

## AFRICA RISK CONSULTING

### Senegal Briefing July 2019

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#### Senegal Summary 14 July 2019

*Aliou Sall, younger brother of President Macky Sall (2012-present), resigns from his position as director general of the Caisse des Depots et Consignations (CDC) (deposit and consignment fund), as the state prosecutor begins investigations into an alleged \$250,000 bribe from Australian-Romanian mining tycoon Frank Timis to Sall for facilitating the award of an oil and gas concession. The Agence de Régulation des Marchés Publics (ARMP) (public procurement regulatory agency) validates the award of Senegal's water management contract to France-based Suez Group. Economic Community of West African State (ECOWAS) members agree to adopt a new common currency called ECO, to be launched in 2020.*

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#### President Sall's brother at heart of corruption allegations in Senegal's "Oilgate"...

**Aliou Sall**, the younger brother of President **Macky Sall** (2012- present), resigned from his position as director general of the **Caisse des Depots et Consignations (CDC)** (deposit and consignment fund) on 24 June.<sup>12</sup> Sall had occupied the position since September 2017. His resignation may encourage civil society and opposition groups to make further demands on the government for transparency in **Senegal's** nascent oil and gas industry.

A collective of 13 civic organisations and political movements calling itself the **Front Citoyen** (citizens' movement) had demanded Sall's resignation on 14 June after the **United Kingdom (UK)**-based **British Broadcasting Corporation (BBC)** released a documentary on 2 June alleging that he had received a \$250,000 bribe from **Australian-Romanian** mining tycoon **Frank Timis** as compensation for facilitating the award of an offshore oil and gas concession to UK-based **Timis Corporation** in 2012 (see *ARC Briefing Senegal June 2019*).<sup>3</sup> The documentary claimed that Timis Corporation paid Sall \$1.5m over five years and promised him shares in Timis' companies worth \$3m.<sup>4</sup> The report also suggested that UK-based **British Petroleum (BP)** agreed to pay Timis \$10 billion in royalties over 40 years, after Timis Corporation sold its oil and gas concession to BP in 2016.<sup>5</sup> All parties involved have denied the allegations.

Minister at the presidency and presidential adviser **El Hadj Hamidou Kasse** revealed in an interview on 19 June with France-based television network **TV5 Monde** that an unspecified issuer had made a \$250,000 payment to Aliou Sall's company, **Agritrans**.<sup>6</sup> Aliou founded Agritrans in 2011 and his uncle, **Abdoulaye Thimbo**, ran the company.<sup>7</sup> Kasse said the payment was made in relation to an "agricultural mission".<sup>8</sup> Timis had initially claimed that he had set \$250,000 as a tax payment to the Senegalese government, but Kasse confirmed that the transfer had been made into

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<sup>1</sup> RFI, 24 Jun 2019

<sup>2</sup> RFI, 3 Jun 2019

<sup>3</sup> RFI, 9 Jun 2019

<sup>4</sup> BBC, 25 Jun 2019

<sup>5</sup> RFI, 3 Jun 2019

<sup>6</sup> RFI, 21 Jun 2019

<sup>7</sup> La Tribune Afrique, 4 Jun 2019

<sup>8</sup> RFI, 21 Jun 2019

Agritrans' account, without specifying the issuer.<sup>9</sup> This contradicts Sall's repeated denials of receiving any payment:

*"Apart from this imaginary transfer of \$250,000, I am reproached only because I am the brother of the president."*<sup>10</sup>

The Senegalese ministry of justice announced on 10 June that President Sall had instructed the state prosecutor to investigate the allegations, insisting that the Senegalese be fully enlightened on the matter.<sup>11</sup> State prosecutor **Serigne Bassirou Gueye** noted:

*"In order to conduct a full and thorough investigation into the reality or otherwise of all these accusations of wrongdoing, misappropriation, conflict of interest, the head of the criminal investigative division has been instructed by myself not to spare anyone and to take into account all avenues that are likely to lead to the manifestation of the truth."*<sup>12</sup>

