SENEGAL COUNTRY REPORT

Senegal: A Fast-Growing Economy At The Crossroads

Written By Estelle Uba

Vallis Group Limited, 2 Baywell House, Tucker Close, Frome, Somerset, BA11 5LS, England ☎ +44-(0)-1373-453-970
Incorporated in England: Company Registration Number 12534068 | www.vallis-group.com | info@vallis-group.com
Vallis Services Limited (Reg. No. 12536308), *Vallis Advisory Limited* (Reg. No. 16524356) and
Vallis International Limited (Reg. No. 16769930) are wholly owned subsidiaries of Vallis Group Limited

Introduction: A New Era for Senegal's Economy

Senegal is entering a period of significant economic transformation. The country has historically been seen as a stable, emerging West African market. However, recent developments in oil and gas, combined with reforms in infrastructure and investment policies, are creating new opportunities for growth and regional trade, as well as bringing the country towards its goal of achieving Universal Access to Energy (Ba et al., 2024). The Sangomar oil field, developed by Woodside in partnership with PETROSEN, the national oil company of Senegal, reached first oil in June 2024, while the Greater Tortue Ahmeyim (GTA) gas project, shared with Mauritania and led by BP, began producing liquefied natural gas (LNG) in 2025 (Woodside, 2024; BP, 2025). These milestones mark Senegal's transition from an aspirant hydrocarbon producer to an active participant in the global energy market. According to African Development Bank's 'African Economic Outlook 2025' report, Senegal is one of only four African countries (alongside Ethiopia, Niger and Rwanda) which are expected to achieve the "minimum 7 percent growth target" needed to effectively reduce poverty and promote inclusive, structural economic transformation on the continent (AfDB, 2025).

The country is also pursuing ambitious reforms to strengthen governance, improve the business climate, and attract foreign investment. Special economic zones (SEZs) and transport infrastructure projects such as the Dakar-Diamniadio highway and regional express train linkages are designed to improve trade flows and industrial competitiveness (AfDB, 2022; UNCTAD, 2017). This combination of resource wealth and structural reforms has the potential to transform Senegal's economic landscape, diversify its revenue streams, and enhance employment opportunities.

This report explores three main areas. First, it examines how Senegal's energy projects are reshaping the economy and impacting trade and logistics. Second, it considers government reforms, the role of SEZs, and foreign direct investment (FDI). Finally, it assesses the prospects for balancing extractive wealth with sustainable growth in agriculture, tourism, manufacturing, and environmental and social sustainability. The aim is to provide a practical, investor-focused analysis of Senegal's evolving economic trajectory.

The New Energy Landscape

Senegal's emergence as a hydrocarbon producer has immediate economic and strategic implications. The Sangomar oil project, which began production in mid-2024, has already contributed to GDP growth, increased exports, and improved the country's current account deficit (Ba et al., 2024). The Greater Tortue Ahmeyim gas project further strengthens Senegal's energy portfolio, allowing the country to export LNG, as well as generating more than 3,000 local jobs (BP, 2025).

The impact of these projects extends beyond fiscal revenues. Hydrocarbon development generates demand for offshore services, shipping, and port operations. Crude oil and LNG require specialised vessels, terminals, and logistics support, which increases activity at the port of Dakar and nearby infrastructure (MODEC, 2024). This has knock-on effects for employment in maritime services, warehousing, and local supply chains. Effective management of this growth is essential to ensure that benefits reach Senegalese communities and do not remain concentrated among foreign operators and a limited domestic elite (Manneh, 2024).

Macroeconomic effects are already visible. Multilateral agencies have revised growth forecasts upward, reflecting the contributions of oil and gas production to GDP and foreign exchange reserves (IMF, 2025). For example, a report from the World Bank stated that “fiscal revenues derived from oil and gas are expected to contribute an additional 1 percent of GDP, on average, over the production period from 2024 to 2045, significantly bolstering Senegal’s fiscal resources” (Ba et al., 2024). However, revenue timing remains uneven due to capital allowances, tax holidays, and contractual arrangements, meaning that long-term fiscal planning is crucial. Senegal’s challenge is to use these resources to fund productive investment, support diversification, and avoid over-reliance on hydrocarbons (Ba et al., 2024).

