

## AFRICA RISK CONSULTING

### Guinea Monthly Briefing March 2019

#### Guinea Summary 26 March 2019

*The Organisation pour la Mise en Valeur du Fleuve du Senegal (OMVS) (organisation for the promotion of the Senegal River) signs an agreement with China-based Sinohydro to construct the Koukoutamba hydroelectric dam at a cost of \$812m. A collective of 13 villages has filed a complaint at the World Bank's Office of the Ombudsman against the International Finance Corporation (IFC) for providing a loan to Compagnie des Bauxites de Guinée, which it accuses of carrying out land grabs, environmental pollution and other violations. Franco-Israeli businessman Beny Steinmetz ends his dispute with the Guinean government over rights to the Simandou iron ore project.*

#### China Exim Bank provides \$812m Koukoutamba hydroelectric dam

The **Organisation pour la Mise en Valeur du Fleuve du Senegal (OMVS)** (organisation for the promotion of the **Senegal River**) signed an agreement in **Conakry** on 26 February with **China-based Sinohydro** to construct the 294MW **Koukoutamba** hydroelectric dam.<sup>1</sup> OMVS high commissioner **Hamene Segega** said on completion, the dam will increase **Guinea's** power production capacity and assist in improving livelihoods.<sup>2</sup> The OMVS is a sub-regional organisation created in 1972 that allows for shared resources amongst the countries where the Senegal River flows.<sup>3</sup> Its member states include **Guinea, Mali, Mauritania and Senegal.**<sup>4</sup> Segega and Sinohydro CEO **Ding Zhenyuo** signed the contract in the presence of President **Alpha Condé** (2009-present).<sup>5</sup> The agreement was made possible by the provision of an \$812m loan by **China Exim Bank.**<sup>6</sup>

The hydroelectric project will be built on the **Bafing River**, close to Koukoutamba, 570km north-east of Conakry.<sup>7</sup> It will include a 225KV high voltage transmission line with a total length of 600 km from the future power station to Conakry and will end at **Manantati** dam (Mali).<sup>8</sup> A 50 km road will also be constructed from **Labe** to the dam site, as well as a 150m bridge.<sup>9</sup> Segega said the project will ensure the future development of the Senegal River basin and increase access to cheap energy.<sup>10</sup> Project coordinator **Bouya Conde** hopes that construction will begin before the end of the first half of 2019.<sup>11</sup> The project is set for completion in four years.<sup>12</sup>

The building of the Koukoutamba hydroelectric dam demonstrates Guinea's plans to increase power production capacity. At the 14<sup>th</sup> **India-Africa Summit in New Delhi (India)**, prime minister **Ibrahima Kassory Fofana** said that the government had invested \$3 billion in the energy sector since

<sup>1</sup> La Tribune Afrique, 27 Feb 2019

<sup>2</sup> La Tribune Afrique, 27 Feb 2019

<sup>3</sup> Jeune Afrique, 27 Feb 2019

<sup>4</sup> Jeune Afrique, 27 Feb 2019

<sup>5</sup> Jeune Afrique, 27 Feb 2019

<sup>6</sup> La Tribune Afrique, 27 Feb 2019

<sup>7</sup> Africa Oil and Power, 27 Feb 2019

<sup>8</sup> Jeune Afrique, 27 Feb 2019

<sup>9</sup> La Tribune Afrique, 27 Feb 2019

<sup>10</sup> Jeune Afrique, 27 Feb 2019

<sup>11</sup> Jeune Afrique, 27 Feb 2019

<sup>12</sup> Jeune Afrique, 27 Feb 2019

2010.<sup>13</sup> Economy and finance minister **Mamadi Camara** said these investments have enabled Guinea to raise the population's access to electricity from 18% in 2010 to 36% in 2018.<sup>14</sup> In 2010, Guinea's capacity was 275 MW, but Kassory Fofana claims Guinea will be able to produce 1,000 MW by 2020 and, as a result, become an exporter of energy.<sup>15</sup> Guinea's current total exploitable potential is estimated at 6,100 MW.<sup>16</sup>

