THE CHALLENGE

While Senegal is not a commodity-dependent country, the current government attributes an important role to the mining sector in the national development strategy Plan Sénégal Emergent. The gold sector is cited as one of the six pillars for diversifying the mining sector.

In 2021, the Ministry of Mines requested CONNEX’s assistance in negotiating a contract concerning the integration of two existing gold projects under one contract, following the acquisition of one of the mines by an established mining company. In addition, they also requested expertise for the negotiation of a supplemental contract for the expansion of a gold project following promising new discoveries of additional deposits. Both projects are located in the southeast of the country.

While Senegal does have experience in mining, their access to information, as well as the complexities of the merger from a legal perspective, made it beneficial to bolster the negotiating team with external experts to empower the government.

OUR ROLE

CONNEX provided financial, legal, and strategic advice to both projects. The negotiations for the expansion of a mine were also additionally supported with geological expertise to verify the claims of the investor to additional resources.

The Senegalese government requested our experts to analyse and comment on three other mining contracts and the model contract, with a corresponding expert analysis handed over to the Senegalese side in 2022.

Substantial progress was made in both negotiations with the experts’ support and eventually an agreement was reached in both cases. Although rescheduled several times, CONNEX stayed at the government’s side throughout the multiple rounds of negotiations.

Rosaline Carlos, Director General of Mining, Ministry of Mines and Geology, outlined the challenge, saying “CONNEX offered great support and the government has been working with them for the past two years. CONNEX was able to provide a better technical overview and a more encompassing scope of the negotiations. Investors almost always have much more information and background than the government. We wanted to ensure that we achieved the best results with these two contracts, and so CONNEX was very helpful.”
OUR IMPACT

Our impact to the Senegalese government was manifold. Over the course of our support, the geological experts helped to identify a company’s overproduction, which enabled the government to include it as part of the negotiations, strengthening their bargaining position and enabling them to obtain considerable financial compensation.

It also emerged that the state’s actual share of gold production had fallen below the contractually agreed limit. The government rightly decided to also include this issue in the negotiation.

The legal-strategic advice helped to avoid one of the renegotiations potentially going to (costly) arbitration. In the end, a deal satisfactory to both sides was reached. Along the process, the added-value of developing the government’s own financial models was demonstrated. With regard to the longer-term impact, CONNEX’s support led to the building of capacity and knowledge transfer through workshops, putting the government in a better position for future negotiations.

As Ms. Carlos continued: “Learning by doing was an important aspect of working with CONNEX. Experts also helped us on the spot during the negotiation phase itself. After our experience with CONNEX, we will go into negotiations very differently in the future.”

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