Shipping and logistics have become increasingly important. Dakar’s geographic location on Atlantic shipping routes gives it a comparative advantage as a regional hub, but “underdeveloped infrastructure, inefficient and non-transparent regulation, bureaucracy, high factor costs, and lack of security” must be addressed to attract more FDI (LloydsBankTrade, 2024). Investments in container handling, cold storage, bunkering facilities, and maintenance yards can generate recurring revenue and support broader economic activity. Expanding Senegal’s role as a regional transshipment point could also boost trade for landlocked neighbours and enhance the country’s strategic position in West Africa (AfDB, 2022).

Environmental and social risks accompany this rapid development. Offshore oil and gas production poses potential threats to coastal ecosystems and fisheries, while social tensions may arise if local communities do not see tangible benefits in terms of employment, services, or environmental protection (IFC, 2020). Early engagement with stakeholders, transparent revenue management, and local content policies are critical to ensure inclusive and sustainable development.

Reform, Investment and Special Economic Zones

Senegal’s economic reforms predate the new energy boom but are now more impactful given the enhanced fiscal capacity. The Plan Sénégal Émergent (PSE) lays out long-term objectives for industrialization, infrastructure development, and governance improvements (Government of Senegal, 2014). These reforms aim to enhance investor confidence, streamline administrative procedures, and strengthen legal and regulatory frameworks.

Special economic zones play a central role in attracting foreign investment. SEZs such as Diamniadio, Sandiara, and Diass offer modern infrastructure, tax incentives, and simplified administrative processes (UNCTAD, 2017). Diamniadio, in particular, is positioned as an integrated hub connecting the airport, rail, and road networks. By targeting export-oriented manufacturing, agro-processing, and logistics services, the SEZs aim to create high-quality jobs and increase domestic value addition.

Initial foreign direct investment trends are promising. Investment announcements in energy, logistics, and manufacturing are increasing, with investors showing particular interest in projects that leverage Senegal’s energy infrastructure and strategic location (Jivraj, 2025). Renewable energy, digital services, and light manufacturing are also gaining traction as sectors with long-term growth potential. Political stability and proactive reform measures give Senegal a comparative advantage over some regional peers facing governance and policy risks.

Nonetheless, challenges remain. Administrative bottlenecks, inconsistent regulations, and land tenure issues can slow investment and reduce investor confidence. For SEZs to deliver broad economic benefits, they must encourage local sourcing and skills development. Policies should incentivise domestic suppliers, vocational training, and workforce participation to ensure that foreign capital translates into tangible local development (Ba et al., 2024).

The combination of energy-driven growth and structural reform provides Senegal with a unique opportunity to expand its economic base. However, careful policy design and strong implementation are critical. Without measures to encourage local content and sustainable investment, the benefits may remain concentrated in a few sectors, leaving much of the population with limited gains from the new economic landscape (Manneh, 2024).

Balancing Resource Wealth with Sustainable Growth

While energy projects are transforming Senegal’s economic landscape, sustainable growth requires that the benefits of resource wealth extend beyond hydrocarbons. Strategic investment in agriculture, tourism, manufacturing, and environmental and social sustainability is essential to ensure broad-based economic development.

Agriculture

Agriculture remains a cornerstone of Senegal’s economy, employing a large share of the population and providing livelihoods for millions. Despite this, gender inequalities and limited access to finance remain a barrier for farmers, while productivity remains relatively low, largely due to outdated farming techniques, limited irrigation infrastructure, and inadequate transport and storage facilities (JS Morlu, 2020; FAO, 2024). Hydrocarbon revenues offer an opportunity to invest in agriculture in ways that improve yields, support processing, and create value-added products for both domestic consumption and export markets.

Groundnuts, millet, rice, and horticultural products are particularly important for trade. Fisheries are also a key sector, contributing to both nutrition and export revenue. Investment in modern storage facilities, cold chains, and improved rural road networks could dramatically reduce post-harvest losses, increase export quality, and support smallholder farmers (Ba et al., 2024). There is also potential to integrate agriculture into industrial development, such as establishing agro-processing hubs within special economic zones. By linking farmers to processing facilities and export logistics, Senegal can increase domestic value capture while supporting employment in rural and peri-urban areas.

Furthermore, government initiatives such as input subsidies, irrigation expansion, and market access programs can complement private investment. Targeted support for farmer cooperatives and training programs ensures that technological improvements are widely adopted and that benefits reach vulnerable populations. This approach helps prevent inequality from widening as the hydrocarbon sector expands (AfDB, 2025).