If Guinea continues to attract investment in the sector, the government should be able to achieve its objective to increase output.<sup>17</sup> Chinese stakeholders will play a pivotal role in achieving these objectives. **China International Water and Electric Group (CWE)** is also building the **Souapiti** hydroelectric dam, which is set to produce 450 MW upon completion.<sup>18</sup> In September, China Exim Bank signed an agreement to provide \$1.1 billion for the execution of this project (*ARC Guinea Briefing September 2018*).<sup>19</sup>

Despite popular support for the dam in Guinea, there may be consequences for the environment and little benefit for the local population. Conservationists claim the planned Koukoutamba dam would flood an area twice that of **San Francisco (United States)** within the park, forcing the displacement of 8,700 people and causing irreparable damage to species that cannot easily be relocated.<sup>20</sup> According to primatologist **Rebecca Kormos**,

*"This is not a case of the international community putting chimpanzees before people. Three-quarters of the energy will be sold to neighbouring countries and the remaining quarter is for the mining industry."*<sup>21</sup>

### **Boke villages file complaint at World Bank ombudsman against bauxite company**

A collective of 13 villages located in the mineral rich **Boke** region has filed a complaint at the **World Bank's Office of the Ombudsman**, against the **International Finance Corporation (IFC)** for providing a loan to **Compagnie des Bauxites de Guinée (CBG)**.<sup>22</sup> The complaint, lodged on 8 March, alleges that CBG carried out land grabs, environmental pollution and other violations. This development may compromise Guinean mining companies' ability to engage with international finance institutions.

CBG is a consortium that is 51% owned by **United Kingdom**-based **Rio Tinto** and US-based **Alcoa**, while the Guinean government holds the remaining 49%.<sup>23</sup> Guinea-based NGO **Centre du Commerce Internationale pour le Développement (CECIDE)** (centre for international trade and development) supported the collective in lodging its complaint.<sup>24</sup> CECIDE director **Pascal Tanguiano** said the IFC granted CBG a \$152.7m loan in 2016 to expand the company's operations.<sup>25</sup> As part of the loan agreement, the IFC was meant to ensure that CBG respected environmental and social norms.<sup>26</sup> However, CECIDE alleges that CBG has carried out activities that have negatively affected the livelihoods of neighbouring communities.<sup>27</sup> Inhabitants have allegedly been victims of land grabs and environmental destruction, which the complainants regard as *"serious violations of human rights such*

<sup>13</sup> Vision Guinée, 19 Mar 2019

<sup>14</sup> Jeune Afrique, 21 Feb 2019

<sup>15</sup> Vision Guinée, 19 Mar 2019

<sup>16</sup> International hydropower association

<sup>17</sup> Nouvelle de Guinée, 4 Sep 2019

<sup>18</sup> Nouvelle de Guinée, 4 Sep 2019

<sup>19</sup> Nouvelle de Guinée, 4 Sep 2019

<sup>20</sup> The Guardian, 3 Aug 2018

<sup>21</sup> The Guardian, 28 Feb 2019

<sup>22</sup> Jeune Afrique, 21 Mar 2019

<sup>23</sup> Jeune Afrique, 21 Mar 2019

<sup>24</sup> Jeune Afrique, 21 Mar 2019

<sup>25</sup> Jeune Afrique, 21 Mar 2019

<sup>26</sup> RFI, 15 Mar 2019

<sup>27</sup> Jeune Afrique, 21 Mar 2019

as those enshrined in international law".<sup>28</sup> CBG is also accused of not providing sufficient compensation for evicted individuals and leaving farmers to inherit parcels of land that are smaller than previously possessed.<sup>29</sup> CECIDE claims this presents significant risks to the physical security of these communities which are in close proximity to the CBG mining sites.<sup>30</sup> CBG CEO **Souleymane Traore** initially denied the allegations but said the company has taken note of them.<sup>31</sup> Subsequently he defended CBG's activities, citing the construction of stone houses in the aggrieved communities to replace traditional huts.<sup>32</sup>

