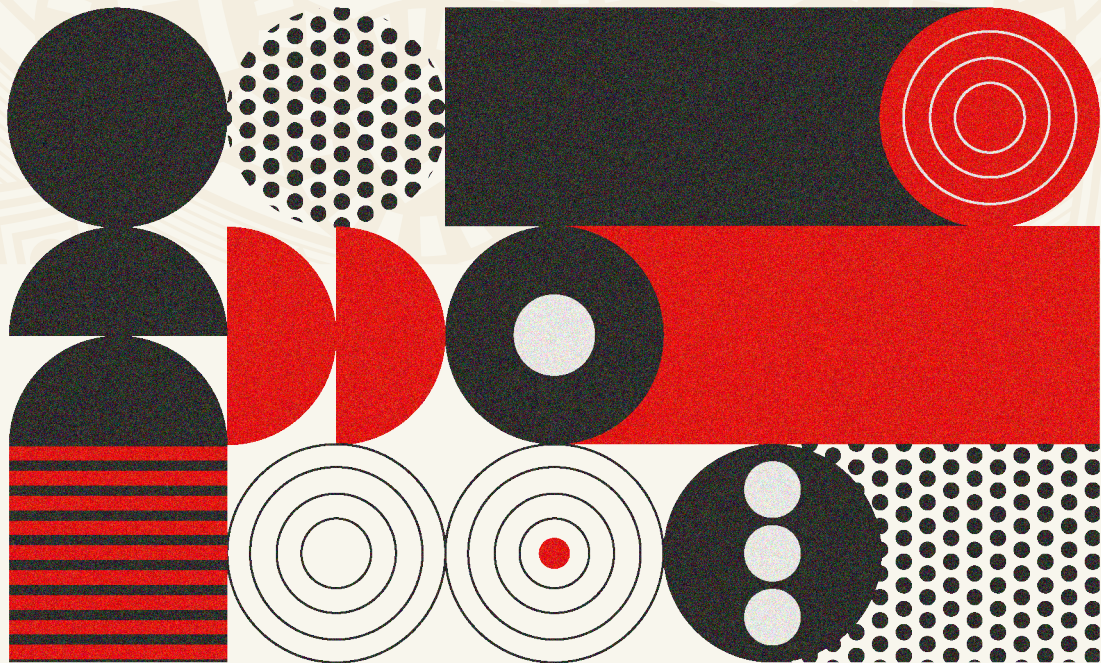


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# De-Risking the Energy Transition

*The Financing and Uneven Outcomes  
of Renewable Energy in Senegal*





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## Executive Summary

Senegal has recently gained international attention as both a new hydrocarbon producer and a frontrunner in renewable energy finance in West Africa. The discovery and exploitation of offshore oil and gas resources coincide with growing commitments to renewable energy and the recent signing of a Just Energy Transition Partnership (JETP). Yet beneath the rhetoric of green growth lies a hierarchical financial and institutional architecture that unequally distributes the costs of transition finance. The way the energy transition is financed reveals not only the contours of Senegal's energy sector but also how global financial power shapes national development trajectories.

This paper argues that the financing of Senegal's energy transition exemplifies the Wall Street Consensus (WSC): a development model in which governments are reoriented to de-risk private investment and re-engineer their policy frameworks around the needs of global finance (Gabor 2021). De-risking logic as deployed in Senegal secures returns for investors while generating uneven social, fiscal, and political consequences for the state and society. At the same time, domestic actors – ministries, regulators, and state-owned enterprises – navigate this new architecture, sometimes reinforcing its logic, sometimes seeking to create developmental space.

Senegal's energy transition cannot be understood in isolation. It is deeply embedded in a macro-financial regime marked by high external debt, the colonial currency of the CFA Franc, trade deficits, and reliance on foreign capital. These constraints are rooted in colonial patterns of resource extraction and financial subordination. In today's energy sector, these constraints manifest themselves in a drive toward private energy production financed by foreign capital and regulatory reforms designed to reassure and protect global investors.

At the national level, the financing architecture of Senegal's transition is shaped by an institutionalized "de-risking ecosystem."

Investment flows are structured through fiscal guarantees, concessional finance, and purchase agreements, and regulatory de-risking, such as IPP (Independent Power Producer) tenders, national utility unbundling, and standardized contracts that institutionalize investor protection. This de-risking ecosystem has attracted non-resident investors, leading to the concentration of ownership and control in the hands of foreign capital. These de-risking mechanisms translate macro-financial constraints directly into project finance structures, aligning with what has been called the Wall Street Consensus. While elements of developmental planning remain present, such as state ownership stakes and regulatory interventions, they operate within limits imposed through financial subordination. In practice, the primacy of private-sector-oriented de-risking narrows the scope for sovereign decision-making and embeds external investor priorities in national energy policy. This occurs through concrete mechanisms: risks are shifted from investors to the state, profitability is secured through long-term contracts, fiscal discipline is reinforced by donor conditionalities, and budgetary exposure grows through guarantees and subsidies. The result is a system that secures profitability for foreign investors while generating fiscal liabilities, policy constraints, and uneven social outcomes – ranging from high tariffs and subsidy burdens to limited local employment and persistent inequalities in electricity access.

The paper explores strategies for rebalancing energy finance in ways that prioritize social justice and national development. At the international level, this includes restructuring the global financial architecture to deliver more unconditional public climate finance and reduce reliance on private capital. At the national level, Senegal can strengthen domestic resource mobilization, adopt local content rules, improve tax regulation, and promote revenue-sharing mechanisms that



ensure that affected communities benefit. Strengthening state planning capacity is also crucial to move beyond reactive, donor-driven policies and toward coherent long-term strategies.

Senegal's energy transition is at a crossroads. If the country continues along its current path, it risks entrenching financial dependency, external profit extraction, and social exclusion. A viable alternative path would involve financing

strategies that explicitly address fiscal risks, inequality, and harms for communities, ensuring that marginalized groups are not left behind. A democratic and just energy transition in Senegal requires more than adding renewables to the grid. Such a transition demands a rethinking of the financial and institutional architecture that underpins the sector, and a shift away from market-driven risk elimination and toward public and community-centered approaches.

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# 1. Introduction

Senegal has recently made global headlines in both the energy and climate finance arenas. In 2024, the country began exploiting newly discovered offshore oil and gas reserves, while at the same time moving to conclude a Just Energy Transition Partnership (JETP) that promises billions for renewable investments. These developments are embedded in an evolving energy sector marked by growing renewables capacity, rising financial flows, and the increasing role of private Independent Power Producers (IPPs), all wrapped in the rhetoric of green growth. However, beneath this narrative lies a financial and institutional architecture shaped by global hierarchies in which unequal access to capital and asymmetric power relations determine who secures the profits and who bears the costs. At this crossroads – between fossil expansion and renewable transition – the central question is how the energy transition is financed. This paper argues that Senegal’s case exemplifies the “Wall Street Consensus” (WSC), which prioritizes private investment, risk mitigation, and profit over public goods.

Historically, Senegal’s energy sector has been shaped by both domestic ambitions and external pressures. Colonial-era infrastructure and post-independence energy policy created a path-dependent system where the state’s control over energy production coexisted with a reliance on foreign finance. Over time, energy crises, import dependency, and the liberalization of electricity markets led to a growing reliance on private investors, particularly through private energy production structured through the IPP model. These developments did not occur in a vacuum: they were embedded in broader global trends of financialization, debt dependency, and the spread of standardized project-finance models across Africa.

Recent data from the REDCAJU project, which maps energy investments, further illustrates the resulting configuration of Senegal’s energy sector. Electricity generation in the country is today dominated by IPPs, most of which are majority-owned by foreign private equity and infrastructure funds. According to this dataset, firms such as Meridiam, Engie, and Infinity Power control substantial shares of installed renewable capacity, while development finance institutions (including IFC, Proparco, and FMO) provide the bulk of concessional and commercial debt. Domestic public actors remain central as off-takers and minority shareholders, but exercise limited influence over investment decisions and pricing. This ownership structure reflects the sector’s entrenched dependency on external finance, leaving long-standing challenges of high electricity tariffs unresolved and raising questions about affordability, access, and the state’s capacity for strategic planning.

At the heart of the energy sector is de-risking – a complex of mechanisms designed to make energy investments attractive to international investors by shifting financial risks onto the state or public resources. In Senegal, these mechanisms have become institutionalized through a de-risking ecosystem, combining fiscal de-risking (e.g., government guarantees, purchase agreements) with regulatory de-risking (e.g., standardized IPP contracts, predictable tariffs, and utility unbundling). While these structures deliver energy capacity, they also create significant unequal social and fiscal effects: neighboring communities often experience marginalization, and the state bears budgetary risks while foreign investors secure guaranteed returns.

Analytically, this study draws on two perspectives. First, the concept of the Wall Street Consensus (WSC) captures how climate-aligned financial instruments are tailored to the needs of institutional investors, turning public infrastructure into a vehicle for creating investable assets (Gabor 2021). It describes the reorientation of states toward de-risking and market engineering in the image of US finance, ensuring stable returns for global investors. Second, the developmental state tradition,

as discussed by Mkandawire (2001), highlights the possibility of state agency in Africa, rooted in building capacity for long-term planning and reinforcing autonomy from narrow social or private interests. This view aligns with recent calls for states to reclaim roles as planners, regulators, and even capital holders through public enterprises and sovereign funds (Alami, Dixon, and Mawdsley 2021; Schindler, Alami, and Jepson 2022). I situate my analysis alongside the argument by Gabor and Sylla (2023) on *de-risking developmentalism*: a state form that seeks to reconcile transformative developmental ambitions with investor profitability, yet remains structurally subordinated to global finance as public institutions and fiscal tools are repurposed to enhance investability rather than discipline capital. In the case of Senegal, this argument applies as follows. The current renewable energy finance configuration exemplifies the institutional signs of state developmentalism, such as enhanced state capacity and planning that coexist with, and are often subordinated to, investor-oriented de-risking practices. This study aims to show how state developmentalist aspirations are instantiated by Senegalese policy-makers but limited in practice by financial subordination aligning Senegal's energy policy with the Wall-Street Consensus.

