advisers regarding any reporting obligations they may have as a result of their acquisition, ownership or disposition of Notes.

EU Savings Directive

Under Council Directive 2003/48/EC on the taxation of savings income (the **Savings Directive**), EU Member States are required to provide to the tax authorities of other EU Member States details of certain payments of interest and other similar income paid by a person established within its jurisdiction to, (or secured by such a person for the benefit of) an individual resident in or certain limited types of entity established in that other EU Member State.

For a transitional period, Luxembourg and Austria will instead impose a withholding system in relation to such payments (subject to a procedure whereby, on meeting certain conditions, the beneficial owner of the interest or other income may request that no tax be withheld) unless during such period they elect otherwise. The Luxembourg government has announced its intention to elect out of the withholding system in favour of automatic exchange of information with effect from 1 January 2015.

A number of non-EU countries and certain dependent or associated territories of certain EU Member States have adopted similar measures.

On 24 March 2014, the Council of the European Union adopted a Council Directive 2014/48/EU amending the Savings Directive (the **Amending Directive**), which, when implemented, will amend and broaden the scope of the requirements described above. In particular, the Amending Directive will broaden the categories of entities required to provide information and/or withhold tax pursuant to the Savings Directive, and will require additional steps to be taken in certain circumstances to identify the beneficial owner of interest (and other income) payments, through a "look through" approach. The EU Member States will have until January 1st, 2016 to adopt the national legislation necessary to comply with this Amending Directive.

Investors should inform themselves of, and where appropriate take advice on, the impact of the Savings Directive and the Amending Directive on their investment.

If a payment under a Note were to be made or collected through a EU Member State or another country or territory which has opted for a withholding system and an amount of, or in respect of, tax were to be withheld from that payment pursuant to the Savings Directive or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 or any subsequent meeting of the Council of the European Union on the taxation of savings income (including, for the avoidance of doubt, the Amending Directive), or any law implementing or complying with, or introduced in order to conform to, such Directive or Directives, neither the Issuer nor any Paying Agent nor any other person would be obliged to pay additional amounts with respect to any Note, as a result of the imposition of such withholding tax.

Furthermore, once the Amending Directive is implemented and takes effect in EU Member States, such withholding may occur in a wider range of circumstances than at present, as explained above. Investors should choose their custodians or intermediaries with care, and provide each custodian or intermediary with any information that may be necessary to enable such persons to make payments free from withholding and in compliance with the Savings Directive.

CLEARING AND SETTLEMENT ARRANGEMENTS

*The information set out below is subject to any change in or reinterpretation of the rules, regulations and procedures of DTC, Euroclear or Clearstream, Luxembourg (together, the **Clearing Systems**) currently in effect. The information in this section concerning the Clearing Systems has been obtained from sources that the Republic believes to be reliable, but neither the Republic nor the Joint Lead Managers takes any responsibility for the accuracy of this section. Investors wishing to use the facilities of any of the Clearing Systems are advised to confirm the continued applicability of the rules, regulations and procedures of the relevant Clearing System. None of the Republic and any other party to the Agency Agreement will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Notes held through the facilities of any Clearing System or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.*

Clearing Systems

Euroclear and Clearstream, Luxembourg

Euroclear and Clearstream, Luxembourg have advised the Republic as follows:

Euroclear and Clearstream, Luxembourg each hold securities for their customers and facilitate the clearance and settlement of securities transactions by electronic book-entry transfer between their respective account holders. Euroclear and Clearstream, Luxembourg provide various services including safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream, Luxembourg also deal with domestic securities markets in several countries through established depositary and custodial relationships. Euroclear and Clearstream, Luxembourg have established an electronic bridge between their two systems across which their respective participants may settle trades with each other.

Euroclear and Clearstream, Luxembourg customers are worldwide financial institutions, including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. Indirect access to Euroclear and Clearstream, Luxembourg is available to other institutions that clear through or maintain a custodial relationship with an account holder of either system, either directly or indirectly.

