

## AFRICA RISK CONSULTING

### Guinea Monthly Briefing February 2016

#### Guinea Summary 25 February 2016

*The fatal shooting of Guinea7 journalist El Hadj Mohamed Diallo outside the Union des Forces Démocratique de Guinée (UFDG) party headquarters exacerbates tensions between UFDG leader Cellou Dalein Diallo and UFDG vice president Amadou Bah Oury. Rio Tinto continues to seek financing for the \$20 billion flagship Simandou iron ore project despite a write-down of over \$1.1 billion. The main national workers' unions, the Confédération Nationale des Travailleurs de Guinée (CNTG) and the Union Syndicale des Travailleurs de Guinée (USTG), end a five-day nationwide strike, with the government agreeing to 12 of its 13 demands. Transparency International's Corruption Perceptions Index ranks Guinea 139<sup>th</sup> worldwide, the 16<sup>th</sup> most corrupt country in Africa.*

#### Tensions over Bah Oury exclusion lead to death of journalist

An unknown assailant fatally shot Guinea7 online news journalist **El Hadj Mohamed Diallo** in front of the main opposition **Union des Forces Démocratiques de Guinée (UFDG)** party headquarters on 5 February.<sup>1</sup> Following the attack, Guinea's press and media organisations – the **Union des Radiodiffusions et Télévisions Libres de Guinée (URTELGUI)**, the **Union de la Presse Libre de Guinée (UPLG)**, the **Association Guinéenne des Éditeurs de la Presse Indépendante (AGEPI)** and the **Association Guinéenne de la Presse en Ligne (Aguipel)** – asked journalists to suspend all coverage of the UFDG party's activities due to the apparent security threat.<sup>2</sup>

*"For me, this was not a politically motivated murder. There was no evidence to suggest that Mohamed Diallo was skewed against either opposition or the ruling party. Rather, I believe he is an innocent victim."*<sup>3</sup>

The incident occurred as the recently pardoned vice president of the UFDG, **Amadou Bah Oury**, clashed with supporters of the incumbent UFDG president and leader, **Cellou Dalein Diallo**.<sup>4</sup> Diallo's guards blocked Bah Oury's supporters from attending the party's weekly meeting.<sup>5</sup> Bah Oury arrived in a four-wheel-drive vehicle together with several henchmen-like "strong-arms".<sup>6</sup> One of Diallo's bodyguards reportedly threw a steel bar at Bah Oury.<sup>7</sup> Several journalists had gathered to cover the clashes between Bah Oury and Diallo's supporters.<sup>8</sup>

Bah Oury and Diallo have a history of conflict. Bah Oury's recent return has caused a surge in tensions within the party. Many believe Bah Oury seeks to challenge Diallo for leadership of the party (see *ARC Briefing Guinea January 2016*). Diallo has hinted that he would take a more aggressive stance if Bah Oury were to demonstrate resistance to the current hierarchy of the UFDG (see *ARC Briefing Guinea January 2016*).

<sup>1</sup> Guinea7, 6 Feb 2016.

<sup>2</sup> Guinea7, 6 Feb 2016.

<sup>3</sup> Source, journalist, Conakry

<sup>4</sup> Guineenews, 5 Feb 2016.

<sup>5</sup> Guineenews, 5 Feb 2016.

<sup>6</sup> Le Monde, 8 Feb 2016.

<sup>7</sup> Le Monde, 8 Feb 2016.

<sup>8</sup> Le Monde, 8 Feb 2016.

