

AFRICA RISK CONSULTING

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Senegal Summary 17 December 2020

Economy, planning and cooperation minister Amadou Hott unveils the government's financing mechanisms for the Programme d'Actions Prioritaires 2 Ajusté et Accélééré (PAP2a) (second adjusted and accelerated priority action plan) and outlines a 10-point economic recovery plan for 2021. The Tribunal de Grande Instance de Mbour issues a two-year suspended sentence and one month of imprisonment to three parents found guilty of endangering the lives of others in permitting their three sons to clandestinely emigrate to the Spanish Canary Islands, in a sign that Senegalese authorities are increasingly taking the surge in clandestine migration seriously. Australia-based oil producer Woodside Energy has opted to pre-empt the sale of fellow Australia-based petroleum firm FAR Ltd's stake in the Rufisque, Sangomar Offshore and Sangomar Deep (RSSD) offshore project to India-based ONGC Videsh Vankorneft Ltd.

Business and economic recovery support measures unveiled ...

Economy minister **Amadou Hott** has revealed the economic recovery plan that **Senegal's** government will implement in 2021.¹ The government has been under increasing pressure to provide jobs and other socio-economic opportunities for Senegalese in the destructive wake of the **COVID-19** pandemic. Hott outlined the mechanism to finance its **Programme d'Actions Prioritaires 2 Ajusté et Accélééré (PAP2a)** (second adjusted and accelerated priority action plan) and a 10-point economic recovery plan during a 7 December plenary session of the **Assemblée Nationale** (national assembly) to vote the economy ministry's 2021 budget. The pillars of the recovery plan are the establishment of a job creating economy, private sector cooperation, and the signature of public-private partnerships (PPPs).² The ministry will have a budget of 92.3 billion FCFA (\$170.7m) to support these efforts with 33.7 billion FCFA (\$62.3m) going towards job creation efforts and 54.7 billion FCFA (\$101.7m) for the development of PPPs and to the private sector.³

A tripartite agreement signed on 27 November between the government, the **Association Professionnelle des banques et Etablissements Financiers du Senegal (APBEFS)** (professional association of Senegalese banks and financial institutions) and the **Fonds de Garantie d'Investissement Prioritaire (FONGIP)** (priority investment guarantee fund) will provide sustained financial support for small and medium sized enterprises (SMEs) and large enterprises.⁴ The agreement, which is in-line with PAP2A, makes provision for a total grant of 300 billion FCFA (\$543.7m) for loans to businesses.⁵ Hott said loan beneficiaries will pay no more than 5.5% interest, with a repayment period ranging from 7-10 years. However, companies will no longer receive a 100% government guarantee to avoid defaults on payments.⁶ SMEs operating in priority sectors such as food, health, pharmaceuticals, education and the digital economy will receive 70% guarantees, while other sectors will receive a 60% guarantee.⁷ As part of this funding mechanism, the economy ministry has allocated the informal sector 100 billion FCFA (\$181.2m) through FONGIP and the **Délégation**

¹ Financial Afrik, 8 Dec 2020

² Financial Afrik, 8 Dec 2020

³ Financial Afrik, 8 Dec 2020

⁴ Financial Afrik, 28 Nov 2020

⁵ Financial Afrik, 28 Nov 2020

⁶ Financial Afrik, 28 Nov 2020

⁷ Financial Afrik, 28 Nov 2020

Générale à l'Entreprenariat Rapide des Femmes et des Jeunes (DER) (general delegation for the rapid entrepreneurship of women and youth).⁸

The initiatives underline the government's urgency to tackle job creation and unemployment, which reached 17% of those above 15 years old in 2019.⁹ The clandestine migration crisis (see below) has drawn attention to the need for government to foster sustainable economic development.

... as clandestine migration exposes economic weaknesses

A Senegalese court has pronounced three parents guilty of endangering the lives of others by permitting their sons to clandestinely immigrate to the **Spanish Canary Islands**.¹⁰ While the court's ruling appears to be an attempt to discourage illicit migration from Senegal, critics say the government has not done enough to address the underlying causes of largely economic migration, which has seen a notable surge since September.¹¹

The **Tribunal de Grande Instance de Mbour** (80 km south of **Dakar**) on 8 December issued a two-year suspended sentence and one month of imprisonment to three fathers for their role in allowing their three sons, aged 20, 18 and 16, to board a vessel intended to take them to Spain.¹² The verdict followed the death of 140 migrants when the boat carrying them to the Canary Islands sank off the Senegalese coast (see *ARC Briefing Senegal November 2020*). The prosecution accused the three men of working in complicity with human traffickers and endangering the lives of others by allowing their children to undertake the voyage. Defence lawyer **Assane Dioma Ndiaye** presented the parents as victims and suggested that the boat owners and captains should instead be arrested and tried.¹³

