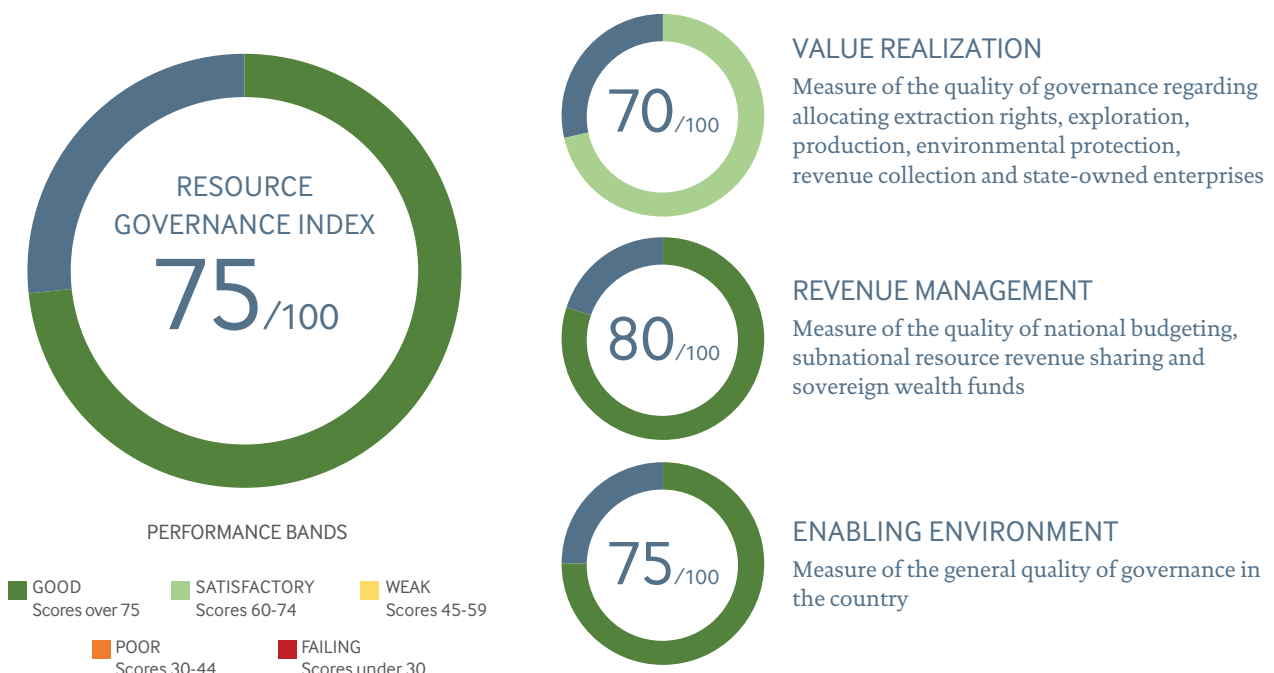# 2021
Resource Governance Index
Senegal

Mining

Assessed for the first time in the 2021 Resource Governance Index (RGI), Senegal's mining sector scored 75 points out of 100. This score, which placed the sector in the "good" (highest) performance band, results from standards and practices that are at least satisfactory in each of the index's three components: value realization (70 points), revenue management (80) and enabling environment (75).

- The overall score of 75 points for Senegal's mining sector reflects the fact that the country has a good overall enabling environment.

- The sector's revenue management component scored the highest of the three components, with 80 out of 100, primarily due to good rules and practices in the disclosure of data on the national budgeting of mining revenues and on debt.

- The procedures for awarding mining titles are relatively clear, but there is significant room for improvement in the related transparency mechanisms.

- The government completed the rules for the transfer of mining revenues to local authorities in 2020; it should now commence the transfer of revenues to subnational authorities.

- Scores for both the mining sector and the oil and gas sector (assessed in a separate profile) are in the RGI's highest performance band. However, the hydrocarbon sector has scored better because it is still in its infancy and many of the RGI indicators are therefore not applicable.

Senegal mining: 2021 Resource Governance Index and component scores

RESOURCE GOVERNANCE INDEX
75/100

PERFORMANCE BANDS

- GOOD Scores over 75
- SATISFACTORY Scores 60-74
- WEAK Scores 45-59
- POOR Scores 30-44
- FAILING Scores under 30

VALUE REALIZATION
70/100
Measure of the quality of governance regarding allocating extraction rights, exploration, production, environmental protection, revenue collection and state-owned enterprises

REVENUE MANAGEMENT
80/100
Measure of the quality of national budgeting, subnational resource revenue sharing and sovereign wealth funds

ENABLING ENVIRONMENT
75/100
Measure of the general quality of governance in the country

RESOURCE GOVERNANCE INDEX RESULTS SUMMARY

Senegal has significant geological and diversified potential, especially in gold, phosphates, industrial minerals and iron ore. In its Plan for an Emerging Senegal (PSE), the Senegalese government has opted to fully exploit its mining resources to support the country's development. To this end, it is progressively strengthening its strategic, legal, institutional and fiscal framework, which has been in place for several years to promote mining in the country.

