

## AFRICA RISK CONSULTING

### Guinea Monthly Briefing March 2018

#### Guinea Summary 20 March 2018

*Supporters of Guinea's main opposition Union des Forces Démocratiques de Guinée (UFDG) party protest the results of 4 February local elections in capital Conakry and mining towns. They believe the ruling Rassemblement du Peuple Guinéen (RPG) rigged the results after the Electorale Nationale Indépendante (CENI) refused to release the full results. The Export Import Bank of China (EximBank) approves a \$1.3 billion financing deal for a 450 megawatt (MW) hydroelectric power plant at Guinea's Souapiti Dam. Israeli businessman Beny Steinmetz's BSG Resources (BSGR) enters voluntary administration to protect itself from liabilities from legal proceedings over the alleged expropriation of the Simandou iron ore mine.*

#### Opposition demonstrations over local election results disrupt Bauxite shipments

Supporters of Guinea's main opposition **Union des Forces Démocratiques de Guinée (UFDG)** party are protesting the results of 4 February local elections in capital **Conakry** and mining towns.<sup>1</sup> Opposition supporters believe that the ruling **Rassemblement du Peuple Guinéen (RPG)** rigged the results of the local election, Guinea's first since 2005.<sup>2</sup> Partial results from the **Commission Electorale Nationale Indépendante (CENI)** (electoral commission) show the RPG won control of the majority of the 342 local councils and 38 urban areas (*see ARC Briefing Guinea February 2018*), allowing the RPG to claim victory; but the count reveals that more than 46% of voters abstained.<sup>3</sup> Opposition leaders, including UFDG leader **Cellou Dalein Diallo**, have demanded the government release the full results.<sup>4</sup>

Opposition supporters came out in force on 12 March to protest the result, holding demonstrations in Conakry.<sup>5</sup> Conakry governor General **Mathurin Bangoura** called for calm, with no apparent effect.<sup>6</sup> Protestors burned tyres and rubbish and threw stones at local television and radio stations in Conakry across 12 and 13 March.<sup>7</sup> They clashed with Guinean police who reportedly responded by attempting to disperse protestors with teargas and clubs.<sup>8</sup> Protestors erected barricades in response, blocking off routes in the city centre.<sup>9</sup> Police reportedly shot dead two protestors on 14 March, according to a senior police source, in the **Wanindara** suburb of Conakry.<sup>10</sup>

The protests spread to the key mining towns of **Boké** and **Kamsar** on 13 March.<sup>11</sup> Both towns were the scene of repeated unrest in 2017 over dissatisfaction with living standards around lucrative mining operations, including poor electricity provision and high pollution levels.<sup>12</sup> The protestors reportedly blocked some bauxite shipments, in an attempt to restrict the output of the key

<sup>1</sup> Jeune Afrique, 13 Mar 2018.

<sup>2</sup> Jeune Afrique, 13 Mar 2018.

<sup>3</sup> RFI, 14 Mar 2018.

<sup>4</sup> Courrier de Conakry, 10 Mar 2018.

<sup>5</sup> AFP, 12 Mar 2018.

<sup>6</sup> Courrier de Conakry, 12 Mar 2018.

<sup>7</sup> RFI, 14 Mar 2018.

<sup>8</sup> Jeune Afrique, 15 Mar 2018.

<sup>9</sup> RFI, 14 Mar 2018.

<sup>10</sup> Jeune Afrique, 15 Mar 2018.

<sup>11</sup> RFI, 14 Mar 2018.

<sup>12</sup> Reuters, 14 Mar 2018.

commodity.<sup>13</sup> They had some success on 14 March. **Frederic Bouzigues**, managing director of Guinea's largest bauxite exporter, **Société Minière de Boké (SMB)**, told the media that: *"It's a situation that is causing losses with our boats stranded and waiting to be loaded."*<sup>14</sup> An official from state-controlled joint venture **Compagnie des Bauxites de Guinée (CBG)** confirmed that protestors had blocked a train carrying ore.<sup>15</sup> Protestors lifted barricades on 15 March under pressure from security forces and the protests reportedly subsided later that day.<sup>16</sup>

