SENEGAL

Senegal’s economic freedom score is 60.0, making its economy the 88th freest in the 2022 Index. Senegal is ranked 8th among 47 countries in the Sub-Saharan Africa region, and its overall score is above the regional and world averages.

The Senegalese economy has experienced solid growth over the past five years. Economic freedom has slowly expanded in the past half-decade as well. With score increases for rule of law outpacing a lower score for monetary freedom, Senegal has recorded a 4.1-point overall gain of economic freedom since 2017 and has climbed into the “Moderately Free” category for the first time in two decades. Trade freedom shows some promise, but financial freedom is anemic.

IMPACT OF COVID-19: As of December 1, 2021, 1,885 deaths had been attributed to the pandemic in Senegal, and the government’s response to the crisis ranked 153rd among the countries included in this Index in terms of its stringency. The economy grew by just 0.8 percent in 2020.

BACKGROUND: Senegal is a former French colony that achieved its current full independence only in 1989 after several decades of failed confederations with neighboring countries. President Macky Sall was reelected to a five-year term in 2019 in accordance with a 2016 constitutional referendum that shortened presidential terms from seven to five years in addition to prohibiting the president from serving more than two terms and reducing presidential power in favor of the legislature. Sall’s two primary competitors were excluded from the election based on what the opposition claims were trumped-up charges of corruption. Phosphate mining, fertilizer production, construction, tourism, fisheries, and agriculture propel Senegal’s economy. Major offshore oil and gas fields are also being developed.
Although the government maintains a property title and land registration system, its application is uneven outside of urban areas. The settling of contractual disputes is often cumbersome and slow. The judiciary is independent but underfunded and subject to external influences. Bribery, misappropriation, abuse of authority, and fraud remain widespread within government institutions, particularly in the health and education ministries, postal services, and transport ministry.

The top individual income tax rate is 40 percent, and the top corporate tax rate is 30 percent. Other taxes include value-added and insurance taxes. The overall tax burden equals 16.5 percent of total domestic income. Government spending has amounted to 24.4 percent of total output (GDP) over the past three years, and budget deficits have averaged 4.7 percent of GDP. Public debt is equivalent to 65.8 percent of GDP.

Business freedom is perennially challenged by high energy costs, bureaucratic bottlenecks, and a culture of overspending. Donor assistance, remittances, and foreign direct investment keep the economy on the rails. Mining, construction, tourism, fisheries, and agriculture employ the largest portion of the labor force. In 2021, the government increased agriculture subsidies by 50 percent and also raised subsidies for fuel and electricity.

Senegal has two preferential trade agreements in force. The trade-weighted average tariff rate is 9.6 percent, and three nontariff measures are in effect. Layers of complex nontariff barriers add to the cost of trade. The bureaucratic approval process and poor investment infrastructure remain considerable impediments. Outmoded regulation, high credit costs, and scarce access to financing continue to constrain the small private sector.