Tourism

Tourism has long been a vital contributor to Senegal’s economy, generating employment in hospitality, transport, retail, and cultural sectors. In recent years, improvements in infrastructure, including the Blaise Diagne International Airport, road networks, and regional rail, have made Senegal more accessible for international visitors (IFC (2020). The country’s coastal beaches, cultural festivals, and historical heritage, including sites tied to the African diaspora, continue to attract high-spending tourists from Europe, North America, and the wider African diaspora.

The government has increasingly recognised the economic importance of sustainable tourism. Investments in eco-tourism, cultural heritage, and small-scale community-based tourism projects provide not only economic returns but also social benefits by supporting local communities (African Business, 2023). For tourism to complement resource wealth, Senegal must ensure environmental preservation, develop higher-quality facilities, and enhance service standards. Coastal protection, sustainable fisheries, and wildlife conservation are essential to maintaining the long-term attractiveness of tourism as an economic sector. In this way, tourism provides a diversified source of foreign exchange that is less vulnerable to global commodity price fluctuations.

Manufacturing and Services

Senegal's industrial sector stands to benefit from energy projects and infrastructure investments. Reliable energy from gas-to-power arrangements, improved logistics through port and rail upgrades, and proximity to SEZs make light manufacturing and agro-processing more viable (IFC, 2020). Manufacturing can leverage hydrocarbon-linked inputs and logistics infrastructure, creating new jobs and integrating local suppliers into higher-value production chains.

Services, particularly finance, digital technology, and logistics, are also expected to expand. The growth of regional trade and port activities stimulates demand for warehousing, transport services, and customs brokerage. This provides opportunities for private investment and entrepreneurship, but success depends on maintaining predictable regulations, reducing bureaucratic bottlenecks, and supporting infrastructure development (LloydsBankTrade, 2024). Ensuring that SEZs link effectively with domestic firms is critical; without local supplier integration, the benefits of investment may remain limited.

Environmental and Social Sustainability

Hydrocarbon and industrial growth bring environmental and social risks. Offshore oil and gas projects may threaten coastal ecosystems and fisheries, while rapid urban and industrial expansion can stress water and energy resources. Senegal faces the challenge of balancing economic growth with environmental preservation to ensure that development remains sustainable, a lesson that needs to be learned from the oil spills in the Niger Delta region, brought on by "poor management and lack of enforcement of regulations" (Manneh, 2024).

Social sustainability is equally important. Local communities near energy and industrial projects expect benefits in the form of employment, infrastructure, and environmental protection. Transparent local content policies, vocational training programs, and inclusive procurement frameworks can ensure that economic gains are distributed widely (Ba et al., 2024). Investments in education, healthcare, and social services funded by resource revenues are critical to maintaining social stability and public support for development initiatives.

To address environmental and social challenges, Senegal has begun integrating sustainability into project design and national planning. Renewable energy projects, such as the Taiba N'Diaye wind farm, demonstrate how diversification into clean energy can complement economic growth while reducing environmental risks

(AfDB, 2025). Strengthening environmental regulation, monitoring, and enforcement is essential, as is engaging civil society and local stakeholders in project planning.

Conclusion: Charting A Sustainable Path Forward

Senegal stands at a historic economic crossroads. The development of oil and gas resources, combined with ongoing reforms and investment in infrastructure and SEZs, provides a significant opportunity to boost growth, create jobs, and strengthen the country's regional position. However, hydrocarbon wealth alone is not sufficient to guarantee broad-based prosperity.

To turn this opportunity into lasting gains, Senegal must pursue a multi-faceted strategy. Fiscal discipline, transparent revenue management, and effective investment in infrastructure, human capital, and productive sectors are essential. Agriculture, tourism, manufacturing, and services must all benefit from resource wealth, ensuring inclusive growth and employment for the wider population. Environmental and social sustainability must remain central to development planning to maintain public support and preserve long-term economic potential.

The path forward requires careful balancing. Senegal's government, private sector, and civil society must work together to ensure that the country's energy and reform-driven transformation deliver broad, sustainable, and resilient economic development. If successful, Senegal can become a model for resource-led diversification and inclusive growth in West Africa.

