Sustainable Investments in Senegal and Poland

A Country Risk Report

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II. Country risk report

1. Introduction

EcoInvest Solutions is a U.S based company that is committed to reducing its environmental impact and mitigating climate change by investing in sustainable and green projects. As an environmentally conscious company, we recognize that investing in such projects involves assessing country risks, including political, economic, social, and environmental factors. The recent conflict in Ukraine has drawn attention to the potential risks involved in investing in certain countries. Therefore, we have prepared country risk reports for Poland and Senegal to analyze the risks and opportunities associated with investing in sustainable projects in these countries.

Poland has been selected for the country risk report due to its strategic location in Europe, diversified economy, and a growing business environment. Its central location in Europe makes it an attractive location for businesses looking to expand their reach into the European market. Additionally, its economy has experienced steady growth in recent years making Poland an appealing option for investment in sustainable and green projects.

Senegal has been chosen for the country risk report because of its stable political environment in comparison to other African countries, abundant renewable energy resources, and growing economy. The country has experienced a long period of political stability, which has allowed for consistent economic growth, presenting attractive opportunities for companies like EcoInvest Solutions looking to invest in sustainable and green projects.

For EcoInvest Solutions, it is important to understand whether the country itself provides a safe and fruitful environment for our investments rather than focusing on a specific sector of the two economies. Therefore, the present country risk report will focus on the general economic and political outlook of Poland and Senegal and their ability to host sustainable businesses. The report will begin by assessing the economic and financial risks of Poland and Senegal, followed by the political, social, and legal risks. After presenting the risk assessments, the report will include a discussion section that provides a detailed comparison and assessment of the two countries. Finally, the report will conclude by recommending to our board of directors which country presents the most favorable investment environment.

2. Poland

After significant struggles at the end of communism in 1989, Poland became “Europe’s growth champion”, experiencing an unprecedented period of economic development (Piatkowski, 2019, p.2). This growth enabled Poland to decrease the upper middle-income poverty rate ($6.85 per day) from more than nine percent in 2004 to below one percent in 2022 (World Bank, 2023b). Today, Poland, an electoral democracy led by President Duda and prime minister Morawiecki, contains a market of 39 million inhabitants and a GDP of 697.2 billion US dollars (Boese et al., 2022; Coface, 2022; Freedom House, 2023; World Bank, 2023a, 2023c). The rating agency Moody’s rates Poland with A2 (Ministry of Finance, 2022). Coface evaluates Poland with a country risk assessment score of A4 and a business climate score of A2 (Coface, 2022). This chapter analyzes Poland’s economic, financial, social, political, and legal risks.

2.1. Economic and Financial Risks in Poland

Poland quickly recovered from the economic backlash of the Covid-19 pandemic, with a Gross Domestic Product growth of 4.9 percent in 2022. This recovery was enabled by the government's policy action during the Covid-19 pandemic, resolute private consumption, the country's diversified export base, and the right usage of investments from the European Union (Coface, 2022; U.S. Department of State, 2022; World Bank, 2023b, 2023c). However, the country's growth and citizens' economic well-being are negatively impacted by exogenous shocks (i.e., the war in Ukraine), which negatively affect short-term and long-term growth and inflation forecasts.

The International Monetary Fund (IMF) projects that Poland's real GDP will grow 0.3 percent in 2023, while inflation is expected to average 11.9 percent (IMF, 2022a). In February this year, inflation was even higher than this prediction with an inflation rate of 18.4 percent (World Bank, 2023b). This constitutes a significant increase in comparison to the period between 2001 and 2021, during which inflation fluctuated between -0.9 and 5.5 percent (IMF, 2022a; *see* Appendix 1, Illustration 1). High inflation is a key macro-economic risk, as it erodes purchasing power, increases production costs, and might deter foreign investment inflows. Therefore, it may also result in currency depreciation and social instability (Bouchet, Fishkin, Goguel, 2018). The soaring commodity prices in Poland have already resulted in lower-income individuals spending more than 50 percent of their income on food and energy, increasing the number of people living at the edge of poverty (World Bank, 2023b).

One of Poland's strengths is that it is highly integrated into the value chains in its geographical region (World Bank, 2023b). Globally, Poland is the 40th freest economy, ranking better than Italy, France, and Belgium (The Heritage Foundation, 2023). However, Poland's integration into the neighboring German economy is a risk for the country. Poland sends 28.7 percent of its total exports to Germany and only 5.9 percent to its second biggest export market, the Czech Republic. Similarly, 20.9 percent of its imports stem from Germany (International Trade Administration, 2022). This creates economic dependencies on a country that is confronted with low growth projections (IMF, 2022b). Moreover, Poland has a trade openness ratio of 112 percent, which is 19 percent higher than the EU average. Consequently, Poland is vulnerable to disruptions in the world economy, trade wars, and exchange rate fluctuations, similar to the Asian tigers in the aftermath of the 2009 financial crisis (Bouchet, Fishkin and Goguel, 2018; CEIC DATA, 2022; World Bank, 2023e).

In addition, the war in Ukraine and the ensuing migration flows pose a significant economic challenge to Poland. From the start of the war until the end of 2022, Poland spent more than 8 billion euros on refugees from Ukraine (Lesinska, 2022). Funding the social services and infrastructure for aid to refugees from Ukraine will cost Poland approximately two percent of its GDP in 2023. This is added to the increased military spending, which is destined to reach more than three percent of Poland's GDP (Institute for Economics & Peace, 2022a; World Bank, 2023b). Therefore, the onset of the war in Ukraine has major implications for Poland's fiscal balance (Coface, 2022a; World Bank, 2023b).

Moreover, the war in Ukraine resulted in an increase in Ukrainian grain imports that undermined Polish farmers' economic success. As a consequence, the Polish government plans on banning imports of these agricultural goods, including grain and honey. Furthermore, the parliament took measures to compensate farmers financially. As countries that were primarily reliant on grain imports from Ukraine had to adjust their consumption due to the war in Ukraine and global supply chains were disrupted, this could be a long-term economic

challenge, which will require ongoing subsidies by the Polish government (Florkiewicz and Potter, 2023; Higgins, 2023).

In 2021, Poland had a public debt-to-GDP ratio of 53.8 percent, making it one of the least indebted countries in the European Union (EU) and significantly below the EU average of 85.1 percent (Coface, 2022a; Eurostat, 2023). Therefore, the debt-to-GDP ratio is within the crucial threshold of 100 percent. Furthermore, Poland has a debt service ratio well below 33 percent, which signals its ability to serve its debt. Accordingly, Poland is at low risk of a debt crisis. However, the Covid-19 pandemic has impacted the country's ability to invest money by reducing fiscal buffers and resulting in a fiscal deficit. This is a major risk as Poland needs to invest in sustainable infrastructure, mitigate the economic impact of the aging population, and cope with the challenges posed by the war in Ukraine (The Heritage Foundation, 2023; World Bank, 2023b).

