

AFRICA RISK CONSULTING

Senegal Monthly Briefing April 2020

Senegal Summary 15 April 2020

President Macky Sall (2012-present) extends a state of emergency to curb the spread of Covid-19 and establishes a 1,000 billion FCFA (\$1.6 billion) COVID-19 solidarity fund. Sall announces that economic growth will fall to below 3% from the initial estimate of 6.8% in 2020. United Kingdom (UK)-based oil and gas firm Cairn Energy plans to reduce investments in the Sangomar (ex-SNE) offshore oilfield by 20% as a result of falling oil prices with net capital expenditure to decrease from \$400m to \$330m. UK-based oil major British Petroleum (BP) says it will not receive its floating LNG (liquefied natural gas) production vessel, FLNG Gimi, in 2022 as a result of the Covid-19 outbreak. United States-based Kosmos Energy announces it will reduce its spending budget by \$75m, in relation to costs associated with the Grande Tortue Ahmeyim liquefied natural gas project.

Senegal takes measures to curb Covid-19 ...

Senegal has undertaken a variety of measures in order to curb the spread of **Covid-19** and has to date avoided high mortality rates. However, President **Macky Sall** (2012-present) has said the government could implement more drastic measures, such as a possible national lock down, if the number of cases continues to rise.¹ In accordance with Article 69 of the constitution, Sall declared a national state of emergency on 23 March, commencing on 24 March.² The state of emergency entails an 8 pm to 6 am curfew and a ban on demonstrations and public gatherings except under exceptional circumstances.³ This is the first state of emergency in Senegal since 1989 and only the fourth in the country's history.⁴

President Sall announced a 30-day extension of the state of emergency on 3 April during a speech to mark the 60th anniversary of Senegal's independence.⁵ Health minister cabinet director **Aloyse Diouf** declared on 6 April that wearing protective masks was henceforth compulsory for all citizens and residents.⁶ **Dakar** regional governor **Al Hassane Sall** announced a reorganisation of markets in areas under his jurisdiction and the closure of non-essential businesses.⁷

After confirming the first Covid-19 case in Senegal on 2 March, the government took several measures to deal with the pandemic (see *ARC Briefing Senegal March 2020*). These included the creation of a 1.4 billion FCFA (\$2.3m) emergency response package, the closure of schools and universities for three weeks, and a ban on demonstrations, religious ceremonies and other large gatherings for 30 days.⁸ Tourism and air transport minister **Alioune Sarr** announced on 16 March the 30-day suspension of airlines travelling to and from **Belgium, France, Italy** and **Portugal** as well as the **North African** countries of **Algeria** and **Tunisia**, effective from 18 March,⁹ following an earlier ban on flights to and from **Morocco** and **Spain**.¹⁰ Sarr also instituted a domestic flight ban, with the exception of passenger

¹ Agence Presse Senegalaise, 11 Apr 2020

² Financial Afrik, 23 Mar 2020

³ Agence Presse Senegalaise, 24 Mar 2020

⁴ Agence Presse Senegalaise, 24 Mar 2020

⁵ Africanews, 5 Apr 2020

⁶ Agence Presse Senegalaise, 6 Apr 2020

⁷ Agence Presse Senegalaise, 11 Apr 2020

⁸ RFI, 15 Mar 2020

⁹ Sud Quotidien, 17 Mar 2020

¹⁰ RFI, 15 Mar 2020

flights between **Ziguinchor** and **Aéroport Internationale Blaise Diagne (AIDB)**, cargo plane flights, medical evacuations and specially authorised travel.¹¹

President Sall noted that measures to address the Covid-19 outbreak would evolve according to the circumstances.¹² At time of publication, Senegal had recorded 314 cases, 190 recoveries and two deaths since the first case was detected in March.¹³ The **Fann Hospital** in Dakar, a major Covid-19 treatment centre, has reportedly used the anti-malarial treatment drug chloroquine to treat patients,¹⁴ while the **Pasteur Institute** in Dakar is working with **United Kingdom (UK)**-based biotech firm **Mologic** to develop a Covid-19 diagnostic test, which could be performed in 10 minutes and costs the equivalent of \$1.¹⁵ Pasteur Institute director **Amadou Sall** says the test kits could be distributed from June onwards.¹⁶

The government has turned Dakar's **Cap Manuel** prison, where **Chad's** former president, **Hissene Habre** (1982-1990), is serving a life imprisonment, into a quarantine facility.¹⁷ Habre has been incarcerated at Cap Manuel since 2016 for crimes against humanity during his tenure as head of state, but was granted a 60-day release from prison.¹⁸ His lawyer, **Ibrahima Diawara**, applied for his release on the grounds that the 78-year-old would be exposed to the illness.¹⁹

... as Sall establishes Force Covid-19 solidarity fund ...