Gueye said the case must leave "*social media and the press*" and requested that the documents relevant to the investigation be sent only to the court of law.<sup>13</sup> In addition, the state prosecutor has approached the research department of the **Gendarmerie Nationale** for the release of a confidential report published by the **Inspection Générale de l'Etat (IGE)** (general inspectorate for the state).<sup>14</sup> The report, which was published in October 2012 and has been partially leaked since the start of the Timis saga, recommended the withdrawal of the oil and gas exploration permit granted to Timis Corporation.<sup>15</sup> The IGE made its recommendation after conducting an audit in May 2012 that found that Timis Corporation had no previous experience in the energy sector.<sup>16</sup> Its Senegalese subsidiary, **Petro-Tim**, had only a few thousand dollars in its account at the time the licence was granted in January 2012.<sup>17</sup> The IGE report said this was in contravention of the **Code Petroleum**, which stipulates that exploration licences can only be provided to companies with a proven track record in the domain concerned.<sup>18</sup>

Following the announcement that criminal investigations would commence, Aliou Sall's legal team issued a communiqué stating that it would no longer file charges against the BBC for defamation against Sall.<sup>19</sup> Sall and his legal team would look instead for a mediator in order to obtain clarity on the information provided by the BBC.<sup>20</sup> Sall described the situation as "*a campaign aimed at dehumanising*" him and making him "*public enemy number one*".<sup>21</sup> Sall maintains his innocence and says he will avail himself of legal recourse, if need arises.<sup>22</sup> He reiterated that he had not received \$250,000 from Timis, despite Kasse's declaration to the contrary. Despite his resignation as CDC director general, Sall has retained his position as mayor of the **Dakar** commune of **Guediawaye**.<sup>23</sup>

<sup>9</sup> RFI, 21 Jun 2019

<sup>10</sup> Aliou Sall quoted in RFI, 21 Jun 2019

<sup>11</sup> RFI, 10 Jun 2019

<sup>12</sup> RFI, 13 Jun 2019

<sup>13</sup> RFI, 13 Jun 2019

<sup>14</sup> RFI, 13 Jun 2019

<sup>15</sup> RFI, 13 Jun 2019

<sup>16</sup> Reuters, 25 Jun 2019

<sup>17</sup> Reuters, 25 Jun 2019

<sup>18</sup> Reuters, 25 Jun 2019

<sup>19</sup> RFI, 13 Jun 2019

<sup>20</sup> RFI, 13 Jun 2019

<sup>21</sup> RFI, 24 Jun 2019

<sup>22</sup> RFI, 24 Jun 2019

<sup>23</sup> RFI, 24 Jun 2019

Civil society organisations (CSOs) held a demonstration on 14 June to protest against the lack of transparency around the award of oil and gas contracts.<sup>24</sup> Police stopped the march on the grounds that it constituted "*threats of disturbing public order*" and arrested 20 protesters.<sup>25</sup> Local CSO **Y'en a Marre** helped to organise a second protest a week later that demanded greater transparency and fairness in the management of oil and gas concessions.<sup>26</sup> Y'en a Marre president **Aliou Sane** accused President Sall of poorly managing oil and gas resources.<sup>27</sup> Sane said the government must review all oil and gas contracts so they can fully benefit the Senegalese people, and that his CSO will continue to organise protests.<sup>28</sup>

Sall's resignation is the first casualty of what the local press has dubbed **Oilgate** and **Sallgate**. Since events date back to 2012, there is a multitude of high profile individuals who may be entangled in the affair. The oil and gas concession audit conducted in May 2012 mentions the name of current interior minister **Aly Ngouille Ndiaye**, who was energy minister at the time.<sup>29</sup> President Sall allegedly did not receive the IGE report concluded in October 2012 that recommended the withdrawal of the permit from Petro-Tim.<sup>30</sup> The opposition **Congres de la Renaissance Democratique (CRD)** has called for a parliamentary commission to investigate the matter, claiming there are attempts to hide the truth.<sup>31</sup> The CRD said it will lodge a complaint at the **Cour de Repression de l'Enrichissement Illicite (CREI)** (court of repression of unlawful enrichment).<sup>32</sup>

