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UK-SENEGAL TRADE & INVESTMENT FORUM 2013

INVESTING IN ENERGY, MINES & INFRASTRUCTURE

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1. SENEGAL AT A GLANCE

- French speaking country in West (and Central) Africa
- Legal system is civil-law based
- Member State of the West African Economic and Monetary Union (“**WAEMU**”)
- A country in Sub Saharan Africa
- A country in OHADA sub-region
- A country surrounded by 5 others countries



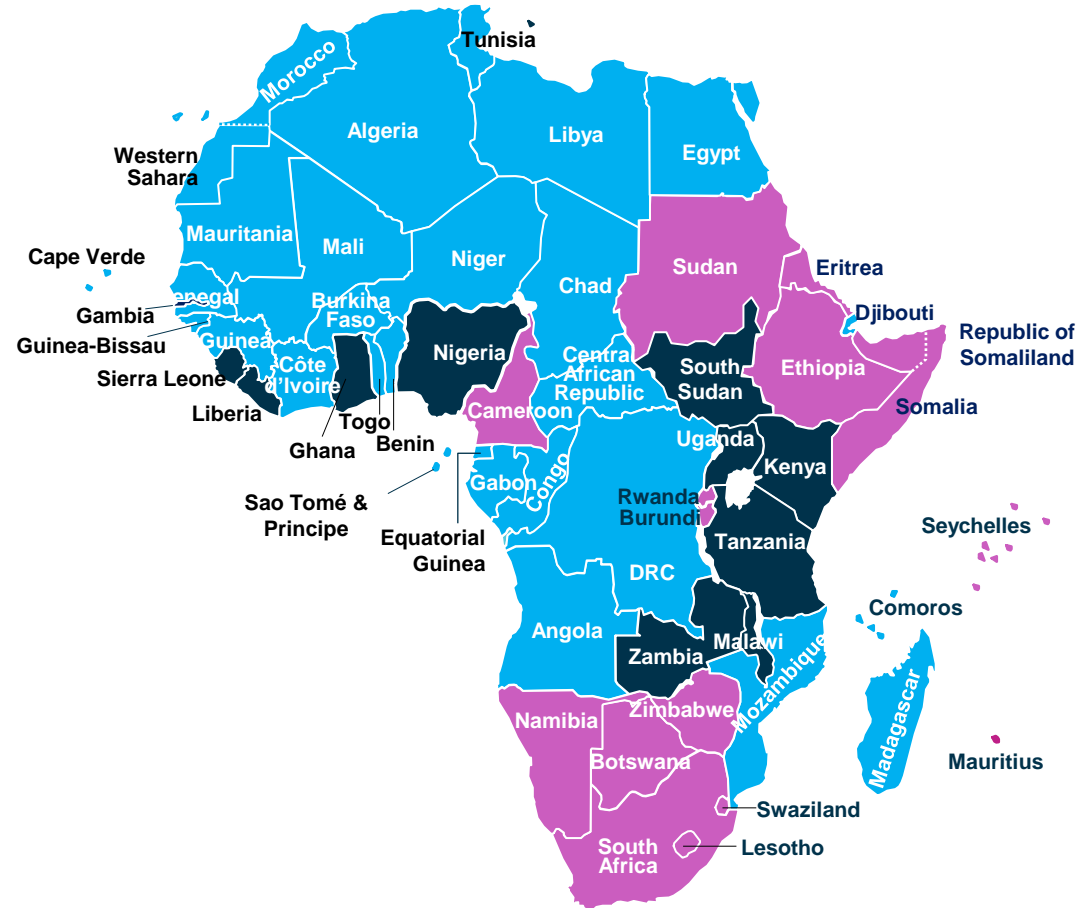
2. SENEGAL'S PROFILE

Growth:	3.7% in 2012 and expected to be 4.3% in 2013
Population:	13.1 million in 2012
Capital:	Dakar
Area:	196,722 square kilometres (75,955 square miles)
Major languages:	French (official language), Wolof
Major religion:	Islam
Main exports:	Fish, mines (phosphates), cotton