While Senegalese across the country have questioned the need for a trial at all, sociologist **Djiby Diakhate** suggests that through the proceedings the government has sent a message to families to stop putting pressure on young people to migrate illegally.¹⁴ Since the accident on 24 October, the government has been strongly criticised for its lack of concern about clandestine migration.¹⁵ Attempts to reach **Europe** via the Canary Islands have increased dramatically in the past four months. The **International Organisation for Migration (IOM)** reported that from 7 to 25 October, Spanish and Senegalese coastal guards identified five boats carrying 388 people, with a quarter of these experiencing accidents. In September, 14 boats with 663 passengers set off from the Senegalese coast in an attempt to reach the Canary Islands.¹⁶ Non-governmental organisation (NGO) **Alarm Phone** alleges that 480 migrants died during a single week in October while attempting to reach Europe by sea.¹⁷ Senegalese police reported that from September to October, they had arrested 29 ship captains and 1,537 migrants off the coast of Senegal.¹⁸

Youth minister **Nene Fatoumata Tall** stated during a 24 November press conference that reasons advanced for the increased wave of migration include the loss of revenue caused by COVID-19 restrictive measures, rumours about the need for labourers in Europe and the issue of European residence permits, and family pressure.¹⁹ The government outlined its policy on fighting illegal migration and boosting employment and vocational training. Employment and vocational training minister **Dame Diop** said the number of formal jobs in Senegal had increased from 37,000 in 2012 to 65,000 in 2019.²⁰ Diop claimed unemployment alone could not be the sole explanation for clandestine

⁸ Financial Afrik, 28 Nov 2020

⁹ RFI, 25 Nov 2020

¹⁰ APS, 8 Dec 2020

¹¹ RFI, 8 Dec 2020

¹² APS, 8 Dec 2020

¹³ RFI, 2 Dec 2020

¹⁴ RFI, 8 Dec 2020

¹⁵ Jeune Afrique, 18 Nov 2020

¹⁶ RFI, 31 Oct 2020

¹⁷ RFI, 22 Nov 2020

¹⁸ Senenews, 11 Nov 2020

¹⁹ RFI, 25 Nov 2020

²⁰ RFI, 25 Nov 2020

migration.²¹ Tall added that the government had provided financial assistance to 95,000 youth entrepreneurs, which had indirectly benefited an additional 105,000 individuals.²² President **Macky Sall** (2012-present) announced the creation of the **Conseil pour l'Insertion et l'Emploi des Jeunes** (council for youth placement and employment) in November to help youths find work opportunities, as well as increased coastal patrols to discourage migration.²³ Despite the government's assurances, Diop admitted during a plenary session of the national assembly on 8 December that 200,000 Senegalese youth enter the job market annually without skills and qualifications.²⁴ Diop acknowledged the need to assess the availability and quality of vocational training centres in a bid to curb the increased migration trend.²⁵

Prominent national figures such as the **Khalife General** of the **Mouride** Muslim brotherhood have also called on Senegalese youth to desist from undertaking the perilous journey to Europe by sea.²⁶

Woodside pre-empts Sangomar sale

Australia-based oil producer **Woodside Energy** has opted to pre-empt the sale of fellow **Australia**-based petroleum firm **FAR Ltd's** stake in the **Rufisque, Sangomar Offshore and Sangomar Deep (RSSD)** offshore project.²⁷ On 3 December, Woodside matched the terms agreed by FAR with **India**-based **ONGC Videsh Vankorneft Ltd**, which was concluded in November and would have seen ONGC obtain a 15% ownership in the wider RSSD and 13.67% stake in the SNE offshore oilfield.²⁸ Subject to approval of the transaction by FAR shareholders and the Senegalese government, Woodside's shareholding in RSSD will increase to 82%.²⁹

Following FAR's notification that it had sold its share in the RSSD project to ONGC in November, Woodside had 30 days to exercise its right to pre-empt the sale to the Indian company (see *ARC Briefing Senegal November 2020*). Woodside decided to match the \$45m that ONGC had initially agreed to pay to FAR, but to make the payment in cash.³⁰ Woodside also committed to reimburse costs to FAR from 1 January until completion of the deal. Various contingent payments are capped at \$55m. Woodside CEO **Peter Coleman** said Woodside plans to commence development drilling in 2021 and has earmarked first production for 2023, noting that:

*"Sangomar is an attractive de-risked asset in execute phase, offering near-term production. The acquisition is value accretive for our shareholders and results in a streamlined joint venture which will assist in our target sell-down in 2021."*³¹

This is the second time this year that Woodside has issued a notification stating its intention to use its right of pre-emption with respect to the RSSD project.³² In August, Woodside gave notice to **United Kingdom**-based petroleum firm **Cairn Energy PLC** that it would block the sale of its 40% share in **Russia**-based independent oil firm **Lukoil**, Russia's second-largest oil producer. Woodside opposed the deal, which was set to fetch Cairn \$400m, on the basis that Lukoil's inclusion in the **United States** sanctions list would negatively impact the development of the oilfields. As a result, Woodside increased its ownership in RSSD to 68%. Its most recent pre-emptive exercise further increases its share in RSSD to 82% and puts it in control to coordinate the Sangomar offshore field. The field holds an estimated 5 billion barrels of oil, with initial development set to recover 230 million barrels.