DTC

DTC has advised the Republic that it is a limited purpose trust company organised under the New York Banking Law, a member of the Federal Reserve System, a "banking organisation" within the meaning of the New York Banking Law, a "clearing corporation" within the meaning of the New York Uniform Commercial Code and a "clearing agency" registered pursuant to Section 17A of the Exchange Act. DTC holds securities that its participants (**Direct Participants**) deposit with DTC. DTC also facilitates the clearance and settlement among Direct Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerised book-entry changes in Direct Participants' accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations and certain other organisations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (**DTCC**). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (**Indirect Participants** and, together with Direct Participants, **Participants**). More information about DTC can be found at www.dtcc.com and www.dtc.org.

Under the rules, regulations and procedures creating and affecting DTC and its operations (the **DTC Rules**), DTC makes book-entry transfers of Registered Notes among Direct Participants on whose behalf it acts with respect to Notes accepted into DTC's book-entry settlement system (**DTC Notes**) as described below and receives and transmits distributions of principal and interest on DTC Notes. The DTC Clauses are on file with the Securities and Exchange Commission. Direct Participants and Indirect Participants with which beneficial owners of DTC Notes (**Owners**) have accounts with respect to the DTC Notes similarly are required to make book-entry transfers and receive and transmit such payments on behalf of their respective Owners. Accordingly, although Owners who hold DTC Notes through Direct Participants or Indirect Participants will not possess Registered Certificates, the DTC Rules, by virtue of the requirements described above, provide a mechanism by which Direct Participants will receive payments and will be able to transfer their interest in respect of the DTC Notes.

Purchases of DTC Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the DTC Notes on DTC's records. The ownership interest of each actual purchaser of each DTC Note (**Beneficial Owner**) is in turn to be recorded on the Direct and Indirect Participant's records.

Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the DTC Notes are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in DTC Notes, except in the event that use of the book-entry system for the DTC Notes is discontinued.

To facilitate subsequent transfers, all DTC Notes deposited by Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorised representative of DTC. The deposit of DTC Notes with DTC and their registration in the name of Cede & Co. or such other DTC nominee effect no change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the DTC Notes; DTC's records reflect only the identity of the Direct Participants to whose accounts such DTC Notes are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the DTC Notes within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to DTC Notes unless authorised by a Direct Participant in accordance with DTC's Money Market Instrument Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the DTC Notes are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the DTC Notes will be made to Cede & Co., or such other nominee as may be requested by an authorised representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Issuer or the relevant agent (or such other nominee as may be requested by an authorised representative of DTC), on the relevant payment date in accordance with their respective holdings shown in DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name", and will be the responsibility of such Participant and not of DTC, relevant agents or the Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to DTC is the responsibility of the Issuer, disbursement of such payments to Direct Participants is the responsibility of DTC, and disbursement of such payments to the Beneficial Owners is the responsibility of Direct and Indirect Participants.

Under certain circumstances, including if there is an Event of Default under the Notes, DTC will exchange the DTC Notes for definitive Registered Notes, which it will distribute to its Participants in accordance with their proportionate entitlements and which, if representing interests in a Rule 144A Global Note, will be legended as set forth under "*Plan of Distribution*" and "*Transfer Restrictions*".

A Beneficial Owner shall give notice to elect to have its DTC Notes purchased or tendered, through its Participant, to the relevant agent, and shall effect delivery of such DTC Notes by causing the Direct Participant to transfer the Participant's interest in the DTC Notes, on DTC's records, to the relevant agent. The requirement for physical delivery of DTC Notes in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the DTC

Notes are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered DTC Notes to the relevant agent's DTC account.

DTC may discontinue providing its services as depository with respect to the DTC Notes at any time by giving reasonable notice to the Issuer or the relevant agent. Under such circumstances, in the event that a successor depository is not obtained, DTC Note certificates are required to be printed and delivered.

The Issuer may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, DTC Note certificates will be printed and delivered to DTC.