The 2021 RGI assessed the gold mining sector, given its importance in the country's mining exports by value (62 percent according to the 2019 Extractive Industries Transparency Initiative report), and the state-owned company of the Société des Mines de Fer du Sénégal Oriental (MIFERSO), as the only state-owned enterprise in the sector engaged in mining activities. With an overall score of 75 out of 100, and component scores of 70 for value realization, 80 for revenue management and 75 for enabling environment, Senegal has good overall rules and practices for the governance of its mining resources.

Senegal mining sector 2021 Resource Governance Index scores

	2021 RGI Score
RGI COMPOSITE SCORE	75
VALUE REALIZATION	70
Licensing	56
Taxation	89
Local impact	67
State-owned enterprises	68
REVENUE MANAGEMENT	80
National budgeting	95
Subnational resource revenue sharing	65
Sovereign wealth funds	.
ENABLING ENVIRONMENT	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
LAW	73
PRACTICE	75
GAP (PRACTICE LESS LAWS)	2

VALUE REALIZATION

This component, which assesses the country's performance in generating value and revenue from mining activities, scored 70 out of 100, placing it in the "satisfactory" band. This shows that the mechanisms for taxation are clearly defined and transparent, but there is significant room for improvement in the public disclosure of information regarding the allocation of mining titles.

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

Licensing

The score for licensing is 56 out of 100, making this subcomponent the only one that falls into the "weak" band. The legal framework for the mining sector has clearly defined the conditions for awarding titles, but there is still considerable room for improvement. The authorities could improve this score by publishing the list of applicants for mining titles, the available blocks and all mining contracts, including their annexes and amendments. In addition, the Ministry of Mines and Geology should integrate provisions for appeals by applicants in the licensing process into the legal framework. By end of this evaluation in December 2020, Senegal's mining cadastre was not yet universally accessible, but it was made publicly available online on 24 June 2021. (This subsequent availability is not reflected in the scores.)

Taxation

Firmly positioned in the highest "good" performance band with a score of 89 out of 100, the taxation subcomponent scored the highest in the value realization component, due to the country's good practices in publishing data on reserves, exports, and payments. In addition, the good progress made by Senegal in 2018 in implementing the EITI standard has largely contributed to this score. Nevertheless, there are still areas for improvement. The Court of Auditors should make its annual reports (including the audit of the tax administration) public more regularly to allow citizens to verify the efficiency of the collection and use of sector revenues.

Local impact

The local impact subcomponent score falls into the "satisfactory" performance band with a score of 67 out of 100. Senegal, through its forestry, environmental and mining codes and its law on expropriation in the public interest, has provided a good framework for managing the negative impacts of mining projects. These laws require mining companies to carry out environmental and social impact assessments (ESIAs) and to develop environmental and social management plans (ESMPs) that include compensation for those affected by mining projects. However, the government could improve its performance by making the disclosure of these studies mandatory and effective, via online platforms, to facilitate stakeholder monitoring of the negative impacts of mining projects.

Local content in the mining sector

The RGI does not include local or national content data in the score calculation, but researchers were able to collect some of this data during this assessment. At the time this evaluation was completed in late 2020, the Senegalese government had initiated the development of a national local content strategy for the sector. This strategy is based on a review of the local content policy defined in the 2016 mining code and considers the recommendations of the African Mining Vision, the Economic Community of West African States (ECOWAS) and the Plan for an Emerging Senegal. This strategy should include a multi-stakeholder body to monitor this policy in the sector, as well as collaboration between the mining sector and the National Monitoring Committee (CNSCL), which was created in 2020 for the hydrocarbon sector and inaugurated on 1 July 2021. This would allow both sectors to share certain operational tools, such as a subcontracting exchange for the extractive sector. To maintain an informed and constructive public debate on the local content policy, the government should disclose the baseline studies on the state of local content and the impact assessments of the policy, as well as the associated strategic documents. Such reforms would allow stakeholders in the mining sector to enrich the local content analysis that Senegal EITI publishes in successive reports.