The analysis covers developments up to early 2024, prior to the recent change in government and the introduction of the new "Senegal 2050 Transformation Agenda" and "Plan de Redressement". Empirically<sup>1</sup>, this study argues that de-risking in Senegal is deeply embedded: it is institutionalized, shaped by domestic actors, and reinforced by regulatory and fiscal mechanisms. Social and fiscal outcomes are highly uneven: local communities frequently bear economic and social costs, while the state assumes contingent budgetary risks. De-risking is operationalized by disciplining of the state, transferring risk to the public sector, and aligning national policies with international investment imperatives. These patterns are both historically rooted in colonial structures and dynamically reproduced in contemporary governance, reflecting the coloniality of finance.

The paper is organized as follows: After this introduction, the first section situates Senegal's macro-financial context, linking global financial hierarchies, debt dependency, and investment norms to national energy policies. The second section presents the historical and institutional evolution of Senegal's energy sector, highlighting the rise of IPPs. Section three introduces the financing landscape of energy and the de-risking ecosystem. Subsequent sections analyze the mechanics and impacts of de-risking at the state and project level, before turning to alternatives and policy recommendations aimed at enabling a more democratic and just energy transition.

## 2. Macro-Financial Landscape

Senegal's energy transition is unfolding within a macro-financial setting shaped by deep structural constraints. The state's ability to mobilize capital for infrastructure is not primarily limited by political will, but by its subordinate insertion into the international financial system. Three inter-related dynamics define Senegal's macro-financial position. First, the colonial monetary legacy of the CFA franc restricts policy autonomy by ruling out independent monetary policy. Second, high capital costs and shallow domestic markets make long-term infrastructure financing expensive, leaving recourse to external lenders and investors as the primary option. Third, persistent trade deficits, aid volatility, and fragile capital inflows deepen dependence on foreign finance. These dynamics combine to create and reinforce a condition of financial subordination that both constrains domestic resource mobilization and drives Senegal's decision-makers to turn to de-risking as the dominant strategy to attract foreign capital.

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<sup>1</sup> This paper draws on empirical material from my doctoral research, including an interview study conducted between 2021 and early 2024 with approximately 40 stakeholders from government institutions, international organizations, development finance institutions, private investors, and civil society in Senegal. References to these interviews are made in aggregated or thematic form rather than through direct citation.



## Historical Evolution of the Macro-Financial Regime

Senegal's macro-financial regime has been shaped by long-standing patterns of dependency that reach back to the colonial period. Under French rule, the economy was structured around export-oriented monoculture centered on the production of groundnuts, which integrated Senegal into imperial trade circuits while leaving little room for domestic industrialization. The French colonial state played a central role in this process: it provided infrastructure, imposed coercive labor regimes, and ensured secure returns for French firms through regulatory privileges and military enforcement (Boone 1992, 5; Gellar 1982, 6). France also acted as guarantor of private infrastructure construction, such as railway transport and electricity provision, extending credit backed by metropolitan guarantees and tying public works to French technology and contractors (Huillery 2014, 19). Although not described in these terms at the time, such practices could be considered early forms of "de-risking," as the colonial administration absorbed risks on behalf of private capital and safeguarded its profitability (Cogneau 2023, 255).

With the advent of political independence in 1960, Senegal maintained close political and economic ties with France, continuing colonial modes of governance in a "smooth" transition into neo-colonialism (Ly 1981, cited in Boone 1992). 'Cooperation' agreements preserved French military presence, privileged market access, and control over monetary policy through the CFA franc, which severely limited Senegal's monetary sovereignty (Gellar 1982; Pigeaud and Sylla 2021). French banks and capitalists continued to make profits from trade, banking and infrastructure financing, while foreign technical advisors occupied key state positions (O'Brien 1974). Meanwhile, the economy's reliance on groundnut exports left it vulnerable to commodity price shocks, and by the late 1970s drought and falling world prices pushed the state into heavy external borrowing (Diop 1993).

From the 1980s onward, Senegal entered a new phase marked by debt crises and structural adjustment programs (SAP) imposed by the IMF and World Bank. Fiscal austerity, trade liberalization, and financial deregulation reshaped the economy (Dembele 2003). State-owned enterprises were privatized, including the energy utility Senelec, while tariffs and subsidies were rolled back. These reforms curtailed public investment, eroded domestic industrial capacity, and entrenched reliance on foreign finance. Industrial output fell sharply, jobs were lost, and Senegal became increasingly dependent on aid and external borrowing (Thioub, Diop, and Boone 1998, 71-72). In macro-financial terms, structural adjustment deepened Senegal's subordination to the global financial cycle, making external credit the main lever for financing investment.

Since the 2000s, this dependency has evolved but not disappeared (Koddenbrock 2024). Under the *Plan Sénégal Émergent* (PSE), the government has pursued large-scale infrastructure development, financed primarily through external resources. The country has tapped Eurobond markets, expanded ties with multilateral lenders, and liberalized its capital account, allowing freer cross-border financial flows (IMF 2022a, 7; US Department of State 2023). Donors and international financial institutions have simultaneously promoted a model of 'mobilizing private finance,' embedding de-risking as a central strategy in energy and infrastructure projects.

## The Current Macro-Financial Landscape

Senegal's financial landscape is characterized by chronic external financial reliance, shaped by structural adjustment reforms, the CFA franc regime, and limited domestic financial capacity. The interplay of monetary, fiscal, and financial constraints has produced a regime in which both the state and local private sector rely heavily on foreign capital to finance infrastructure, such as the energy sector.

As a member of the West African Economic and Monetary Union (WAEMU), Senegal's monetary sovereignty is highly constrained. The CFA franc is pegged to the euro, overseen by the Central Bank of West African States (BCEAO) and underpinned by the French Treasury. This fixed exchange rate framework requires maintaining foreign reserves and limits monetary expansion, resulting in chronic underfinancing of the domestic economy (Pigeaud and Sylla 2021, 114). Inflation targeting reinforces austerity, while credit expansion risks worsening trade deficits given the country's high import dependence (Koddenbrock 2024). Since independence, Senegal has faced chronic trade deficits, leading the country to rely on external sources to finance capital imports (IMF 2022a, 8). Fiscal space is equally constrained: public debt has reached almost 99% of GDP (Cour des Comptes du Sénégal 2025), with debt servicing absorbing more than a quarter of government revenues (Misereor and Erlassjahr 2024), and as such, the state spends more on debt service than on health or education (IMF 2022a, 2, 2023b, 14). IMF programs, loans, and bond issuances impose conditionalities, including cutting energy subsidies and limiting deficit spending (IMF 2022b, 35). This fiscal orthodoxy narrows the room for maneuver just as investments in infrastructure and climate resilience are urgently required.

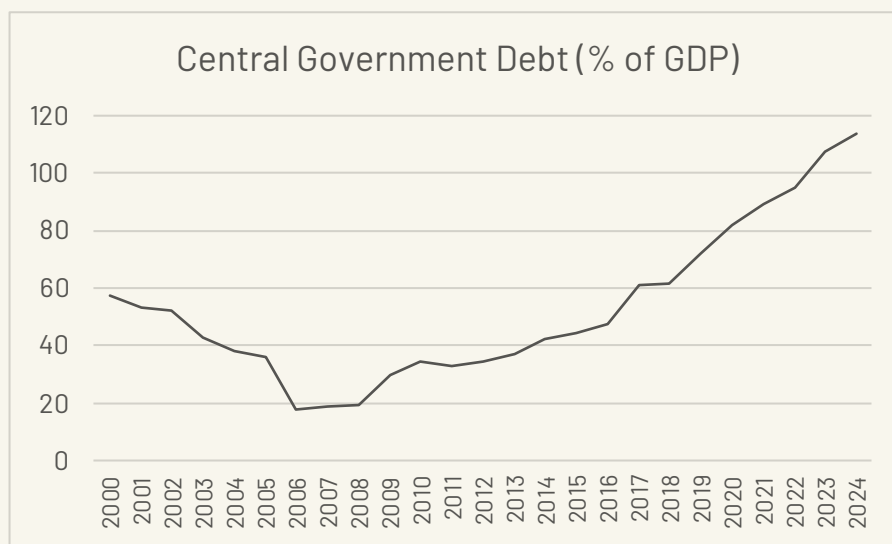


Figure 1: Senegal Public Debt/GDP: Source: IMF 2025

Senegal's banking system reflects the legacy of the structural adjustment period, during which half of the country's banks were closed and ownership shifted abroad (Koddenbrock, Kvangraven, and Sylla 2022). Today, the majority of banks are subsidiaries of foreign banking groups. Lending is conservative and short-term, concentrated in trade and government securities, leaving small and medium enterprises with limited access to credit. Domestic credit to the private sector remains low by regional standards, and long-term infrastructure financing is virtually absent (BCEAO 2023, 63). Banks profitably recycle deposits into government debt, rather than supporting productive sectors (Pigeaud and Sylla 2021, 115, 6). This orientation reproduces financial dependence and limits the capacity of domestic actors – including in the renewables sector – to mobilize investment.

Given the limited capacity of domestic markets, international development finance institutions (DFIs) play a critical role in infrastructure and energy financing, often providing concessional loans, guarantees, or blended finance structures to mobilize private investment. Private equity funds and specialized climate or green funds are slowly emerging but remain marginal in terms of total volumes. As external actors, DFIs not only provide capital but also shape investment norms, priorities, and regulatory frameworks, further entrenching foreign influence on the financial ecosystem.



Since the liberalization of capital flows in the 1980s, Senegal has relied increasingly on global capital markets. Eurobond issuance has grown steadily since 2011, often used to refinance debt or fund large projects, including in the oil and gas sector. However, sovereign bonds expose the country to global financial volatility, exchange rate risks, and the vagaries of investor sentiment. Credit rating downgrades have recently raised borrowing costs (Trading Economics 2025), illustrating the vulnerability of Senegal to external perceptions of risk and high borrowing costs – the so-called “Africa premium” (Olabisi and Stein 2015). This creates a paradox: Senegal is pushed to borrow externally but penalized by high costs of doing so, leading to a vicious cycle of depleted foreign reserves, reliance on foreign capital inflows, increasing external debt, fiscal discipline, and external vulnerability.