Economy, planning and cooperation minister **Amadou Hott** announced on 19 March that the government will dedicate 64 billion FCFA (\$106.5m) to the **Covid-19 Response and Solidarity Fund**, dubbed "**Force COVID-19**".²⁰ The establishment of an economic support plan and in-depth assessment of the extent of the impending economic downturn indicate the seriousness with which the Senegalese government is taking the pandemic. Hott said the government's contingency plan aims to mitigate the negative impact of the pandemic on jobs, growth and the national economy.²¹ The fund will support actors in areas including tourism, air transport, formal and informal trade supply chains and industry.²² The fund will be financed "*essentially*" by the state budget and by contributions from development partners and donations.²³ Hott noted:

*"The size of the fund will depend on the needs identified in the basis of studies, evolutions and surveys carried out by the various structures of the state, in collaboration with economic actors and our partners."*²⁴

Hott said a growth and economic watch committee will assess the direct and indirect consequences of the health crisis on the national economy.²⁵ The government will work with institutions such as the **Banque Centrale de l'Afrique de l'Ouest (BCEAO)** (central bank of **West Africa**), **Banque Ouest Africaine du Developpement (BOAD)** (West African development) and the **West African Economic and Monetary Union (WAEMU)** to formulate solutions.²⁶

¹¹ Lejecos, 19 Mar 2020

¹² RFI, 24 Mar 2020

¹³ Agence Presse Senegalaise, 15 Apr

¹⁴ RFI, 26 Mar 2020

¹⁵ Al Jazeera, 27 Mar 2020

¹⁶ Al Jazeera, 27 Mar 2020

¹⁷ France24, 7 Apr 2020

¹⁸ France24, 7 Apr 2020

¹⁹ France24, 7 Apr 2020

²⁰ Agence Presse Senegalaise, 19 Mar 2020

²¹ Agence Presse Senegalaise, 19 Mar 2020

²² Agence Presse Senegalaise, 19 Mar 2020

²³ Agence Presse Senegalaise, 19 Mar 2020

²⁴ Agence Ecofin, 19 Mar 2020

²⁵ Agence Presse Senegalaise, 19 Mar 2020

²⁶ Financial Afrik, 20 Mar 2020

President Sall provided further details on 23 March about the government's support measures.²⁷ The Force COVID-19 fund will receive 1,000 billion FCFA (\$1.6 billion) from private, bilateral and multilateral stakeholders.²⁸ Sall said 50 billion FCFA (\$83.3m) will be allocated towards the purchase of emergency food aid to ensure supply of food and pharmaceuticals.²⁹ The government will also apply a partial reduction in tax debt amounting to 200 billion FCFA (\$332.8m) and give tax rebates to the hotel, restaurant, press and transport sectors.³⁰ The **International Monetary Fund (IMF)** agreed in principle on 1 April to provide Senegal with a \$221m loan through its Rapid Credit Facility (RCF) and Rapid Finance Instrument (RFI).³¹ However, on 13 April, the IMF increased the funding to \$441m, which would consist of \$294.7m through the RFI and \$147.4m from the RCF.³² The **World Bank** also approved a \$20m loan through the **International Development Association (IDA)**.³³

In a national address on 3 April, President Sall outlined the economic challenges facing Senegal as a result of Covid-19.³⁴ Sall noted that sectors such as tourism, hotels, catering, transport, trade, culture, construction and public works were hardest hit.³⁵ Sall said that gross domestic product (GDP) growth would fall from the initially projected figure of 6.8% in 2020 to below 3%.³⁶ The Force COVID-19 solidarity fund will address the economic downturn in several ways:

- The 2020 national budget will be adjusted to free up 159 billion FCFA (\$264m) for the Force COVID-19 solidarity fund;
- 64.4 billion FCFA (\$107.9m) will be allocated to Covid-19 health related expenditure;
- 15.5 billion FCFA (\$25.8m) is allocated for payment of electricity bills over the next two months for 975,522 households and 3 billion FCFA (\$4.9m) for water bills over the same period for 670,000 households;
- 12.5 billion FCFA (\$20.8m) will assist Senegalese in the diaspora.³⁷