Since DTC may only act on behalf of Direct Participants, who in turn act on behalf of Indirect Participants, any Owner desiring to pledge DTC Notes to persons or entities that do not participate in DTC, or otherwise take actions with respect to such DTC Notes, will be required to withdraw its Registered Certificates from DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that Issuer believes to be reliable, but Issuer takes no responsibility for the accuracy thereof.

Registration and Form

Book-entry interests in the Notes sold in offshore transactions in reliance on Regulation S, held through Euroclear and Clearstream, Luxembourg will be represented by the Unrestricted Global Certificate registered in the name of a nominee of, and held by, a common depositary for Euroclear and Clearstream, Luxembourg. Book-entry interests in the Notes sold to QIBs in reliance on Rule 144A will initially be in the form of Restricted Global Certificates, held through DTC registered in the name of Cede & Co., as nominee for DTC, and held by a custodian for DTC. As necessary, the Registrar will adjust the amounts of Notes on the Register for the accounts of Euroclear, Clearstream, Luxembourg and DTC to reflect the amounts of Notes held through Euroclear, Clearstream, Luxembourg and DTC, respectively. Beneficial ownership of book-entry interests in Notes will be held through financial institutions as direct and indirect participants in Euroclear, Clearstream, Luxembourg and DTC.

The aggregate holdings of book-entry interests in the Notes in Euroclear, Clearstream, Luxembourg and DTC will be reflected in the book-entry accounts of each such institution. Euroclear, Clearstream, Luxembourg or DTC, as the case may be, and every other intermediate holder in the chain to the beneficial owner of book-entry interests in the Notes will be responsible for establishing and maintaining accounts for their participants and customers having interests in the book-entry interests in the Notes. The Registrar will be responsible for maintaining a record of the aggregate holdings of Notes registered in the name of a common nominee for Euroclear and Clearstream, Luxembourg, a nominee for DTC and/or, if individual Certificates are issued in the limited circumstances described under "*The Global Certificates—Registration of Title*", holders of Notes represented by those individual Certificates. The Fiscal Agent will be responsible for ensuring that payments received by it from the Republic for holders of book-entry interests in the Notes holding through Euroclear and Clearstream, Luxembourg are credited to Euroclear or Clearstream, Luxembourg, as the case may be, and the Fiscal Agent will also be responsible for ensuring that payments received by the Fiscal Agent from the Republic for holders of book-entry interests in the Notes holding through DTC are credited to DTC.

The Republic will not impose any fees in respect of holding the Notes; however, holders of book-entry interests in the Notes may incur fees normally payable in respect of the maintenance and operation of accounts in Euroclear, Clearstream, Luxembourg or DTC.

Clearing and Settlement Procedures

Initial Settlement

Upon their original issue, the Notes will be in global form represented by the two Global Certificates. Interests in the Notes will be in uncertified book-entry form. Purchasers electing to hold book-entry interests in the Notes through Euroclear and Clearstream, Luxembourg accounts will follow the settlement procedures applicable to conventional Eurobonds. Book-entry interests in the Notes will be credited to Euroclear and Clearstream, Luxembourg participants' securities clearance accounts on the business day following the Closing Date against payment (value as on the Closing Date). DTC participants acting on behalf of purchasers electing to hold book-entry interests in the Notes through DTC will follow the delivery practices applicable to securities eligible for DTC's Same Day Funds Settlement system. DTC participants' securities accounts will be credited with book-entry interests in the Notes following confirmation of receipt of payment to the Republic on the Closing Date.

Secondary Market Trading

Secondary market trades in the Notes will be settled by transfer of title to book-entry interests in the Clearing Systems. Title to such book-entry interests will pass by registration of the transfer within the records of Euroclear, Clearstream, Luxembourg or DTC, as the case may be, in accordance with their respective procedures. Book-entry interests in the Notes may be transferred within Euroclear and within Clearstream, Luxembourg and between Euroclear and Clearstream, Luxembourg in accordance with procedures established for these purposes by Euroclear and Clearstream, Luxembourg. Book-entry interests in the Notes may be transferred within DTC in accordance with procedures established for this purpose by DTC. Transfer of book-entry interests in the Notes between Euroclear or Clearstream, Luxembourg and DTC may be effected in accordance with procedures established for this purpose by Euroclear, Clearstream, Luxembourg and DTC.