Foreign inflows are not limited to bonds. Official Development Assistance (ODA) accounts for around 5% of GDP and 10% of fiscal expenditure (IMF 2023b, 16; OECD 2023, 102). Half of these flows are grants, half loans, with France, the World Bank, and the Islamic Development Bank as leading providers (Aid Atlas 2024). FDI inflows have risen steadily over the past 25 years, peaking in 2023 before a sharp decline in 2024. These flows are largely concentrated in export-oriented sectors dominated by foreign firms. Profit repatriation is significant, with annual outflows of foreign investor earnings exceeding USD 1 billion (World Bank 2025).

Senegal’s current macro-financial regime is therefore defined by limited fiscal and monetary sovereignty, shallow domestic financial markets, and a reliance on foreign finance due to the country’s subordinate integration in the global financial hierarchy (Alami et al. 2023). This regime structurally ties Senegal to external actors whose capital and policy conditionalities shape domestic development trajectories. As will be demonstrated below, the implications of this situation for the energy sector, and the renewables sub-sector in particular, is that investment strategies are designed less around domestic priorities than around making projects attractive to foreign investors.

### **Financial Subordination, the Logic of De-risking and Implications for Financing Energy**

Senegal’s macro-financial position is shaped by financial subordination, leaving little room to mobilize resources for long-term infrastructure or climate investments. High capital costs of roughly 9% (IEA 2023a), elevated debt levels, and the high degree of foreign finance reliance are all expressions of this situation. For utility-scale solar projects, the weighted average cost of capital (WACC) in Senegal lies between 8.5% and 9%, significantly higher than in North America or Europe (4.7-6.4%), though still lower than in South Africa and other emerging economies (9.5-11%) (Stedile and Gordon 2025). In this context, energy projects cannot rely on domestic means alone but must be structured to attract foreign capital.

In order to overcome these constraints, the state and the donor community have embraced de-risking: institutional frameworks and instruments that shift risks from private investors to public actors. Guarantees, subsidies, concessional loans, blended finance, and donor-backed tenders are geared towards incentivizing private-led energy production (Haag, Apfel, and Herbes 2024). These tools constitute a means to address structural pressures of financial subordination that make domestic financing prohibitively expensive. De-risking is thus both a pragmatic response to long-term reliance on external finance and a mechanism that reinforces this very dependence..

This policy approach has tangible effects for the financing of energy and the terms of Senegal's energy transition. Renewable projects are designed around investor risk perceptions and donor frameworks rather than domestic priorities such as affordability or industrial development. IPPs have gained increasing relevance in the sector, as the following section will demonstrate. This model carries three risks. First, it perpetuates reliance on foreign capital and exposes Senegal to global financial volatility, including bond market swings and credit rating downgrades. Second, it generates continuous outflows through debt service and profit repatriation, offsetting much of the benefit of inflows. Third, limited fiscal and monetary autonomy narrows the state's capacity to pursue alternative pathways, such as mobilizing domestic credit or scaling public investment.

The following section will trace the rise of private finance in the energy sector and thereby show that Senegal's transition to renewables is inseparable from its macro-financial subordination. The analysis of this paper then demonstrates that the de-risking logic, implying Senegal's macro-financial setting in global finance, represents major risks for the country.

### 3. Senegal's Energy Sector

Ensuring reliable and affordable electricity has long been a political priority in Senegal, given energy's central role in economic development and social well-being. Yet the sector remains plagued by high electricity tariffs for consumers, uneven access, and recurrent supply crises. Energy debates are, therefore, highly politicized and resonate strongly in public discourse. At the same time, Senegal's energy policy cannot be understood without acknowledging its deep entanglement with international finance. Foreign investors, development finance institutions, and donor governments have shaped reforms, provided capital, and conditioned policy choices, making the sector simultaneously enabled and constrained by external actors. This section traces recent developments in the sector and situates energy provision within the macro-financial context.

#### Historical Background

Since independence, Senegal's energy policy has revolved around the restructuring of Senelec, the national energy utility, in response to recurring supply crises. By the 1970s, the utility was unable to meet rising demand, with outages hampering industrialization and public services. Heavy dependence on imported oil and gas made the sector acutely vulnerable to global price volatility, while 30-40% of energy consumption still relied on fossil fuel imports in the 1970s-80s (Cropper 2019, 293-95). Oil shocks forced the government to borrow heavily from multilateral DFIs like the World Bank, marking the persistent entry of international finance into the sector (ibid).

The 1980s and 1990s brought structural adjustment policies that tied new lending to market liberalization and private-sector participation. In 1998, Senelec was partially privatized, and foreign investors gained management control, a condition imposed by the World Bank (Dembele 2003, 34). The ensuing reform package liberalized electricity production, opened the market to IPPs and established the regulator CRSE (IRENA 2012; Trompette, Etienne, and Francius 2022). Recourse to privatization failed to deliver a stable supply. In fact, underinvestment led to persistent blackouts which sparked widespread protests across the country and contributed to President Diouf's electoral defeat in 2000. Amid social pressure and failed resale attempts, Senelec was re-nationalized, though the liberalized framework remained in place (Havard 2018; Mawhood and Gross 2014).



The liberalization reforms of the late 1990s thus laid the foundations for the current structure of Senegal's energy sector. Although the state regained ownership of Senelec, its role shifted from producer to off-taker, contracting electricity from privately financed IPPs under long-term Power Purchase Agreements. This market-based architecture, promoted as a way to attract foreign investment and reduce fiscal pressure, became the blueprint for subsequent reforms. The renewable energy agenda that would follow in the 2010s did not replace this framework but rather extended it by channeling climate finance through the same investor-oriented model.

## Energy Transition Agenda and the Rise of Renewable Energies

The turn towards renewable energy began with the 2008 revision of the *Loi d'orientation sur les politiques énergétiques du Sénégal* (LPDSE) and the adoption of the 2010 *Loi d'orientation sur les énergies renouvelables* (IRENA 2012; Republic of Senegal 2010). The latter instrument established a regulatory framework for renewable generation, including grid access rules and capacity targets, with the stated goal of reducing costs and improving energy independence (ECREEE 2018; Ly 2018). The legislation was supported by the creation of a national renewable energy agency (ANER), and commitment to a goal of supplying 30% of electricity via renewable energy sources by 2030 (Republic of Senegal 2015).

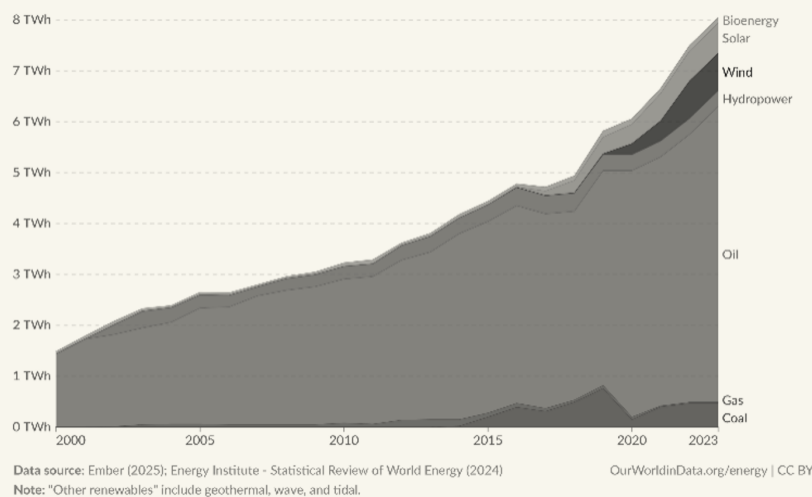


Figure 2: Electricity production by source, Senegal. Source: (Our World in Data 2025a)

Institutional reform was followed by the first competitive bidding round for renewables IPPs in 2012, in which 112 developers expressed interest. The process led to three solar IPPs securing power purchase agreements with Senelec and beginning operations between 2015 and 2017 (ECREEE 2018). This marked the start of a decade of rapid expansion of renewable energy production. Between 2016 and 2021, ten large-scale projects came online, including 245 MW of solar and 159 MW of wind. This expansion was enabled by falling global technology costs, domestic institutional reforms, and, crucially, foreign financing (Haag, Apfel, and Herbes 2024). By 2022, Senegal had achieved its 30% renewables capacity target ahead of schedule, prompting the government to set a new 40% target (IEA 2023c, 71). While renewables helped reduce production costs and symbolized alignment with international climate commitments, their growth remained heavily dependent on external finance and donor priorities.

While the rise of renewables would usually be understood as an energy transition in a Western context, this is a contested concept in Senegal and cannot be equated with a rapid shift to 100% renewable energy. Interviews revealed that for policymakers, it is more often understood as a

transition towards universal energy access, diversification of the electricity mix, and lower tariffs. In this framing, natural gas is seen as a cornerstone of the transition, promising reliable baseload capacity and reduced dependence on expensive oil imports (Koch 2023). Yet this vision is contested. Civil society groups, unions, and international donors emphasize different priorities, ranging from climate goals and labor market implications to the representation of marginalized groups. Trade unions have highlighted the need for reskilling programs for workers displaced by new technologies, while women's organizations point to the gendered effects of gas and power infrastructure projects on land use and subsistence economies. In this context, the expansion of renewables should be viewed less as a response to climate imperatives than as a means of addressing the urgent energy challenges of rising demand and oil import dependency.