Before the current allegations emerged, Senegal had earned a reputation for commitment to the transparent management of its hydrocarbons sector. Senegal joined the **Extractive Industries Transparency Initiative (EITI)** in 2013.<sup>33</sup> EITI aims to assess and promote good governance in the hydrocarbons domain according to specific criteria.<sup>34</sup> Senegal was the first **African** country to obtain a "*satisfactory progress*" classification in the implementation of EITI standards.<sup>35</sup> Senegal also has a reputation as one of the least corrupt nations in Africa, scoring 45 points in **Transparency International's 2018 Corruption Perceptions Index**, where the average score in **sub-Saharan Africa** was 32/100.<sup>36</sup> The government's opening of an investigation is a positive step to convey the message that the current situation was an anomaly and not a reflection of Senegal's business environment. However, the government will need to treat the accusations levied against Aliou Sall and BP with care and dexterity. Senegal is set to produce its first exploitable amounts of gas and petroleum by 2022 and a perception of corruption in this domain may deter potential investors. President Sall will be keen to uphold Senegal's reputation as one of the least corrupt countries in Africa and also convince the population that he is keen to uproot corruption.

### ... as water management saga continues

The **Agence de Régulation des Marchés Publics (ARMP)** (public procurement regulatory agency) validated the award of Senegal's water management contract to **France-based Suez Group**

<sup>24</sup> RFI, 15 Jun 2019

<sup>25</sup> RFI, 15 Jun 2019

<sup>26</sup> RFI, 22 Jun 2019

<sup>27</sup> RFI, 22 Jun 2019

<sup>28</sup> RFI, 22 Jun 2019

<sup>29</sup> Jeune Afrique, 20 Jun 2019

<sup>30</sup> Jeune Afrique, 20 Jun 2019

<sup>31</sup> Jeune Afrique, 12 Jun 2019

<sup>32</sup> Jeune Afrique, 12 Jun 2019

<sup>33</sup> Jeune Afrique, 28 Jun 2019

<sup>34</sup> Jeune Afrique, 28 Jun 2019

<sup>35</sup> Jeune Afrique, 28 Jun 2019

<sup>36</sup> www.transparency.org, 29 Jan 2019

on 13 June.<sup>37</sup> Previous service provider **Sénégalaise des Eaux (SDE)**, a branch of France-based **Eranove**, intends to appeal the ARMP decision, claiming its bid was the lowest.<sup>38</sup> This has led to the extension of SDE's contract for an additional six months<sup>39</sup> and continues the uncertainty with respect to who will manage Senegal's water sector. In its decision, the ARMP informed SDE that the **Comité de Règlement des Différends en Matière des Passation des Marchés Publics (CRMPMP)** (public procurement dispute settlement commission), a division of the ARMP, believed that Suez had a better technical offer.<sup>40</sup>

This is the second successive decision taken against SDE after it was announced that the company had lost its contract for the production and distribution of water in urban and semi-urban localities to Suez in October 2018.<sup>41</sup> SDE filed a lawsuit against the decision in November.<sup>42</sup> In February, the ARMP decided to revoke the initial confirmation of the contract attribution to Suez in October.<sup>43</sup> However, the bid evaluation committee of the water and sanitation ministry decided on 19 April to grant Suez the water management contract (see *ARC Briefing Senegal May 2019*).<sup>44</sup> SDE, which has been the provider of this service since 1996,<sup>45</sup> has argued that it had the cheapest bid, an assertion that then water and sanitation minister **Mansour Faye** confirmed in June 2018.<sup>46</sup>