A UFDG statement accused Bah Oury of “wielding a weapon” with the aim of “disturbing the meeting” and “attempt[ing] to murder Cellou Dalein Diallo”.<sup>9</sup> The statement alleged that Bah Oury wished to gain forced entry into the meeting, as he collided with UFDG law enforcement officers.<sup>10</sup> The statement claims that Bah Oury used his weapon in front of several witnesses, which indirectly led to the death of journalist Mohamed Diallo.<sup>11</sup> Bah Oury’s purported motive was Diallo’s exclusion of him from the party he co-founded.<sup>12</sup> The UFDG had released a statement on 4 February excluding Bah Oury for violating the party statutes. Reasons included “failing to respect party discipline” and “engaging in acts that could harm the party”.<sup>13</sup> Diallo ordered that Bah Oury lose his position as vice president and be fully excluded from the party.<sup>14</sup> Bah Oury refused to accept this order.<sup>15</sup> Bah Oury claims that a small group of 60 UFDG members (out of a total 350) made this decision, which he described as a “diktat” and a “provocation”,<sup>16</sup> claiming that the “question of exclusion, to my eyes and with regards to the statute, is invalid”.<sup>17</sup> Prior to the weekly meeting at the UFDG headquarters, Bah Oury declared he would “go to the party headquarters to show that nothing has changed”.<sup>18</sup> Communications officer for the UFDG, **Mamadou Adama Barry**, stated:

*“Bah Oury, former vice-president of our party, was excluded because he no longer shared the line of the party and automatically aligned himself with the power of [President] Alpha Condé (2010-present).”*<sup>19</sup>

Diallo claims that Bah Oury’s agenda is to “destabilise the UFDG”.<sup>20</sup> According to Diallo, Bah Oury returned from exile “with the idea of taking back his party”.<sup>21</sup> Diallo did not accuse Bah Oury of the journalist’s death as he did not witness the incident.<sup>22</sup> Nonetheless, Bah Oury has a history of accusations against him, linked to the attack on Condé’s residence in July 2011, which led to his exile.<sup>23</sup> Bah Oury contends that Diallo is responsible for the journalist’s death.<sup>24</sup> He claims Diallo “wished to assassinate” him, calling the incident an “ambush” and himself a “survivor”.<sup>25</sup>

Journalists have organised marches in protest against the killing. They are calling for an investigation into the killing and carried out a “day without press” on 9 February in protest.<sup>26</sup> State prosecutor **Sidy Souleymane N’Diaye** launched a judicial inquiry “against X for voluntary homicide”, stating “there will be no impunity”.<sup>27</sup>

*“Already, a pool of lawyers has been assembled, including Elhadj Diouf, Salifou Béavogui and Aboubacar Sylla who denounce obstinacy against their client [Cellou Diallo].”*<sup>28</sup>

Colonel **Balla Samoura** led a police investigation starting 12 February that placed 20 UFDG supporters – reportedly Diallo’s UFDG law enforcers – under police custody, being “interrogated and re-interrogated”.<sup>29</sup> The supporters claim to have been unarmed during the incident.<sup>30</sup>

<sup>9</sup> UFDG Statement, 7 Feb 2016.

<sup>10</sup> UFDG Statement, 7 Feb 2016

<sup>11</sup> UFDG Statement, 7 Feb 2016.

<sup>12</sup> UFDG Statement, 7 Feb 2016.

<sup>13</sup> UFDG Statement, 5 Feb 2016.

<sup>14</sup> Multiple sources: Le Monde, 8 Feb 2016; UFDG Statement, 5 Feb 2016.

<sup>15</sup> Multiple sources: Le Monde, 8 Feb 2016; UFDG Statement, 5 Feb 2016.

<sup>16</sup> Jeune Afrique, 5 Feb 2016.

<sup>17</sup> Aminata.com, 16 Feb 2016.

<sup>18</sup> Jeune Afrique, 5 Feb 2016.

<sup>19</sup> Source, journalist, Conakry

<sup>20</sup> Afrik.com, 9 Feb 2016.

<sup>21</sup> Afrik.com, 9 Feb 2016.

<sup>22</sup> Afrik.com, 9 Feb 2016.

<sup>23</sup> Le Monde, 8 Feb 2016.

<sup>24</sup> Le Monde, 8 Feb 2016.

<sup>25</sup> Le Monde, 8 Feb 2016.

<sup>26</sup> Multiple sources: Jeune Afrique, 9 Feb 2016; Jeune Afrique, 10 Feb 2016.

<sup>27</sup> Multiple sources: Guinee360, 6 Feb 2016; Jeune Afrique, 6 Feb 2016.

