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Canada-based gold miner Barrick Gold Corp. agrees in principle to sell its 90% stake in the Massawa gold project to Canada-based Teranga Gold Corporation for a reported \$430m. The Extractive Industries Transparency Initiative (EITI) national committee reports Senegal's extractive industries (oil, gas and mining) generated 122.2 billion FCFA (\$207.4m) in 2018, a decline of 4.8 billion FCFA (\$8.1m) or 3.35% compared to 2017. Senegal raises 200 billion FCFA (\$339.3m) following the issue of three strains of Assimilable Treasury Bonds on the public securities market of the West African Economic Monetary Union (WAEMU).

Teranga Gold acquires Barrick's Massawa gold project for \$430m

Canada-based gold miner **Barrick Gold Corp.** has agreed in principle to sell its 90% stake in the **Massawa** gold project to Canada-based **Teranga Gold Corporation** for a reported \$430m.¹ This will allow Teranga to establish itself as Senegal's leading gold miner and enable Barrick to achieve its objective of selling non-priority assets. According to the terms of the transaction, set to be concluded in the first quarter of 2020, Barrick and its local partner, **Compagnie Sénégalaise de Transports Transatlantiques Afrique de l'Ouest (CSTT-AO)**, will receive an upfront payment of \$380m, including \$300m in cash.² Barrick will receive 20.7 million shares of Teranga Gold valued at \$3.85 per share amounting to \$79.8m.³ A contingent payment of \$50m will be paid to Barrick based on the average gold price for the period immediately following the closing of the deal.⁴ This amount will be paid if the price of gold exceeds \$1,600 per ounce.⁵ Barrick will receive 92% of the purchase price, while CSTT-AO will obtain the balance, equivalent to its minority share.⁶ Barrick will retain an 11.45% interest in the Massawa project and can increase its remaining stake in Teranga 18 months after the conclusion of the transaction, according to a standstill agreement reached by both parties.⁷ Barrick will provide \$25m for a \$225m syndicated loan obtained by Teranga as part of the deal.⁸ According to Barrick CEO **Mark Bristow**,

*"The agreement with Teranga will realise the full value of this asset [Massawa] and create a new large scale **West African** gold mining company with a significant **African** stake."*⁹

Teranga Gold CEO **Richard Young** was optimistic about the prospects of the transaction. Young said the acquisition will enable Teranga to develop a top-tier gold production complex in Senegal.¹⁰ Young noted that Massawa has one of the highest grades of underdeveloped open pit gold reserves and that its exploitation will benefit from its proximity with Teranga's flagship gold mine at **Sabodala**, 20 km away:

*"We anticipate that production from the Sabodala-Massawa complex, together with our **Wahgnion** gold mine in **Burkina Faso**, will increase Teranga's targeted consolidated annual*

¹ Reuters, 10 Dec 2019

² Engineering News, 10 Dec 2019

³ Jeune Afrique, 10 Dec 2019

⁴ Engineering News, 10 Dec 2019

⁵ Engineering News, 10 Dec 2019

⁶ Jeune Afrique, 10 Dec 2019

⁷ Jeune Afrique, 10 Dec 2019

⁸ Jeune Afrique, 10 Dec 2019

⁹ Jeune Afrique, 10 Dec 2019

¹⁰ Engineering News, 10 Dec 2019

gold production and reposition Teranga as the next multi-asset, low-cost, mid-tier gold producer in West Africa, which is one of the world's premier gold mining regions.”¹¹

Massawa and Sabodala have estimated gold reserves of 2.6m and 2.4m ounces of gold respectively.¹² The deal between Barrick and Teranga is a mutually beneficial development; Barrick announced its desire to shed \$1.5 billion in unprofitable mines by the end of 2020, following its acquisition of **South Africa-based RandGold Resources** last year.¹³ Barrick and fellow gold major, **United States-based Newmont Gold Corp**, are both pursuing consolidation of better performing assets.¹⁴ Teranga will thus be able to position itself as a key player in the West African gold industry, particularly in light of increasing insecurity at gold mining sites in Burkina Faso and **Mali**. Teranga's activities will help to boost the overall importance of the mining sector to Senegal's economy (see below).