Sall has called for the cancellation of foreign public debt and the reorganisation of foreign private debt.³⁸ Sall also announced measures to support the private sector and business community.³⁹ In order to stem lay-offs, the government has allocated 302 billion FCFA (\$502.6m) to pay state service providers, with 100 billion FCFA (\$166.4m) specifically dedicated to the agriculture, hotel and transport domains and a 200 billion FCFA (\$332.8m) financing mechanism for businesses.⁴⁰ The government will reimburse Value Added Tax (VAT) credits in shortened time frames, and provide tax rebates and suspensions for companies that retain workers.⁴¹ The government has committed to contribute 70% of the salaries of employees who lose their jobs.⁴² Small and medium enterprises (SMEs) with an annual turnover of less than 100m FCFA (\$165,839) and operating in the catering, culture, education, press and tourism domains, will benefit from a tax deferral until 15 July.⁴³

²⁷ Agence Presse Senegalaise, 23 Mar 2020

²⁸ Agence Presse Senegalaise, 23 Mar 2020

²⁹ Financial Afrik, 23 Mar 2020

³⁰ Financial Afrik, 23 Mar 2020

³¹ IMF, 1 Apr 2020

³² IMF, 13 Apr 2020

³³ World Bank, 2 Apr 2020

³⁴ Financial Afrik, 4 Apr 2020

³⁵ Financial Afrik, 4 Apr 2020

³⁶ Financial Afrik, 4 Apr 2020

³⁷ Financial Afrik, 4 Apr 2020

³⁸ Jeune Afrique, 9 Apr 2020

³⁹ Financial Afrik, 4 Apr 2020

⁴⁰ Financial Afrik, 4 Apr 2020

⁴¹ Financial Afrik, 4 Apr 2020

⁴² Financial Afrik, 4 Apr 2020

⁴³ Financial Afrik, 4 Apr 2020

... and Covid-19 hits oil and gas investments

Operators in Senegal's two most prominent offshore oil and gas projects are scaling down investments as a result of the Covid-19 outbreak. This will have a negative impact on the development of the projects as well as the anticipated economic growth from the projects' activities. **United Kingdom (UK)**-based oil and gas firm **Cairn Energy** says it will reduce planned investments in the **Sangomar** (ex-SNE) offshore oilfield by 20% as a result of the drop in global oil prices, which has fallen below \$30 per barrel.⁴⁴ Net capital expenditure will decrease from \$400m to \$330m.⁴⁵ Cairn's partners in the Sangomar offshore oilfield, **Australia**-based **Woodside Energy** and **FAR Ltd**, are also assessing "substantial initiatives to reduce and re-phase investment in the \$4.2 billion Sangomar offshore oil development project in Senegal".⁴⁶ Production from the oil field is estimated to reach 100,000 barrels per day when activities begin in 2023.⁴⁷ Cairn is the main operator of the Sangomar oil field and has a 40% stake through its subsidiary, **Capricorn Energy Senegal**, while Woodside owns 35%, FAR Ltd and Senegal public oil company **Petrosen** (10%).⁴⁸

UK-based oil major **British Petroleum (BP)** reported on 8 April that it will not receive its floating LNG (liquefied natural gas) production vessel, **FLNG Gimi**, in 2022 as a result of the Covid-19 outbreak.⁴⁹ The vessel will be used at the **Grande Tortue Ahmeyim (GTA)** liquefied natural gas project, off the coast of Senegal and **Mauritania**, for which BP is the main operator.⁵⁰ The first delivery of natural gas was set for 2022, but has been postponed to the first quarter of 2023.⁵¹ BP is currently in talks with the floating vessel contractor **Gimi HS** on how to manage this unforeseen scenario.⁵² The FLNG Gimi was expected to cost \$1.3 billion and BP contracted to use it for 20 years for the production of natural gas from Grande Tortue Ahmeyim.⁵³ **United States**-based **Kosmos Energy** has also announced it will reduce its spending budget by \$75m in relation to costs associated with the GTA project.⁵⁴ Kosmos is now targeting total investment spending between \$200m and \$225m in 2020. By March, the company had reduced its core capital for 2020 by 30% from \$ 375m to around \$260m.⁵⁵

The **Senegal Oil & Power Conference** is another victim of the Covid-19 pandemic. The conference was scheduled to take place in Dakar from 27 to 28 May but has been postponed until further notice.⁵⁶ This event aimed to showcase the potential of the Senegalese hydrocarbons sector in the lead-up to the upcoming licensing round of 12 offshore oils blocks.⁵⁷ However, the energy and petroleum ministry has extended the application deadline for the licensing round from 31 July to 30 September as a result of the uncertainty around the Covid-19 outbreak.⁵⁸

According to the IMF, Senegal was expected to generate 7% economic growth in 2020 and 2021, due in large part to hydrocarbons sector activity (see *ARC Briefing Senegal October 2019*). However, this now looks unlikely due to the reduced investment and slowdown in activity as a result of the Covid-19 pandemic.