<sup>28</sup> Source, journalist, Conakry

*“According to the information on the inquiry, the 20 people are voluntary youths who help maintain order at the heart of the UFDG party during political demonstrations... These arrests caused anger within the members of the political party, who have rejected the preliminary inquiry, accusing the judge of partiality.”<sup>31</sup>*

### Rio Tinto upholds Simandou project despite \$1.1 billion write-down

Following the publication of its 2015 annual report, **London-based Rio Tinto** has announced that it will continue to seek financing for its **Simandou South** iron-ore project despite a \$1.1 billion write-down in 2015.<sup>32</sup> The write-down came amid low global commodities prices and funding uncertainties.<sup>33</sup>

*“Given the uncertainties associated with funding the infrastructure, coupled with the volatility of the current and near-term outlook for commodity prices, the Group has undertaken a review of the carrying value of [Simandou] and determined a non-cash impairment charge of \$1.1 billion.”<sup>34</sup>*

Rio Tinto plans to develop and operate the Simandou iron-ore mine with its 46.6% share in the **Simfer** joint-venture, the holder of **Blocks 3 and 4** of the Simandou mining concession.<sup>35</sup> The other partners in the joint-venture are the government of Guinea (7.5%), a consortium of **Chinese** state-owned enterprises led by **Chinalco** (41.3%), and the **World Bank Group’s** private sector lending arm, the **International Finance Corporation** (4.6%).<sup>36</sup> The Simandou complex is one of the largest untapped high grade iron-ore resources worldwide, and the largest on the **African** continent.<sup>37</sup> The Simandou concession has in excess of two billion tonnes of ore reserves,<sup>38</sup> and an estimated annual production capacity of 100 million tonnes.<sup>39</sup>

The start of production will push Rio Tinto to overtake **Brazil-based Vale** as the world’s top iron ore producer.<sup>40</sup> Vale currently holds the **Simandou North** concession (**Blocks 1 and 2**) which has been the subject of legal proceedings. Rio Tinto owned the Simandou North concession until 2008 when the government of former president **Lansana Conté** (1984-2008) reclaimed the rights and shortly afterwards assigned them to **BSG Resources (BSGR)**.<sup>41</sup> After Conté’s death, BSGR sold 51% of its interest to Vale. In 2010 Alpha Condé’s new government set up a committee to review past contracts. The committee concluded that BSGR obtained blocks 3 and 4 through bribery.<sup>42</sup> In November 2015 the **United States (US) District Court for the Southern District of New York** dismissed Rio Tinto’s lawsuit against Vale, BSGR and its founder **Beny Steinmetz** over the disputed concessions (see *ARC Briefing Guinea November 2015*) on the grounds that the statute of limitations applied against Rio Tinto.<sup>43</sup>

Iron ore remains Rio Tinto’s single largest source of income. However, its earnings from the commodity fell 51% between 2014 and 2015.<sup>44</sup> The group’s underlying earnings reduced from \$9.3

<sup>29</sup> Multiple sources: Africaguinée, 23 Feb 2016; Jeune Afrique, 12 Feb 2016.

<sup>30</sup> Jeune Afrique, 12 Feb 2016.

<sup>31</sup> Source, journalist, Conakry

<sup>32</sup> Mining Weekly, 12 Feb 2016.

<sup>33</sup> Mining Weekly, 12 Feb 2016.

<sup>34</sup> [www.riotinto.com](http://www.riotinto.com)

<sup>35</sup> [www.riotinto.com](http://www.riotinto.com)

<sup>36</sup> [www.riotinto.com](http://www.riotinto.com)

<sup>37</sup> [www.riotinto.com](http://www.riotinto.com)

<sup>38</sup> [www.riotinto.com](http://www.riotinto.com)

<sup>39</sup> Jeune Afrique, 12 Feb 2016.

<sup>40</sup> Mining.com, 12 Feb 2016.

<sup>41</sup> Economist, 6 Dec 2014.

<sup>42</sup> Economist, 6 Dec 2014.