## Gas-to-Power and the Return of Fossil Fuels

Today, Senegal's energy sector stands at another turning point. The discovery of offshore oil and gas reserves in 2014 shifted the government's energy priorities once again. Although extraction was delayed several times, production eventually began in early 2025. The state's strategy envisions replacing oil-based thermal plants with gas-fired capacity, using gas both as a "transition fuel" and as a source of fiscal revenue (Republic of Senegal 2024). Geopolitics has reinforced this orientation as in the wake of the Russia-Ukraine war, European states' interest in new gas suppliers has increased the attractiveness of Senegalese gas exports (Lemmerich 2024). At the same time, Senegal entered into the Just Energy Transition Partnership (JETP) with France, Germany, the UK, Canada, and the EU, securing EUR 2.5 billion in commitments for renewable expansion and climate resilience (European Commission 2023). The JETP also highlights contradictions: while donors present renewables as the essence of the transition, Senegalese policymakers interpret the term more broadly, seeing gas production as integral to the strategy (Koch 2023). Although the investment plan has only recently been approved and no funds have yet flowed into the country, it is evident that the investments to be made under the JETP are likely to have a profound impact on the sector.

## Current Status Quo and Challenges

Since the early 2010s, Senegal has pursued reforms to attract foreign direct investment, with inflows surpassing USD 2 billion in 2021, largely under the Plan Sénégal Émergent (PSE). This orientation has strongly shaped the electricity sector, where more than USD 1 billion in investments were mobilized in recent years in IPPs (IEA 2023c, 119). Looking ahead, the International Energy Agency (2023c, 121) projects cumulative investment needs of USD 33 billion by 2040 – around USD 6.3 billion annually – with the private sector expected to provide at least USD 2.3 billion each year. Responding to this challenge, the government introduced a major institutional shift through the 2021 electricity sector reform. It is centered on unbundling Senelec and opening up electricity generation to competition, which marks a decisive step in reshaping Senegal's electricity market. By liberalizing production and strengthening the role of IPPs, it reorients the sector toward private-led investment, aligning national regulation with international reform trajectories and prioritizing a business-friendly environment (de Richoufftz 2022). While Senelec remains the historical operator, with monopoly rights over transmission and distribution and acting as the sole buyer of electricity, IPPs have become dominant. By 2022, IPPs accounted for nearly two-thirds of Senegal's installed capacity (1,139 MW of 1,789 MW), reflecting the centrality of private capital. However, the strong reliance on IPPs leads to costly Power Purchase Agreements (IMF 2019, 62).



The state provides public guarantees for IPPs in Senegal, representing substantial fiscal exposure. For example, guarantees to individual renewable projects range from around EUR 27 million to over EUR 230 million, with the total guaranteed debt reaching hundreds of millions of euros (Ministère des Finances et du Budget 2024). While these amounts are contingent liabilities rather than direct payments, they require the state to set aside significant budget reserves, constraining fiscal space and illustrating the hidden costs of de-risking through Public-Private Partnerships (PPPs) and IPPs (see Section 5 on budgetary risks).

Despite a significant increase in renewables capacity and the inflow of finance, structural challenges persist. Electricity generation still relies predominantly on imported oil (about 70% of the mix), which directly exposes Senegal to Balance of Payments pressures and foreign exchange scarcity whenever global prices spike. In 2025, electricity tariffs are among the highest in West Africa (USD 0.182/kWh) (Global Petrol Prices 2025), in part reflecting the financing model of foreign-led IPPs, whose foreign-denominated debt and guaranteed returns are ultimately passed on to consumers and the state. This creates a double burden: households face high costs while the government maintains subsidies, further constraining fiscal space. Access has expanded to 84% nationally, yet rural electrification (60%) still lags behind the national average compared to universal access in urban centers.

Taken together, these dynamics indicate that Senegal's energy transition is structurally shaped by dependence on foreign finance, a consequence of persistent macro-financial constraints. Dependence on external capital, exposure to global financial volatility, and the institutional embedding of foreign investor priorities tie energy provision – costly energy tariffs, subsidies, uneven electricity access, and energy dependence – directly to the logics of financial subordination and de-risking. As a result, national sovereignty over energy policy remains limited, with priorities increasingly aligned to the interests of external capital rather than domestic developmental goals.

## 4. Financing the Transition: De-risking and the Political Economy of Energy Projects

Financing Senegal's energy sector represents not only a technical question of mobilizing capital but also a political-economic challenge shaped by structural constraints. As the previous section highlighted, the country's current position within the global financial architecture creates a reliance on capital imports to meet pressing infrastructure needs. In the field of electricity generation, this dependency heavily influences the institutional and financial arrangements through which projects are designed, financed, and implemented.

This section maps the institutional and macro-financial setting of energy project finance in Senegal. The aim is to trace how macro-level constraints materialize in the concrete mechanisms that structure investment flows into the energy sector. The analysis proceeds in three steps. First, it outlines the institutional landscape, identifying the domestic, regional, and international actors that shape project financing. Second, it describes the de-risking ecosystem (see Figure 4) that underpins energy finance, focusing on fiscal, multilateral, and regulatory mechanisms. Taken together, these elements provide an outline of a financing model that is heavily oriented toward foreign investment and risk mitigation, setting the stage for the subsequent discussion of the broader logic and implications of de-risking.

## The Energy Finance Landscape: Flows, Actors, Instruments

The financing of energy infrastructure in Senegal must be situated within the broader dynamics of renewable energy investment across Africa. Despite vast resource potential, the African continent accounts for only a small fraction of global clean energy spending – less than 2% over the past two decades (IRENA and CPI 2023, 9). Reports often frame this as a paradox: abundant opportunities exist, yet finance remains scarce, due to so-called ‘investment barriers’ like high capital costs and risk perception (IEA 2023b, 30–36). Within this discourse, Africa is cast as a space to be “de-risked”. The structural underpinnings of these barriers are ignored, and instead infrastructure deficits are reframed as opportunities for global capital, contingent on external support and concessional finance. Senegal exemplifies these dynamics. As investment needs have risen, the national energy sector has been reshaped to align with this logic, creating an institutional landscape where IPPs, donor-backed programs, and de-risking instruments have become central to financing energy projects.

Between 2000 and 2022, Senegal mobilized over USD 1 billion in investments into energy IPPs, more than half of which were directed toward the renewables sub-sector, particularly solar and wind energy (IEA 2023c, 119; Our World in Data 2025b). Cumulative climate mitigation finance targeting the energy sector amounted to USD 454 million between 2002 and 2021 (Aid Atlas 2024). Flows have been volatile: while 2016 saw a surge of nearly USD 300 million linked to the Taïba N’Diaye wind farm project, subsequent years showed marked declines (see Figure 3). Overseas development assistance (ODA) and concessional loans from development partners dominate, accounting for roughly 60% of financing into renewables (IEA 2023c, 19). Commercial lending and equity injections from private developers play a secondary—yet crucial—role, particularly in closing financial packages. Grants, which often fund feasibility studies or technical assistance, represent some 25% of overall energy-related ODA, but play only a marginal role in large-scale generation projects (Aid Atlas 2024).

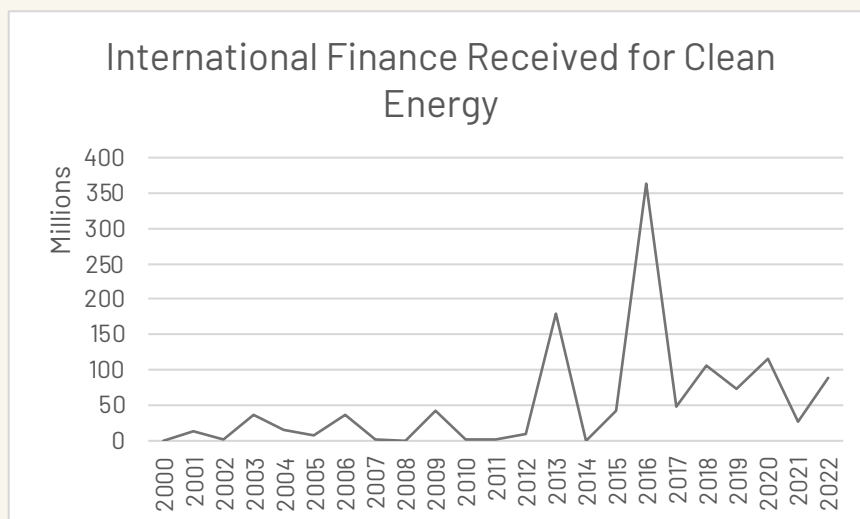


Figure 3: International finance received for clean energy, 2000–2022. Source: (Our World in Data 2025b).

The international financial community plays a central role in Senegal’s energy finance landscape. Multilateral development banks such as the World Bank, AfDB, EIB, and Islamic Development Bank have channeled significant debt financing into Senegal’s power sector. Bilateral DFIs, including Proparco (France), KfW (Germany), DFC (USA), and FMO (Netherlands), were especially instrumental in financing the first wave of renewable IPPs during the mid-2010s, a period in which commercial lenders remained hesitant to engage. Private sector actors mainly appear as developers and equity



investors. French infrastructure funds such as Meridiam and energy multinationals like Engie have co-developed several solar projects in partnership with Senegal's sovereign wealth fund, FONSI. Other notable developers include Lekela Power (Taïba N'Diaye wind farm, later acquired by Infinity Power), Innovent (France), and the locally founded Energy Resources Senegal (ERS), one of the few domestic players with equity stakes in utility-scale solar energy.

Based on this outline, it is clear that private ownership in Senegal's renewable energy projects is highly concentrated. According to REDCAJU data, the majority of operating solar projects and the wind park is controlled by foreign private equity funds, notably Meridiam, Engie and Infinity Power, which hold majority equity positions in several large solar IPPs. The FONSI sovereign wealth fund, while a co-investor in four solar park ventures, only holds minority shares in these projects. In general, domestic partners retain minority stakes. In addition, the role of domestic commercial banks has been negligible, with only isolated cases of lending to renewables. With the domestic public sector, Senelec remains the central off-taker and system operator, and owns and operates one utility-scale PV plant. Despite its importance, Senelec's limited financial capacity means it cannot drive investment independently, relying heavily on donor-backed guarantees and state-supported PPAs. In sum, while these projects are framed as vehicles for technology transfer and local added-value, they produce and reproduce asymmetric ownership patterns and investor-oriented risk allocation.