A crucial early warning signal in country risk analysis is capital flight, as it signals residents' distrust in current social, political, and economic developments (Bouchet, Fishkin, Goguel, 2018). In 2021, Poland's balance of payments only reported errors and omissions of 480 million euros, which is substantially less than the threshold of 5 percent of the gross sum of merchandise exports and imports, which would signal the risk of capital flight (Narodowy Bank Polski, 2023). Still, the Bank for International Settlements (2022) reports increasing liabilities toward Polish households, which have been growing since 2014 and accelerated since the onset of the War in Ukraine, signaling that residents transfer their money to other countries (Bouchet, Fishkin and Goguel, 2018).

In addition, Poland had a current account deficit of 1.4 percent of its GDP in 2021, after it had reported a surplus in 2020 for the first time since 1995. This constitutes a better current account balance than the Slovak Republic (-2.5 percent) but a worse one than Germany (7.4 percent) (*see* Appendix 1, Illustration 2). The deficit could be caused by supply chain disruptions and raw material shortages on which the Polish exports (e.g., television receivers) are heavily dependent (Kasek, 2021; World Bank, 2023b; World Bank, 2023d). It signals economic risks, potentially weakening Poland's external competitiveness. A sustained current account deficit could result in rising debt levels and shrinking reserves, affecting the country's solvency and liquidity. This is corroborated by Poland's relatively short average debt maturity (approximately five years), which can cause refinancing problems and induce interest-rate-associated risks (Ministry of Finance, 2020). As Poland's fiscal budget is also in deficit, the country has a twin deficit which is one of the central warning signals for an unfolding crisis (Bouchet, Fishkin and Goguel, 2018).

2.2. Political, Social, and Legal Risks in Poland

Central political risks that are of relevance to developed countries are "regulatory change, rising wealth gaps and the prospect of eroding purchasing power, as well as the limits to social inclusiveness experienced by democratic systems" (Bouchet, Fishkin, Goguel, 2018, p.364). Concerning economic inequality, Poland had a Gini coefficient of 28.8 (2019), which constitutes a decrease of nearly ten points since 2004 (World Bank, 2023a). However, since 1990 income inequality between the bottom 50 percent of the population and the top 10 percent has substantially risen. In 2021, the bottom 50 percent only earned 19.5 percent of the total income, while the top 10 percent earned 38 percent (Chancel, 2022; U.S. Department of State, 2022; *see* Appendix 1, Illustration 3).

In addition to high inequality, a lack of social mobility opportunities can result in social tensions and corruption (Bouchet, Fishkin, Goguel, 2018). In Poland, more than two-thirds of young Poles (18 to 29 years old) fear that they will be worse off than their parents, highlighting the potential for social tensions (Organization for Economic Cooperation and Development, 2019). Amidst high economic inequality, the United Nations Development Program (UNDP) reports a Human Development Index (HDI) of 0.876 for Poland, which is why the country ranked 36th in the HDI ranking. Poland's HDI has significantly improved throughout the last three decades. In 1991, the life expectancy in Poland was 70.4 years, whereas it climbed to 76.5 years in 2021. In the same period, the mean years of schooling increased from 9.9 years to 13.2 years (UNDP, 2022). Furthermore, Poland has a relatively low gender inequality, ranking 34th globally and, therefore, better than Greece or the Czech Republic (UNDP, 2023).

Another crucial political risk indicator is corruption as a high level of corruption can lead to an unattractive business environment and social instability (Bouchet, Fishkin, Goguel, 2018). In 2022, Poland's corruption perceptions index has been at a ten-year low. Poland ranks 45th in the global corruption ranking, reflecting one of its major challenges (Transparency International, 2023b; *see* Appendix 1, Illustration 4).

Furthermore, Poland is among the main autocratizing countries in Europe, and its political landscape is marked by significant anti-pluralist tendencies. Poland's liberal democracy score has substantially declined during the last decade, which is why it is now ranked 80th out of 179 evaluated countries. Globally, no other country has experienced a decline similar to the one from Poland during the period from 2011 to 2021 (*see* Appendix 1, Illustration 5). The decline is caused by decreasing freedom of expression, governmental censorship and molestation of journalism, and a shrinking ability of the legislature to hold the executive accountable (Boese et al., 2022).

The autocratization has also been registered by the Polish public as less than 25 percent of Polish citizens and less than 20 percent of companies operating in Poland perceive very good or fairly good independence of courts and judges (European Commission, 2022b). As evidenced in this survey data and Poland's autocratization, one of Poland's major challenges is the country's progressively deteriorating rule of law (Institute for Economics & Peace, 2022a, 2022b; Zerofsky, 2023). For instance, the government appointed new judges based on political preferences and reduced the retirement age for justices at the supreme court as this enabled them to oust certain judges (Ministry of Finance, 2022; Winczorek and Muszyński, 2022; Zerofsky, 2023). As institutional strength and democracy are crucial to economic development and sociopolitical stability, this development could have repercussions on the Polish economy (Butkiewicz and Yanikkaya, 2006; Bouchet, Fishkin and Goguel, 2018). Furthermore, it exacerbated relations between Poland and the European Union, resulting in the denial of access to crucial financial resources (Buras, 2022; European Commission, 2022a, 2023).

One of the main social challenges Poland will face in 2023 is the increased migration flow caused by the Russian attack on Ukraine (Dadush and Weil, 2022; Duszczyk and Kaczmarczyk, 2022). Duszczyk and Kaczmarczyk (2022, p.164) argue that the combination of migrants trespassing through Belarus and Ukrainian war refugees will change Poland "from a typical emigration country to an immigration one". According to Huntington (1968, p.5), the central "problem of politics is the lag in the development of political institutions behind social and economic change". The initial Polish response to the migration flows from

Ukraine was heavily reliant on personal networks, which is why a coordinated governmental response is now required to prevent a lack of institutional management, which could culminate in political and social tensions (Bouchet, Fishkin and Goguel, 2018; Duszczyk and Kaczmarczyk, 2022). The War in Ukraine also poses a severe geopolitical risk as it increases the likelihood of conflict in the region as well as political disputes about the support for Ukraine with important partners such as Germany. Furthermore, Poland could be affected by increasing cyber-attacks, which would have a negative impact on the country's economic outlook (Ministry of Finance, 2022).

The continuing flow of war refugees and their long-term stay in Poland require the provision of housing and the integration of Ukrainian refugees into Polish society. As a substantial share of refugees are children or elderly, Poland also has to strengthen its education and health systems, which have already been constrained by the Covid-19 pandemic. Moreover, the demographic deviation and different skill sets of Ukrainian refugees in comparison to labor migrants before the war may not be as easy to integrate into the Polish economy, posing substantial risks to Polish social services (Byrska, 2022; Dadush and Weil, 2022; Duszczyk and Kaczmarczyk, 2022; Jankowski and Gujski, 2022; Teke Lloyd and Sirkeci, 2022; World Bank, 2023b).