State-owned enterprises

The index assessed governance of national mining company MIFERSO as "satisfactory," with a score of 68 points. The rules and practices relating to financial flows between the state and MIFERSO can be found in the 2019 EITI report and the company's 2019 annual accounts, among others. The government could make it mandatory for the National Assembly to examine and disclose MIFERSO's reports. It could also consider setting up a board of directors made up of individuals independent of the state, as practiced in Ghana, to limit political influence on the SOE. In addition, MIFERSO could publish a code of conduct to raise awareness among its stakeholders of its values and principles, particularly regarding combatting corruption and conflicts of interest.

REVENUE MANAGEMENT

Revenue management in Senegal's mining sector scored 80 out of 100 points and placed in the "good" performance band. Senegal's revenue management improved primarily due to the quality of the national budgeting mechanisms. The sovereign wealth funds subcomponent is currently not applicable to the mining sector in Senegal.

National budgeting

National budgeting scored the highest of all subcomponents (95 out of 100) and is in the "good" performance band. As an active member of sub-regional organizations, such as ECOWAS and the West African Economic and Monetary Union (WAEMU), which have established community rules for budgeting, Senegal demonstrates good rules and practices in the disclosure of financial and budgetary data by the Ministry of Finance and Budget, such as finance laws, budget execution reports and public debt. The country could make further progress if the Ministry made budget revenue projections, including mining revenues, publicly available. Furthermore, with regard to the open data portal, Senegal EITI should consider an integrated presentation of data on a project-by-project basis for all projects in the most advanced open data format (API), following for example the practice in Mexico.

Subnational resource revenue sharing

Senegal scored 65 out of 100 for subnational transfers in the mining sector, which corresponds to the "satisfactory" performance band. Article 113 of the 2016 mining code means the state pays a portion of its mining revenues into an equalization fund for local governments. A 2020 decree specifies, among other things, that this fund must be made up of 20 percent of revenues from royalties, surface tax and fixed fees. By the closing date of this evaluation, 31 December 2020, local authorities had not yet received these revenues. The government should proceed with the effective implementation of these subnational transfers.

Sovereign wealth funds

This subcomponent does not yet apply to the sector in Senegal, as the mining sector does not possess a sovereign wealth fund as defined by the RGI, i.e., a fund dedicated to the sector and investing mainly abroad.

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. This score is justified by the fact that its subcomponents all score above 60 points, specifically: 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 mining sector is +2. This means that the rules adopted are generally effectively implemented. However, component by component, there is a contrast in Senegal between the significant weakness of the rules on the accountability of public companies and weakness of certain practices in taxation, particularly concerning the frequency of disclosure of audit reports of the tax administration by the Court of Auditors.

Gap between law and practice in Senegal's mining sector
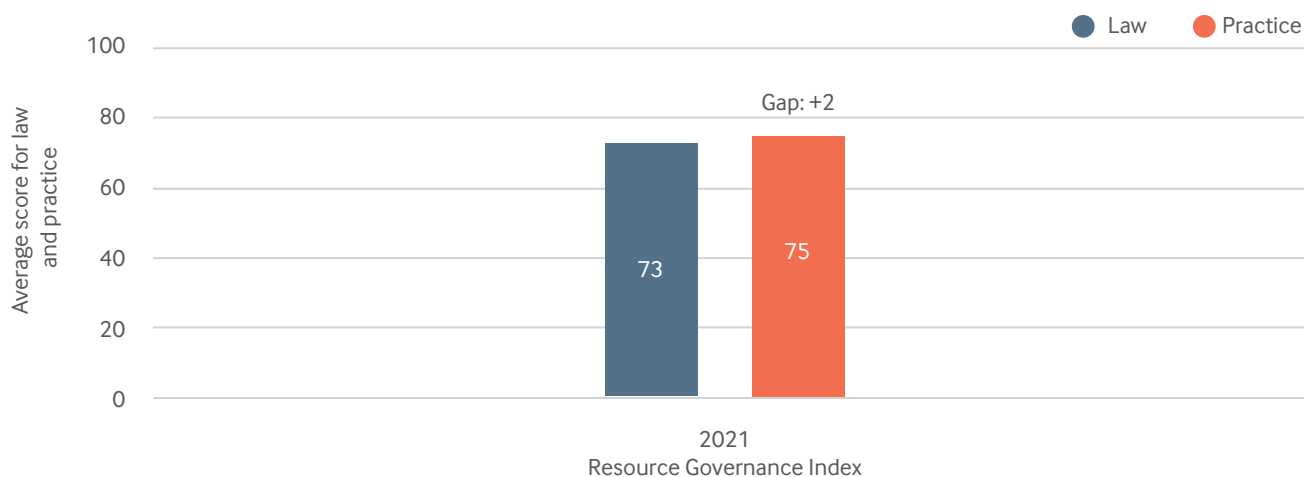
COMPARISON OF THE MINING SECTOR AND THE OIL AND GAS SECTOR