The grievances follow an October report published by international NGO **Human Rights Watch (HRW)** that highlighted how mining activities in Guinea have led to a reduction in the availability of arable land for agricultural activities.<sup>33</sup> The HRW publication also suggested CBG has been violating community rights since 2005 and has not provided compensation that guarantees long-term financial security.<sup>34</sup> HRW Africa researcher **Jim Warrington** believes the criticism against CBG is indicative of a larger problem related to loopholes in land legislation which Guinean authorities must address.<sup>35</sup> This stems from a disparity between land law and customary law, which is essentially practised in rural communities.<sup>36</sup> According to Guinean land law, in the absence of a land title, the land belongs to the state.<sup>37</sup> This has allowed the state and mining companies to procure land without the approval of the local population.<sup>38</sup>

CBG is not the only mining company with operations in the Boke region. China/Singapore-based **SMB Winning (SMB)** operates in the region through its Guinean subsidiary, **Société Minière de Boke (SMB)**.<sup>39</sup> SMB signed three agreements worth \$3 billion with the Guinean government on 26 November to develop and exploit bauxite mines in northwest Guinea. SMB also exported 42m tonnes of bauxite in 2018 (see *ARC Guinea Briefing December 2018*).<sup>40</sup>

A CBG source claimed that the firm is being pursued because of its link with the World Bank, making it easier to target than a Chinese-led mining consortium.<sup>41</sup> Tanguiano refuted this argument, noting that the issues raised were longstanding and it was just a matter of time before they were brought to public attention.<sup>42</sup> Observers believe the collective's aim is to get CBG to negotiate with mining companies about the distribution of land and compensation provided to local inhabitants.<sup>43</sup>

The mining sector, and bauxite production in particular, are important sources of economic development to the Guinean economy. Budget ministry fiscal adviser **Mamadouba Sylla** noted that the mining sector contributed up to 25% of the national budget in 2018, with mining activity playing an important role in fostering robust economic growth in Guinea.<sup>44</sup> Bauxite production rose from 20m to 60m tonnes during the period from 2016 to 2018.<sup>45</sup> Bauxite production has attracted significant investment over the past few years. However, agriculture remains the largest source of employment

<sup>28</sup> Jeune Afrique, 21 Mar 2019

<sup>29</sup> Jeune Afrique, 21 Mar 2019

<sup>30</sup> Jeune Afrique, 21 Mar 2019

<sup>31</sup> Jeune Afrique, 21 Mar 2019

<sup>32</sup> Jeune Afrique, 21 Mar 2019

<sup>33</sup> Jeune Afrique, 21 Mar 2019

<sup>34</sup> RFI, 15 Mar 2019

<sup>35</sup> Jeune Afrique, 21 Mar 2019

<sup>36</sup> Jeune Afrique, 21 Mar 2019

<sup>37</sup> Jeune Afrique, 21 Mar 2019

<sup>38</sup> Jeune Afrique, 21 Mar 2019

<sup>39</sup> Jeune Afrique, 21 Mar 2019

<sup>40</sup> Jeune Afrique, 26 Nov 2018

<sup>41</sup> Jeune Afrique, 21 Mar 2019

<sup>42</sup> Jeune Afrique, 21 Mar 2019

<sup>43</sup> Jeune Afrique, 21 Mar 2019

<sup>44</sup> Journal du Cameroun, 26 Jan 2019

<sup>45</sup> Journal du Cameroun, 26 Jan 2019

for Guineans, as 52% still rely on it as a source of economic livelihood, while the figure increases to 57% in rural areas.<sup>46</sup> In addition, the World Bank acknowledges that the agriculture sector has contributed positively towards Guinea's recent economic growth upswing.<sup>47</sup> It would therefore be important that mining companies do not come into conflict with farming communities. Guinea-based mining companies faced community protests relating to social discontent in 2017 and 2018, which led to work stoppages, revenue loss and reduces social cohesion.<sup>48</sup>