The government has not issued any formal responses to the on-going protests.<sup>17</sup> However, President **Alpha Condé** (2010-present) reached out to Dalein Diallo by phone on 12 March, in an apparent attempt to broker a compromise and prevent protests.<sup>18</sup> The two reportedly spoke several other times across the week.<sup>19</sup> Condé is trying to avoid further protests. A five-week strike by teachers over pay came to an end on 14 March after the government came to an agreement with the **Syndicat libre des enseignants et chercheurs de Guinée (SLECG)** (teachers' union) that accepted most of their demands.<sup>20</sup> A protest on **International Women's Day** (8 March) of women outside the presidential palace demanding the government give in to SLEGG demands added pressure to the government.<sup>21</sup> Condé announced on 9 March that he would undertake *"a major cabinet reshuffle...to install ministers that listen to the people"* at an unspecified future point.<sup>22</sup> The Condé administration is therefore keen to avoid further disruptions, especially to the bauxite trade.<sup>23</sup> Condé reportedly suggested that minister of state and his personal adviser **Tibou Kamara** could mediate between the two sides.<sup>24</sup>

However, opposition leaders announced further protests on 16 March taking place from 19-22 March.<sup>25</sup> UFDG spokesperson and former communications minister **Alhousseine Kaké Makanera** issued a statement saying the protests would start on 19 March.<sup>26</sup> Crowds gathered on 19 March at the funerals of the two protestors that police shot dead in Conakry, which preceded a sit-in at the justice ministry on 21 March. A large march along **Fidel Castro** highway was planned for 22 March.<sup>27</sup> Makanera added that:

*"All these demonstrations relate to the protest of the opposition against the fraud which marred the last local elections...they will end when CENI publishes the 'real' election results."*<sup>28</sup>

The protests are a continuation of the long-running tension between the RPG and UFDG. The opposition are eager to use the opaque release of election results to their political advantage. There is no evidence of electoral fraud, and inefficiency on CENI's part is as good an explanation for the slow release of data. With the government under pressure from the five-week teachers' strike, and a general strike in solidarity that took place on 26 February (*see ARC Briefing Guinea February 2018*), the UFDG will push for whatever advantage it can. Condé's hints at a cabinet reshuffle may be the president's preferred method of dissipating tensions: appointing new ministers to avoid giving in to opposition pressure. If the government delivers nothing, the UFDG may continue protests beyond 22 March.

<sup>13</sup> Reuters, 14 Mar 2018.

<sup>14</sup> Reuters, 14 Mar 2018.

<sup>15</sup> Reuters, 14 Mar 2018.

<sup>16</sup> Jeune Afrique, 15 Mar 2018.

<sup>17</sup> Jeune Afrique, 17 Mar 2018.

<sup>18</sup> Afrique Guinée, 16 Mar 2018.

<sup>19</sup> Afrique Guinée, 16 Mar 2018.

<sup>20</sup> RFI, 14 Mar 2018.

<sup>21</sup> News24, 9 Mar 2018.

<sup>22</sup> News24, 9 Mar 2018.

<sup>23</sup> Afrique Guinée, 16 Mar 2018.

<sup>24</sup> Afrique Guinée, 16 Mar 2018.

<sup>25</sup> Courrier de Conakry, 16 Mar 2018.

<sup>26</sup> Courrier de Conakry, 16 Mar 2018.

<sup>27</sup> Courrier de Conakry, 21 Mar 2018.

<sup>28</sup> Courrier de Conakry, 16 Mar 2018.

## China's EximBank approves \$1.3 billion for Guinea hydro plant

The **Export Import Bank of China (EximBank)** approved a \$1.3 billion financing deal for a hydroelectric power plant at Guinea's **Souapiti Dam** on 13 March.<sup>29</sup> The government is planning to use the dam both to increase power supply across the country and to export to neighbouring **Mali**.<sup>30</sup> The loan from **Chinese** state-owned EximBank will complete the construction of a 450 megawatt plant at the dam site, which is 50km outside Conakry.<sup>31</sup> Engineering company **China Water Electric (CWE)** is constructing the dam.<sup>32</sup> CWE began work in 2015 and the original projections for the project were five years.<sup>33</sup> The government believes it is on track and said that the loan would "allow the already advanced construction work to accelerate".<sup>34</sup>

The Guinean government and the EximBank originally agreed a deal to fund and build the dam in 2007.<sup>35</sup> However, the project did not get off the ground until after 2010 due to the period of political instability following the death of President **Lansana Conté** (1984-2008).<sup>36</sup> President Condé has maintained a close relationship with China since coming to power in 2010, and signed a strategic agreement in September 2017 for \$20 billion in direct investment over a 20-year period (see *ARC Briefing Guinea September 2017*).<sup>37</sup>

