Investment Climate

Macroeconomic Situation:

After seeing its economy contract by 2.1% in 1993, Senegal began an economic reform program in 1994, which was driven in part by the 50% devaluation of the CFA franc, the regional currency linked to the French franc, and by the dismantling of government price controls and subsidies. Thanks to these reforms, Senegal has made an important turnaround, with real GDP growth averaging 5% annually in 1995-98. Annual inflation has been pushed below 2%, and the fiscal deficit has been cut to less than 1.5% of GDP. Investment rose steadily from 13.8% of GDP in 1993 to 16.5% in 1997. Senegal's trade balance has improved since 1996, however, 80% of exports consist of only a few products: phosphate, groundnuts, fish, and textiles. 56% of Senegal's total import expenditures are for food products and petrochemicals.
As a member of the West African Economic and Monetary Union (UEMOA), Senegal is working toward greater regional integration with unified external tariffs. Senegal also realized full Internet connectivity in 1996, creating a miniboom in information technology-based services. Private activity now accounts for 82% of GDP. On the negative side, Senegal faces deep-seated urban problems of chronic unemployment..[1]

Business Environment:

To attract capital for investment in development programs, the Government has established an Investor's Code, which guarantees automatic approval of a project meeting the proper criteria, availability of the code's benefits to any enterprise, regardless of size, and any investor, regardless of nationality, origin or beliefs.

Power Sector Privatisation:

The energy sector as a whole has been undergoing profound changes.[2] Until recently the government-run **Société Nationale d'Electricité (SENELEC)** was the sole distributor of electricity. SENELEC has a generating capacity of 280 MW and produces annually 1000GWh out of a potential of 1100GWh. Today, some consumers can purchase electricity from independent producers such as ICS, CSS and SONACOS, which have a total capacity of about 90MW. In the framework of structural adjustment during the 1998/2000 period, the government has been pursuing a policy of privatisation, including in the energy sector, in order to increase competition and to stimulate exports. In the context of the 1998 law (see institutional profile), the privatisation and restructuring of SENELEC is being planned.

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[1] CIA country listing Senegal

[2] Areed Senegal Report, p.4

Finance Availability:

Community banks also play a fundamental role in rural areas by providing basic banking services such as savings and loans.[3]

Taxes and Tariffs

Corporate tax	
Tax holidays	Promotion of RE Law, May 1993, exempts all solar powere lighting, water pump, and water heating kits from **customs** and **fiscal taxes** and **VAT**.
Locational incentives	
Capital expenditure	
Accelerated depreciation allowance	
Loss/carry-over	
Reduced import duties	
Exchange controls	

Country-specific Barriers:

Despite Senegal's economic renewal, there are still large gaps in its ability to mobilise savings for private investment. For example, existing institutions (mostly rural associations), which can meet the needs of potential consumers, still need more support in form of appropriate mechanisms for payment and credit or leasing systems.

[3] ibid, p.