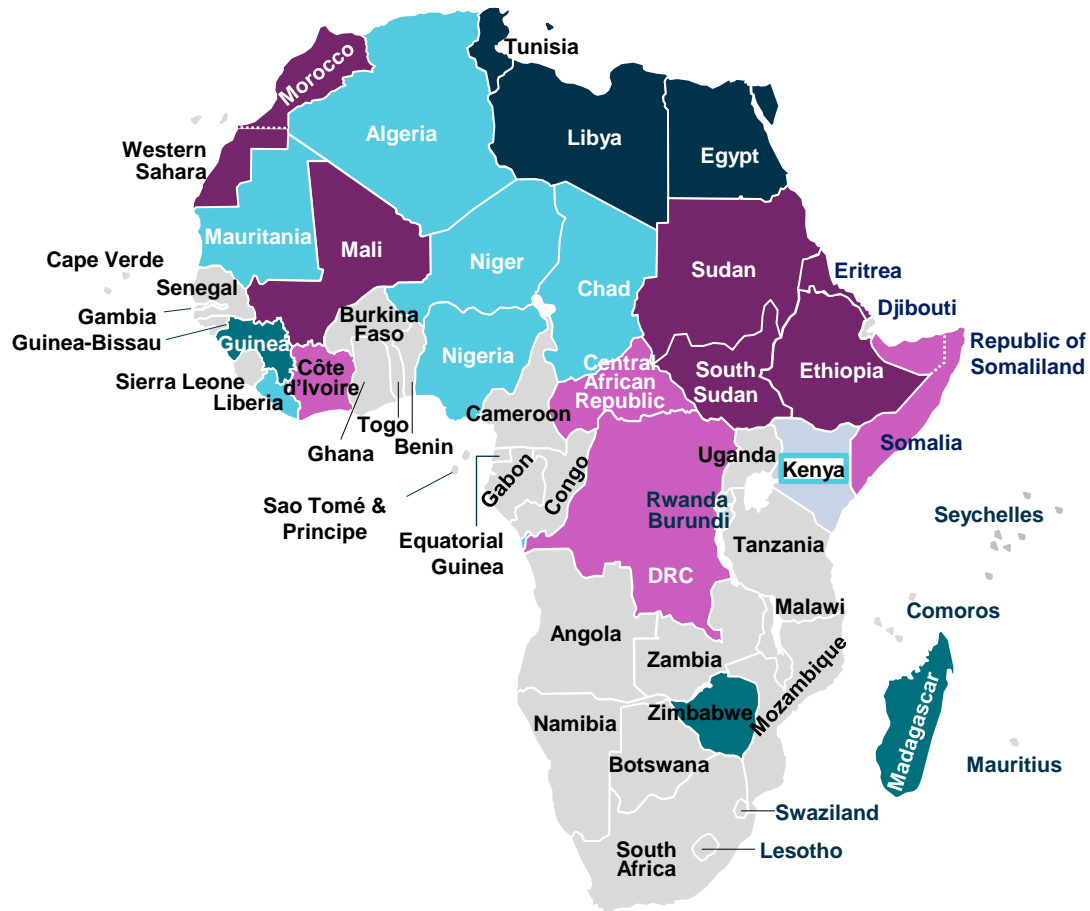
3. A CIVIL LAW BASED LEGAL SYSTEM

Two legal systems in Africa
(operating concurrently with
Islamic law and/or customary law)

- Systems based on civil law principles
- Systems based on common law principles
- Mixed civil law / common law based systems



4. A STABLE COUNTRY



- Territorial Conflicts:**
 - Ethiopia / Eritrea
 - Mali
 - Sudan / South Sudan
 - Western Sahara – Morocco

- Internal crises:**
 - Central African Republic
 - Côte d'Ivoire
 - Democratic Republic of Congo
 - Somalia

- Civil unrest:**
 - Egypt
 - Libya
 - Tunisia

- Transitional Countries:**
 - Guinea
 - Madagascar
 - Zimbabwe

- Travel Warnings:**
 - Algeria
 - Chad
 - Liberia
 - Mauritania
 - Niger
 - Nigeria