General

None of Euroclear, Clearstream, Luxembourg or DTC is under any obligation to perform or continue to perform the procedures referred to above, and such procedures may be discontinued at any time.

Neither the Republic nor any of their agents will have any responsibility for the performance by Euroclear, Clearstream, Luxembourg or DTC or their respective direct or indirect participants or account holders of their respective obligations under the rules and procedures governing their operations or the arrangements referred to above.

PLAN OF DISTRIBUTION

The Republic intends to offer the Notes through the Joint Lead Managers and their broker-dealer affiliates, as applicable, named below. Subject to the terms of a subscription agreement dated 28 July 2014 among the Joint Lead Managers and the Republic (the **Subscription Agreement**), each of the Joint Lead Managers has severally agreed to purchase, and the Republic has agreed to sell to each of the Joint Lead Managers, the principal amount of the Notes set forth opposite each Joint Lead Manager's name below:

Joint Lead Managers	**Principal Amount of Notes**
Citigroup Global Markets Limited	US$166,700,000
Société Générale	US$166,650,000
Standard Chartered Bank	US$166,650,000
TOTAL	**US$500,000,000**

The Republic will also reimburse the Joint Lead Managers in respect of certain of their expenses, and has agreed to indemnify the Joint Lead Managers against certain liabilities (including liabilities under the Securities Act), incurred in connection with the issue of the Notes. The Subscription Agreement may be terminated in certain circumstances prior to payment of the issue price to the Republic.

The Subscription Agreement provides that the obligations of the Joint Lead Managers to purchase the Notes are subject to approval of legal matters by counsel and to other conditions. The Joint Lead Managers must purchase all the Notes if they purchase any of the Notes. The offering of the Notes by the Joint Lead Managers is subject to receipt and acceptance and subject to the Joint Lead Managers' right to reject any order in whole or in part.

The Republic has been informed that the Joint Lead Managers propose to resell the Notes at the offering prices set forth on the cover page of this Prospectus within the United States to persons reasonably believed to be qualified institutional buyers (as defined in Rule 144A) in reliance upon Rule 144A, and outside the United States in reliance upon Regulation S. See "*Transfer Restrictions*".

Offers and sales of the Notes in the United States will be made by those Joint Lead Managers or their affiliates that are registered broker-dealers under the US Securities Exchange Act 1934, as amended (the **Exchange Act**), or in accordance with Rule 15a-6 thereunder.

The Notes have not been registered under the Securities Act or any state securities laws and may not be offered or sold within the United States (as defined in Regulation S under the Securities Act) except in transactions exempt from, or not subject to, the registration requirements of the Securities Act. See "*Transfer Restrictions*".

Accordingly, until 40 days after the commencement of this offering, an offer or sale of Notes within the United States by a dealer that is not participating in this offering may violate the registration requirements of the Securities Act if that offer or sale is made otherwise than in accordance with Rule 144A.

The Notes will constitute a new class of securities of the Republic with no established trading market. The Republic cannot provide any assurances to Noteholders that the prices at which the Notes will sell in the market after this offering will not be lower than the initial offering price or that an active trading market for the Notes will develop and continue after this offering. The Joint Lead Managers have advised the Republic that they currently intend to make a market in the Notes. However, they are not obligated to do so, and they may discontinue any market-making activities with respect to the Notes at any time without notice. Accordingly, the Republic cannot provide any assurances to Noteholders as to the liquidity of or the trading market for the Notes.