In addition to the general economic and political risks in Poland, ecological considerations are essential to our investment endeavor. Currently, the country is not complying with its own emission reduction goals as economic growth is prioritized. Furthermore, Poland's emissions reductions over the 2005 to 2019 period are significantly below the European Union's average. This is, amongst other factors, caused by the great share of coal in the domestic energy mix and the strong influence of pro-coal unions. Additionally, Poland's economy has a high carbon intensity that is 172 percent above the EU average. This is caused by the low share of renewable energy sources in the energy mix, which Poland aims to increase to 23 percent by 2030. However, Poland has adopted the sustainable development concept in its constitution (Article 5) and complies with EU regulations on environmental issues (Erbach, 2021; Matthes, Markowski and Böner, 2022).

In conclusion, Poland's relatively high levels of inequality and corruption might elicit social tensions, negatively affecting businesses operating there. Furthermore, Poland's rule of law challenges pose a significant risk that should be further monitored as a sound rule of law is a predicament for sustainable growth. Generally, the autocratization process in Poland could be detrimental to our investments as a democratic environment improves checks and balances mechanisms and growth prospects (Bouchet, Fishkin and Goguel, 2018; Acemoglu et al., 2019). Still, Poland's membership in the EU is an essential cornerstone that mitigates rule of law problems and environmental depletion by pushing Poland toward compliance with EU regulations.

3. Senegal

After gaining its independence from the French Empire in 1960, Senegal became a major actor on the African stage and is now the 4th largest economy in Western Africa (Deloitte, 2017). Being a member of the West African Economic Monetary Union (WAEMU), favours the country's economic stability, through low risk correlated to exchange rate volatility of the CFA franc (CFAF), convertibility and transfer of funds (Allianz, 2023). The country is currently enacting the Emerging Senegal Plan (Plan Sénégal Émergent, PSE) with the oil and gas industry at its core. After the discovery of important offshore hydrocarbons, Senegal

decided to position itself as a main global oil producer by the end of 2023 (Artacho, 2021). The plan additionally embeds projects entrenched in the agricultural and educational sectors, and aims to transform the structure of the national economy by 2035. With 17.2 million inhabitants (Coface, 2022b), Senegal currently benefits from a GDP of US$28 billion (World Bank, 2022). The agency Coface attributes a B ranking for both the overall country risk assessment and its business environment (Coface, 2022b). This section evaluates the riskiness of investing in Senegal, with a specific focus on the economic and financial environment, as well as the political, social and legal aspects. Particular attention is given to sustainability issues, consistent with our investment.

3.1. Economic and Financial Risks in Senegal

While Senegal was on the path to recovery after the COVID-19 crisis, the war in Ukraine strongly affected the nation's economic growth. Its GDP growth indeed shrank to 4.7 percent in 2022 (International Monetary Fund, 2023) (*see* Appendix 1, Illustration 6), which was induced by the important spillover effects of the war in Ukraine incurred by Senegal, the appreciation of the USD against the Euro, and global economic slowdown. Nonetheless, economic growth is expected to be boosted in 2023 and 2024 and is projected at 8.3 and 10.4 percent, respectively, driven by increased oil and gas production (International Monetary Fund, 2023). With such growth prospects, the World Bank expects Senegal to be the highest-growing economy in the following years in Western Africa.

On the other hand, the country is currently facing strong inflationary pressures. The consumer price index (CPI) notably reached 8 percent in 2022 (International Monetary Fund, 2023) (*see* Appendix 1, Illustration 7). Domestic prices have been fuelled by external factors, namely global food, oil, and fertiliser prices. The appreciation of the US Dollar against the Euro has further exacerbated the global increase in domestic prices. In an attempt to contain the rising inflation rates, the BCEAO set interest rates at an all-time high of 4.75% (Central Bank of Western African States, 2023). The situation is expected to stabilise with reduced inflation from 2023. Nonetheless, it is worrying for the country as Senegal is an importer of food, and of cereals more particularly. As previously mentioned, the war in Ukraine has driven rising food, fertiliser, and oil prices globally which has strongly impacted the domestic food prices in Senegal (International Monetary Fund, 2023). By threatening the country's food security, Senegal could face rising social tensions.

In 2022, the current account deficit further widened compared to 2021, and reached 16% (*see* Appendix 1, Illustration 8), highlighting a relatively weakened external position (International Monetary Fund, 2023). The deficit of 15.7 percent of the trade balance of Senegal is one of the main reasons for such a position. The trade structure of the country highlights petroleum as the first good in terms of both imports and exports, though the quantities exported are more important than those imported. Overall, the economy of Senegal remains relatively diversified since it relies on additional sources, including gold, inorganic chemicals and oil seeds (Allianz, 2023).

The current account deficit can further be explained by important FDI-financed imports to fund hydrocarbon projects in the context of the Emerging Senegal Plan (International Monetary Fund, 2023). By increasing production, Senegal will be able to lower its imports while boosting its exports in oil and gas, therefore improving the country's external position from 2023 onwards. The emergence of the oil and gas industry predicts positive prospects for the future of Senegal on the international stage, hence positively impacting our assessment of the country. Moreover, Senegal's balance of payments reports errors and omissions at CFAF 0

from 2023 onwards (International Monetary Fund, 2023). As it signals an absence of capital flight, the outlook for the Senegalese economic well-being is positive. Yet, the low trade openness of 63% of GDP must also be considered (World Bank, 2021b), as it might signal a small and uncompetitive market.

The external debt of Senegal is expected to be 54% of GDP in 2023 (International Monetary Fund, 2023) (*see* Appendix 1, Illustration 9), which appears sustainable at first glance. To confirm this, a number of additional indicators are to be taken into account. Firstly, most of the debt is held by external actors, particularly multilateral actors such as the IMF and the World Bank, and bilateral agents like the Paris Club (International Monetary Fund, 2023). An additional feature of Senegal's debt is that it is long-term. It is furthermore used to finance infrastructure, education and healthcare, as well as hydrocarbon in recent years within the Emerging Senegal Plan. Looking at the debt service ratio highlights that 28.25% of exports earnings are used to finance Senegal's external debt obligations (International Monetary Fund, 2023). As it remains under the 33% threshold, we consider it to be a positive indicator for the country. Nevertheless, the debt-to-export ratio of 59.7% suggests that the country's external debt burden is high compared to its export earnings. However, as Senegal is a developing economy, a debt-to-export ratio under 60% still is considered sustainable. The reserves to months of imports ratio is 4.6 months, which is under the ideal 6 months. Therefore, we consider that Senegal does not have a comfortable enough position in terms of external liquidity and imports financing. In light of all these elements, we still believe Senegal's external debt to be sustainable, with a relatively moderate risk of default.