5. AN ECONOMICALLY INTEGRATED COUNTRY

Economic organisations involved in the management of conflicts

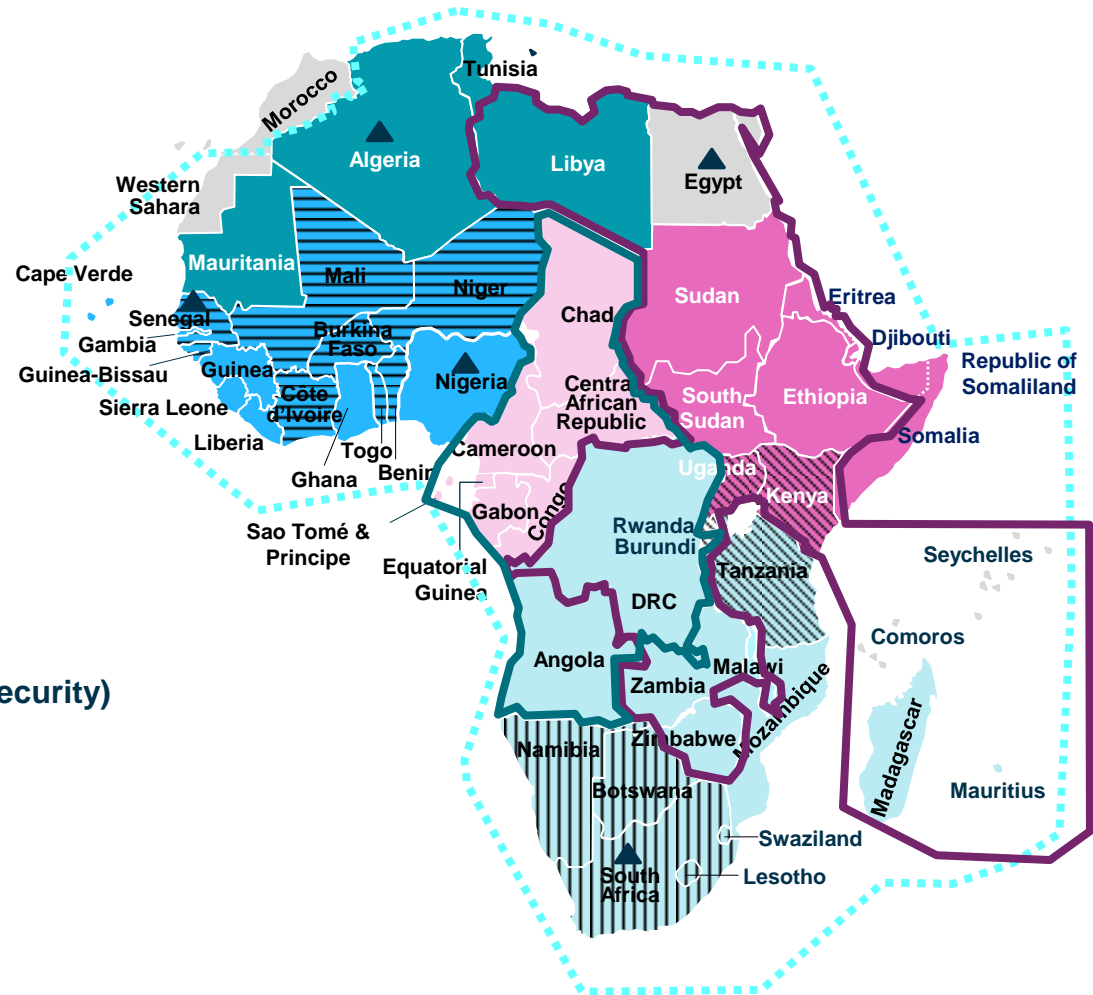
- ECOWAS (Economic Community Of West African States)
- ECCAS (Economic Community of Central African States)
- IGAD (Intergovernmental Authority on Development)
- SADC (Southern African Development Community)

Economic organisations

- AMU (Arab Maghreb Union)
- WAEMU (West African Economic and Monetary Union)
- ECCAS (Economic Community of Central African States)
- COMESA (Common Market for Eastern and Southern Africa)
- EAC (East African Community)
- SACU (Southern African Customs Union)

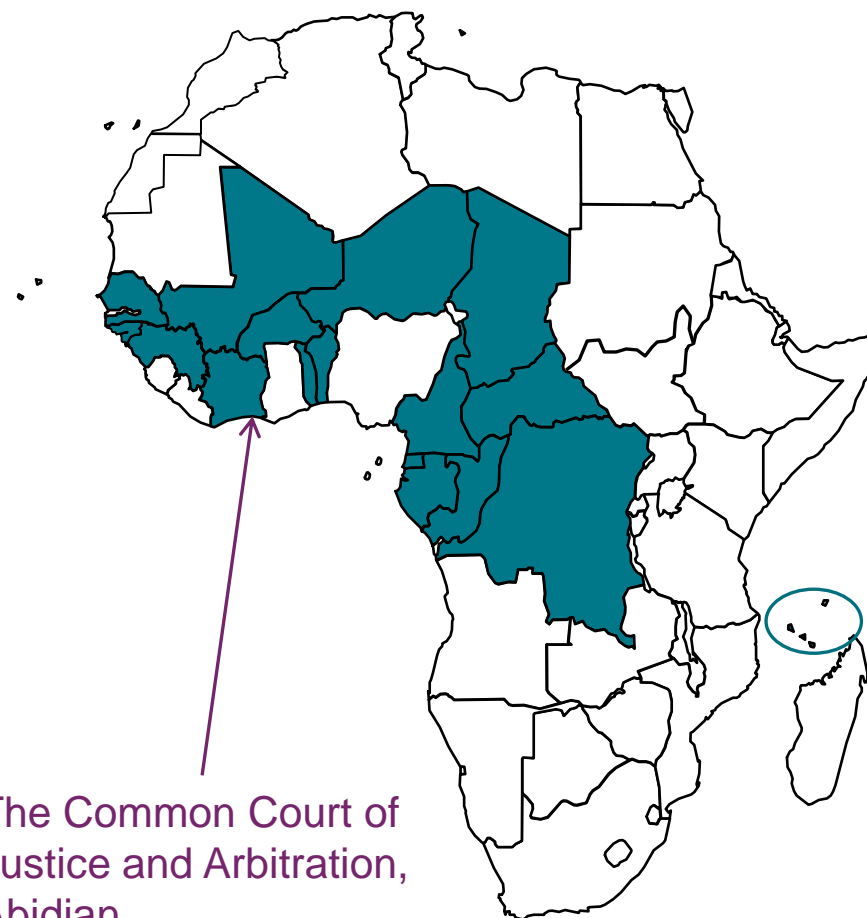
Multisectoral organisations (political, economic and security)