Name	Year	Equity Investor	Investor Origin	Total cost (mio. EUR)	Debt (mio. EUR, bank, origin)
Senergy 2 SARL	2016	Africa REN (60%), CDC Senegal (40%)	France, Senegal	24	22.3 (Green Africa Power; UK and Norway)
Solaria Kima	2016	CNGEE Senegal Holding, Chemtech Solar (95%)	China, Italy, Senegal	34	-
Senergy PV SA	2017	Engie (40%), Meridiam (40%), FONSI (20%)	France, Senegal	43.2	34.5 (Proparco; France)
Ten Merina	2017	Engie (40%), Meridiam (40%), FONSI (20%)	France, Senegal		25 (Proparco, BIO Invest; France and Belgium)
Energy Ressources Senegal SA	2018	Energy Resources Senegal (100%)	Senegal	29	28.5 (UniCredit, Austria)
Innovent Senegal SA	2018	Innovent (100%)	France	14	-
Senelec	2019	-	Germany		27 (KfW; Germany)
Parc Eolien Taïba Ndiaye	2019	Infinity Power (majority, exact share unknown), Sarreol	France, UAE Egypt	330	250 (DFC; USA)
Engie Meridiam (Scaling Solar) Engie Meridiam (Scaling Solar)	2021	Engie (40%), Meridiam (40%), FONSI (20%)	France, Senegal	48	38 (EIB, Proparco, IFC; EU and France)

Table 1: Renewable Energy IPPs in Senegal. Source: Compilation based on REDCAJU data and author's research.

A closer look at the institutional investors in Senegal's renewable energy projects reveals the historical and geopolitical roots of finance intersecting with current investment strategies. This configuration echoes long-standing financial continuities. Just as colonial and early post-independence infrastructure finance was dominated by French capital protected through state guarantees, today's renewable energy projects remain shaped by French-backed investment vehicles. For instance, Engie, a multinational energy utility controlled in part by the French state and large asset managers, holds the two Scaling Solar projects and two further solar park through its subsidiary Engie Global Developments, illustrating how French corporate and state capital continues to shape energy investments in Senegal. Similarly, Meridiam is majority owner of the same projects and pools capital from multiple development finance institutions, reflecting the entwined influence of French-backed private and public actors in the sector. The French-led infrastructure fund is thus closely linked to the French state and financial elite networks (Gabor and Sylla 2020), reflecting the continuing prominence of French capital in former colonies. This form of institutional investment illustrates how postcolonial legacies persist in the governance of renewable energy finance: French-backed funds continue to dominate project ownership and decision-making, leveraging both political and financial capital to secure profitable investments in Senegal.

In contrast, other investors follow different institutional and historical trajectories. Masdar, a state-owned renewable energy company from the United Arab Emirates, exemplifies a model of sovereign-backed investment that combines strategic state interests with the development of the green economy abroad. Similarly, Infinity Power, which acquired Lekela's African portfolio, is supported by multilateral development institutions such as the European Bank for Reconstruction and Development (EBRD) and the African Finance Corporation (AFC). Across these examples, the diversity of institutional investors highlights how Senegal's renewable energy sector is embedded in global financial circuits shaped by both historical ties and contemporary state and corporate strategies. Importantly, while some investors utilize developmental rhetoric in communications around their projects, the overarching pattern remains one in which foreign capital dominates ownership, controls decision-making, and channels profits largely outside of Senegal.

The dominant financial instruments reflect the risk environment. Concessional loans form the backbone of project finance, particularly in renewables. Commercial loans remain rare and costly, reflecting high country risk premia. Equity is typically injected by foreign developers, with local equity limited to FONSIS or Energy Resources Senegal. Debt-to-equity ratios are typically high, underscoring reliance on borrowed capital. Guarantees play a critical role in rendering projects bankable. Multilateral Investment Guarantee Agency (MIGA) instruments, political risk insurance, and sovereign guarantees underpin many PPAs.

In general, what emerges from this institutional configuration is a project finance model – illustrated by the case of the Taïba N'Diaye wind park project (see box) – that structures nearly all large-scale energy investments in Senegal (Baker 2022). At its core stands a special purpose vehicle (SPV) – the project company – set up by sponsors (usually foreign developers or infrastructure funds). Sponsors provide equity, while the bulk of financing comes from debt, typically extended by DFIs under concessional terms. Debt repayment is secured by long-term PPAs with Senelec, underpinned by sovereign guarantees and often supplemented by political risk insurance from MIGA. Construction is carried out through engineering, procurement, and construction (EPC) contracts with international firms. Blended finance structures, combining concessional and commercial capital, are frequent as risk-sharing instruments to ensure bankability. While specific projects inevitably differ in scale or the identity of their sponsors, this model provides the blueprint for how energy IPPs are financed and governed in Senegal.



## The Taïba N'Diaye Wind Farm: Financing, Fiscal Costs, and Uneven Outcomes

The Taïba N'Diaye Wind Farm is Senegal's flagship renewable energy project and a showcase of the country's de-risking approach to attracting private investment. Developed under a 20-year PPA with the national utility Senelec, the project was initiated by the French developer Sarreol, which later opened its equity structure to Lekela Power, a joint venture between Mainstream Renewable Power and Actis, allowing the latter to join as a majority shareholder and lead developer. Construction began in 2018, with turbine supply and installation contracted to Danish firm Vestas.

The project's financing structure reflects a typical project-finance model combining equity from foreign sponsors and long-term debt from development finance institutions. The U.S. International Development Finance Corporation (DFC) and Denmark's export credit agency EKF provided senior loans, while the World Bank's Multilateral Investment Guarantee Agency (MIGA) issued political-risk guarantees to protect investors against expropriation, breach of contract, or currency inconvertibility. In 2021, the project company was sold to Infinity Power, a joint venture between Masdar (UAE) and Infinity (Egypt), illustrating the fluid ownership patterns and financialization characteristic of the sector.

Although publicly presented as a model public-private partnership, the fiscal implications for the Senegalese state remain opaque. As the PPA contract which guarantees Senelec's long-term purchase of electricity at a fixed tariff has not been disclosed. However, evidence from the Cour des comptes (2024, 36) shows that Senelec's guaranteed debt exposure under similar PPAs represents significant fiscal risks. These sovereign guarantees represent contingent liabilities that shift commercial risk to the state, raising questions about the real fiscal costs of "de-risked" private investment.

Distributional outcomes are equally uneven. While the project contributes to national power generation capacity and enhances Senegal's renewable-energy portfolio, local benefits remain limited. Promised employment and social projects have been short-term, while expropriation and land-use conflicts have persisted. Several farming households lost access to land within the wind park's perimeter and report insufficient compensation. The project company's handling of relations and information-sharing with the local community has fueled distrust and perceptions of exclusion (Sy 2023).

Overall, the Taïba N'Diaye project illustrates the paradox of the de-risking model: it mobilizes large volumes of foreign capital and advances decarbonization goals, yet its financial architecture and socio-economic impacts reproduce dependency and inequality. The case underscores the need for greater transparency, fairer risk sharing, and community participation in Senegal's renewable-energy transition.

A survey of Senegal's energy finance landscape reveals a foreign-dominated ecosystem in which concessional development finance unlocks private participation, while domestic public and private actors play marginal roles. The architecture is highly dependent on foreign-denominated instruments and risk mitigation measures, embedding the country's energy transition within broader patterns of international financial subordination. The following subsections explore how fiscal and regulatory mechanisms of de-risking operationalize this ecosystem.

## The De-risking Ecosystem

Senegal's reliance on foreign capital for its energy transition is not accidental but rather deliberately structured. Project financing for renewable energy, especially through IPPs, requires mechanisms that shift risks away from private investors and toward public institutions. These mechanisms operate in combination to produce a complex de-risking ecosystem (see Figure 4). At its core, this ecosystem comprises fiscal guarantees, regulatory reforms, and institutional coordination measures that together transform energy production into a secure investment environment for global capital.

The most immediate set of risk mitigation tools is fiscal in nature. These instruments allocate public financial resources to ensure that private investors face minimal exposure to market and operational uncertainties (Gabor 2021). The cornerstone of energy project finance in Senegal is the long-term Power Purchase Agreement signed between IPPs and Senelec, the national utility. Typically running for 20–25 years, PPAs guarantee that Senelec will purchase all electricity generated at pre-agreed tariffs, thereby ensuring predictable revenue streams for investors. From the perspective of private developers and lenders, the PPA neutralizes demand risks and stabilizes cash flows, which is indispensable for securing external credit.

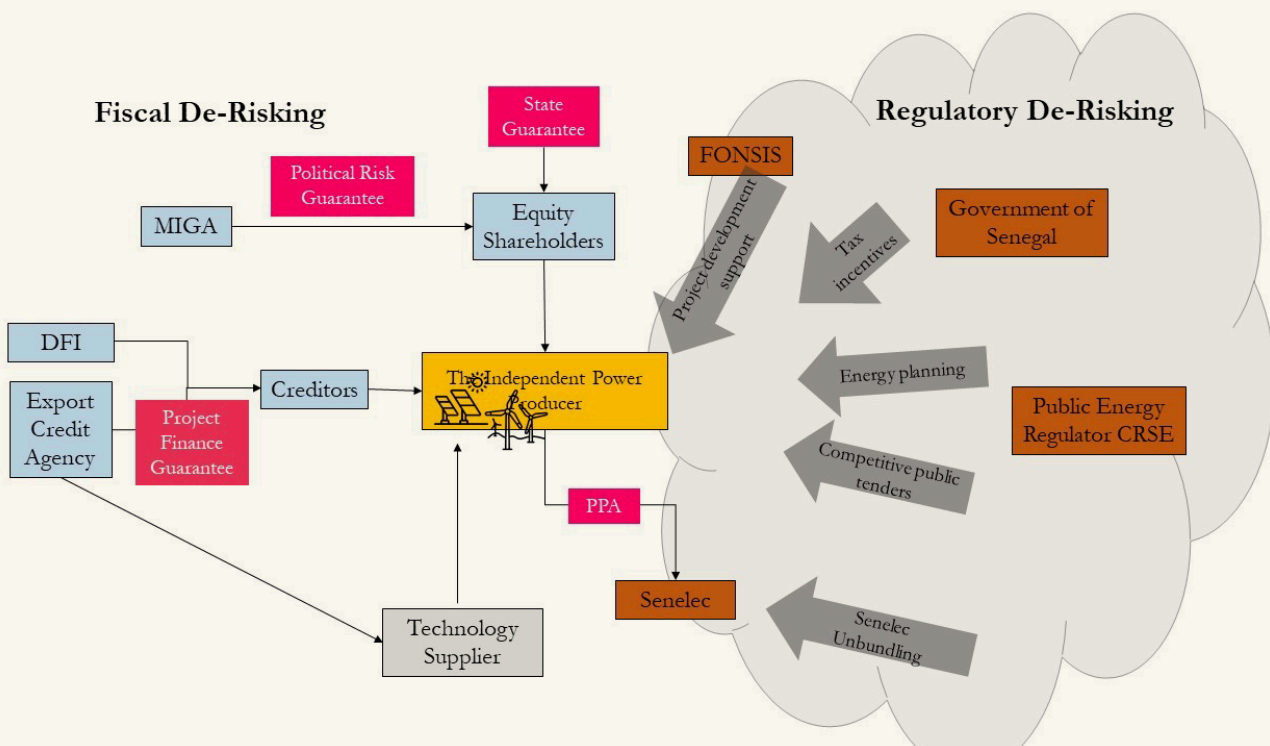


Figure 4: The De-risking Ecosystem. The eco-system features a variety of fiscal support mechanisms (left) and the dismantling of regulatory barriers for IPPs (right). (Author's own Illustration)

