

# 2021 Resource Governance Index Senegal

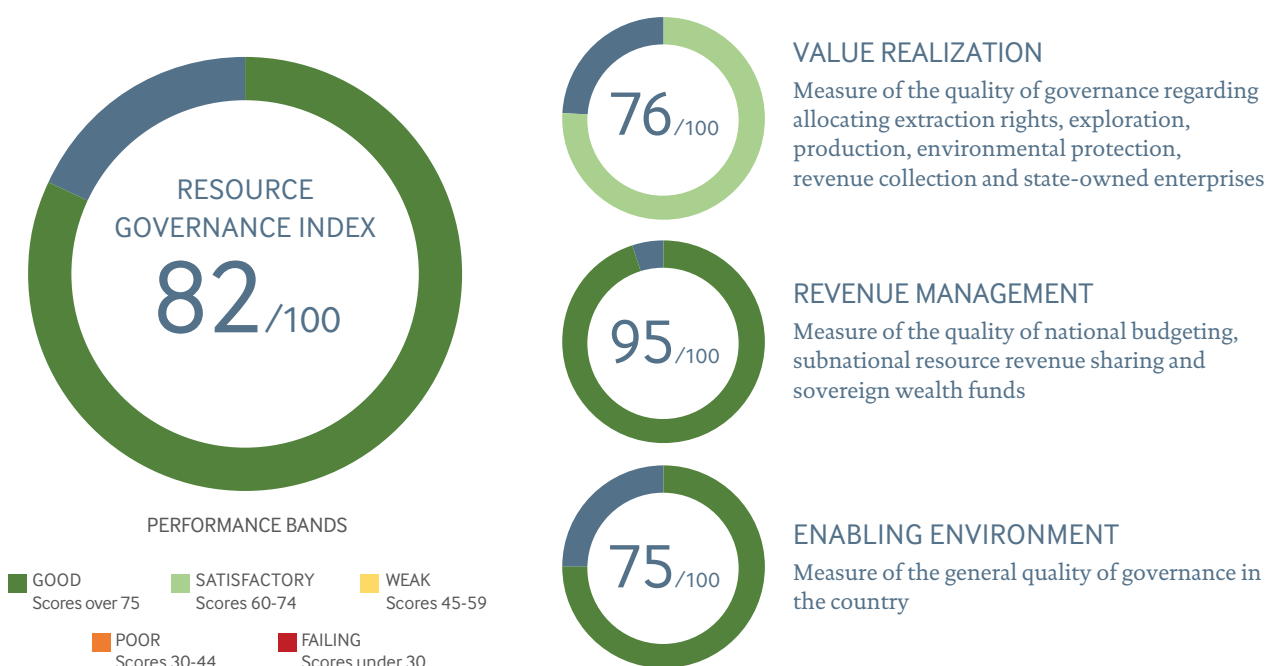


Oil and Gas

Still in the development phase and assessed for the first time in the 2021 Resource Governance Index (RGI), Senegal's hydrocarbon sector scored 82 points out of 100. This score, which places the sector in the "good" (highest) performance band of the RGI, results from good rules and practices in each of the index's three components: value realization (76 points), revenue management (95) and enabling environment (75).

- The value realization and revenue management scores are particularly high because the legal framework and the main projects in the sector are still in the development phase.
- The overall good score for the oil and gas sector in Senegal is also due to the country's good overall enabling environment.
- Transparency and accountability mechanisms regarding the tax system, production, payments, budget management and debt are well integrated into the country's rules and practices.
- Rules and practices relating to financial flows between the state and state-owned company PETROSEN are relatively clear, pending the law on the management of hydrocarbon revenues, but there is room for improvement in the transparency rules relating to title allocation.
- Scores of both the hydrocarbon sector and the mining sector (assessed in another profile) are in the RGI's highest performance band. However, the hydrocarbon sector performs better because it is still in its infancy and many of the RGI indicators are not applicable.