3.2. Social, Political and Legal Risks in Senegal

Senegal is considered one of the most stable countries in Africa. Since obtaining its independence in 1960, the country has experienced three peaceful political transitions. President Macky Sall is currently the head of the country (World Bank, 2016). First elected in 2012, he was elected to an additional five-year mandate in February 2019. It is important to note that Senegal was a pioneer in developing a modern political system in West Africa (Britannica, 2020). The country indeed introduced universal suffrage after World War II, allowing its citizens to participate in the elections of the president, members of the National Assembly, as well as regional and municipal councillors. Moreover, Senegal benefits from a deeply rooted multiparty system guaranteed by the national constitution, unlike most African countries (Britannica, 2020).

However, 2024 will hold new presidential elections, in which the incumbent president, Macky Sall, is expected to ignore constitutional restrictions and run for a third term. The situation is already a source of tensions, as the leader of the opposition party PASTEF, Ousmane Sonko, appeared before court in March 2023 for allegedly defaming Senegal's tourism minister (Allianz, 2023). Afraid that Sonko won't be able to participate in the 2024 elections if convicted, his supporters protested in the capital, but violent altercations broke down with police forces. Amnesty International (2023) further accuses Senegalese authorities of engaging in repressive actions towards the opposition, through weakening human rights protection, banning protests, and suspending media. Increased political risks are therefore expected to continue until next year and will impact Senegal's social stability.

The Senegalese judiciary, on the other hand, is considered as one of the most effective in Sub-Saharan Africa. Based on French legal traditions, the Constitutional Council, the Council of State, the Court of Cassation, the Court of Accounts, the Courts and Tribunals exercise judicial powers in the country (Britannica, 2020c). It additionally benefits from the High

Court of Justice, whose role is to judge public officials who are culprits of crimes performed during their mandates. It must further be noted that, though judicial independence is enshrined in the constitution, it is not complete when investigating cases involving the political system or large economic interests (World Bank, 2013).

In terms of income inequality, Senegal is relatively advanced. The Gini Index is 38.1, therefore indicating that the country is not excessively economically disparate and that the distribution of wealth and resources in the Senegalese society is equitable enough (World Bank, 2021). It ranks as the 69th country in the world for income equality, before most other African countries. Senegal's position is much different when it comes to gender equality. The UNDP's Gender Inequality Index (GII) reveals that women lack empowerment, have an endangered reproductive health and face fewer opportunities in the labour market compared to men in the country. Indeed, Senegal has a high score of 0.530 and is ranked as the 129th country overall (United Nations Development Programme, 2021a).

The data reveals that Senegal still has a long way to go to improve the situation of women on its soil. We can further underline that Senegal remains far behind regarding human development. The country's Human Development Index (HDI) of 0.511 brings Senegal at the 170th place, out of 191 nations (United Nations Development Programme, 2021b). The data highlights that in Senegal, living a long and healthy life is not a given, and Senegalese citizens have restricted access to knowledge and decent standards of living. We further remark that Senegal's HDI in 2021 has decreased compared to the previous year, thus implying that social development is going backward in this area.

Concerning the perception of corruption, Senegal is considered as a strong regional performer. The country's Corruption Perception Index (CPI) score is 43 out of 100 for the year 2022, placing the country at the 72nd place at the global level (Transparency International, 2023a). The score is slightly below the international level, implying that corruption remains a crucial issue in the Senegalese society and requires further economic and political development to be overcome (Transparency International, 2019). Nonetheless, it is crucial to pinpoint that Senegal's CPI score has improved since 2012 (*see* Appendix 1, Illustration 10), owing to successful anti-corruption campaigns launched by the Sall administration. Related measures include the establishment of a National Office for the Fight Against Fraud and Corruption (OFNAC) in 2012. The agency has been tasked to investigate corruption cases and participate in increasing the transparency of public institutions (Open Government Partnership, 2023).

As the environmental crisis is a pressing issue for the world, Senegal increasingly acknowledges the necessity for a more sustainable society. Notably, the Emerging Senegal Plan, at the heart of the country's development, highlights the green economy as a means to reach basic social needs for all and sustainable development (United Nations Environment Programme, 2017). In this respect, we note the establishment of the National Committee on Climate Change (COMNACC) as the nation's commitment to better protect the environment, through coordinating local climate action (Climate Action Tracker, 2022). Despite some notable advancements, Senegal does not have a legislative framework related to climate change at the domestic level and additionally did not implement a net-zero target (Climate Action Tracker, 2022).

Also, the expansion of the oil and gas industry is currently a priority for the Senegalese government as a main driver of economic development, which is much welcome for

recovering from both the pandemic and the war in Ukraine. Yet, the impact on the environment of such operations must be highlighted, especially as the renewable energy sector remains limited. In light of these elements, in 2022, the country has a low score of 40.1 out of 100 in the Global Sustainability Competitiveness Index (GSCI) and is positioned at the 111th place on the international scale (Solability, 2022). Not only is the country below the world's average, but the index also reveals that sustainable development in Senegal is deteriorating rather than advancing. The index further underlines Senegal's weak performance in terms of natural capital and its depletion, resource management, economic sustainability, and especially intellectual capital and innovations.

To conclude, the upcoming exploitation and production of oil and gas promises successful economic prospects for Senegal in the years to come, which is an attractive feature for an investor. Nonetheless, with the government prioritising the exploitation of hydrocarbon resources, the country neglects to engage in key measures for sustainable development and environmental protection, thus questioning the feasibility of EcoInvest Solutions's project. The social and political stability of Senegal is additionally increasingly put at risk. A major concern remains linked to the forthcoming presidential elections in 2024, and the related repression from the government keeps on expanding the risk for new businesses. The long-lasting issues of corrupt institutions, inequalities and slow human development also adversely affect the Senegalese society, therefore hurting operations conducted in the country.

4. Discussion

After assessing specific economic, political, social, and legal risks for both Poland and Senegal on an individual basis, we must consider the comparative advantage of one country over the other through direct comparison in order to effectively identify the country with the best potential for our investments.

4.1. Economic and Financial Risks – Poland vs. Senegal

It is essential to compare the economic risks in Poland and Senegal as we aim to invest in an economy that offers a stable business environment with steady growth prospects. Poland's strong response in mitigating the extent of Covid-related economic disruptions, low risk of capital flight, large population, and ability to accommodate Ukrainian refugees are evidence that the Polish economy has the ability to withstand some degree of internal and exogenous shocks. However, as noted above, Poland currently faces a twin deficit, which may negatively affect our economic prospects in the country. Similar to Poland, Senegal has a current account deficit, which is, however, not yet indicating an unfolding debt crisis, although the risk is higher for Senegal due to its high debt-to-export ratio (59.7 percent). A further commonality is that both countries face inflation risks, which have been evoked by the war in Ukraine. This makes it difficult to predict future returns on investments and may affect the businesses we invest in.

