

## The Republic of Senegal

The Center for Global Development prepared this summary based solely on the publicly available proposal submitted by the Republic of Senegal to the Millennium Challenge Corporation.

### Overview

The government of Senegal seeks \$548 million from the MCA. The financial package would support a four-year program of strategic investments valued at \$696 million. The fund would help Senegal decongest its overpopulated capital city of Dakar, create a new business and industrial zone, and revamp its road infrastructure to boost economic growth. The government aims to increase Senegal's current average growth rate from five to eight percent.

### Context

As a result of a series of initiatives aimed at cutting inflation and reducing the deficit, Senegal has registered a growth rate of five percent on a yearly average for the last nine years. However, the country has been unable to increase that average growth rate mostly because of the economic stagnation of the Dakar region, which is the economic backbone of the country.

According to the compact proposal, between 1995 and 2002, Senegal reduced its poverty rate from 67.9 to 57.1 percent. In an effort to expand economic opportunities, the government initiated reforms in the legal/public and private sectors. Notably, Senegal undertook the modernization of its justice system (tax code), the simplification of the investment process, a review of business finance, and established an institutional support system for the private sector.

### Elements of the Proposal

Close to a quarter of Senegal's population lives in Dakar. The capital region represents 0.3 percent of the country's territory, but accounts for 80 percent of economic activities. Most of these activities are concentrated on the West side of the city. Consequently, the city chokes under a permanent bottleneck and congestion. In 1996, congestion cost the country \$200 million.

According to the compact proposal, Senegal plans to develop a new center of economic activities in Diamniadio (30 kilometers from Dakar), improve the city traffic network, and induce the emergence of new regions of development.

#### 1. Diamniadio Platform

In an effort to induce economic growth, the government plans to build a multifunctional platform in Diamniadio. Located at the farthest point east of Dakar, Diamniadio was

selected because it is located at the crossroads of the two most important roads in Senegal, connecting the rest of the country to the capital. Its proximity to fertile lands and ports makes it an attractive area both for the storage and processing of goods intended for exportation. The development of new business and economic outlets would not only decongest Dakar. It would create new employment and facilitate exchange of goods with the rest of Senegal. The development of this site would cost \$223 million.

## 2. Road Infrastructure

Dakar currently has only one exit road. According to the proposal, \$238 million would be invested in the development of Dakar's regional road infrastructure. The remaining \$85 million would be used to build an infrastructure linking the new site at Diamniadio to other economic regions, i.e., Thies, Diourbel, Kaolack and Fatick. The overarching objective is to facilitate the movement of good and persons.

## **Proposed Outcomes**

According to the compact proposal, there is heightened interest in the platform within the international investment community, particularly as related to the construction of the platform. In four years, Senegal would:

- Build a new economic center at Diamniadio to spur greater economic growth
- Create more than 45,000 direct jobs
- Increase the investment rate from 21 to 25 percent
- Achieve a growth rate of seven to eight percent
- Decongest the Dakar region by building an infrastructure that allows a fluid movement of goods and people
- Improve the infrastructure linking Dakar to other economic regions

## **Consultative Process**

The compact proposal does not discuss the consultative process.