- AU (African Union)
- ▲ Initiating countries of NEPAD (New Partnership for Africa's Development)



6. A COUNTRY IN OHADA SUB-REGION

- 17 countries
- 9 Uniform Acts:
 - Relating to General Commercial Law
 - Relating to Commercial companies and economic interest group
 - Organising securities
 - Organising simplified recovery procedures and measures of execution
 - Organising collective proceedings for wiping off debts
 - On Arbitration
 - Organising and harmonising undertakings accounting systems in the signatory states to the treaty on the harmonisation of Business Law in Africa
 - Relating to Cooperatives Law
 - Contracts for the Carriage of Goods by Road



7. RISKS OF MINING AND PETROLEUM PROJECTS

Capital dilemmas – capital allocation and access
Health, safety and environmental incidents / ensuring regulatory compliance
Resource nationalism
Cost escalation
Price and currency volatility
Skill shortages
Sharing the benefits
Infrastructure access
IT security / telecommunication access
Worsening fiscal terms

* Source: Ernst and Young 2013 reports: *Business risks facing mining and metals* and *Oil and gas: top ten risks*.

8. SENEGAL'S ENERGY DEVELOPMENT PLAN OR A NEW ENERGY MIX

Sources of Energy

- Problem of cost of production (oil indexed/price of electricity). It is necessary to decrease costs of production so as to better use all possible sources of energy.

Development plan for 2013-2017 (Council of Ministers of 21st March 2013)

- End of some Heavy Fuel Oil (HFO) projects for 210 MW;
- HFO from 49,3 to 26,3%;
- DO from 38 to 4,5%;
- Gas from 2,3 to 20,4%;
- Coal from 0 to 25%;
- Hydro from 10 to 5%;
- Other renewables from 0 to 18,5%.

9. WHY INVEST IN SENEGAL?

- Legal certainty
- Political stability
- Ease of setting up businesses
- An economic centre in the region
- The most visited country in West Africa
- A country at the intersection of important maritime paths



10. A POLITICALLY AND SOCIALLY STABLE COUNTRY

- One of Africa's model democracies: a multi-party system with parties competing across ethnic, religious and ideological lines.

Macky Sall won the presidential elections in March 2012.

- Promotion of good governance in domestic and international transactions:
adoption of Law No. 2003-35 combatting non-transparency, corruption and the misappropriation of funds.
- Senegal is a candidate for the Extractive Industries Transparency Initiative ("**EITI**")

11. A STATE WITH LEGAL CERTAINTY (1/2)

Legal stability for mining and hydrocarbon projects

- Model mining agreement
- Tax stabilisation for mining and hydrocarbon activities

Protection of property

- Protection against expropriation or requisition

Equality of treatment for foreign investors

- Non discrimination relating to concessions, administrative authorisation and public procurement procedures.