One major difference between the two countries is their integration into the global economy. With a trade openness ratio of 112 percent, Poland's trade openness is substantially higher than the one in Senegal (63 percent) (World Bank, 2021b; CEIC DATA, 2022; World Bank, 2023e). Therefore, Poland is more vulnerable to global economic shocks whereas Senegal's market might be uncompetitive for certain investments. Another difference lies in the future growth projections, which are substantially higher in Senegal. However, as this growth will primarily be driven by the oil and gas industry, it is not relevant to our investment plans, which exclude the investment in fossil fuels.

Overall, the economic prospects of Poland and Senegal are varied, while none of the countries is likely to face an immediate debt crisis. For our investment, Senegal's economic structure and its reliance on fossil fuels are unfavorable, which is why the Polish economy is more attractive. Moreover, Poland's access to the European markets, which is demanding sustainable products, makes Poland more attractive for investments in businesses with a sustainability focus.

4.2. Political, Social, and Legal Risks – Poland vs. Senegal

In addition to economic and financial risks, we must also take into consideration the political, social, and legal environment in Poland and Senegal to best ensure long-term success for our investment. Poland's propensity toward autocratizing and its increasing levels of inequality between social classes could create a breeding ground for social and political tensions which might affect our investments. One domain in which Senegal is better than Poland is the state of its liberal democracy, as its liberal democracy rank is 25 ranks better than the one of Poland (Boese et al., 2022). Still, we believe its membership in the EU will mitigate any major political risk since the EU strives to not only promote democracy, but also has safeguards in place to prevent the formation of autocratic governments and can sanction states that violate EU values (Bugaric, 2016). In addition, Poland has a significantly better HDI than Senegal, showing a great discrepancy (134 ranks) between the countries (UNDP, 2023)

While Senegal is one of the most stable and democratic countries in Africa, it is still performing worse than Poland on key indicators including corruption, income inequality, and gender inequality. In particular, the high level of gender inequality is of relevance to our investment plans, because our sustainability concept includes gender equality as a key indicator. Furthermore, we believe that Senegal's increasing dependence on Russian trade is of concern, as we aim to minimize any Russian influence over our own endeavors. Thus, Poland's political, social, and legal landscape creates a safer investment environment for companies like ours, while its negative trends in multiple domains need to be monitored.

4.3. Sustainable Investment Potential – Poland vs. Senegal

With regard to the countries' sustainable investment potential, Poland's EU membership and its inclusion of EU-complying sustainable standards in its constitution are evidence that ecological sustainability is of relevance within the country. While Poland's non-compliance with emission reduction goals does currently not align with its commitments, its EU membership mitigates the government's lack of environmental initiatives. As the EU continues to encourage and incentivize its member countries to decrease their reliance on carbon, we believe Poland's carbon intensity will correspondingly decrease. This is demonstrated by Poland's aim to increase its renewable energy sources by 23% by the year 2030.

Senegal, on the other hand, relies heavily on the production and exportation of hydrocarbons to fuel, both figuratively and literally, its economy and its future economic development. Since the onset of the conflict between Ukraine and Russia in February of 2022, Senegal has increased its oil exports to European countries, positively influencing its own economic growth, yet hurting its sustainable development efforts. Given that the Ukraine-Russia conflict is an ongoing concern and that the two countries currently demonstrate no inclination toward reconciliation, Senegal will only continue this increased oil production and exportation to Europe. In conclusion, Poland's EU membership and sustainability commitments signal a greater sustainability potential than Senegal's fossil fuel-reliant economy.

5. Conclusion

After assessing the economic, political, and social risks for both Poland and Senegal and comparing the two countries directly, we have identified Poland as the more promising investment destination for EcoInvest Solutions mission. One of Poland's key strengths is its ability to weather external shocks, as demonstrated by its response to both the Covid-19 crisis and the ongoing Ukrainian refugee crisis. While Poland faces twin deficits in its current account and fiscal budget, its response to economic disruption has been robust. Furthermore, its membership in the European Union helps mitigate concerns in the domain of the rule of law.

Moreover, Poland's commitment to sustainable development is evident in its adoption of EU-complying sustainable development concepts in its constitution, as well as its aims to increase renewable energy sources by 23% by 2030. Although Poland's compliance with emission reduction goals does not currently align with this priority, there are reasons to believe that Poland’s reliance on coal is likely to decrease as it diversifies its energy sources. In contrast, Senegal's heavy dependence on the production and export of hydrocarbons to fuel its economy, which is projected to increase the more the conflict between Russia and Ukraine persists, coupled with its lack of comprehensive climate change legislation, greatly reduces its potential as a sustainable investment destination.

Overall, Poland's strengths in terms of economic resilience, political stability, and commitment to sustainable development make it the better choice for EcoInvest Solutions. The decision matrix in Table 1 depicts the advantages of Poland, highlighting that it is more suitable for our investment endeavor. In addition, its environmental policies are more far-reaching than the ones of Senegal. Therefore, we recommend investing in Poland and refraining from investments in Senegal.

	Poland	**Senegal**
HDI (score; rank)	0.876; 34	0.511; 170
GDP PPP	USD 34,916	USD 3,840
CPI (score; rank)	55/100; 45/180	43/100; 72/180
Gini Coefficient	28.8	38.1
Gender Inequality Index	34/191	170/191
Liberal Democracy Index	80/179	55/179
Coface (country risk/ business environment)	A4/A2	B/B

Table 1: Decision Matrix

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IV. Appendix 1: Illustrations

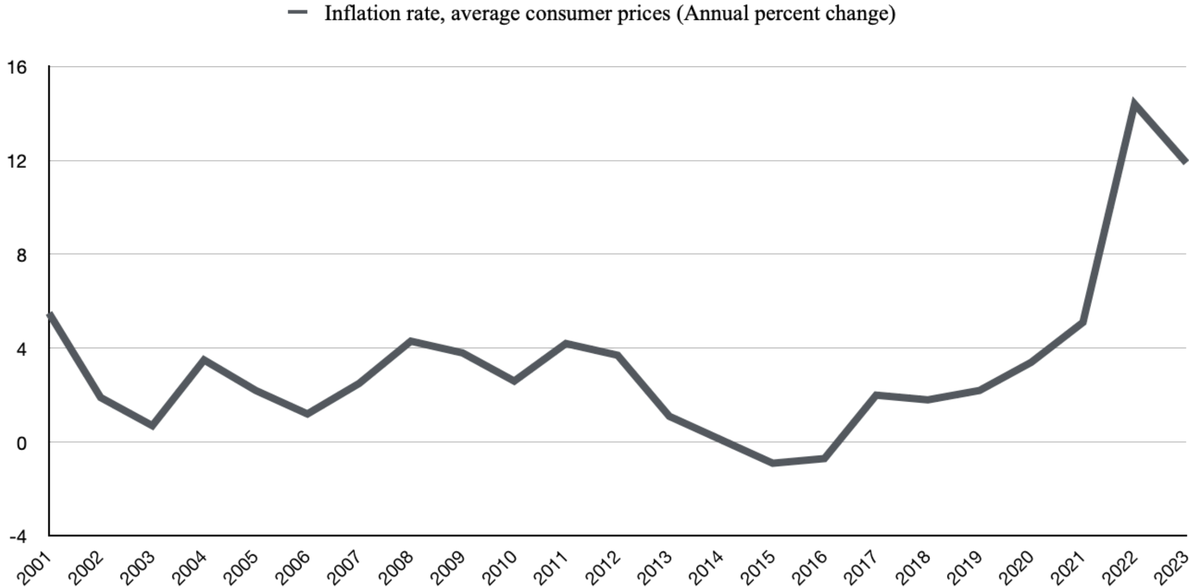

Illustration 1:Inflation rate in Poland (International Monetary Fund, 2022a).