Senegal oil and gas: 2021 Resource Governance Index and component scores



## RESOURCE GOVERNANCE INDEX RESULTS SUMMARY

In its [Plan for an Emerging Senegal](#), the Senegalese government has opted to fully exploit its natural resources (minerals and hydrocarbons) to support the country's development. According to the Senegal Extractive Industries Transparency Initiative (EITI), by 2020, nine companies were granted [thirty onshore and offshore blocks](#), including the two only blocks in production operated by PETROSEN and FORTESA. Since 2019, the government has been strengthening the legal framework for oil and gas exploitation, including the [Petroleum Code](#) and its [implementing decree](#), as well as a [Gas Code](#).

Oil and gas activities and the legal framework for the sector are still developing in Senegal. The sector's good governance score is a result of the high standards of revenue management already established by the government, but also of the fact that at this early stage of sector activity, several of the index's subcomponents have been deemed inapplicable and are therefore unscored. The overall score of 82 out of 100 is nevertheless an indicator of the efforts already made by the government and other stakeholders to build strong transparency and accountability mechanisms in the oil and gas sector and more generally in the country's governance.

### Senegal oil and gas sector 2021 Resource Governance Index scores

	2021 RGI Score
<b>RGI COMPOSITE SCORE</b>	82
<b>VALUE REALIZATION</b>	76
Licensing	63
Taxation	90
Local impact	75
State-owned enterprises	76
<b>REVENUE MANAGEMENT</b>	95
National budgeting	95
Subnational resource revenue sharing	.
Sovereign wealth funds	.
<b>ENABLING ENVIRONMENT</b>	75
Voice and accountability	79
Government effectiveness	71
Regulatory quality	73
Rule of law	74
Control of corruption	85
Political stability and absence of violence	79
Open data	63
<b>LAW</b>	76
<b>PRACTICE</b>	80
<b>GAP (PRACTICE LESS LAWS)</b>	4

## VALUE REALIZATION

This component, which assesses the country's performance in generating value and revenue from the hydrocarbon sector, scored 76 out of 100 points, placing it in the "good" band. This result is primarily due to the positive attributes of the country's taxation mechanisms.

Value realization itself comprises four subcomponents: licensing, taxation, local impact and state-owned enterprises.

### Licensing

With a score of 63 points out of 100, the licensing subcomponent is in the "satisfactory" performance band, with generally well-defined procedures to be followed before, during and after the allocation of licenses. The Ministry of Oil and Energy can improve this score by making mandatory the public disclosure of: the list of license applicants, all information on [the beneficial owners](#) of oil and gas licenses, state enterprise staff's holdings in companies operating in the sector, as well as [oil and gas contracts](#) including their amendments and annexes. In addition, provisions for appeals by applicants in award procedures should be incorporated into the legal framework.

By end of this evaluation in December 2020, the [oil cadastre](#) was not yet universally accessible, but it was made available online on 18 May 2021. (That subsequent availability is not reflected in the scores.)

### Taxation

The taxation subcomponent is firmly positioned in the "good" performance band with a score of 90 points. Mechanisms governing the generation of Senegal's oil and gas revenues are in place, including the tax regime and the requirements for transparency and accountability of production and payments to the state. However, the Court of Auditors could more regularly audit the tax administration and make its reports public to allow citizens to ascertain the effectiveness of the mechanisms for collecting and using revenues from the sector. Senegal EITI could also provide comprehensive project-by-project [disclosures of payments](#) for all sector projects.

### Local impact

The local impact score also falls into the "good" performance band with a score of 75 out of 100. Senegal's environmental code rightly requires environmental and social impact assessments (ESIAs) and environmental and social management plans (ESMPs), as well as the resettlement of project-affected populations. The government could improve this score by making the disclosure of ESIAs and ESMPs mandatory for all oil and gas companies, given their key role in monitoring the local impacts of projects by stakeholders.