Extractive industry generated \$207m revenue in 2018

The **Extractive Industries Transparency Initiative (EITI)** national committee reported on 10 December that Senegal's extractive industries (oil, gas and mining) generated 122.2 billion FCFA (\$207.4m) in 2018, a decline of 4.8 billion FCFA (\$8.1m) or 3.35% compared to 2017.¹⁵ Despite the revenue shortfall, Senegal is attracting investment in its nascent hydrocarbons and mining sectors and revenue is likely to increase in the near future. The EITI report indicated that the fall in revenue was due to a drop in the oil sector's contribution to the extractive industry from 19.3 billion FCFA (32.7m) to 8.7 billion FCFA (\$14.7m).¹⁶ The oil sector's noteworthy contribution in 2017 was due to the signing of bonus contracts between the government and **France-based oil producer Total**.¹⁷ However, mining sector revenue increased from 106 billion FCFA (\$179.8m) in 2017 to 113.5 billion FCFA (\$192.6m) in 2018.¹⁸ This was due in large part to the exploitation of gold and zircon.¹⁹ As a result, the mining sector accounts for 93% of extractive industry while oil and gas contribute the remaining 7%.²⁰ Overall, the extractive industries are estimated to have contributed to 110.1 billion FCFA (\$186.8m) (4.6%) of the national budget, while its share of exports is valued at 41.7% and 2.2% of gross domestic product (GDP).²¹

The EITI report also noted that the extractive sector employs 8,013 people or 0.3% of the total workforce.²² EITI national committee chairperson **Awa Marie Coll Seck** acknowledged that the extractives industry contributed towards improving Senegal's balance of payments (BOP) but lamented its marginal contribution to GDP and overall employment.²³ To improve the situation, the EITI recommended the mines and geology ministry make public the manual of procedures relating to the granting of titles and permits, monitoring of operations and revenue collection.²⁴ The EITI also advised the finance ministry to clarify how it grants tax incentives to extractive companies.²⁵

Senegal has significant potential to position the extractive sector as a pillar of its economic development. The **International Monetary Fund (IMF)** reported in September that Senegal's medium-term economic outlook was favourable, due in large part to the commercial production of hydrocarbons from 2022 (see *ARC Briefing Senegal October 2019*).²⁶ According to EITI, Senegal was

¹¹ Engineering News, 10 Dec 2019

¹² Engineering News, 10 Dec 2019

¹³ Financial Times, 18 Nov 2019

¹⁴ Reuters, 10 Dec 2019

¹⁵ Le Quotidien, 11 Dec 2019

¹⁶ Le Quotidien, 11 Dec 2019

¹⁷ Lejecos, 11 Dec 2019

¹⁸ Le Quotidien, 11 Dec 2019

¹⁹ Sika Finance, 11 Dec 2019

²⁰ Lejecos, 11 Dec 2019

²¹ Le Quotidien, 11 Dec 2019

²² Le Quotidien, 11 Dec 2019

²³ Le Quotidien, 11 Dec 2019

²⁴ Agence Presse Sénégalaise, 10 Dec 2019

²⁵ Agence Presse Sénégalaise, 10 Dec 2019

²⁶ Agence Ecofin, 24 Sep 2019

the first African country and the fourth globally to achieve recognition for progress in the domain of revenue transparency (see *ARC Briefing Senegal December 2018*).