In connection with the offering, the Joint Lead Managers may purchase and sell Notes in the open market. These transactions may include overallotment, syndicate covering transactions and stabilising transactions. Overallotment involves the sale of Notes in excess of the principal amount of Notes to be purchased by the Joint Lead Managers in this offering, which creates a short position for the Joint Lead Managers. Covering transactions involve the purchase of the Notes in the open market after the distribution has been completed in order to cover short positions. Stabilising transactions consist of certain bids or purchases of Notes made for the purpose of preventing or retarding a decline in the market price of the Notes while the offering is in progress. Any of these activities may have the effect of preventing or retarding a decline in the market price of the Notes. They may also cause the price of the Notes to be higher than the price that otherwise would exist in the open market in the absence of these transactions. The Joint Lead Managers may conduct these transactions in the over-the-counter market or otherwise. If the Joint Lead Managers commence any of these transactions, they may discontinue them at any time.

The Republic expects that delivery of the Notes will be made against payment therefor on the closing date specified on the cover page of this Prospectus, which will be the fifth New York Business Day following the date of this Prospectus (this settlement cycle being referred to as "T+5"). Under Rule 15c6-1 of the Exchange

Act, trades in the secondary market generally are required to settle in three days on which banks and financial institutions are open for business in New York (**New York Business Days**), unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade Notes on the date of this Prospectus or the next succeeding New York Business Days will be required, by virtue of the fact that the Notes initially will settle in T+5, to specify an alternate settlement cycle at the time of any such trade to prevent a failed settlement. Purchasers of Notes who wish to trade Notes on the date of this Prospectus or the next succeeding New York Business Days should consult their own adviser.

The Joint Lead Managers and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory investment management, principal investment, hedging, financing and brokerage activities. The Joint Lead Managers or their respective affiliates may have performed investment banking and advisory services for the Republic and its affiliates from time to time for which they may have received customary fees and expenses. The Joint Lead Managers or their respective affiliates may, from time to time, engage in transactions with and perform advisory and other services for the Republic and its affiliates in the ordinary course of their business.

In the ordinary course of their various business activities, the Joint Lead Managers and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the Republic.

Subscription and Sale

General

No action has been taken by the Republic or any of the Joint Lead Managers that would, or is intended to, permit a public offer of the Notes in any country or jurisdiction where any such action for that purpose is required. Accordingly, each Joint Lead Manager has undertaken that it will not, directly or indirectly, offer or sell any Notes or distribute or publish any offering circular, prospectus, form of application, advertisement or other document or information in any country or jurisdiction except under circumstances that will, to the best of its knowledge and belief, result in compliance with any applicable laws and regulations and all offers and sales of Notes by it will be made on the same terms.

United States

The Notes have not been and will not be registered under the Securities Act and, subject to certain exceptions, may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, the Notes are being offered and sold only (a) outside the United States to persons in offshore transactions in reliance on, and in compliance with, Regulation S and (b) in the United States to a limited number of QIBs as defined in the Securities Act in connection with resales by the Joint Lead Manager, in reliance on, and in compliance with, Rule 144A.

In addition, until 40 days after the commencement of the offering, an offer or sale of Notes within the United States by any dealer (whether or not participating in the offering of the Notes) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A.

Each Joint Lead Manager has agreed that it has offered and sold, and will offer and sell, the Notes only in accordance with Rule 903 of Regulation S or Rule 144A. Accordingly, neither such Joint Lead Manager nor its affiliates, nor any persons acting on its or their behalf, have engaged or will engage in any directed selling efforts (as defined in Regulation S) with respect to the Notes

United Kingdom

Each Joint Lead Manager has represented and agreed that:

(a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000 (the **FSMA**) received by it in connection with the issue or sale of the Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Republic; and

(b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

West African Economic and Monetary Union

Each Joint Lead Manager has represented and agreed that it will not offer or sell the Notes into the member countries of WAEMU.

TRANSFER RESTRICTIONS

Due to the following significant transfer restrictions applicable to the Notes, investors are advised to consult legal counsel prior to making any reoffer, resale, pledge, transfer or disposal of the Notes.

The Notes have not been registered under the Securities Act, and may not be offered or sold in the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, the Notes are being offered and sold (1) in the United States only to persons reasonably believed to be "qualified institutional buyers," which are referred to as QIBs, as defined in Rule 144A under the Securities Act in compliance with Rule 144A and (2) to persons outside the United States (**foreign purchasers**) in offshore transactions pursuant to Regulation S under the Securities Act.