SDE also claims that Suez is involved in a conflict of interest. Suez subsidiary **Suez International**, in tandem with its local partner, **Consortium des Entreprises**, has been contracted to construct a water plant in Senegal.<sup>47</sup> SDE intends to use these arguments to launch a final domestic appeal at the **Cour Supreme** (supreme court).<sup>48</sup> If this does not provide the desired outcome, SDE is likely to seek international legal remedies.<sup>49</sup> In the meantime, SDE has appealed to international donors who are key stakeholders in the Senegalese water sector, such as the **Agence Française de Développement (AFD)**, **European Investment Bank (EIB)** and the **World Bank**, to pay close attention to the perceived lack of transparency in that domain.<sup>50</sup> SDE's contract, which was set to expire on 30 June, has been extended for an additional six months while the legal battles continue, to avoid interruption of water supply interruption.<sup>51</sup>

Civil society organisation **Forum Social Sénégalais (FSS)** (Senegalese social forum) president **Mamadou Diouf** claims the decision to grant Suez the water management contract is tainted with fraud.<sup>52</sup> Diouf points an accusing finger at Faye, formerly mayor of **Saint Louis**.<sup>53</sup> In 2015, the municipality received five garbage collection trucks from Suez while Faye was mayor.<sup>54</sup> According to Diouf, the contract award was in recognition of the donation made by Suez. The municipality of Saint Louis has denied these claims and stated that it had purchased the garbage trucks.<sup>55</sup>

<sup>37</sup> RFI, 16 Jun 2019

<sup>38</sup> RFI, 16 Jun 2019

<sup>39</sup> Sud Quotidien, 27 Jun 2019

<sup>40</sup> Agence Ecofin, 17 Jun 2019

<sup>41</sup> Agence Ecofin, 17 Jun 2019

<sup>42</sup> Jeune Afrique, 8 Mar 2019

<sup>43</sup> Jeune Afrique, 8 Mar 2019

<sup>44</sup> Jeune Afrique, 19 Apr 2019

<sup>45</sup> Agence Ecofin, 17 Jun 2019

<sup>46</sup> Jeune Afrique, 8 Mar 2019

<sup>47</sup> Agence Ecofin, 17 Jun 2019

<sup>48</sup> RFI, 16 Jun 2019

<sup>49</sup> Agence Ecofin, 17 Jun 2019

<sup>50</sup> Agence Ecofin, 17 Jun 2019

<sup>51</sup> Sud Quotidien, 27 Jun 2019

<sup>52</sup> RFI, 16 Jun 2019

<sup>53</sup> RFI, 16 Jun 2019

<sup>54</sup> Jeune Afrique, 19 Apr 2019

<sup>55</sup> Jeune Afrique, 19 Apr 2019

If the water management contract saga continues, it is likely to jeopardise the functioning of the Senegalese water sector. It is also likely to hurt Senegal's reputation as one of **sub-Saharan Africa's** top five business environments (see *ARC Senegal Briefing November 2018*),<sup>56</sup> especially if SDE resorts to international legal mechanisms.

### **ECOWAS member states adopt ECO as common currency**

Members of the **Economic Community of West African States (ECOWAS)** decided at the ECOWAS summit in **Abuja (Nigeria)** on 29 June to adopt a new common currency dubbed the ECO, which they plan to launch in 2020.<sup>57</sup> This will create the biggest single currency zone in Africa. Although all 15 ECOWAS member states<sup>58</sup> decided unanimously to adopt the ECO, there are concerns about the feasibility of the 2020 launch date.<sup>59</sup>

The idea to adopt a common currency for the region was first mooted in 1983.<sup>60</sup> More recently, 2003 was earmarked for the launch of such a currency.<sup>61</sup> A 2018 ECOWAS report underlined the need to liberalise regional trade, consolidate the customs union and create a free trade area in order to address increasingly complex regional economic issues.<sup>62</sup> **Niger's** President **Mahamadou Issoufou** (2011- present) and current ECOWAS chairman stated:

*"We are of the view that countries that are ready will launch the single currency and countries that are not ready, will join the programme as they comply with all six convergence criteria."*<sup>63</sup>