<sup>43</sup> [www.nysd.uscourts.gov/cases/show.php?db=special&id=492](http://www.nysd.uscourts.gov/cases/show.php?db=special&id=492)

<sup>44</sup> [www.riotinto.com](http://www.riotinto.com)

billion to \$4.5 billion – also a 51% decrease – as it posted an \$866m loss over the same period.<sup>45</sup> In comparison, Rio Tinto’s main competitor Vale posted a \$12.13 billion loss in 2015, which the drop in the Brazilian real accentuated even further.<sup>46</sup>

Rio Tinto reviewed the Simandou project with Simfer’s other stakeholders in November 2015.<sup>47</sup> They did not discuss revising the deadline despite the price of iron ore reaching a five-year low that month.<sup>48</sup> The stakeholders had already postponed the project by several months due to the **Ebola** outbreak in 2014.<sup>49</sup>

The Simandou project submitted its infrastructure bankable feasibility study (BFS) in January for the mine’s ancillary port and infrastructure elements. China-based construction contractors **China Railway Construction Corporation (CRCC)** and **China Harbour Engineering Company (CHEC)** will carry out the work.<sup>50</sup> The port and infrastructure elements make up around 67% of the project’s total costs – up to \$15 billion. They include a 650 kilometre multi-use railroad relaying the south-eastern coast to the **Atlantic** coast.<sup>51</sup> Rio Tinto will review the BFS with the Guinea government before submitting its final BFS – which will include the mine BFS – in May.<sup>52</sup>

Rio Tinto’s Simandou project president **Alan Davies** claims that the “*decision [to implement a write-down of the asset] has no impact on the timing of the project*”.<sup>53</sup> However, given the dim outlook for the sector, local and international commentators believe it unlikely that exploitation of Simandou will start by 2018, although it remains a highly profitable project longer term.<sup>54</sup>

### Five-day general strike brings country to a halt

Main national workers’ unions, the **Confédération Nationale des Travailleurs de Guinée (CNTG)** and the **Union Syndicale des Travailleurs de Guinée (USTG)** went on strike on 15 February.<sup>55</sup> The strike ended after five days, on 19 February, after the unions came to an agreement with the government on several of its demands.<sup>56</sup> The strike extended across major cities, including the capital **Conakry, Kankan, N’Zérékoré, Labé, Mamou** and **Boké**.<sup>57</sup> Lead USTG spokesperson **Mamadou Mansaré**, CNTG secretary general **Amadou Diallo**, technical education and vocational training minister **Damantang Albert Camara**, and civil service minister **Sékou Kourouma** negotiated the strike’s end.<sup>58</sup>

The unions achieved government commitment to 12 of their 13 demands including retirement benefit packages, payments for workers in the health and education sectors, access to social housing, and the removal of non-conventional blockades across the country.<sup>59</sup> However, the government did not meet one of the strikers’ major demands – the reduction of pump petrol prices from GNF 8,000 (\$1.05) per litre to the suggested level GNF 5,000 (\$0.65).<sup>60</sup> Many of the unions’ supporters felt that this was a “*betrayal*”,<sup>61</sup> as unions had lobbied for action on this issue for several months. They claimed the

<sup>45</sup> www.riotinto.com

<sup>46</sup> AFP, 25 Feb 2016.

<sup>47</sup> www.riotinto.com

<sup>48</sup> Jeune Afrique, 27 Nov 2015.

<sup>49</sup> Mining.com, 12 Feb 2016.

<sup>50</sup> www.riotinto.com

<sup>51</sup> Jeune Afrique, 12 Feb 2016.

<sup>52</sup> www.riotinto.com

<sup>53</sup> Reuters, 11 Feb 2016.

<sup>54</sup> Jeune Afrique, 12 Feb 2016.

<sup>55</sup> Jeune Afrique, 19 Feb 2016.

<sup>56</sup> Jeune Afrique, 19 Feb 2016.

<sup>57</sup> Jeune Afrique, 15 Feb 2016.

<sup>58</sup> Source, journalist, Conakry.

<sup>59</sup> TV5 Monde, 19 Feb 2016.

<sup>60</sup> Jeune Afrique, 19 Feb 2016.

