

AFRICA RISK CONSULTING

Guinea Monthly Briefing June 2022

Guinea Summary 24 June 2022

Ruling military junta president Colonel Mamady Doumbouya (2021-present) has given the government's partners in the Simandou iron ore mine a deadline of 3 July to finalise a joint venture. Doumbouya reprimands Australia-based Rio Tinto and China-backed Winning Consortium Simandou for their lack of progress in the agreement reached between the three parties in March. The finance ministry announces a 20% fuel hike, sparking protests across Conakry that have left one person dead. The price of fuel increases by 20% with effect from 1 June from 10,000 GNF (\$1.15) to 12,000 GNF (\$1.38) per litre. The International Monetary Fund (IMF) completes a working visit to Guinea between 1 and 7 June, to discuss economic developments and the state of the budget. The mission, led by Clara Mira on behalf of the IMF, affirms that Guinea's economy remains resilient despite the "context of a difficult environment".

Mining sector delays continue

Ruling military junta leader Colonel **Mamady Doumbouya** (2021-present) has given the government's partners in the **Simandou** iron ore mine 14 days from 19 June to finalise a joint venture.¹ Doumbouya reprimanded **Australia-based Rio Tinto** and **China-backed Winning Consortium Simandou** for their lack of progress in the deal reached between the three parties in March (see *ARC Briefing Guinea Apr 2022*).² Addressing cabinet on 19 June, Doumbouya stated:

*"We note a gap between your vision of the implementation of the terms of the framework agreement and our expectations. This situation is not only regrettable, but above all unacceptable for the **Guinean State**."*³

Doumbouya's pressure is reportedly necessary to get the mine functioning. Rio Tinto has held the rights to exploit blocks in the Simandou deposit for 25 years, but thus far no iron ore has been exported from the mine.⁴ The initial agreement called for the railway to connect the mine with a port to be completed by December 2024 and commercial production to begin 31 March 2025, failing which partners may lose their licences.⁵ Despite the pressure facing them, both companies were present at a workshop on 25 June hosted by mines minister **Moussa Magassouba**, and reaffirmed their commitment to the project and the Guinean people.⁶

Doumbouya also extended the deadline for bauxite mining companies to present their plans to construct alumina refineries (see *ARC Briefing Guinea Apr 2022*). The companies failed to meet the initial deadline of 31 May, prompting the announcement on 9 June to extend the deadline to 20 June. By 23 June, it was reported in a cabinet meeting that no company had met the deadline.⁷

Mining companies, including **Compagnie des Bauxites de Guinée (CBG)**, Guinea's second largest producer of bauxite and 49%-owned by the state, have pointed to the challenges facing them in setting up refineries. During the **Africa CEO Forum** in **Abidjan** on 13-14 June, CBG CEO **Souleymane**

¹ Reuters, 19 Jun 2022

² Reuters, 19 Jun 2022

³ Agence Ecofin, 20 Jun 2022

⁴ Agence Ecofin, 20 Jun 2022

⁵ Agence Ecofin, 20 Jun 2022

⁶ Guinee Matin, 25 Jun 2022

⁷ Guinee News, 24 Jun 2022

Traoré stated that despite the political will and willingness of companies to fulfil this obligation, there are several hurdles, including the significant investment required, and access to energy.⁸

Guinea holds the world's largest deposits of iron ore and in 2021 exported 81.1 million tonnes of bauxite.

Fuel hikes spark protests ...

The finance ministry's announcement on 31 May of a 20% fuel price hike sparked protests across **Conakry** on 1 June that left one person dead. The protests were the largest since the **Comité national du rassemblement et du développement (CNRD)** seized power in the September 2021 coup d'état (see *ARC Briefing Guinea Sep 2021*),⁹ and took place despite the CNRD implementing a ban on protests in May. Riot police deployed during the protest fired tear gas to disperse protestors. After a resurgence in demonstrations, police fired warning shots, one of which killed **Thierno Mamadou Diallo**.¹⁰

The government cited the ongoing **Ukraine-Russia** conflict as the reason for the fuel increase from 10,000 GNF (\$1.15) per litre to 12,000 GNF (\$1.38). Finance minister Moussa Cissé said the 2022 national budget forecast oil to trade at \$70-\$80, but it is currently trading above \$110. Cissé maintained that if the government had not increased the fuel price, it would have lost approximately 3,000 billion GNF (\$346m) by December.¹¹ Government spokesman and urban planning minister **Ousmane Gaoual Diallo** indicated that the government has maintained a waiver of petroleum-related taxes, except the tax for the road maintenance fund.¹²

Civil society and the trade union movement have denounced the fuel price increase as a unilateral decision by the government.¹³ The **Fédération syndicale des Professionnelles de l'Éducation (FSPE)** (syndicated federation of education professionals) and the **Confédération Nationale des Travailleurs de Guinée (CNTG)** (national confederation of Guinean workers) called for support measures to be put in place, claiming the fuel price hike will have repercussions on rent, food and transport prices.¹⁴ The protests on 1 June were largely supported by the younger population, which is feeling the pinch amid rising prices.