⁴⁴ Reuters, 27 Mar 2020

⁴⁵ Reuters, 27 Mar 2020

⁴⁶ Reuters, 27 Mar 2020

⁴⁷ Reuters, 27 Mar 2020

⁴⁸ NS Energy, 3 Dec 2019

⁴⁹ Agence Ecofin, 8 Apr 2020

⁵⁰ Agence Ecofin, 8 Apr 2020

⁵¹ Agence Ecofin, 10 Apr 2020

⁵² Agence Ecofin, 8 Apr 2020

⁵³ Agence Ecofin, 8 Apr 2020

⁵⁴ Agence Ecofin, 10 Apr 2020

⁵⁵ Agence Ecofin, 10 Apr 2020

⁵⁶ CNBC, 27 Mar 2020

⁵⁷ Upstream, 2 Apr 2020

⁵⁸ Upstream, 2 Apr 2020

Planner

31 July 2020 **Dakar (Senegal)** Deadline for licensing round of 12 offshore oil blocks;

2020 **Dakar (Senegal)** Municipal elections (TBA);

2020 **Dakar (Senegal)** **Senegal Oil & Power 2020 Conference** (TBA)

22 Oct-9 Nov 2022 **Dakar (Senegal)** *International Olympic Committee* Youth Olympic games

2020 **Dakar (Senegal)** Municipal elections;

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

13 Apr 2020 **Dakar (Senegal)** *International Monetary Fund*. **International Monetary Fund (IMF)** executive board approves a \$442m disbursement to support Senegal's **Covid-19** response efforts;

10 Apr 2020 **Dakar (Senegal)** *Agence Ecofin* **United States**-based **Kosmos Energy** announces it will reduce its spending budget by \$75m, in relation to costs associated with the **Grande Tortue Ahmeyim** liquefied natural gas project;

8 Apr 2020 **Dakar (Senegal)** *Agence Ecofin*. **United Kingdom**-based oil major **British Petroleum (BP)** reports that, due to the **Covid-19** outbreak, it will not receive its floating liquefied natural gas (LNG) production vessel, **FLNG Gimi**, in 2022 and first delivery of natural gas from the **Grande Tortue Ahmeyim** offshore gas field, initially set for 2022, is postponed to the first quarter of 2023;

7 Apr 2020 **Dakar (Senegal)** *Agence Ecofin*. Water and sanitation minister **Serigne Mbaye Thiam** announces the government will take care of water and electricity bills for 975,500 vulnerable households over the next two months, at a cost of 15.5 billion FCFA (\$25.7m);

7 Apr 2020 **Dakar (Senegal)** *RFI*. **Chad's** former president, **Hissene Habre**, who is serving a life sentence in Dakar's **Cap Manuel** prison for crimes against humanity during his tenure as head of state, is granted a 60-day release due to the threat of his contracting **Covid-19** in prison;

6 Apr 2020 **Dakar (Senegal)** *Sika Finance*. The government will adjust its budget in order to allocate 159 billion FCFA (\$263.5m) towards the \$1.6 billion government solidarity fund, **Force COVID-19**;

3 Apr 2020 **Dakar (Senegal)** *Agence Ecofin*. **Export-Import Bank (Eximbank) of the United States**, provides Senegal with a \$91.3m loan to support rural electrification, which will provide 330,000 persons in 415 villages with access to electricity;

2 Apr 2020 **Dakar (Senegal)** *Agence Ecofin*. Telecoms firm **Expresso**, the Senegalese branch of **Sudan-based Sudatel**, postpones the launch of its 4G services due to the **Covid-19** pandemic;

2 Apr 2020 **Dakar (Senegal)** *World Bank*. The **World Bank** grants Senegal \$20m towards the \$1.6 billion government national solidarity fund, **Force COVID-19**;

1 Apr 2020 **Dakar (Senegal)** *International Monetary Fund*. The **International Monetary Fund (IMF)** concludes discussions with Senegal with respect to its request to obtain a \$221m loan to address the economic challenges stemming from the **Covid-19** outbreak;

31 Mar 2020 **Dakar (Senegal)** *Jeune Afrique*. Senegal registers its first **Covid-19** related death, former **Olympique de Marseille (France)** football club president, **Pape Diouf**;

27 Mar 2020 **Dakar (Senegal)** *Agence Ecofin*. **United Kingdom (UK)**-based oil firm **Cairn Energy** reduces its planned investment in the **Sangomar** (former **SNE**) offshore oil field for 2020 by 20% from \$400m to \$330m as a result of the recent global oil price shocks;

19 Mar 2020 **Dakar (Senegal)** *Agence Presse Senegalaise*. Economy minister **Amadou Hott** announces government will allocate 64 billion FCFA (\$104.4m) to mitigate the effects of the **Covid-19** pandemic on the national economy;

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