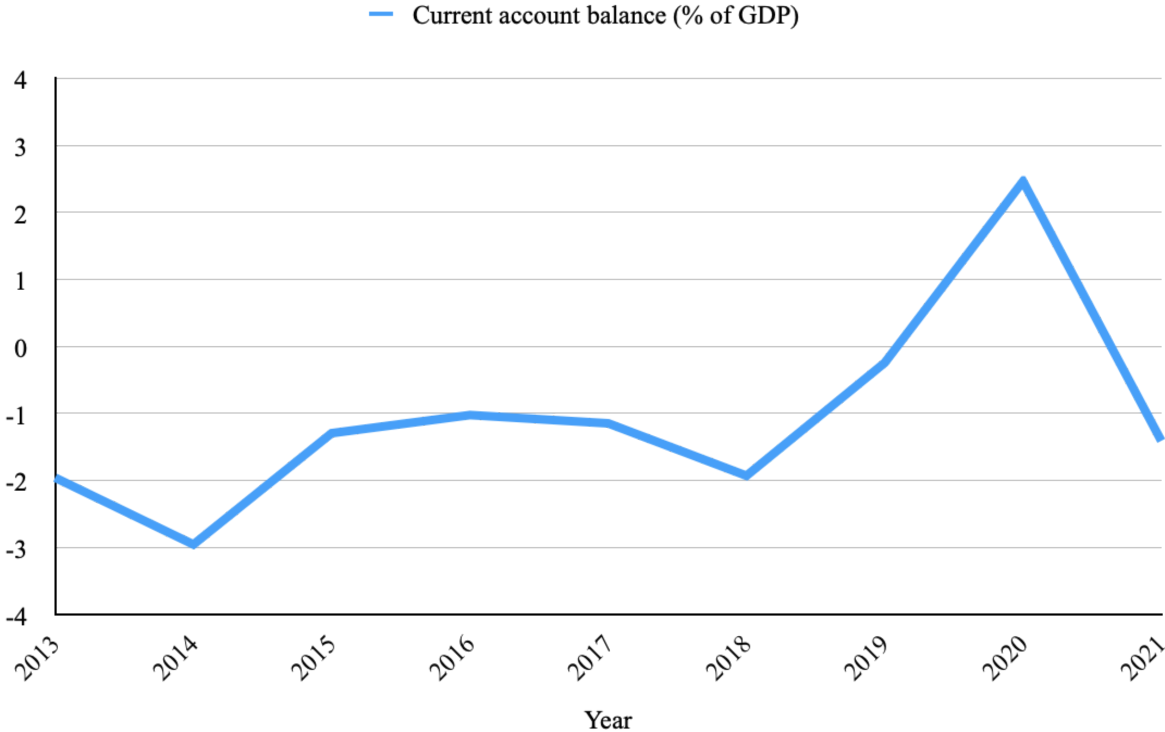

Illustration 2: Current account balance (% of GDP) in Poland (World Bank, 2023e).

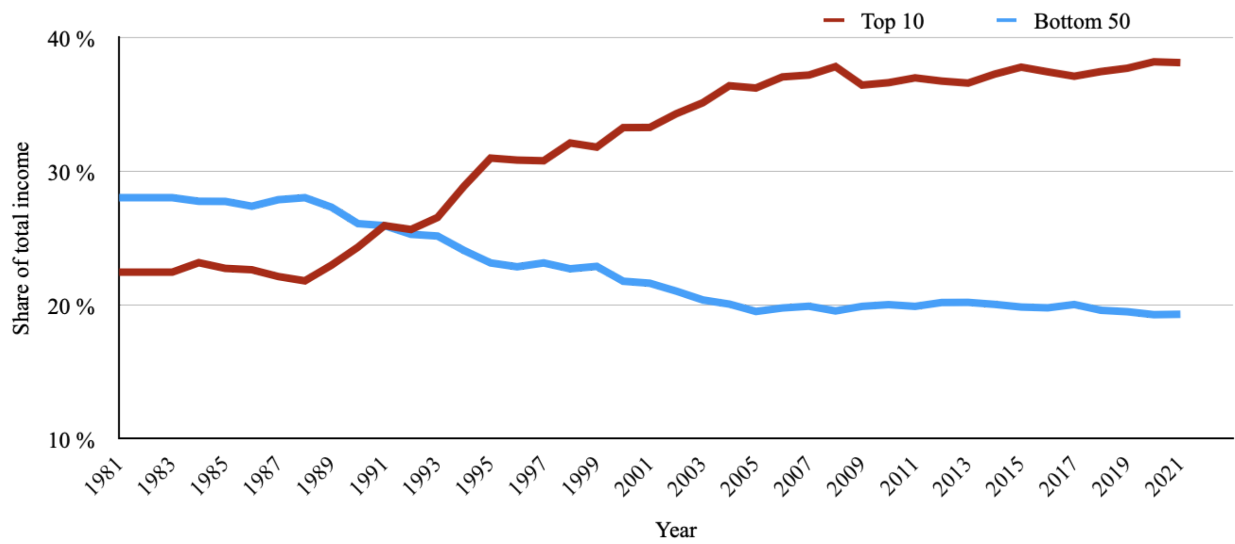

Illustration 3: Income distribution in Poland (Chancel, 2022).