By its purchase of Notes, each purchaser of Notes will be deemed to:

(a) represent that it is purchasing the Notes for its own account or an account with respect to which it exercises sole investment discretion and that it and any such account is (i) a QIB, and is aware that the sale to it is being made in reliance on Rule 144A or (ii) a foreign purchaser;

(b) acknowledge that the Notes have not been registered under the Securities Act and may not be offered or sold within the United States except as set forth below;

(c) if it is a person other than a foreign purchaser, agree that if it should resell or otherwise transfer the Notes within the time period referred to in Rule 144 under the Securities Act after the original issuance of the Notes, it will do so only (A) (i) to the Issuer, (ii) to a QIB in compliance with Rule 144A, (iii) outside the United States in an offshore transaction in compliance with Rule 903 or 904 of Regulation S under the Securities Act or (iv) pursuant to the exemption from registration provided by Rule 144 under the Securities Act (if available) but only upon delivery to the Issuer of an opinion of counsel in form and scope satisfactory to the Issuer and (B) in each case in compliance with all applicable securities laws of the States of the United States. No representation can be made as to the availability at any time of the exemption provided by Rule 144A or Rule 144 for the resale of the Notes;

(d) agree that it will deliver to each person to whom it transfers Notes notice of any restriction on transfer of such Notes;

(e) understand and agree that Notes initially offered in the United States to QIBs will be represented by one or more Restricted Global Certificates and that Notes offered outside the United States in offshore transactions pursuant to Regulation S will be represented by one or more Unrestricted Global Certificates;

(f) understand that unless registered under the Securities Act, the Notes (other than those issued to foreign purchasers) will bear a legend to the following effect, unless otherwise agreed by the Issuer and the holder thereof:

THE NOTES REPRESENTED HEREBY HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE SECURITIES ACT), OR ANY SECURITIES LAW OF ANY STATE IN THE UNITED STATES OF AMERICA, AND MAY NOT BE REOFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT AS PERMITTED BY THE FOLLOWING SENTENCES. THE HOLDER HEREOF, BY PURCHASING THE NOTES IN RESPECT OF WHICH THIS CERTIFICATE IS ISSUED, ACKNOWLEDGES AND AGREES, FOR THE BENEFIT OF THE ISSUER, THAT SUCH NOTES MAY BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED ONLY (A)(l) TO THE ISSUER, (2) IN COMPLIANCE WITH RULE 144A UNDER THE SECURITIES ACT TO A PERSON THAT THE HOLDER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER WHOM THE HOLDER HAS INFORMED, IN EACH CASE, THAT THE OFFER, SALE, PLEDGE OR OTHER TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, (3) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR 904 OF REGULATION S UNDER THE SECURITIES ACT, OR (4) IN A TRANSACTION THAT IS OTHERWISE EXEMPT FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT PROVIDED BY RULE 144 UNDER THE SECURITIES ACT BUT ONLY IF AVAILABLE AND UPON DELIVERY TO THE ISSUER OF AN OPINION OF COUNSEL IN FORM AND SCOPE SATISFACTORY TO THE ISSUER; AND (B) IN EACH CASE IN COMPLIANCE WITH ALL APPLICABLE SECURITIES LAWS OF THE STATES OF THE UNITED STATES;

(g) acknowledge that the Issuer and the Joint Lead Managers will rely upon the truth and accuracy of the foregoing acknowledgments, representations and agreements, and agree that if any of the acknowledgments, representations or warranties deemed to have been made by it by its purchase of Notes are no longer accurate, it shall promptly notify the Issuer and the Joint Lead Managers; and

(h) if it is acquiring Notes as a fiduciary or agent for one or more investor accounts, represent that it has sole investment discretion with respect to each such account and it has full power to make the foregoing acknowledgments, representations and agreements on behalf of each such account.

