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MULTILATERAL DEVELOPMENT BANKS' COLLABORATION:
INFRASTRUCTURE INVESTMENT PROJECT BRIEFS

Senegal: Dakar Toll Road Extension



Overview

The Government of Senegal awarded SENAC S.A. the concession to design, build, finance and operate the expansion of the existing Dakar toll road. This expansion will connect central Dakar with the new international airport as well as to other important economic zones of the country, spurring economic growth, employment and new opportunities that contribute to poverty reduction by facilitating transport between key infrastructure and outlying areas with the capital city.

A €76 million debt financing package supported SENAC. The financing was provided by the African Development Bank (AfDB), CBAO (a major Senegalese commercial bank), the International Finance Corporation (IFC), and the West African Development Bank. The Multilateral Investment Guarantee Agency (MIGA) is supporting the project through a guarantee supporting a swap between Standard Bank Plc and the government.

This series showcases how the Multilateral Development Banks' collaboration supports the development and implementation of infrastructure investment. This support comes in the form of public sector loans, private sector finance, sector and transaction advice, guarantees, and output-based aid.

Background

The Dakar toll road was inaugurated in August 2013 by SENAC, the Senegalese concession company set up by Eiffage. As the first greenfield toll road public-private partnership in West Africa, this is widely considered a flagship project for Senegal and the region due to its scale, transformational nature as well as the obstacles overcome to bring this project to fruition. Most notably, the resettlement of more than 30,000 people, which is the largest resettlement program that was undertaken by the government and project sponsor in concordance with IFC's Equator Principles and Performance Standards. IFC also financed this project as the region's first toll road where full traffic risk was borne by the Sponsor.

By filling a missing motorway link, this expansion has played a significant role in the development of the Senegalese road network and more broadly to the economic development of the country through its effect on businesses and housing market. This important transport project supports economic development in line with the objectives of the Senegal Emergence Plan, under which the country will make significant public investments as well as mobilizing private sector investment.

The expansion toll road builds upon this successful project.

Project Description

The 17 kilometer expansion will connect the existing motorway to the new International airport located 45 km away from Dakar city center and to the seaside tourism areas on the coast while streamlining the road link between Dakar and Thiès, Senegal's second most populous city.

SENAC was awarded the 25-year concession contract to design, build, operate and maintain this new dual carriageway toll road. This expansion will require approximately €130 million in total new investment.

Multilateral Development Banks' Role

SENAC was supported through a €76 million debt financing package:

- €50 million was mobilized from the AfDB, CBAO, one of the main Senegalese commercial banks and the Western African Development Bank,

- IFC, acting as lead arranger and global coordinator, invested a total of €26 million in SENAC, including senior and subordinated long-term debt, for the existing toll road and its expansion. IFC is also to be the exclusive hedge provider for the financing.

The infrastructure sector, including the toll road, were supported by a cross-currency swap arrangement:

- MIGA guaranteed a US dollar cross-currency swap arrangement between Standard Bank Plc (SB) and the Government of Senegal. The Ministry of Economy and Finance entered into the swap with SB as a hedge against currency risk exposure related to a 10-year tenor, \$500 million Senegal Eurobond issued in May 2011. The proceeds of the Eurobond were used to finance new infrastructure projects, including the toll road.
- MIGA's guarantee of \$99 million to SB provides coverage against the non-honoring of sovereign financial obligations for a period of 10 years. Specifically, it insures against a failure by the Government of Senegal to honor its obligation to make requisite payments under the swap. The MIGA guarantee helped the government access commercial financing needed to fulfill its financial commitments to the toll road construction and other projects.

Outcomes

Four years later, the project is a success story: it was commissioned in time; traffic surpassed forecasts and it has had a clear and visible development impact on the local community. It has markedly improved urban mobility by reducing commute times between central Dakar and its outlying neighborhoods from more than two hours to less than 30 minutes. This in turn allowed businesses to emerge in Dakar's center due to the reduction in land costs, thousands of families have gained access to better housing conditions outside of central Dakar's tight and expensive housing market, and whole new economic and residential growth areas have sprung all along the motorway's right of way.

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