Given concerns about Senelec's solvency and payment track record, investors usually demand an additional sovereign guarantee from the Ministry of Finance. These guarantees backstop Senelec's commitments, ensuring that the state will honor obligations in case of default. Such guarantees transform private investment risk into a direct contingent liability on the public budget. While crucial to reassure lenders, sovereign guarantees expand fiscal exposure, tying national creditworthiness to the performance of individual energy projects. While official numbers of sovereign guarantees do not exist, the interviews revealed that nearly all IPP received this form of guarantee from the state.



The guarantee structure does not end at the national level. Multilateral agencies such as the World Bank's MIGA provide partial risk guarantees covering equity and debt against political and commercial risks. Export Credit Agencies (ECAs) from industrialized countries further secure technology suppliers and construction contractors. Together, these instruments insulate nearly every layer of investment capital – debt, equity, and technology – from risks linked to Senegal's political and financial environment. While this web of guarantees lowers the cost of borrowing for private developers, it simultaneously embeds a transfer of risk toward public or semi-public actors.

Fiscal support also extends to early-stage project development. FONSIIS plays a catalytic role by financing feasibility studies, securing land, and co-investing in early project phases. Such interventions absorb front-end risks and signal project viability to foreign partners. By entering temporarily and exiting once international capital is mobilized, FONSIIS acts as a bridge that enhances bankability. Grants from bilateral donors for safeguard studies further complement this role, reducing upfront costs for developers. Altogether, these fiscal tools construct a financial safety net that ensures investor certainty at the price of transferring costs and risk onto the state, multilateral agencies, and ultimately the public.

If fiscal instruments address project-specific risks, regulatory reforms shape the broader investment environment. Over the past two decades, Senegal has progressively reconfigured its legal and institutional framework to make energy production more attractive to private investors. A central step was the liberalization of electricity generation and the gradual unbundling of Senelec's vertically integrated functions in 2021 (Republic of Senegal 2021a; de Richoufftz 2022). Senelec was long regarded as opaque, financially fragile, and administratively cumbersome – a perception that deterred private investment. By separating generation from transmission and distribution, and by subjecting Senelec to market-like behavior, reforms created space for independent producers while aiming to increase efficiency. This restructuring aligns the sector with the principles of competition and profitability that international capital demands.

To increase transparency and reduce perceived risks of inefficiency, Senegal has adopted competitive procurement frameworks, firstly pioneered by the World Bank-sponsored Scaling Solar program. Standardized tendering procedures reduce transaction costs for investors, ensure tariff comparability, and enhance the predictability of project development (Scaling Solar and World Bank Group 2023). Such frameworks also reduce the state's bargaining power, since standardized contracts leave little room for country-specific conditions. The institutional strengthening of the national regulating authority, CRSE, further enhances predictability for private investors. CRSE is tasked with communicating capacity needs, aligning procurement with national strategies, and clarifying tariff-setting. In practice, its function is less to discipline private actors than to provide them with certainty about long-term planning horizons, thereby reducing entry risks (Republic of Senegal 2021b).

In 2020, the government introduced exemptions from import tariffs for renewable energy technologies, including solar panels, inverters, and turbines. This measure directly lowers capital expenditure for developers, further improving project bankability. As officials themselves noted, such policies were often adopted in response to explicit requests from private sector actors (ANER 2020).

Through these measures, Senegal has aligned its regulatory environment with the expectations of global finance, reducing uncertainty and enhancing legal clarity. However, the reforms also narrow the scope for alternative models of energy provision, as they entrench private-led, IPP-based generation as the dominant pathway.

Beyond fiscal and regulatory measures, the structuring of energy finance depends on the interplay of national institutions, state-owned companies, and international partners. The institutional landscape is fragmented but deeply interlinked, with each actor playing a role in sustaining the investment environment. The Ministry of Petroleum and Energies sets the strategic direction, while the Ministry of Finance negotiates and guarantees fiscal commitments. Senelec retains a central role as the single buyer under PPAs, even as its functions are increasingly circumscribed. The PPP unit and FONSIS provide technical and financial facilitation, ensuring that projects reach bankable form before foreign investors enter. External actors significantly shape these institutional arrangements. Technical assistance programs, conditionalities attached to concessional loans, and donor-driven reforms provide not only finance but also establish the rules of the game. For example, the unbundling of Senelec and the creation of competitive tenders were long-standing recommendations from the World Bank and other development partners. This influence extends beyond individual projects to the systemic structuring of the sector.

The combination of domestic and external institutions creates a multi-layered ecosystem where risks are distributed across national budgets, donor agencies, and multilateral organizations. Senelec, government ministries, DFIs, and private developers are embedded in contractual and financial relationships formalized through de-risking arrangements. For Senegal, the challenge is to maintain credibility and avoid defaults, as reputational damage could jeopardize future access to investment. For donors and DFIs, the arrangement ensures that projects fit within their broader mandate to mobilize private capital for development.

While PPAs, guarantees, tax incentives, and tender mechanisms appear to be discrete tools, they in fact constitute a coherent ecosystem that systematically reallocates risk away from private investors. Each layer – fiscal, regulatory, institutional – reinforces the others, creating an investment climate where private capital enjoys security, while the public sector assumes long-term commitments. This architecture reflects the logic of the so-called Wall Street Consensus, which frames development as a matter of mobilizing private finance by constructing safe investment environments. In Senegal, the consequence is a dual dynamic: on the one hand, the country has successfully attracted substantial flows of capital into renewable energy; on the other hand, it has assumed new fiscal risks and limited its policy autonomy by locking into investor-friendly contracts and regulatory frameworks.

### **Synthesis: Financing Structures and Senegal's Energy Transition**

The financing landscape of Senegal's energy sector reveals a striking pattern: despite efforts to build a diversified energy mix and pursue a national energy policy agenda, project realization still depends heavily on foreign capital. Investment flows are channeled primarily through IPPs, whose projects are made viable by a combination of donor-backed de-risking mechanisms, sovereign guarantees, and long-term PPAs with Senelec. DFIs play a central role by supplying concessional capital and structuring financial arrangements that reassure private investors. This has created a model in which Senegal provides the institutional framework – regulatory frameworks, fiscal incentives, sovereign guarantees – while foreign investors and financiers provide the capital and maintain decisive influence over project design. Foreign ownership is particularly concentrated: most Senegalese IPPs are majority-held by French sponsors, with nearly all equity and debt sourced from European or U.S. institutions. This underscores how renewable energy projects remain firmly embedded in external financial circuits, with domestic ownership playing only a marginal role.



The emergence of such arrangements is directly related to the macro-financial constraints, themselves created by financial subordination, that make concessional or private external finance indispensable. In this sense, the architecture of project finance illustrates how structural financial subordination is translated into concrete institutional mechanisms that shape Senegal's energy system. De-risking, while often presented as a technical necessity to 'mobilize the private sector,' should be understood as a strategy to reconcile investor security with macro-financial constraints.

**Seen through the lens of the Wall Street Consensus, Senegal's energy finance architecture exemplifies the reorientation of public policy in favour of market engineering and investor logics.** De-risking instruments, sovereign guarantees, and standardized procurement procedures all function to transform electricity provision structures into a set of investable assets aligned with global capital markets. Despite this trend, the institutional role of FONSIS, continued public control of Senelec, and ongoing state involvement in procurement and planning also reflect **elements of a developmental state logic**: domestic actors attempt to leverage foreign capital while retaining some degree of strategic control. The resulting landscape is thus not a straightforward case of neoliberal marketization but a hybrid formation where WSC imperatives dominate yet are mediated by local efforts to assert developmental priorities. This duality illustrates the broader argument of the paper: Senegal's energy transition is shaped by financial subordination and WSC logics, but always filtered through state agency and domestic political economy. This sets the stage for Section 5, which will assess the implications of the logic of de-risking logic for questions of sovereignty, inequality, and the pathways available to achieve a just energy transition.

## 5. Fiscal Costs and Uneven Outcomes of De-risking Logic

This section assesses the broader logic and consequences of Senegal's de-risking approach to financing the green transition. The duality observed in the financing architecture's reliance on market-based risk-transfer amid calls for stronger state direction – reflects the presence of two distinct political projects: on the one hand, the "Wall Street Consensus," which prioritizes mobilizing global private capital through risk-transfer mechanisms; on the other, a developmentalist vision rooted in state planning and sovereignty. While both projects coexist, the financing architecture of recent years is oriented toward the former. The dominance of private-sector-oriented de-risking instruments has far-reaching implications, shaping the distribution of costs and benefits across society. By unpacking these dynamics, this section highlights how Senegal's energy transition is enmeshed in wider patterns of financial subordination and explores the uneven outcomes they generate.