Fuel stations across Conakry have faced diesel and petrol shortages after fuel deliveries stopped for several days in June. Local media outlet **Africa Guinée** reported on 20 June that the shortage had led the black market to thrive, with petrol trading at 15,000-20,000 GNF (\$1.73-\$2.31) per litre.¹⁵ Rural areas are believed to be suffering even more, with some villages reporting no fuel deliveries for 14 days.

Société nationale des pétroles (SONAP) (national petroleum company) director general **Amadou Doumbouya** assured Guineans on 21 June that Guinea is not facing a fuel crisis but that delays in the unloading of petroleum products are to blame.¹⁶ Doumbouya said fuel imports cost \$150m a month, a figure that only two banks in Guinea can finance. The banks reportedly wished to delay the transactions, but no further detail was provided.¹⁷ SONAP reported unloading of fuel products had begun on the evening of 21 June.

⁸ Agence Ecofin, 15 Jun 2022

⁹ Reuters, 2 Jun 2022

¹⁰ Africanews, 2 Jun 2022

¹¹ Vision Guinée, 3 Jun 2022

¹² Vision Guinée, 1 Jun 2022

¹³ Africa Guinée, 1 Jun 2022

¹⁴ Africa Guinée, 1 Jun 2022

¹⁵ Africa Guinée, 20 Jun 2022

¹⁶ Guinée News, 21 Jun 2022

¹⁷ Guinée News, 21 Jun 2022

... but Guinean economy remains resilient

The **International Monetary Fund (IMF)** completed a working visit to Guinea between 1 and 7 June, to discuss economic developments and the state of the budget. The mission, led by **Clara Mira** on behalf of the IMF, affirmed that Guinea's economy remains resilient despite the "*context of a difficult environment*".¹⁸

Growth within the mining sector, namely gold and bauxite, remains Guinea's strength and has offset some of the pressures facing the economy such as the ongoing Ukraine-Russia conflict. The IMF notes that the conflict will impact the ability of the Guinean economy to diversify and grow in areas outside of mining.¹⁹ The IMF also cited Guinea's current political environment as a reason for a delay in growth outside of the mining sector, likely due to political uncertainty and possible **Economic Community of West African States (ECOWAS)** sanctions deterring investors. Inflation reached 11% year-on-year in April, which the IMF believes needs to be mitigated to limit the impact on vulnerable populations.

The ruling military junta has navigated these pressures through repayment of advances from the **Banque Central de la République de Guinée (BCRG)** (central bank), non-dependence on central bank financing and the signing of a memorandum of understanding with the chamber of commerce, reducing customs duties on necessities.²⁰ Revenue collection in the first half of 2022 has been positive, with the IMF noting this as an improvement in compliance and digitisation efforts in non-mining related sectors.²¹ In April, Guinean authorities issued their first bonds with a five-year maturity, which will reduce short-term refinancing risk and assist the domestic financial market.²²

The IMF mission suggested further measures to mitigate the impacts of the Russia-Ukraine conflict and other pressures, including:

- Strengthening domestic revenue mobilisation, especially in the mining sector
- Continued repayment of arrears and avoiding new one loans
- Increase mitigation for food price shocks through well-targeted temporary measures
- Limit central bank financing
- Manage liquidity if domestic price pressures increase.²³

The IMF expects Guinea's economy to remain resilient throughout 2022, projecting that growth could reach 5.5% in 2022.²⁴

¹⁸ Guineenews.org, 13 Jun 2022

¹⁹ Guineenews.org, 13 Jun 2022

²⁰ Agence Ecofin, 10 Jun 2022

²¹ Guineenews.org, 13 Jun 2022

²² Africa Guinee, 12 Jun 2022

²³ Africa Guinee, 12 Jun 2022

²⁴ www.imf.org, 9 Jun 2022

Planner

(Date TBA due to Covid-19) **Conakry (Guinea)** Transform Africa Conference;
 2023 **Conakry (Guinea)** Guinea Investment Forum;
 31 March 2025 **Conakry (Guinea)** Start of exploitation at the **Simandou** iron ore project;

Chronology

25 Jun 2022 **Washington (United States)** *Africa Guinee*. Opposition **Union des Forces Démocratiques de Guinée (UFDG)** leader and former prime minister **Cellou Dalein Diallo** embarks on a diplomatic tour of the **United States**;

23 Jun 2022 **Conakry (Guinea)** *Guinee Matin*. Citizen and political movement coalition **Front National pour la Défense de la Constitution (FNDC)** announces it will postpone its demonstration scheduled for 23 June in Conakry to 30 June;

22 Jun 2022 **London (United Kingdom)** *Agence Ecofin*. **Switzerland**-headquartered mining giant **Glencore** pleads guilty for a second time to acts of corruption in several **African** countries, including **Guinea**;