<sup>61</sup> RFI, 20 Feb 2016.

government had not reduced pump prices in accordance with world market prices. Meanwhile, neighbouring **Senegal** lowered oil prices for the second time in a month on 18 February.<sup>62</sup>

Mansaré claims to be “*satisfied, even on the petrol issue*”.<sup>63</sup> The agreement is to maintain the current price until December 2016, regardless of whether world oil prices increase.<sup>64</sup> However, if oil prices continue to drop, “*the government and the unions will convene on pump oil prices after the sixth and seventh **International Monetary Fund’s (IMF) reviews***”.<sup>65</sup> The last IMF review was held in December; the next review is likely to take place in mid-March.<sup>66</sup>

### Guinea sees no improvement on Corruption Perceptions Index

Guinea made no improvement on its score on **Germany**-based corruption watchdog **Transparency International’s 2015 Corruption Perceptions Index (CPI)**. A country or territory’s score indicates the perceived level of public sector corruption on a scale of 0 (highly corrupt) to 100 (very clean).<sup>67</sup> This year’s index ranks Guinea 139 (with a score of 25) out of 168.<sup>68</sup> This makes Guinea the 16th most corrupt African country and the 29<sup>th</sup> most corrupt country worldwide.<sup>69</sup> The rating methodology – an average of standardised ratings from 12 “*valid sources*” whose data fulfils Transparency International’s criteria<sup>70</sup> – has since 2012 been exclusive to one year of data.<sup>71</sup>

	2015	2014	2013	2012
<b>CPI Country Score</b>				
<b>Guinea</b>	<b>25</b>	<b>25</b>	<b>24</b>	<b>24</b>
Côte d’Ivoire	32	32	27	29
Gabon	34	37	34	35
Senegal	44	43	41	36
Nigeria	26	27	25	27
Ghana	47	48	46	45

### Implications

The fatal shooting of Mohamed Diallo has revealed the reality and extent of tensions within the UFDG since Bah Oury’s return from exile. The highly personal accusations between Bah Oury and Cellou Diallo demonstrate the serious implications of the journalist’s death as both politicians will aim to avoid responsibility. The events preceding Mohamed Diallo’s death also highlight the degree of tension inside the opposition following its second straight defeat to Condé’s **Rassemblement du Peuple de Guinée (RPG)** in October. Nonetheless, it is unlikely that there will be implications for the press other than higher security coverage of the UFDG, as the event is viewed more as an accident than premeditated murder. Early court proceedings show that both sides have come out in force, although until now there has been more focus on Diallo’s involvement, rather than Bah Oury’s.

Rio Tinto’s flagship Simandou project suffered a sizeable setback in 2015 with a significant write-down to reduce its valuation and size of investment. Despite the continued commodity price slump and its size, Simandou will remain a comparatively cheap project to develop, with potentially high

<sup>62</sup> Jeune Afrique, 18 Feb 2016.

<sup>63</sup> RFI, 20 Feb 2016.

<sup>64</sup> Jeune Afrique, 19 Feb 2016.

<sup>65</sup> Jeune Afrique, 19 Feb 2016.

<sup>66</sup> IMF Press Release, 15 Dec 2015.

<sup>67</sup> Transparency International, Corruption Perceptions Index 2015

<sup>68</sup> Transparency International, Corruption Perceptions Index 2015

<sup>69</sup> Transparency International, Corruption Perceptions Index 2015

<sup>70</sup> 1) Reliable data collection and methodology from a credible institution, 2) data addresses corruption in the public sector, 3) quantitative granularity (minimum four-point scale), 4) cross country comparability and 5) multiyear data-set.

<sup>71</sup> Transparency International, Corruption Perceptions Index 2015

returns. Considering the project's financing needs, the current investment climate may postpone the more substantial developments of the project until market conditions are more favourable.

The size, reach and duration of the general strike gave the unions significant leverage in their discussions with government, in what appears to be a successful compromise between the two parties. The government's unwillingness to back down on petrol pump prices may indicate that the government, as a net oil importer, is forecasting an increase in oil prices between now and December 2016.

Despite Condé's convincingly democratic re-election, it would appear to have done little to change perceptions of corruption in the country. Guinea remains a market with significant corruption risk for investors.

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