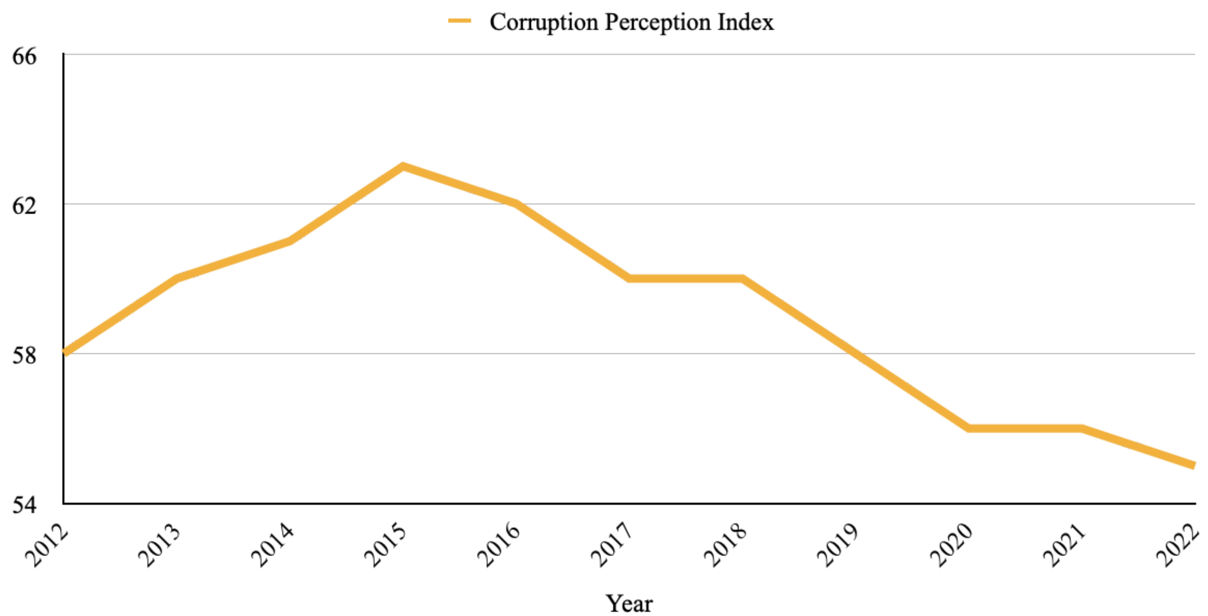

Illustration 4: Corruption Perception Index Poland (Transparency International, 2023b).

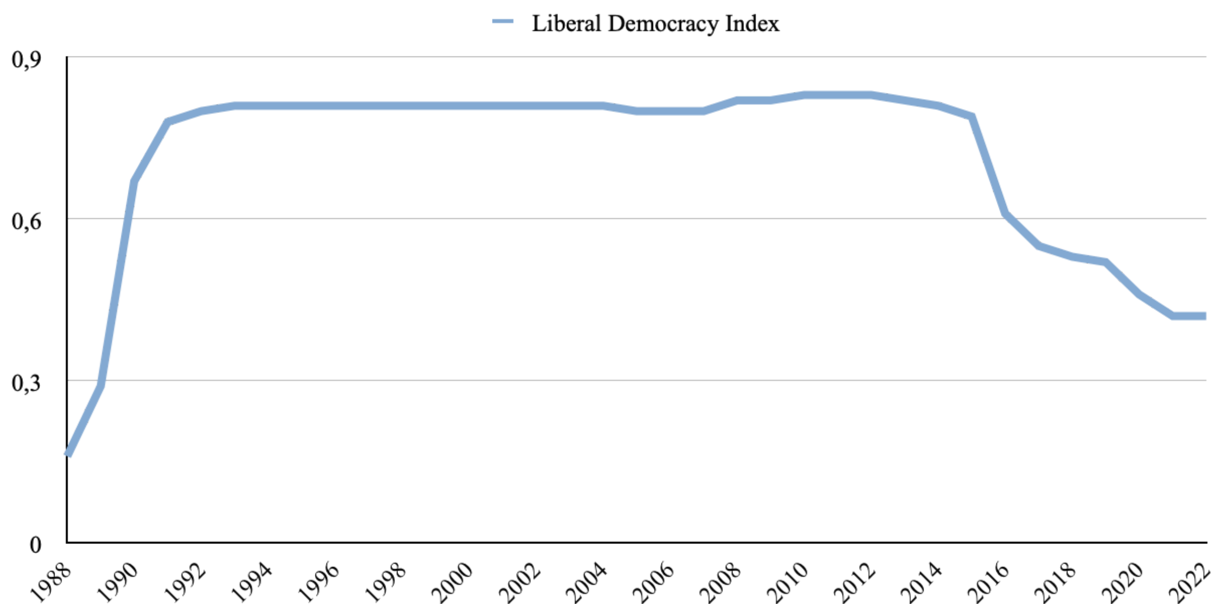

Illustration 5: Liberal Democracy Index Poland (Boese et al., 2022).

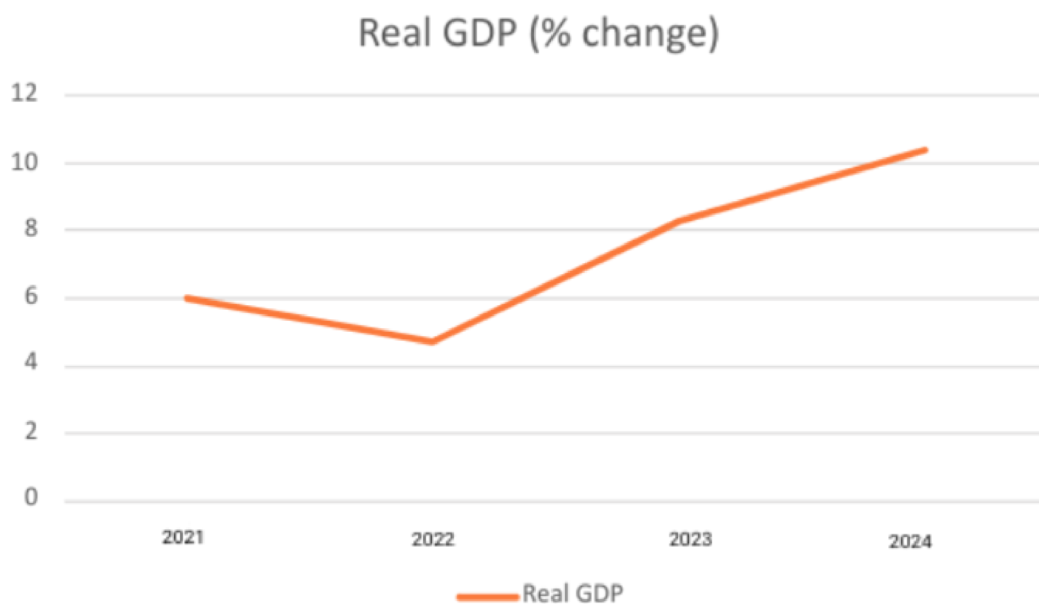

Illustration 6: Current real GDP in Senegal from 2021 to 2024 (International Monetary Fund, 2023)