### Local content in the hydrocarbon sector

The RGI does not include local or national content data in the calculation of the score, but researchers were able to collect some of this data during this assessment. In Senegal, establishment of a legislative, regulatory and institutional framework around the hydrocarbon is underway, notably with the creation in 2020 of the [National Monitoring Committee](#) of the National Local Content Policy (CNSCL) (inaugurated on 1 July 2021). To maintain an informed and constructive public debate on the subject, the CNSCL could disclose, beyond its annual reports, the baseline studies on the state of local content and the impact assessments of the policy, as well as the associated strategic documents.

### State-owned enterprises

The index assessed the governance of PETROSEN, the state-owned oil and gas enterprise, as “good,” with a score of 76 points. The rules and practices regarding financial flows between the state and PETROSEN are relatively clear, pending passage of the law on the management of hydrocarbon revenues. However, the government could make it mandatory for the National Assembly to examine and disclose PETROSEN’s annual reports. The establishment by the government of a board of directors made up of people independent of the state, [as in Ghana](#), could limit potential political influence on the state-owned company. Finally, PETROSEN could disclose, for example on its website, its annual reports, including its project-by-project costs for joint operations and debt, and a code of conduct to raise awareness among its stakeholders of its values and principles, including those concerning combatting corruption and conflicts of interest.

## REVENUE MANAGEMENT

Revenue management in Senegal’s hydrocarbon sector scored 95 out of 100 points and is in the “good” performance band. It includes three subcomponents: national budgeting, subnational transfers and sovereign wealth funds. However, the last two are currently not applicable to this sector in Senegal.

### National budgeting

The national budgeting subcomponent is in the highest performance band (“good”) with a score of 95. This score is justified by the adoption and implementation by the Ministry of Finance and Budget of [good practices](#) such as the systematic disclosure of finance laws, oil and gas revenue [projections](#), budget execution reports and debt levels. The government and Senegal EITI could update the [open data portal](#) to include data such as hydrocarbon reserve and gas production volumes.

### Subnational resource revenue sharing

In the RGI, subnational transfers are transfers from the central state to local authorities. This subcomponent is currently inapplicable, as the Senegalese government has not (as of the closing date of this assessment in late 2020) expressed an intention to implement such a mechanism in the sector. The transfer of oil and gas revenues to communities is not a common practice worldwide and is even less common for offshore operations and in non-federal countries. In the case of Senegal, a non-federal country, the main projects are still in the development phase and are also mainly offshore.

### Sovereign wealth funds

This subcomponent does not yet apply to the sector in Senegal, as the hydrocarbon sector does not yet possess a sovereign wealth fund as defined by the RGI, i.e., a fund dedicated to the sector and investing mainly abroad. Senegal has the Sovereign Strategic Investment Fund ([FONSIS](#)), but its resources come from several sectors. The government is considering the creation of a generational fund, which will have its own governance and investment policy, and the endowment of which will be defined in a future law on the management of hydrocarbon revenues.

## ENABLING ENVIRONMENT

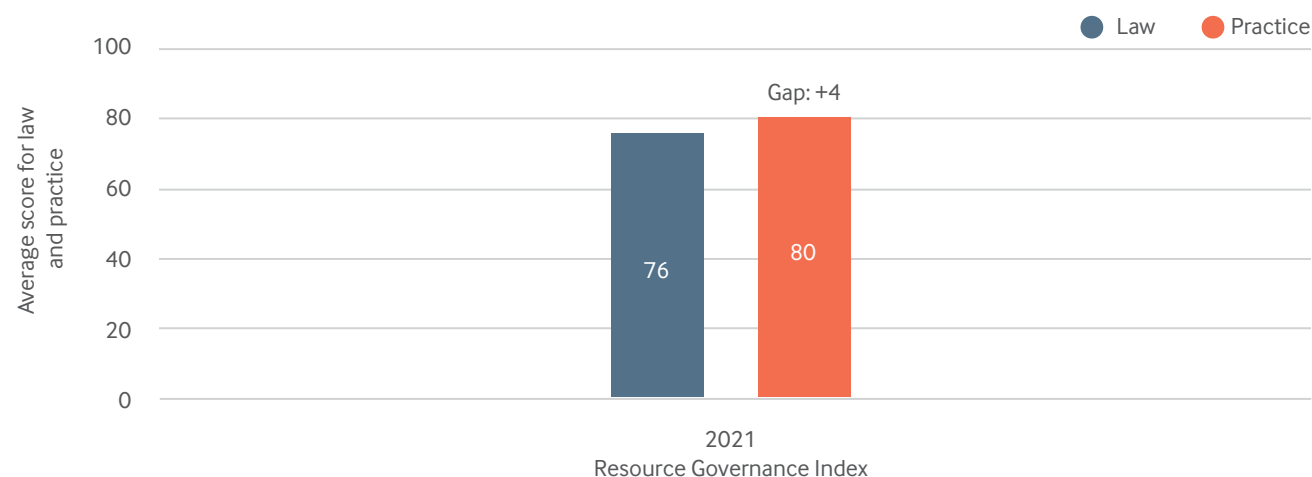
The index's third component draws on data from credible external and public sources, including the [Worldwide Governance Indicators](#) and the [Open Data Inventory](#). This component covers broader governance indicators that affect activities in all sectors.