### Two Political Projects

The specific configuration of Senegal's de-risking ecosystem is not a neutral technical arrangement. It reflects competing political projects embedded within state institutions and transnational financial structures. The ecosystem combines elements of market liberalization with mechanisms of state-led planning. At first sight, this appears contradictory: on one side, institutions and policies that promote private capital and foreign investment; on the other, strategies centered on public ownership, sectoral planning, and sovereignty. To unpack this tension, I distinguish two projects that shape Senegal's energy finance landscape: the WSC and a developmental state approach.

The first project aligns Senegal's energy policy with liberalized global financial markets. Its logic is to transform infrastructure into an investable asset class through public-private partnerships,

private concessions, and sovereign guarantees. Rooted in the prescriptions of the WSC, this approach emphasizes market-based finance, fiscal discipline, and integration into global capital flows. The government's flagship development agenda, the *Plan Sénégal Émergent* (PSE), explicitly promotes public-private partnerships in sectors ranging from highway and rail construction to health and energy. In the energy field, this logic is most visible in the licensing of IPPs, long-term PPAs, and tariff structures designed to guarantee steady cash flows for investors. The state assumes demand and political risks, underwriting projects through guarantees while ensuring affordability via subsidies. National institutions such as APIX and FONSI actively advertise Senegal as an investment destination, offering fiscal and legal incentives to foreign investors.

In parallel, a second project draws on ideas of state capitalism and developmentalism. Here, the state retains a central role in planning, regulation and ownership, embedding energy provision in the PSE's long-term vision of affordable, universal access. Instruments such as the low-cost plan guide capacity expansion and resource allocation. Institutions like Senelec and FONSI embody this approach: Senelec remains under public control, despite its recent unbundling, while FONSI opens the possibility for state participation in strategic projects through equity holdings. Planning agencies and regulators emphasize energy sovereignty as a national priority, linking reliable power provision to industrial development and economic autonomy. This project resonates strongly with civil society actors, trade unions, and parts of the bureaucracy who stress the need to preserve economic sovereignty in an era of deepening financial dependence.

This institutional configuration reflects the government's explicit ambition to achieve energy sovereignty, a goal frequently invoked by policymakers and planners aspiring for national autonomy. These ambitions have found tangible expression in institutional arrangements such as the continued public ownership of Senelec and FONSI. However, while these structures potentially equip the state with tools to pursue developmental objectives, they remain embedded within a broader de-risking framework. Public ownership, guarantees, and equity participation do not stand in opposition to market-based finance but serve as crucial mechanisms for enabling it. The resulting configuration is therefore hybrid, reworking developmentalist instruments and rhetoric through partnerships with foreign private capital, aligning transformative ambitions with investor profitability, and thereby reproducing external financial dependency and sustained investor-oriented de-risking.

Policymakers face the challenge of balancing and reconciling contradictory imperatives: attracting foreign finance through de-risking while safeguarding national interests through planning and ownership. In practice, the WSC tends to dominate. Senegal's structural position in the global financial hierarchy, coupled with fiscal and external constraints, limits state capacity to pursue an autonomous developmental agenda. The reliance on external capital and guarantees reinforces dependence on donor-driven priorities, narrowing the room for sovereign decision-making. As a consequence, both projects' interplay reveals the dilemma of the Senegalese state under financial subordination: the state must balance the need for foreign investment with the aspiration of sovereignty. The next section evaluates the mechanics and costs of this configuration, showing how this configuration shapes policy influence, fiscal risks, and uneven social outcomes.



## Mechanisms and Costs of De-risking

The de-risking mechanisms are not merely technical; they structure who secures stable returns, who bears risks, and how policy priorities are set. The following five (5) dimensions trace how risk transfer, policy influence, state discipline, and budgetary risks translate into tangible costs for the state and society:

**Risk Transfer & Profitability:** A central mechanism of Senegal's de-risking ecosystem is the transfer of risks from private investors to the public. Sovereign guarantees issued by the Ministry of Finance and political risk insurance provided by multilateral institutions shield investors from non-payment, currency fluctuations, or political instability. While presented as "efficient risk allocation," these instruments in practice reinforce a public-private imbalance: foreign private actors retain financial profit and control, while the state is structurally compelled to align its strategies with investor interests. Illustratively, World Bank (2025) data shows that annual profit repatriation from Senegal has risen sharply from the 2010s to the early 2020s, from around USD 500 million to more than USD 1 billion. While the figures are not disaggregated by sector, it is reasonable to assume that energy investments, including renewables, contribute to these outflows. In this configuration, profitability and risk mitigation for investors take precedence over public priorities, curtailing policy autonomy and subordinating national energy goals to external demands.

**Policy Influence:** De-risking is not only about financial instruments but also about policy discipline. International donors, especially the World Bank and a large-scale US-financed policy consulting program, the Millennium Challenge Corporation (MCC), shape Senegal's energy agenda through conditional funding, technical assistance, and policy advice. The World Bank's Cascade Approach explicitly promotes IPPs in Senegal as the preferred model, supporting reforms that lower investment risks and align regulations with global investor demands. Similarly, the MCC pushed structural reforms such as the unbundling of Senelec, with foreign consultants drafting the central roadmap for implementation. These interventions blur the line between national and external priorities: policies framed as domestic reforms are in fact co-produced with international actors. While this does not amount to direct imposition, it narrows policy debate by privileging 'bankability' over broader developmental concerns. The result is a constrained policy landscape in which the Senegalese state's autonomy is subordinated to global financial logics.

**Disciplining of the State:** A further mechanism of de-risking concerns the disciplining of the state itself. Multilateral guarantees, such as those provided by the World Bank and its agency MIGA, are designed to reassure investors by deterring governments from breaching contracts. These guarantees substitute for "trust" in the state, reflecting racialized perceptions of risk and mistrust. MIGA explicitly advertises its products as an "umbrella of deterrence," signaling to governments that contract violations will trigger financial and reputational consequences. The deterrent operates both formally, through indemnity agreements and the freezing of development loans, and informally, by sending a "bad signal" to markets in case of breach of contract that discourages future investment. In this way, MDBs assume quasi-sovereign functions: mediating disputes, enforcing commitments, and preserving the global financial order. For Senegal, reliance on such instruments embeds state agency within external surveilling structures, curtailing policy autonomy and reinforcing dependence on global financial governance.

**Budgetary Risks:** A final mechanism of de-risking lies in the fiscal exposure created by de-risking. While PPPs and IPPs are often framed as instruments for easing pressure on public budgets, there is evidence that they in fact increase long-term costs and generate substantial contingent liabilities (Bayliss, Romero, and Waeyenberge 2021). In Senegal, the state must provision reserves in its annual budget to back sovereign guarantees extended to IPPs (Ministère des Finances et du Budget 2024). The recent Cour des Comptes report, which provides comprehensive disclosure of public finances (2019-2024), notes that guaranteed debt now totals 535 billion F CFA, including guarantees for flagship projects in the energy sector such as PPAs for renewable power plants (Cour des Comptes du Sénégal 2025, 36-37). These reserves cannot be used for social or development spending, thereby constraining fiscal space. Even World Bank guarantees, ostensibly shifting risks away from the state, are tied to indemnity agreements that ultimately hold the government accountable if guarantees are called. PPAs are another costly source for the state. These contracts create long-term fiscal commitment, locking the public sector into obligations that are difficult to renegotiate when market conditions shift. Declining technology costs or fluctuating electricity demand do not reduce the tariff obligations embedded in PPAs, creating a potential long-term burden on public finances. IMF (2023a, 35) assessments estimate contingent liabilities at up to 8% of Senegal's debt stock, representing "significant fiscal risks" (IMF 2019, 62). In practice, these obligations bind the state into asymmetric financial relations, where private risks are systematically socialized. This dynamic curtails fiscal sovereignty, deepens dependence, and pressures the state to prioritize investor security over domestic priorities.

Taken together, these four pillars demonstrate how de-risking embodies the logic of the Wall Street Consensus in practice: securing investors while shifting costs and risk onto the state and society. In doing so, they illustrate what is sidelined from a developmentalist logic – fiscal space, planning autonomy, distributive justice. These dynamics become most visible when examining domestic political economy conflicts and the social impacts of energy projects.

### **Domestic Political Economy and Social Uneven Impacts of De-risking**

De-risking in Senegal is not simply imposed from abroad; it is actively mediated and shaped by domestic actors. The Presidency, Ministry of Petroleum and Energy, Ministry of Finance, and regulators such as CRSE, together with Senelec, play a pivotal role in enabling the de-risking ecosystem. Political and financial elites benefit from their central position in structuring public-private partnerships and sovereign guarantees and are complicit in installing regulatory de-risking through measures such as dismantling investment barriers in the energy sector. High-profile infrastructure projects such as the toll road to the airport, the regional express train, utility-scale renewable energy projects or the Dakar Bus Rapid Transit exemplify how such deals are promoted as symbols of modernity while serving upper-middle-class constituencies and foreign investors (Bayliss, Romero, and Waeyenberge 2021; Gabor and Sylla 2020; LEGS Africa and CCUAP 2020). In the energy sector, FONSIS and national regulators have actively supported de-risking instruments pointing to a cross-border alliance of foreign finance, domestic elites, and private-sector managers.

Interviews conducted by the author demonstrate however that there is a genuine current of domestic contestation. State managers and civil society actors increasingly question the ubiquity of sovereign guarantees, arguing that they coddle investors while placing an unnecessary burden on the state. Some officials stress that Senegal has not experienced political risks justifying state guarantees, which are nonetheless demanded by DFIs as a precondition for investment. This reflects power asymmetries: guarantees are normalized as indispensable, but locally they remain politically contentious. While local elite factions enable the de-risking ecosystem, others resist its fiscal and distributive implications.



The distributive outcomes of de-risking make these tensions visible. Renewable energy IPPs generate secure long-term revenues for investors, but local benefits remain marginal. European DFIs and corporations dominate equity and debt financing, while Senegalese investors hold minority stakes with little influence. Only about 5 % of RE capacity is publicly owned (see Table of IPPs above). As a result, profits flow abroad, reinforcing dependency. EPC contracts are awarded to multinationals, with domestic SMEs confined to low-value subcontracting such as transport or minor construction. Technology transfer and industrial upgrading remain limited.