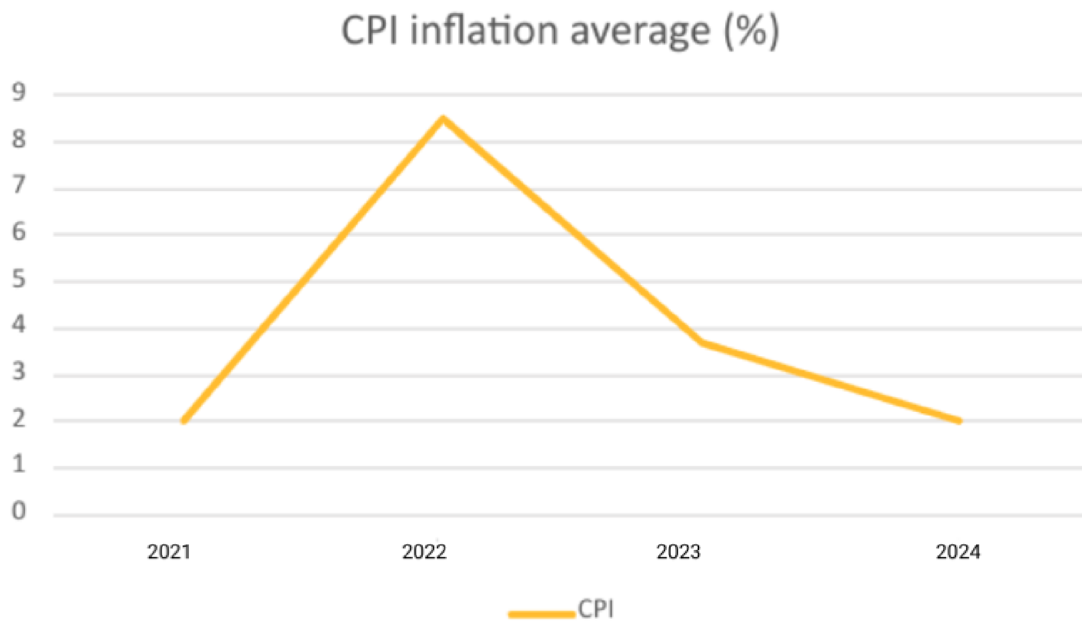

Illustration 7: The inflation rate in Senegal (International Monetary Fund, 2023)

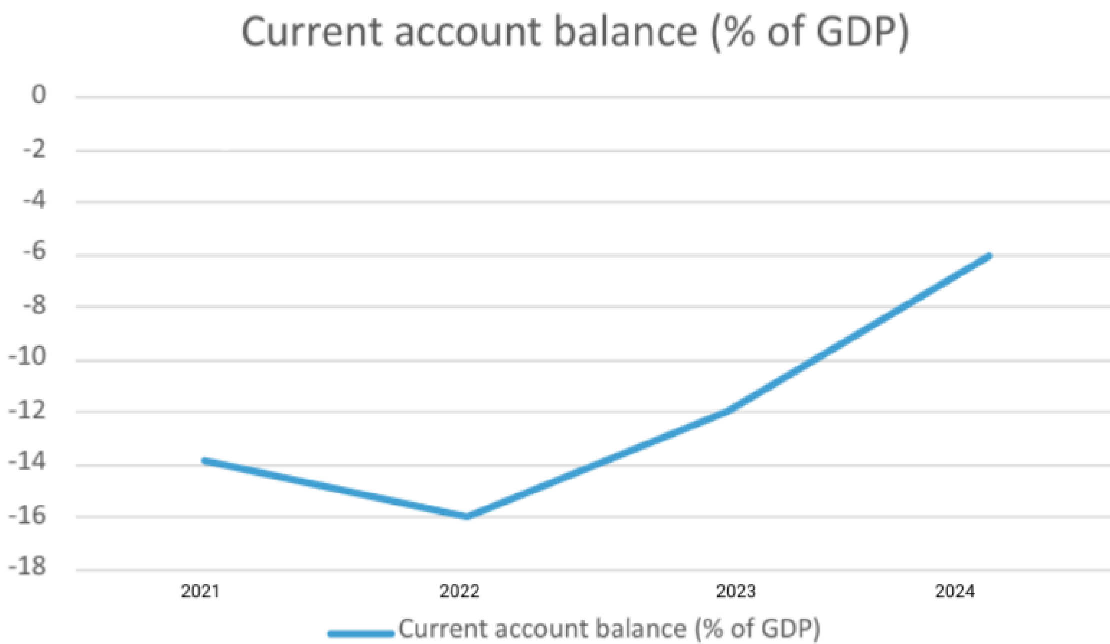

Illustration 8: Senegal's current account balance (International Monetary Fund, 2023)

	2021	2022	2023	2024
Domestic debt	16.1	16.8	19.3	19.7
External debt	57.1	58.2	54.4	49.8
Total debt	73.2	75.1	73.7	69.5

Illustration 9: Senegal's debt-to-GDP ratio (International Monetary Fund, 2023)

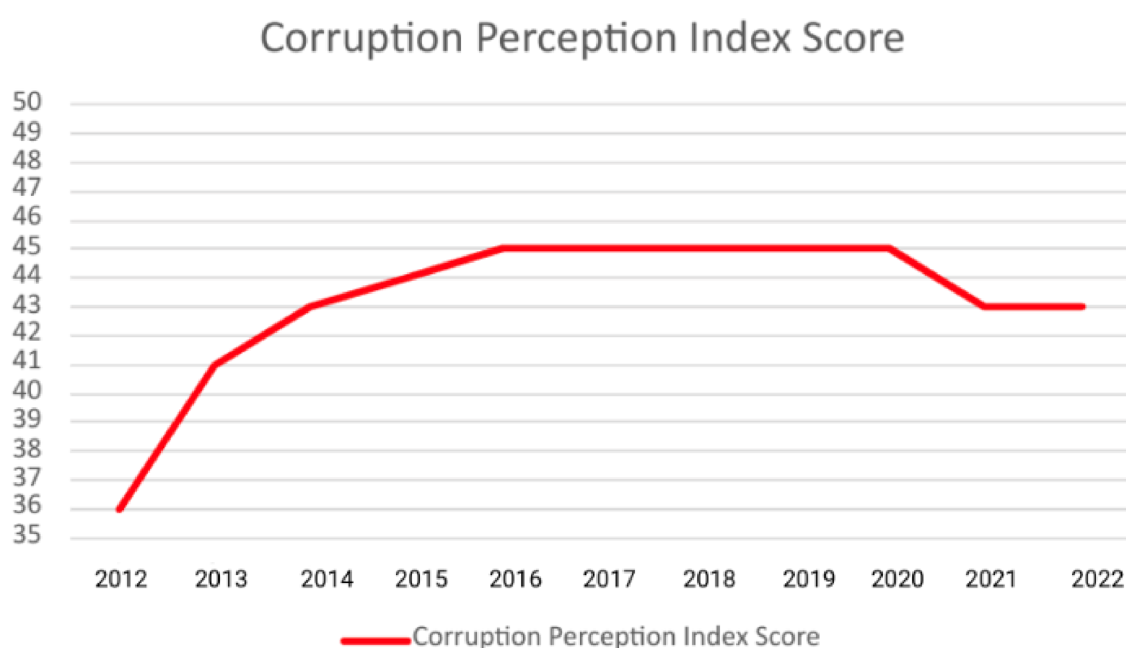

Illustration 10: The evolution of Senegal's CPI score (Transparency International, 2012; 2013; 2014; 2016; 2017; 2018; 2019; 2020; 2021; 2022a)