Senegal's overall governance framework is in the "good" performance band, with 75 points out of 100, as all its subcomponents score above 60 points, including control of corruption (85), political stability and absence of violence (79), and voice and accountability (79). Senegal thus has a solid overall governance foundation.

## LAW AND PRACTICE SCORES

The average gap between the quality of rules and regulations and their implementation in practice in Senegal's hydrocarbon sector is +4. This indicates that, on average, several cases of good practices have been observed without the existence of laws or rules mandating them. For example, ESIA and ESMPs are made publicly accessible even though the law does not require to do so. However, throughout the assessment, there is a contrast in the sector between the weakness of accountability rules for public companies, and the weakness of certain taxation practices, particularly regarding the frequency of disclosure of tax administration audit reports by the Court of Auditors.

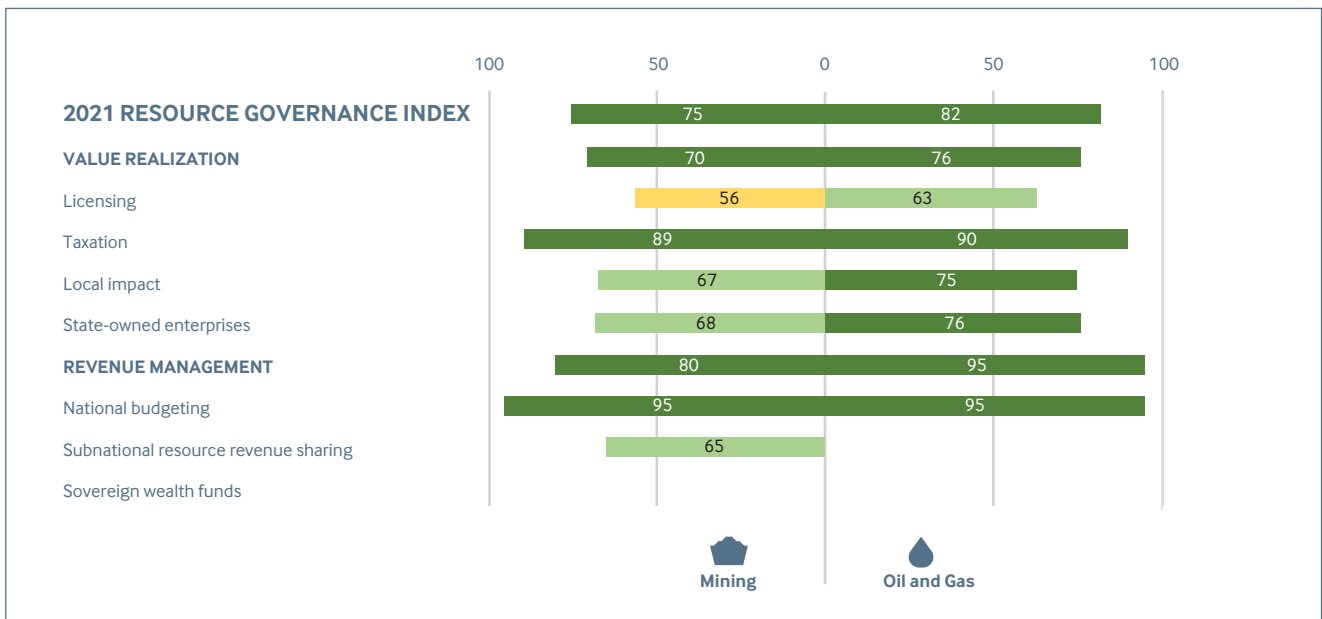
Gap between law and practice in Senegal's oil and gas sector