In addition to the mining sector, NRGI also assessed Senegal's oil and gas 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 performance in 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 licenses, full disclosure of contracts, mandatory disclosure of ESIAs and ESMPs (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
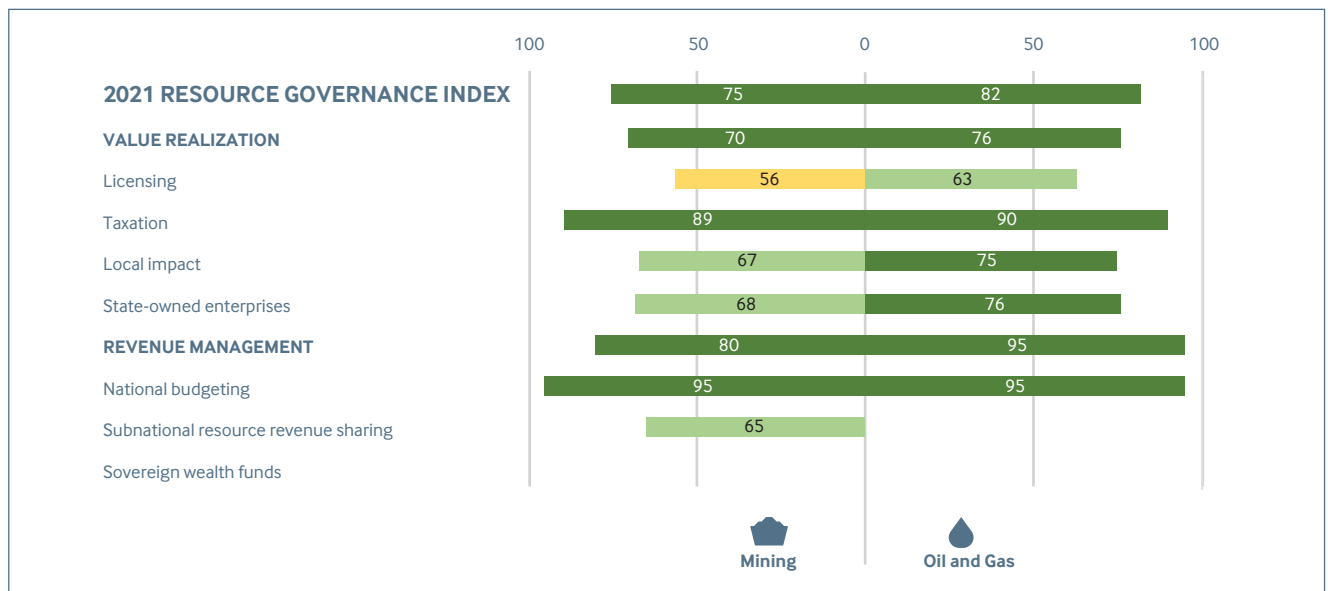
RECOMMENDATIONS

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

1. **The Senegalese government:**
   - Require employees of state and state companies to make public their holdings in companies operating in the mining sector; require the publication of information on the beneficial owners of mining titles; and disclose this information on all titles.
   - Implement subnational transfers to communities from mining equalization funds.
   - Mandate legislative review and disclosure of MIFERSO's annual reports and consider the establishment of a MIFERSO board of directors that is independent of the state.

2. **MIFERSO:** Disclose and publish a code of conduct on its website.

3. **The Ministry of Mines and Geology**:
   - Mandate regular and effective disclosure of the list of applicants for mining titles, and consider the institution of appeal provisions in the procedures for granting titles.
   - Fully publish the mining contracts, including annexes and amendments, as well as any agreement that binds the state or the state company and the mining companies.
   - Disclose local content baseline and impact assessment studies and associated strategy documents; establish a multi-stakeholder body to monitor the national policy on local content in the mining sector.

4. **The Ministries of Budget and Finance** and **Ministry of the Economy**: Publish on their websites the budgetary revenue projections containing mining revenues and the UEMOA and ECOWAS convergence reports on Senegal.

5. **The Court of Auditors**: Publish the annual reports for the years 2018 to 2020, including the conclusions of the audit of the tax administration.

6. **The Ministry in charge of the Environment**: Adopt the obligation to make environmental and social impact studies and environmental and social management plans available to the public and consider their disclosure on an online platform. RGI experts understand that the Environmental Code is currently being revised and may consider the requirement to publish these documents.

7. **Senegal EITI:** Include an integrated presentation of project-by-project data in the most advanced open data format (API) on its open data portal.

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.