Senegal raises 200 billion FCFA on regional public securities market

Senegal has raised 200 billion FCFA (\$339.3m) through the issue of three strains of **Assimilable Treasury Bonds** (*obligations assimilables du trésor*) on the public securities market of the **West African Economic Monetary Union (WAEMU)**.²⁷ The Senegalese national treasury in collaboration with **UMOA-Titres** agency carried out the operation, which was concluded on 6 December.²⁸ The bond issue is in line with the Senegalese government's desire to use this mechanism to improve its debt portfolio management and present itself as a low-risk debt market for potential investors.²⁹ Senegal issued three bonds simultaneously with maturity rates of three (2022), five (2024) and seven years (2026).³⁰

Although the government set a target of 200 billion FCFA (\$339.3m), there was a 192.75% subscription for the bond issue, equivalent to 385.51 billion FCFA (\$654.3m).³¹ The **Direction Générale du Trésor** (general directorate of treasury) will reimburse the additional 185 billion FCFA (\$314m) to subscribers.³²

Senegal December 2019 Treasury Bond Issue ³³			
Years of bond maturity	Three	Five	Seven
Amount raised (billions of FCFA)	129.8	21.6	49.8
Weighted average interest rate	5.81%	6.03%	6.33%

This was Senegal's fourth bond issue on the regional debt market.³⁴ In a testament to its increasing attractiveness on the regional debt market, it attracted \$94m (55 billion FCFA) in its June bond issue (see *ARC Briefing Senegal June 2019*).³⁵ Senegal also successfully issued a \$1.2 billion **Eurobond** in March 2018.³⁶ With Senegal embarking on a wide range of development projects with respect to the second phase of its medium-term development agenda, the **Plan Sénégal Emergent II (PSEII)**, Senegal is likely to turn increasingly to the debt markets to finance these initiatives.

Senegal has enjoyed a robust economic growth trajectory, which has not seen growth dip below 6% since 2015.³⁷ However, its rising public debt may become an area of concern. Public debt is currently at 62.9% of GDP (\$10.9 billion), although this is below the 70% threshold established by WAEMU.³⁸

2019 in review and what to look forward to in 2020

President **Macky Sall** (2012-present) emerged victorious in the February election, beating out four other candidates in Senegal's smallest election pool since 1988 (see *ARC Briefing Senegal March 2019*). Sall campaigned on the success of the Plan Sénégal Emergent (PSE) economic development agenda as well as socio-economic infrastructure built during his first term. Following the election, Sall acknowledged the tense political climate and promised to organise a national political dialogue for all political stakeholders to discuss national affairs (see *ARC Briefing Senegal April 2019*). In September,

²⁷ Agence Ecofin, 8 Dec 2019

²⁸ Agence Ecofin, 8 Dec 2019

²⁹ Agence Ecofin, 8 Dec 2019

³⁰ Agence Ecofin, 8 Dec 2019

³¹ Sika Finance, 6 Dec 2019

³² Financial Afrik, 8 Dec 2019

³³ Agence Ecofin, 8 Dec 2019

³⁴ Sika Finance, 6 Dec 2019

³⁵ Agence Ecofin, 6 Jun 2019

³⁶ Bloomberg, 7 Mar 2018

³⁷ Agence Ecofin, 24 Sep 2019

³⁸ Jeune Afrique, 29 Jan 2019

Sall surprisingly reconciled with former president **Abdoulaye Wade** (2000-2012), with whom he had been at loggerheads since Wade's loss in the 2012 presidential election. Sall also released from prison the former mayor of **Dakar**, **Khalifa Sall**, in September after he had served two of five years of jail time for a fraud conviction, in what appeared to be an appeasement move (see *ARC Briefing Senegal October 2019*). Wade has yet to have his personal freedoms reinstated, which would, amongst other things, allow him to run for public office in future (see *ARC Briefing Senegal November 2019*). In 2020, President Sall will look to further consolidate his power in municipal elections, whose organisation for 2020 is yet to be confirmed. The Karim Wade saga is likely to feature prominently.