GENERAL INFORMATION

Authorisation

The Republic has obtained all necessary consents, approvals and authorisations in the Republic of Senegal in connection with the issue and performance of the Notes. The issue of the Notes was authorised pursuant to the budget of the Government of the Republic of Senegal promulgated in December 2013.

Listing and Admission to Trading

Application has been made to the Irish Stock Exchange for the Notes to be admitted to the Official List and trading on its regulated market. It is expected that admission of the Notes to trading will be granted on or before the next working day after the Issue Date. Arthur Cox Listing Services Limited is acting solely in its capacity as listing agent for the Issuer in relation to the Notes and is not itself seeking admission of the Notes to the Official List of the Irish Stock Exchange or to trading on the regulated market of the Irish Stock Exchange for the purposes of the Prospectus Directive.

The total expenses related to the admission to trading of the Notes are expected to be approximately €5,000.

Clearing Systems

Application has been made for acceptance of the Restricted Global Certificates into DTC's book-entry settlement system. The Unrestricted and Restricted Global Certificates have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The ISIN for the Unrestricted Global Certificates is XS1090161875 and for the Restricted Global Certificates is US81720TAB17. The Common Code for the Unrestricted Global Certificates is 109016187 and for the Restricted Global Certificates is 109265098. The CUSIP number for the Restricted Global Certificates is 81720TAB1.

No significant change

Since 31 December 2013, there has been no significant change in the tax and budgetary systems, gross public debt, foreign trade and balance of payments, foreign exchange reserves, financial position and resources and income and expenditure figures of the Republic save as disclosed in the second paragraph of the subsection entitled "Outlook for 2014 and beyond" on page 48 of this Prospectus.

Litigation

Save as referred to in "*Republic of Senegal—Legal Proceedings*", the Republic is not, nor has it been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Republic is aware) in the 12 months preceding the date of this document which may have or have in such period had a significant effect on the financial position or 'profitability' of the Republic.

Documents

For so long as any of the Notes remains outstanding, copies of the following documents will be available for physical inspection during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted) at the specified office of the Fiscal Agent:

(a) the Agency Agreement which includes the forms of the Global Notes; and

(b) the budget of the Republic for the current fiscal year.

Joint Lead Managers transacting with the Republic

Certain of the Joint Lead Managers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services to the Republic and its affiliates in the ordinary course of business.

Yield

On the basis of the issue price of the Notes of 100% of their principal amount, the yield on the Notes is 6.250% on an annual basis.

Third Party Information

The Republic confirms that where information included in this Prospectus has been sourced from a third party, that information has been accurately reproduced and that as far as the Republic is aware and is able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading. All sources have been cited where used.

Interested Persons

No person involved in the offering of the Notes has any interest in such offering which is material to such offering.

Language

The language of the Prospectus is English. Certain legislative references and technical terms have been cited in their original language in order that the correct technical meaning may be ascribed to them under applicable law.

Issuer Contact Information

Address: Ministry of Economy, Finance and Planning
P.O. Box 4017, Dakar
Senegal

Tel.: +221 33 889 21 04/05

LEGAL MATTERS

Certain legal matters with respect to the Notes will be passed upon on behalf of the Republic of Senegal by or on behalf of the *Agent Judiciaire de l'Etat* of the Republic of Senegal at the Ministry of Economy, Finance and Planning, Dakar, Senegal, and by Cleary Gottlieb Steen & Hamilton, special English and United States counsel for the Republic. Certain legal matters will be passed upon for the Joint Lead Managers by Allen & Overy LLP, special English and United States counsel for the Joint Lead Managers, and by S.C.P. François Sarr & Associés, special Senegalese counsel to the Joint Lead Managers. All statements with respect to Senegalese law included in this Prospectus have been passed upon by the *Agent Judiciaire de l'Etat* of the Republic of Senegal and are made upon his authority.

THE ISSUER
Republic of Senegal
Ministry of Economy, Finance and Planning
P.O. Box 4017, Dakar
Senegal

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