21 Jun 2022 **Conakry (Guinea)** *Africa Guinee*. Attorney general **Charles Wright** issues a letter to prosecutors of the court of first instance, instructing them to begin legal proceedings should any illegal demonstrations go forward in an apparent warning to the **Front National pour la Défense de la Constitution (FNDC)** ahead of its planned demonstration;

20 Jun 2022 **Conakry (Guinea)** *Media Guinee*. Prime minister **Mohamed Béavogui**, facing pressure from regional bloc **Economic Community of West African States (ECOWAS)**, has begun consultations with several socio-economic actors on behalf of the military junta to avoid ECOWAS imposing sanctions;

20 Jun 2022 **Conakry (Guinea)** *Dakar Actu*. Ruling military junta head Colonel **Mamady Doumbouya** has imposed a 14-day deadline for the creation of a joint venture in charge of the exploitation of the **Simandou** iron ore site;

16 Jun 2022 **Conakry (Guinea)** *Vision Guinee*. Former ruling party **RPG Arc-en-ciel** issues a statement ruling out its participation at minority party **Front National pour la Défense de la Constitution (FNDC)** protest on 23 June in **Conakry**;

13 Jun 2022 **Conakry (Guinea)** *Africanews*. Opposition **Union des forces démocratiques de Guinée (UFDG)** leader **Cellou Diallo** is expected to appear before the country's economic and financial crimes court to respond to accusations of fraud and self-enrichment;

12 Jun 2022 **Conakry (Guinea)** *Africa Guinee*. The **International Monetary Fund (IMF)** completes a mission to Guinea to discuss the status of national accounts, balance of payments and the budget under the military junta;

9 Jun 2022 **Konta (Guinea)** *Media Guinee*. Representatives of **Géogas Entreprise Guinea** and the national hydrocarbons directorate meet to assess the feasibility of supplying the country with butane gas via a port located in **Konta**;

10 Jun 2022 **Conakry (Guinea)** *APA News*. Citizen and political movement coalition **Front National pour la Défense de la Constitution (FNDC)** announces a demonstration for 23 June in Conakry;

10 Jun 2022 **Conakry (Guinea)** *Reuters*. The ruling military junta has given bauxite mining companies an additional 10 days to present plans for the construction of alumina refineries;

9 Jun 2022 **Conakry (Guinea)** *Agence Ecofin*. Workers at **Russia**-headquartered aluminium giant **Rusal's Guinea** subsidiary, **Compagnie des Bauxites de Dian Dian**, return to work after agreeing on a salary increase during negotiations;

6 Jun 2022 **Accra (Ghana)** *Vision Guinee*. **ECOWAS** agrees during its extraordinary summit that the 36-month transitional period proposed by Guinea is unacceptable, and calls for another timetable;

3 Jun 2022 **Conakry (Guinea)** *Media Guinee*. A delegation from the **Economic Community of West African States (ECOWAS)** has arrived in Conakry ahead of the regional bloc's extraordinary summit organised for 4 June to negotiate Guinea's transitional period;

2 Jun 2022 **Accra (Ghana)** *France24*. **Economic Community of West African States** leaders fail to agree what action to take against military juntas in **Mali, Burkina Faso** and **Guinea**, postponing a decision until July;

2 Jun 2022 **Conakry (Guinea)** *Reuters*. One person has been killed during protests over fuel price hikes;

1 Jun 2022 **Conakry (Guinea)** *RFI*. The ruling military junta has rejected a call from the **United Nations** to lift a ban on political demonstrations;

31 May 2022 **Conakry (Guinea)** *Guinee News*. Fuel and diesel prices are set to increase by 20% from 1 June, increasing from 10,000 GNF (\$1.14) to 12,000 GNF (\$1.36) per litre;

30 May 2022 **Conakry (Guinea)** *Africa Guinee*. **Cour de Répression des Infractions Économiques et Financières (CRIEF)**, established by the ruling military junta to prosecute economic crimes, has issued summons to former prime minister **Cellou Dalein Diallo**;

30 May 2022 **Conakry (Guinea)** *Agence Ecofin*. **Australia**-based mining company **Predictive Discovery** announces a share offering to raise \$39.5m for the **Bankan** gold project;

27 May 2022 **Conakry (Guinea)** *Africa Guinee*. **Belgium** and the Guinean government conclude a joint consultation committee meeting, assessing bilateral cooperation;

26 May 2022 **Conakry (Guinea)** *Reuters*. Workers at **Russia**-headquartered aluminium giant **Rusal's Guinea** subsidiary, **Compagnie des Bauxites de Dian Dian**, go on strike demanding better working conditions and a salary increase;

26 May 2022 **Conakry (Guinea)** *Media Guinee*. **Conseil National de Transition (CNT)** (national transition council) meets with several civil society parties to discuss the transitional framework;

24 May 2022 **Conakry (Guinea)** *Agence Ecofin*. Government has launched an initiative called the "**Regional Project for the Empowerment of Women and the Demographic Dividend in the Sahel**" financed at \$60m by the **World Bank**;

About Africa Risk Consulting:

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