**Cote d'Ivoire's** President **Alassane Ouattara** (2010-present) expressed optimism about the new currency, while acknowledging that countries will need time to meet all the criteria.<sup>64</sup> Currently, only five of the 15 member states meet the criteria to adopt the currency – **Cape Verde**, **Cote d'Ivoire**, **Guinea**, **Senegal** and **Togo**.<sup>65</sup> These benchmarks include:

- not having a budget deficit exceeding 4%;<sup>66</sup>
- possessing gross reserves that can finance three months of imports;
- annual inflation of less than 10%;
- public debt that does not exceed 70% of GDP;
- nominal exchange rate variation of plus or minus 10%;
- central bank financing budget not more than 10% of previous financial year tax revenue.<sup>67</sup>

There is palpable scepticism about the practicality of adopting the new currency. Chief global economist for **Russia-based Renaissance Capital**, **Charlie Robertson**, notes that the ECOWAS member states are at different stages of development and it would be difficult to see them adopt the ECO in the near future.<sup>68</sup> Robertson says the 2020 timeline is unrealistic because currently there has been no significant progress with respect to the design, production and testing of currency

<sup>56</sup> World Bank *Doing Business Report*, 31 Oct 2018

<sup>57</sup> Al Jazeera, 30 Jun 2019

<sup>58</sup> ECOWAS member states are Benin, Burkina Faso, Cabo Verde, Cote d'Ivoire, Gambia, Ghana, Guinea, Guinea-Bissau, Liberia, Mali, Niger, Nigeria, Senegal, Sierra Leone and Togo.

<sup>59</sup> Quartz, 3 Jul 2019

<sup>60</sup> Jeune Afrique, 7 Jul 2019

<sup>61</sup> Quartz, 3 Jul 2019

<sup>62</sup> Al Jazeera, 30 Jun 2019

<sup>63</sup> Al Jazeera, 30 Jun 2019

<sup>64</sup> Jeune Afrique, 9 Jul 2019

<sup>65</sup> Quartz, 3 Jul 2019

<sup>66</sup> Quartz, 3 Jul 2019

<sup>67</sup> Patriotic Vanguard, 1 Jul 2019

<sup>68</sup> Quartz, 3 Jul 2019

notes.<sup>69</sup> Robertson also claims that **Nigeria**, which generates 67% of ECOWAS gross domestic product (GDP), will dictate the fate of the currency.<sup>70</sup>

There is some uncertainty whether the countries that use the CFA franc, which has been in circulation since 1945, will abandon its use for the ECO.<sup>71</sup> These countries are **Benin, Burkina Faso, Guinea-Bissau, Cote d'Ivoire, Mali, Niger, Senegal, and Togo**. The CFA franc is regarded as a stable currency, since it has a fixed exchange rate with the euro, which has helped to maintain low inflation.<sup>72</sup> Robertson notes that it would not be pragmatic to abandon the CFA franc as countries such as Cote d'Ivoire and Senegal have received significant foreign investment and experienced positive economic growth as a result of their adherence to the CFA franc.<sup>73</sup> This would contrast with joining a common zone with countries that have much less stable currencies like **Ghana** and Nigeria. The CFA franc has nevertheless attracted recent criticism for encroaching on sovereignty, particularly in the area of developing and enabling monetary policy flexibility.<sup>74</sup> President Ouattara says that the ECO will adopt a fix exchange rate with the euro in the preliminary stages.<sup>75</sup>

The adoption of the ECO has significant support from ECOWAS leaders who view the currency as a tool for the attainment of economic development initiatives. However Nigeria-based intelligence firm **SBM Intel** claims that structural issues pertaining to inadequate supply chain infrastructure, arbitrary border tariffs and non-tariff barriers, abysmal corruption and wide area insecurity need to be addressed for the currency to be fully beneficial.<sup>76</sup>

### Planner

Dec 2019 **Dakar (Senegal)** Municipal elections;  
2022 **Grand Tortue Ahmeyim (GTA)** offshore gas field: production of natural gas set to begin