Senegal continues to enjoy a positive economic growth trajectory, attaining 6% economic growth in 2019 and is projected to generate 7% in 2020 and 2021. The **International Monetary Fund (IMF)** said in September that Senegal has a favourable economic outlook (see *ARC Briefing Senegal October 2019*). The second phase of the PSE (PSE II) will direct the government in achieving its economic goals. Senegal also made significant improvements in its business climate, improving to 123rd place out of 190 in the **2020 World Bank Doing Business** report, from 141st place in 2019, making Senegal the fourth most attractive environment in the **Economic Community of West African States (ECOWAS)** (see *ARC Briefing Senegal November 2019*). Senegal will hope to capitalise on this achievement to attract more domestic and foreign investors - it has had no problem drawing interest in its nascent hydrocarbons industry and in particular the natural gas sector. Senegal has seen significant investments in the **Grande Torture Ahmeyim (GTA)** offshore gas field between Senegal and **Mauritania**, which is currently exploited by **United States**-based **Kosmos Energy** and **United Kingdom (UK)**-based **British Petroleum**. Although the first exports are only expected by 2022, there is significant enthusiasm that the project will be the catalyst for a new wave of development for Senegal (see *ARC Briefing Senegal November 2019*). 2020 will see the launch of the trial against **Aliou Sall**, who was accused of facilitating the award of oil and gas concessions to UK-based **Timis Corporation** in 2014 in a corrupt manner (see *ARC Briefing Senegal June 2019*). Senegal has a reputation as one of Africa's least corrupt countries and will need to handle the case diligently to send a signal to potential investors that it is serious about fighting corruption.

Planner

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

2020 **Dakar (Senegal)** National oil company **Petrosen** will open 10 maritime blocks for oil exploration to the market from January 2020;

2022 **(Senegal) Grand Tortue Ahmeyim (GTA)** offshore gas field: production of natural gas set to begin.

Chronology

11 Dec 2019 **Dakar (Senegal)** *Le Quotidien*. **Extractive Industries Transparency Initiative (EITI)** national committee reports Senegal's extractive industries (oil, gas and mining) generated 122.2 billion FCFA (\$207.4m) in 2018, a decline of 4.8 billion FCFA (\$8.1m) or 3.35% compared to 2017;

10 Dec 2019 **Dakar (Senegal)** *Reuters*. Canada-based gold miner **Barrick Gold Corp.** has agreed in principle to sell its 90% share in the **Massawa** gold project to Canada-based **Teranga Gold Corporation** for a reported \$430m;

6 Dec 2019 **Dakar (Senegal)** *Sika Finance*. The **Agence de Electrification Rurale** (rural electrification agency) estimates Senegal will need 656 billion FCFA (\$1.1 billion) from now until 2025 to satisfy its electricity needs;

6 Dec 2019 **Dakar (Senegal)** *Sika Finance*. Senegal has raised 200 billion FCFA (\$337.3m) on the **West African Economic and Monetary Union (WAEMU)** public securities market, through three treasury bond issues;

5 Dec 2019 **Dakar (Senegal)** *Agence Ecofin*. Planning and economy minister **Amadou Hott** presents a draft bill to the **Assemblée Nationale** (national assembly) that will support the creation of start-ups;

27 Nov 2019 **Dakar (Senegal)** *RFI*. National electricity company **Senelec** announces 10% hike in electricity tariffs due to petroleum price increases;

22 Nov 2019 **Dakar (Senegal)** *Agence Ecofin*. Geophysical engineer **TGS** and partner **GeoPartners** have launched a new 3D seismic survey campaign called 3D SN-UDO-19 at the **Senegal North Ultra-Deep Offshore**;

20 Nov 2019 **Dakar (Senegal)** *Agence Ecofin*. President **Macky Sall** changes the name of the **SNE** oil field name to **Sangomar** oil field;

19 Nov 2019 **Dakar (Senegal)** *Agence Ecofin*. **Air Senegal** signs a letter of intent for the acquisition of eight Airbus A220-300, at a list price of \$732m;

19 Nov 2019 **Dakar (Senegal)** *Agence Ecofin*. State oil company **Petrosen** announces that 10 maritime blocks for oil exploration will be opened to the market from January 2020;

14 Nov 2019 **Dakar (Senegal)** *Agence Presse Senegalaise*. The government launches the **Programme d'Appui au Développement Agricole et à l'Entrepreneuriat Rural (PADAER 2)** (rural agriculture development and rural entrepreneurship assistance programme) worth 48.5 billion FCFA (\$81.7m);

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Please contact us by email info@africariskconsulting.com or call + 44 (0) 20 7078 4080

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