Bibliography

AfDB (2022). 'Dakar TER Express Train Project', Success Stories. [online] African Development Bank. Available at: https://www.afdb.org/en/success-stories/dakar-ter-express-train-development-senegal-52985 (Accessed: 3 November 2025).

AfDB (2025). African Development Bank, 'African Economic Outlook 2025'. [online] Available at: https://www.afdb.org/en/documents/african-economic-outlook-2025 (Accessed: 28 October 2025).

African Business (2023). 'Tourism is at the heart of Senegal's economic development, says head of SAPCO'. [online] African Business. [online] Available at: https://african.business/2023/04/dossier/tourism-is-at-the-heart-of-senegals-economic-development-says-head-of-sapco (Accessed: 1 November 2025).

Ba, H. A., Backiny-Yetna, P.R., Diallo, A., Gallegos V., German A., Kouame, W, A., Valderrama Gonzalez, D., (2024). 'Senegal Economic Update: Seizing the Opportunity', June 2024 (English). Washington, D.C.: World Bank Group. [online] Available at: https://documents.worldbank.org/en/publication/documents-reports/documentdetail/099061024131035071/p500482184b7e40001a04f1cd9ea436625f (Accessed: 1 November 2025).

BP (2025). 'BP completes loading of first cargo from Greater Tortue Ahmeyim LNG project'. [online] BP. Available at: https://www.bp.com/en/global/corporate/news-and-insights/press-releases/bp-completes-loading-first-cargo-from-greater-tortue-ahmeyim-lng-project.html (Accessed: 3 November 2025).

FAO (2024). Food and Agriculture Organization, 'Scaling up Climate Ambition on Land Use and Agriculture through Nationally Determined Contributions and National Adaptation Plans (SCALA)'. [online] Available at: https://www.fao.org/in-action/scala/countries/senegal/en (Accessed: 2 November 2025).

Jivraj, H. (2025) 'Senegal emerges as west Africa's magnet for FDI'. [online] fDi Intelligence. Available at: https://www.fdiintelligence.com/content/903849cd-a740-448c-a036-2cbb9ca36b3e. (Accessed: 3 November 2025).

IFC (2020). International Finance Corporation, 'A Country Private Sector Diagnostic: Creating Markets in Senegal'. [online] World Bank Group. Available at: https://www.ifc.org/content/dam/ifc/doc/mgrt/cpsd-senegal-v2.pdf (Accessed: 3 November 2025).

IMF (2025). 'IMF Executive Board Concludes 2025 Discussions on Common Policies of Member Countries of the West African Economic and Monetary Union'. [online] Available at: https://www.imf.org/en/News/Articles/2025/05/06/pr25130-imf-executive-board-concludes-2025-discussions-common-policies-member-countries-waemu (Accessed: 28 October 2025).

JS Morlu (2023). 'Challenges and Opportunities for Farming in Senegal'. JS Morlu Kenya Limited. [online] Available at: https://jsmorlu.ke/blog/economy/challenges-and-opportunities-for-farming-in-senegal/ (Accessed: 4 November 2025]

Lloyds Bank Trade (2024). 'Foreign direct investment (FDI) in Senegal'. [online] Lloyds Bank. Available at: https://www.lloydsbanktrade.com/en/market-potential/senegal/investment (Accessed: 3 November 2025).

Manneh, M. (2024). 'Who benefits from Senegal's offshore oil drilling?' [online] Dialogue.Earth. Available at: https://dialogue.earth/en/business/who-benefits-from-senegals-offshore-oil-drilling/ (Accessed: 3 November 2025).

MODEC (2024). 'MODEC congratulates Senegal and Woodside on first oil at Sangomar'. [online] MODEC Inc. Available at: https://www.modec.com/news/2024/20240612_pr_Sangomar_FO.html (Accessed: 3 November 2025).

UNCTAD (2017). 'Handbook on special economic zones in Africa'. [online] United Nations Conference on Trade and Development. Available at: https://unctad.org/publication/handbook-special-economic-zones-africa. (Accessed: 31 October 2025).

Woodside (2024). 'Woodside achieves first oil at Sangomar in Senegal'. [online] Woodside Energy. Available at: https://www.woodside.com/docs/default-source/asx-announcements/2024/woodside-achieves-first-oil-at-sangomar-in-senegal.pdf (Accessed: 3 November 2025).