**COMPARISON OF THE MINING SECTOR AND THE OIL AND GAS SECTOR**

In addition to the hydrocarbon sector, NRGi also assessed Senegal’s mining sector (available in a separate profile). The scores for both sectors are in the highest performance band (75 out of 100 for the mining sector and 82 for the hydrocarbon sector) due to Senegal’s strong revenue collection and management. However, the mining sector performs less well overall than the hydrocarbon sector, because the latter is still in its early stages, meaning several of the index’s indicators are inapplicable. The two sectors do share some governance challenges, such as transparency in the allocation of titles, full disclosure of contracts, mandatory disclosure of ESIA’s and ESMP’s (the related rules score 50 out of 100 for both sectors), accountability of state-owned enterprises, and addressing conflicts of interest.

Comparison between Senegal’s mining and oil and gas sectors in the 2021 Resource Governance Index



# RECOMMENDATIONS



Senegalese authorities can continue to improve the governance of the hydrocarbon sector by taking the following courses of action:

1. The Senegalese government:
  - Require employees of state and public companies to make public their holdings in companies operating in the hydrocarbon sector; require the publication of information on the beneficial owners of oil and gas titles; and disclose this information on all titles.
  - Mandate legislative review and disclosure of PETROSEN's annual reports and accounts; and consider the establishment of a board of directors of PETROSEN that is independent of the state.
2. PETROSEN:
  - Disclose its annual reports containing audited accounts.
  - Publish the expenditures of its subsidiaries and joint operations on a project-by-project basis.
  - Publish a code of conduct on its website.
3. The Ministry of Petroleum and Energy:
  - Mandate regular disclosure of the list of applicants for oil and gas titles, as set out in requirement 2.2 of the 2019 EITI Standard, and consider instituting an appeals mechanism for applicants.
  - Publish all contracts and agreements between the state or state-owned company and oil and gas companies, including loan and grant agreements.
4. COS-Petrogaz, the Ministry of Petroleum and Energy, and the Ministry of Finance and Budget: Finalize laws and regulations on the management of revenues from the hydrocarbon sector. These could raise the standards of governance of the natural resources sovereign fund (the generational fund) by making it independent of FONSIS.
5. The Court of Auditors: Make its annual reports, including the conclusions of the audit of the tax administration, available to the public on a regular and timely basis.
6. The Ministry of the Environment and Sustainable Development: Integrate into the texts the obligation for the Ministry to publish impact assessments and environmental and social management plans of extractive projects on an online platform.
7. The National Local Content Monitoring Committee (CNSCL): Disclose, in addition to the CNSCL's annual reports, the baseline studies and impact assessment studies, and associated strategy documents of the local content policy.

## What is the Resource Governance Index?

The 2021 RGI assesses how 18 resource-rich countries govern their oil, gas and mineral wealth. The index composite score is made up of three components. Two measure key characteristics of the extractives sector – value realization and revenue management – and a third captures the broader context of governance — the enabling environment. These three overarching dimensions of governance consist of 14 subcomponents, which comprise 51 indicators, which are calculated by aggregating 136 questions.

Independent researchers, overseen by NRGI, in each of the 18 countries completed a questionnaire to gather primary data on value realization and revenue management. For the third component, the RGI draws on external data from over 20 international organizations. The assessment covers the period 2019-2020. For more information on the index and how it was constructed, review the RGI Method Paper.

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Resource Governance Index

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