²¹ RFI, 25 Nov 2020

²² RFI, 25 Nov 2020

²³ RFI, 25 Nov 2020

²⁴ Agence Ecofin, 9 Dec 2020

²⁵ Agence Ecofin, 9 Dec 2020

²⁶ RFI, 2 Dec 2020

²⁷ Energy Voice, 3 Dec 2020

²⁸ Energy Voice, 3 Dec 2020

²⁹ Energy Voice, 3 Dec 2020

³⁰ Energy Voice, 3 Dec 2020

³¹ Energy Voice, 3 Dec 2020

³² ARC Senegal analyst

The conclusion of the deal will allow FAR to use the sale proceeds to rebuild and fund exploration work in offshore **Guinea-Bissau** and **The Gambia**.³³ FAR has experienced a difficult year, as the global oil price crash prevented it from contributing its share of development costs in the Sangomar project, forcing the company to sell its assets.³⁴ The imminent purchase of FAR's RSSD share will be good news for Senegalese authorities as it will reduce the level of uncertainty regarding the project partners involved in Sangomar. Since Woodside is a longstanding partner in the RSSD project, no major changes are expected, allowing for continuity of operations.

Planner

2021 **Dakar (Senegal)** Municipal elections (TBA);

Jul 2021 **Montpellier (France)** France-Afrique Summit;

2022 **Sangomar** offshore oil field: production of crude oil set to begin

2023 **Grand Tortue Ahmeyim (GTA)** offshore gas field: production of natural gas set to begin.

Chronology

16 Dec 2020 **Dakar (Senegal)** *Teranga News*. Senegal intends to raise 25 billion FCFA (\$46.8m) on **West African Economic and Monetary Union (WAEMU)** regional financial market through a treasury bond issue;

16 Dec 2020 **Dakar (Senegal)** *Agence Ecofin*. France-based construction company **Vinci** and Austria-based plant engineering group **Andritz** will commence construction on the €388m (\$475.3m) **Sambangalou** 128-Mw hydroelectric power station in the first half of 2021;

15 Dec 2020 **Dakar (Senegal)** *APS*. Health ministry prevention director **El Hadj Mamadou Ndiaye** says Senegal will receive its first doses of the **Covid-19** vaccine by March 2021;

14 Dec 2020 **Dakar (Senegal)** *Teranga News*. Finance and budget minister **Abdoulaye Daouda Diallo** forecasts Senegal will attain economic growth of 0.7% in 2020;

12 Dec 2020 **Dakar (Senegal)** *Financial Afrik*. Senegal postpones a 50 billion FCFA (\$92m) treasury bond issue on the **West African Economic and Monetary Union (WAEMU)** regional financial market;

10 Dec 2020 **Dakar (Senegal)** *APS*. The government announces it will allocate €15m (\$18.3m) towards railway construction in 2021, while the high speed **Train Express Régional (TER)** will be operational from the second semester of 2021;

9 Dec 2020 **Dakar (Senegal)** *Agence Ecofin*. The **Aéroport International Dakar Blaise Diagne** experienced a 52% drop in passengers from January to November as a result of the **Covid-19** pandemic;

3 Dec 2020 **Dakar (Senegal)** *Energy Voice*. Australia-based oil producer **Woodside Energy** has opted to pre-empt the sale of fellow Australia-based petroleum firm **FAR Ltd's** stake in the **Rufisque, Sangomar Offshore and Sangomar Deep (RSSD)** offshore project to India-based **ONGC Videsh Vankorneft Ltd**;

28 Nov 2020 **Dakar (Senegal)** *RFI*. President **Macky Sall** sounds a warning about the possible emergence of a second wave of **Covid-19** cases across the country;

28 Nov 2020 **Dakar (Senegal)** *News Afrik*. Senegal will strengthen its position as a trade hub for **Africa** by joining the **World Logistics Passport**, an initiative coordinated by the **United Arab Emirates (UAE)**, which aims to connect nations around the world and increase South-South trade;

³³ Oil and Gas Journal, 4 Dec 2020

³⁴ Offshore Mag, 3 Dec 2020

24 Nov 2020 **Dakar (Senegal)** *Financial Afrik*. Senegal raises 103.1 billion FCFA (\$192.5m) on the **West African Economic and Monetary Union (WAEMU)** regional financial market, through the issue of a **Covid-19** social bond;

23 Nov 2020 **Dakar (Senegal)** *Agence Ecofin*. Petroleum and energy minister **Sophie Gladima** declares rural electrification in Senegal increased from 43.2% in 2018 to 53.9% in 2019;

19 Nov 2020 **Dakar (Senegal)** *Agence Ecofin*. President **Macky Sall** announces the imminent start of construction work on the 100 km **Mbour - Fatick -Kaolack** toll motorway, valued at \$826m;

About Africa Risk Consulting:

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