### Steinmetz ends dispute with Guinean government over mining rights

**Franco-Israeli** businessman **Beny Steinmetz** has ended his dispute with the Guinean government over rights to the **Simandou** iron ore project.<sup>49</sup> The project is regarded as one of the largest untapped resource bodies in the world, and the end of the dispute may finally enable it to be developed.<sup>50</sup> On 25 February, **BSG Resources (BSGR)** agreed to relinquish its claims to blocks 1 and 2 of the Simandou iron ore project, and both parties will waive all outstanding legal procedures.<sup>51</sup> As part of the deal, Guinea has requested that a group of investors, which include Steinmetz and former **Switzerland**-based **Xstrata** CEO **Mick Davis**, develop the **Zogota** iron ore deposit.<sup>52</sup> Davis is currently the co-treasurer of the ruling **Conservative Party** in the **United Kingdom (UK)**.<sup>53</sup>

The settlement brings to an end a saga that dates back to 2008, when former president **Lansana Conte** (1984-2008) stripped UK-based mining company **Rio Tinto** of the mining rights to the northern half of the Simandou iron ore deposits.<sup>54</sup> Conte made the decision days before he passed away. President Alpha Conde launched investigations into the matter and it was concluded in 2012 that BSGR had obtained the Simandou mining rights through bribery and corruption.<sup>55</sup> The investigation was partly funded by hedge fund billionaire **George Soros** and legal advice provided by former UK prime minister, **Tony Blair** (1997-2007).<sup>56</sup> This led to the withdrawal of BSGR's rights in 2012.<sup>57</sup> Throughout the investigation Steinmetz denied any wrongdoing and has fought the accusations through arbitration at the **International Centre for Settlement of Investment Disputes (ICSID)** since 2017.<sup>58</sup> However, in the latest agreement, Steinmetz and BSGR have dropped the two-year arbitration case.<sup>59</sup> BSGR issued a communique in which it expressed its satisfaction with the agreement. Mines minister **Abdoulaye Magassouba** said reconciliation was "*good for both sides*" while Steinmetz claimed,

*"A good agreement is much better than any war ... We were enemies, now we are friends and partners with the Guinean government."*<sup>60</sup>

The deal between Steinmetz and the Guinean government was brokered by former **French** president **Nicolas Sarkozy** (2007-2012) who has links with both sides.<sup>61</sup> Sarkozy had reportedly brought up the matter with President Conde at the inauguration ceremony of **Malagasy** president **Andry Rajoelina**

<sup>46</sup> World Bank, 16 Nov 2018

<sup>47</sup> World Bank, 16 Nov 2018

<sup>48</sup> Jeune Afrique, 16 Mar 2019

<sup>49</sup> Financial Times, 25 Feb 2019

<sup>50</sup> Mining.com, 8 Apr 2018

<sup>51</sup> Financial Times, 25 Feb 2019

<sup>52</sup> Financial Times, 25 Feb 2019

<sup>53</sup> Financial Times, 25 Feb 2019

<sup>54</sup> Financial Times, 25 Feb 2019

<sup>55</sup> Financial Times, 25 Feb 2019

<sup>56</sup> Bloomberg, 25 Feb 2019

<sup>57</sup> Bloomberg, 25 Feb 2019

<sup>58</sup> Financial Times, 25 Feb 2019

<sup>59</sup> Steinmetz quoted in Bloomberg, 25 Feb 2019

<sup>60</sup> Bloomberg, 25 Feb 2019

<sup>61</sup> Jeune Afrique, 25 Feb 2019

(2009-2014, 2019-present) in January.<sup>62</sup> Sarkozy visited Conakry on 21 February, where the details of the eventual agreement were outlined.<sup>63</sup>

Steinmetz's return to the Guinean mining industry will be in a much smaller capacity than the Simandou iron ore project would have ensured.<sup>64</sup> The Zogota iron ore deposit has an annual production capacity of 2m tonnes per year.<sup>65</sup> This is miniscule compared to the 100m tonnes of iron ore per year that the Simandou project has the capacity to produce.<sup>66</sup> Nonetheless, the new venture has significant potential. It will involve **Niron Metals**, which Davis established.<sup>67</sup>

The settlement of the case may increase investor confidence in the mining sector, which the Steinmetz case had eroded. Nonetheless, questions remain as to whether the Simandou iron project will ever be fully developed. An estimated \$23 billion is needed to pursue infrastructure upgrades that will enable the iron ore to be transported from the mines to export markets.<sup>68</sup> This seems to have put off potential investors, most notably **Hong Kong**-listed **Chinalco**, which withdrew from the project in October.