### Chronology

8 Jul 2019 **Dakar (Senegal)** *Agence Ecofin*. **Canada-based Barrick Gold** intends to sell the **Massawa** gold project which is worth \$500m;

5 Jul 2019 **Dakar (Senegal)** *La Tribune Afrique*. Interior minister **Aly Ngouille Ndiaye** announces that candidates for departmental and municipal elections in December must pay a deposit of 10m FCFA (\$17,162);

5 Jul 2019 **Dakar (Senegal)** *Agence Ecofin*. The **Japanese International Cooperation Agency (JICA)** has provided a 21 billion FCFA (\$35.9m) non-refundable grant for the rehabilitation of the autonomous port of Dakar;

5 Jul 2019 **Dakar (Senegal)** *Agence Ecofin*. The state prosecutor opens an investigation into the conditions under which oil exploration blocks were awarded to **Australian-Romanian** businessman **Frank Timis**;

<sup>69</sup> Quartz, 3 Jul 2019

<sup>70</sup> Quartz, 3 Jul 2019

<sup>71</sup> Al Jazeera, 12 Jul 2019

<sup>72</sup> Al Jazeera, 12 Jul 2019

<sup>73</sup> Quartz, 3 Jul 2019

<sup>74</sup> Quartz, 3 Jul 2019

<sup>75</sup> Agence Ecofin, 13 Jul 2019

<sup>76</sup> Quartz, 3 Jul 2019

- 2 Jul 2019 **Dakar (Senegal)** *Agence Ecofin*. The **International Finance Corporation (IFC)** and the energy ministry award the initial phase of development of the gas-to-power study to the joint venture of **United Kingdom-based Penspen** and **Canada-based MJM Energy**;
- 1 Jul 2019 **Dakar (Senegal)** *Agence Ecofin*. **Australia-based Avenir**a signs an agreement with a consortium formed by three of its shareholders to sell its shares in the **Baobab** phosphate project and phosphate technology company **Novaphos**;
- 26 Jun 2019 **Dakar (Senegal)** *Agence Ecofin*. **Norway-based** geophysical services company **EMGS** will carry out an electromagnetic survey off the coast of Senegal and **Mauritania** on behalf of **United Kingdom-based British Petroleum (BP)**, at a cost of \$6m;
- 26 Jun 2019 **Dakar (Senegal)** *Agence Ecofin*. **China** will lend Senegal \$43m in order to carry out yet to be determined projects;
- 26 Jun 2019 **Dakar (Senegal)** *RFI*. Senegalese customs officials seize 238 kilograms of cocaine at the port of Dakar;
- 26 Jun 2019 **Bissau (Guinea Bissau)** *RFI*. Guinea Bissau's opposition **Partido Africano para a Independência da Guiné e Cabo Verde (PAIGC)** says **Senegal's** President **Macky Sall** and Guinea-Bissau's President **Jose Mario Vaz** are orchestrating a plan to destabilise Guinea-Bissau;
- 24 Jun 2019 **Dakar (Senegal)** *RFI*. **Aliou Sall** resigns as director general of the **Caisse des Depots et Consignations (CDC)** (deposit and consignment fund of Senegal);
- 19 Jun 2019 **Dakar (Senegal)** *RFI*. Presidential adviser **Hamidou Kasse** confirms that President **Macky Sall's** younger brother, **Aliou Sall**, received a \$250,000 payment from **Romanian-Australian** businessman **Frank Timis** through his company **Agritrans**;
- 17 Jun 2019 **Dakar (Senegal)** *Agence Ecofin*. The **Sénégalaise des Eaux (SDE)** water management company is set to launch an appeal at the **Cour Supreme** (Supreme Court) against the attribution of Senegal's water management contract to **France-based Suez Group**;
- 14 Jun 2019 **Dakar (Senegal)** *RFI*. The **Agence de Régulation des Marchés Publics** (authority for regulation of public procurement) has confirmed the attribution of Senegal's water management contract to **France-based Suez**, and dismisses the appeal made by **Sénégalaise des Eaux (SDE)**, the local branch of France-based **Erano**ve;

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