12. A STATE WITH LEGAL CERTAINTY (2/2)

Arbitration

- Contractual provisions
- BIT

Enforcement

- New York Convention Member State
- Washington Convention Member State

13. INTERNATIONAL TREATIES

Treaties	Date of signature	Date of entry into force
New York Convention of 10 June 1958 on the Recognition and Enforcement of Foreign Arbitral Awards	17 October 1994 (accession)	15 January 1995
Washington Convention of 18 March 1965 on the Settlement of Investment Disputes between States and Nationals of Other States	26 September 1966	21 May 1967
Bilateral Investment Treaty concluded with Argentina	6 April 1993	N/A
Bilateral Investment Treaty concluded with Egypt	5 March 1998	N/A
Bilateral Investment Treaty concluded with France	26 July 2007	28 October 2008
Bilateral Investment Treaty concluded with Germany	24 January 1964	16 January 1966
Bilateral Investment Treaty concluded with India	3 July 2008	15 November 2009
Bilateral Investment Treaty concluded with Malaysia	10 February 1999	N/A
Bilateral Investment Treaty concluded with Mauritius	14 March 2002	N/A

Treaties	Date of signature	Date of entry into force
Bilateral Investment Treaty concluded with Morocco	15 November 2006	N/A
Bilateral Investment Treaty concluded with the Netherlands	3 August 1979	5 May 1981
Bilateral Investment Treaty concluded with Qatar	10 June 1998	N/A
Bilateral Investment Treaty concluded with the Republic of Korea	12 July 1984	2 September 1985
Bilateral Investment Treaty concluded with Romania	19 June 1980	20 May 1984
Bilateral Investment Treaty concluded with South Africa	5 June 1998	N/A
Bilateral Investment Treaty concluded with Sweden	24 February 1967	23 February 1968
Bilateral Investment Treaty concluded with Switzerland	16 August 1962	13 August 1964
Bilateral Investment Treaty concluded with Tunisia	17 May 1984	N/A
Bilateral Investment Treaty concluded with the United Kingdom	7 May 1980	9 February 1984
Bilateral Investment Treaty concluded with the United States of America	6 December 1983	25 October 1990

14. FINANCIAL STABILITY

Currency stability

- Member of the WAEMU
- Common currency (the CFA Franc)
- A State belonging to the Central Bank of West African Countries (BCEAO)

WAEMU foreign exchange regulations

- Transfer of funds
- Opening accounts in foreign currencies

15. CORPORATE STRUCTURE

Different business vehicles available

- The partnership company (*société en nom collectif*)
- The limited partnership (*société en commandite simple*)
- The private limited company (*société à responsabilité limitée*, "SARL")
- The limited company (*société anonyme* "SA")

Ease of setting up businesses

- The one-stop shop (48 hours)
- Ranked 67th out of 185 economies in the ranking for ease of trading across borders (*Doing Business 2013*).

16. TAX AND CUSTOMS, MINING AND OIL & GAS

Favourable tax and customs regimes for mining and petroleum activities

- Tax and customs exemptions during exploration periods
- Customs exemptions for imports during exploitation periods
- Negotiable for mining activities
- Temporary admittance regime

Mining	Petroleum
<ul style="list-style-type: none">• Mining tax: based on the value of the mine site (3%)• Right of entry: fom XOF 500 000 to XOF 1.5 million• Multiple tax exemptions (please refer to figure 1 below).	<ul style="list-style-type: none">• Royalties: between 2% and 10%• Corporate tax: 35%• Annual surface rent: set in the agreement• Additional petroleum tax: set in the agreement• VAT: 18%

FIGURE 1 – TAX EXEMPTIONS APPLYING TO MINING PROJECTS

Exemptions	Exploration phase	Exploitation phase
Tax	Full exemption throughout the entire exploration phase	<p>Exemption of</p> <ul style="list-style-type: none"> • VAT • Export tax • Minimum flat tax • Land tax • Apprenticeship tax • Corporate tax (concessions only) • Registration fees on contributions made at the time of incorporation or capital increase <p>for a period of (i) 3 years in the case of an exploitation permit and for 7 years in case of a concession (and up to 15 years for large concessions)</p>
Customs	Exemption of all royalties and custom duties (including VAT and deductions of the Senegalese Council Shippers (COSEC)) throughout the whole exploration phase	<p>Exemption of <u>all fees and taxes perceived at the entry</u> (including VAT and COSEC deductions) when making the investment</p> <p>Exemption of <u>export tax</u> throughout the whole exploitation phase</p>

17. STATE PARTICIPATION

State's participation in mining and petroleum projects

- In mining projects, State's free non-dilutable 10% interest in the share capital of the exploitation company. State's right to also negotiate an additional interest for itself or for the benefit of the private national sector.
- In oil projects, the Production sharing contract shall define the modalities of the State's participation which can either be held directly or through the national company (ie Petrosen).

18. REVIEW OF MINING LAW AND CONVENTIONS

Forthcoming revision of :

- the legal framework applying to the mining sector (ie. the mining code of 2003 and its implementing decree of 2004, which are based on the WAEMU Community mining code); and
- the mining agreements executed by the State (ie. a mining agreement is attached to any exploration permit, exploitation permit and mining concession (it can be negotiated: the minimum work programme, etc.)).



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