---

<sup>62</sup> Jeune Afrique, 25 Feb 2019

<sup>63</sup> Jeune Afrique, 25 Feb 2019

<sup>64</sup> Jeune Afrique, 25 Feb 2019

<sup>65</sup> Financial Times, 25 Feb 2019

<sup>66</sup> Mining.com, 8 Apr 2018

<sup>67</sup> Financial Times, 25 Feb 2019

<sup>68</sup> Mining.com, 18 Jul 2018

## Planner

2019 **(Guinea)** Legislative elections (date to be determined)

## Chronology

22 Mar 2019 **Conakry (Guinea)** *La Tribune Afrique*. Economy and finance minister **Mamadi Camara** says Guinea is seeking \$1,725.m to develop its road infrastructure;

19 Mar 2019 **Conakry (Guinea)** *Vision Guinée*. **Chinese** premier **Xi Jinping** expresses his desire to improve bilateral relations with Guinea;

15 Mar 2019 **Conakry (Guinea)** *RFI*. A collective of 13 villages launch a complaint at the **World Bank Office of the Ombudsman** against the **International Finance Corporation (IFC)** for action undertaken by **Compagnie des Bauxites de Guinee (CBG)**;

14 Mar 2019 **Conakry (Guinea)** *Agence Ecofin*. **France**-based **Orange** obtains the first 4G mobile operating licence in Guinea for \$90m;

28 Feb 2019 **Conakry (Guinea)** *La Tribune Afrique*. The **Organisation pour la Mise en Valeur du Fleuve du Senegal (OMVS)** (organisation for the promotion of the **Senegal River**) signs an agreement with **China**-based **Sinohydro** to construct the 294 MW **Koukoutamba** hydroelectric dam;

25 Feb 2019 **Conakry (Guinea)** *Financial Times*. **Franco-Israeli** businessman **Beny Steinmetz** and the Guinean government agree to end a dispute over mining rights to the **Simandou** iron ore deposit;

### About Africa Risk Consulting:

**Africa Risk Consulting (ARC)** is a pan-African consulting company that provides timely, relevant information and advice that enables its clients to take informed investment decisions and to safeguard their reputations.

**ARC's** core consulting services include integrity due diligence and corporate investigations, political advisory and country assessments, opportunity monitoring and reputation risk management. Most relevant to private equity firms is ARC's integrity due diligence and corporate investigations capability. Specifically, ARC offers pre-deal integrity checks to highlight red flags before negotiations start; full detailed multi-jurisdictional reputation due diligence; and supplier and senior hire vetting and repeat due diligence for compliance programmes. ARC is unique in that it offers a 10-day delivery for a routine integrity due diligence. ARC also offers a suite of corporate investigations services from immediate investigation, evidence gathering, e-discovery, forensic accounting and whistleblower support on one end to crisis media management and regular monitoring on the other.

[www.africariskconsulting.com](http://www.africariskconsulting.com)

### About ARC Briefing:

**ARC Briefing** is ARC's essential business information service.

Companies at any stage in their Africa expansion, whether building or communicating an Africa strategy, investing directly, expanding current operations, financing other investors, doing the legal leg-work or researching the Africa growth trend, need ARC Briefing.

**ARC Briefing** is an information service keeping you:

- Up to date with Country Chronologies of business-critical events
- In the know via Country Briefings on political, economic, business and operating trends. Written in-country, ARC experts analyse and comment
- Ahead with Country Planner which details future elections, budgets, regulatory changes etc.

[www.africariskconsulting.com](http://www.africariskconsulting.com)

### Getting in touch

Please contact us by email [info@africariskconsulting.com](mailto:info@africariskconsulting.com) or call + 44 (0) 20 7078 4080

Follow us on Twitter: [@ARCBriefing](https://twitter.com/ARCBriefing)