Employment creation follows the same pattern: construction offers temporary jobs, but long-term operation requires only a handful of skilled staff, with limited employment opportunities for the neighboring communities (ECREEE 2018). Communities neighboring IPPs report frustration as the expected benefits, even those as rudimentary as cleaning jobs, fail to materialize. Gendered inequalities are also evident, as men disproportionately access the scarce employment opportunities, while women shoulder the burdens of social reproduction in contexts of high tariffs and unreliable access (Sy 2023). Electricity tariffs remain high by regional standards, burdening consumers and deepening urban-rural divides in access (AEP 2019). Local protests against these inequalities highlight how energy transition projects risk reproducing patterns of exclusion rather than delivering equitable development (Faye 2019; Thies 24 2019).

In short, de-risking in Senegal is a hybrid process: enabled by alliances between foreign and domestic elites, contested by state managers and communities, and producing socially uneven outcomes that undermine the promise of a just energy transition.

### **Comparative and Synthesis Perspective**

The Senegalese case is emblematic of a wider continental pattern in which renewable energy transitions are structured through standardized, financialized project finance models. IPPs, underpinned by long-term PPAs, sovereign guarantees, and multilateral risk insurance, are not unique to Senegal but form the backbone of renewable energy investment strategies across Africa (Baker 2022, 202; Eberhard et al. 2017; Elsner et al. 2021; Klagge and Nweke-Eze 2020). MIGA guarantees, for instance, have been issued for renewable projects in more than 20 African countries, underscoring the diffusion of de-risking instruments across the continent. Programs such as Scaling Solar further highlight how externally designed financing models are replicated in multiple contexts, producing similar constellations of foreign investors, DFIs, and contractual obligations.

Comparable experiences can be observed in Ghana, Kenya, South Africa, and Namibia. In Ghana, utility-scale solar projects have displaced local livelihoods and transferred risks to communities while channeling profits to European investors (Stock and Nyantakyi-Frimpong 2024). South Africa's renewable IPPs, despite local content policies, have struggled to generate broad-based benefits, with foreign developers extracting rents while surrounding communities remain marginalized (Baker 2015). Namibia's green finance flows, too, perpetuate extractive dynamics that echo prior colonial trajectories (Tunn et al. 2025). The Senegalese experience thus illustrates a broader African energy transition conjuncture: De-risking delivers capacity by mobilizing private capital but simultaneously entrenches dependency, exposes public budgets to contingent liabilities, and limits domestic economic pathways. In doing so, it demonstrates how African countries' macro-financial subordination materializes in the energy sector, translating global financial hierarchies into project-level contracts, institutions, and uneven outcomes.

The case of Senegal serves as both an illustration and a warning. While the de-risking model has enabled rapid expansion of generation capacity, it has done so to the detriment of sovereignty, affordability, and social inclusion at the local level. This tension between foreign-finance dependence and national developmental aspirations is not unique to Senegal but central to Africa's financialized energy transitions. Recognizing these dynamics is crucial for rethinking financing architectures in ways that expand sovereign space and promote a more equitable and socially embedded energy transition.

## 6. Policy Recommendations

Renewable energy expansion is indispensable for decarbonization, yet its current financing model reproduces and deepens inequalities. As the Senegalese case demonstrates, dependency is structured at two levels: through an international financial architecture that disciplines access to affordable long-term capital, and through national energy politics that mediate and often reinforce uneven outcomes. Rethinking financing for just transitions must therefore address dynamics at both levels.

### Global and Structural Reform

The 50th anniversary of the New International Economic Order (NIEO) in 2024 revived debates on the structural injustices of the global economy and their implications for climate and energy transitions. The NIEO agenda of the 1970s – technology transfer, sovereign control over resources, and the restructuring of global financial institutions – remains highly relevant for today's energy transition (Progressive International 2024). Its central insight is that without systemic reform of the international economic order, national sovereignty in development policy remains curtailed. In the case of energy, this means that countries like Senegal face systemic constraints that limit their ability to pursue sovereign transition strategies. Inspired by these renewed discussions around the NIEO, reform of the international economic order must address pillars such as debt justice, scaling up climate finance, and monetary reform.

The first pillar of structural reform is debt justice. High external debt burdens restrict fiscal space and push governments into reliance on costly private finance (Sylla 2023). Much of this debt can be considered illegitimate – contracted under asymmetric power relations, without public consent, and often failing to benefit the population (Sokona et al. 2023, 76). Calls for unconditional debt cancellation, such as those advanced by the Debt for Climate movement, argue that Global North creditors hold a historic climate debt to the South (Perry 2021). Canceling or radically restructuring debt would free up resources for public investment in renewable energy without deepening dependency or exposing budgets to contingent liabilities.

A second priority is scaling up public climate finance in ways that break with the logic of conditionality and financialization. Existing climate finance flows are insufficient, fragmented, and often delivered through loans rather than grants, exacerbating debt distress. Wealthy countries must not only fulfill but expand their commitments, ensuring that finance is predictable, accessible, and free of conditionalities. Proposals for global green public banks, democratically governed and oriented toward social and ecological priorities (Marois 2017), offer one way to channel resources outside profit-driven circuits. In Senegal, institutions like the Banque Nationale pour le Développement Économique (BNDE) could potentially be reoriented toward this role, provided transparency, accountability, and national ownership are strengthened.



Finally, broader monetary reform is essential. The CFA franc continues to constrain macroeconomic sovereignty by tying monetary and exchange rate policy to external control and limiting credit creation for domestic investment. Substantive monetary reform would require a fundamental reconfiguration of the monetary order toward genuine sovereignty, democratic control, and regional solidarity, and must begin with the dismantling of France's tutelage. This could involve the introduction of national currencies, greater independence of central banks from external influence, and the establishment of regional mechanisms for reserve pooling, payment systems, and macroeconomic coordination. Such reforms would enable governments to deploy monetary and credit policy in line with energy priorities. Ultimately, just energy transition is inseparable from the question of monetary sovereignty, as the capacity to mobilize domestic investment and sustain public infrastructure depends on control of money and credit creation (Sylla 2020). Furthermore, instruments such as Special Drawing Rights (SDRs) could provide direct liquidity support for energy transitions, while reforms to MDBs must curb conditional lending and prioritize grants. Without such structural shifts in the global financial architecture, energy transitions across Africa will remain dependent on volatile flows of foreign capital, subordinating national strategies to the priorities of investors and creditors.

### **National Level and Ownership Strategies**

While structural reforms of the global financial architecture are essential, Senegal also has policy space to design alternatives that strengthen domestic control over the energy transition. A strategy that combines domestic resource mobilization, local content requirements, participatory governance, and redistribution of financial benefits could reduce reliance on external actors while strengthening the national economy.

Domestic resource mobilization is central. Beyond legitimate demands for external climate finance, Senegal can improve fiscal capacity through progressive taxation, curbing illicit financial flows, and mobilizing local capital. Corporate tax abuse and offshore wealth schemes drain an estimated USD 37.5 million annually from public coffers (Tax Justice Network 2024, 31). Stronger tax regulation, potentially under a UN tax convention, would ensure that multinational corporations contribute fairly. In parallel, innovative instruments such as diaspora bonds could channel part of the USD 2.9 billion sent home each year by the Senegalese diaspora into renewable energy (African Development Bank 2019; Ecofin Agency 2024). Sovereign wealth funds, such as Senegal's FONSIS, could follow examples from Botswana or Nigeria, and channel returns from oil and gas exploitation and reinvest resource revenues into long-term sustainable RE infrastructure.

Second, local content rules can ensure that renewable energy investment generates domestic value creation. Despite their widespread use in Senegal's oil and gas sector, binding requirements have not yet been implemented in renewables. Lessons from South Africa's REIPPP program highlight both opportunities and pitfalls: local content rules can stimulate SMEs and job creation, but must be carefully designed to avoid symbolic measures or infeasible demands (Müller and Claar 2021). Complementary financial instruments, such as FONGIP's – Senegal's guarantee fund – loan guarantees, could lower barriers for domestic SMEs to participate in the energy sector.

Third, advancing participatory governance is essential for procedural and recognition-based justice. Both legal reforms, notably the 2021 Electricity Code and major infrastructure projects like RE utility-scale projects, should be operationalized to mandate meaningful consultation. Without sanctions, public consultation risks degenerating into a series of box-ticking exercises. Comparative experiences again show the importance of embedding genuine community involvement in energy planning (Baker 2022).

Finally, redistribution of financial benefits is needed to ensure that communities most affected by energy projects also derive tangible benefits from them. While innovative finance mechanisms—such as the channeling of revenues to impacted communities in the Malicounda power project—do exist, they are still limited in scope and number (ECREEE 2018). Redistributive mechanisms could include revenue-sharing schemes, equity participation, or mandatory social investments in health, education, and employment. Critically, these benefits must materialize early in a project's life cycle rather than only after debt repayment.

Taken together, these measures can strengthen Senegal's capacity to steer its energy transition toward national priorities, mitigating dependency on foreign investors and aligning renewable energy expansion with social equity.

### **Democratic and Just Transition, Outlook**

This section has outlined key strategies for mobilizing resources for a just energy transition in Senegal. Yet beyond specific mechanisms, a broader paradigm shift is necessary. Energy must be treated as a right, not a commodity, with policies explicitly framing universal access, affordability, and redistribution as central objectives. Financing strategies should integrate inequality concerns, ensuring that marginalized groups benefit from and are not disproportionately burdened by energy projects. Crucially, strengthening state planning and institutional capacity is needed so that Senegal can set energy priorities independently and proactively, rather than reacting to donor or investor logics. Moving away from purely market-driven, de-risking models towards balanced systems that favor public and community financing approaches will allow renewable energy investments to serve public needs, enhance energy sovereignty, and redistribute benefits equitably. Achieving such a shift depends on the political will of national and international actors and is essential for a transition that is not only low-carbon but also socially just.



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