The government plans to repay the loan by exporting electricity to neighbouring countries.<sup>38</sup> Guinea is building a high voltage electricity line linking its grid to neighbouring Mali.<sup>39</sup> The 714km line will run between the Guinean city of **N'Zérékoré** and the Malian city of **Sanakorabo**.<sup>40</sup> It will allow a connection between 201 village substations in the two countries and spread the power load across both grids.<sup>41</sup> The **African Development Bank (AfDB)** was the lead funder of the \$84m project in December 2017.<sup>42</sup> The project is supported by the **West African Power Pool (WAPP)**<sup>43</sup> which hopes to connect its sub-regional high voltage lines across the region and ensure connection between 15 West African countries.<sup>44</sup>

Guinea has an electrification rate of 18%, despite massive hydro-electric power potential, and the completion of the Souapiti hydro power plant would transform access to electricity across the country, including to the lucrative bauxite industry.<sup>45</sup> The hopes of repaying the funding through sales of power are more distant, as the planned connections do not connect trunk power lines, meaning Guinea is not connected to the WAPP. There is also a risk that the requirements of repaying the loan will reduce power service to Guinean citizens and businesses, as a large proportion of the output is sold into other grids. However, if the construction keeps on track, the overall impact of the dam will be positive for development in the medium to long term.

<sup>29</sup> Energy World, 14 Mar 2018.

<sup>30</sup> Energy World, 14 Mar 2018.

<sup>31</sup> Energy World, 14 Mar 2018.

<sup>32</sup> Reuters, 13 Mar 2018.

<sup>33</sup> Energy World, 14 Mar 2018.

<sup>34</sup> ESI, 14 Mar 2018.

<sup>35</sup> Energy World, 14 Mar 2018.

<sup>36</sup> ESI, 14 Mar 2018.

<sup>37</sup> People.cn, 11 Sep 2017.

<sup>38</sup> Energy World, 14 Mar 2018.

<sup>39</sup> ESI, 17 Dec 2017.

<sup>40</sup> ESI, 17 Dec 2017.

<sup>41</sup> ESI, 17 Dec 2017.

<sup>42</sup> ESI, 17 Dec 2017.

<sup>43</sup> The countries in the WAPP will be: **Benin, Burkina Faso, Cote d'Ivoire, Ghana, Nigeria, Niger and Togo;** and **Gambia, Guinea, Guinea-Bissau, Mali, Liberia, Senegal and Sierra Leone.**

<sup>44</sup> ESI, 17 Dec 2017.

<sup>45</sup> Source, ARC analyst, London

## BSGR goes into voluntary administration

Israeli businessman **Beny Steinmetz's BSG Resources (BSGR)** entered voluntary administration on 7 March to protect itself from liabilities from legal proceedings over the alleged expropriation of the **Simandou** iron ore mine.<sup>46</sup> The **Guernsey**-registered company is attempting to insulate its operations from potential losses related to a series of lawsuits.<sup>47</sup> BSGR did not place its subsidiaries into liquidation. These companies, which include the **Koidu** diamond mine in **Sierra Leone**, will continue to function as before.<sup>48</sup> BSGR director **Dag Cramer** told the media that the move was intended to protect the company against any adverse or malicious development out of its control:

*"It's very, very simple. This is not a liquidation. This is not a bankruptcy. We have voluntarily put ourselves into administration."<sup>49</sup>*

However, BSGR's court-appointed administrators, **United Kingdom (UK)**-based accounting firm **BDO Ltd**, are reportedly seeking to return BSGR to solvency.<sup>50</sup> In a statement to the media on 8 March, BDO claimed:

*"Our primary objective is to return BSGR to solvency and to ensure that all creditors will be paid in full. If the company can be returned to solvency and continue as a going concern, the administration will end and the company will revert to the control of its directors."<sup>51</sup>*

The risk to BSGR's operations comes from a long-running series of lawsuits. The **Conté** administration revoked UK-based **Rio Tinto Group Plc's** licence to develop the Simandou concession and gave it BSGR in 2008, which subsequently sold it to **Brazil-based Vale SA** for \$2.5 billion.<sup>52</sup> An investigation conducted by the **Condé** administration ruled in 2014 that BSGR had won its rights through bribery and cancelled the rights. Following this, a federal court in **New York, United States (US)** convicted BSGR lobbyist **Frederic Cilins** for obstructing a bribery and money-laundering investigation into the deal in April 2014.<sup>53</sup> Rio Tinto sued BSGR and Vale in New York under the US **Racketeer Influenced and Corrupt Organizations Act (RICO)** in May 2014 (see *ARC Briefing Guinea July 2017, November 2016 and July 2016*).

The RICO litigation is on-going and BSGR faces further probes in **Switzerland** and in Israel, where police arrested Steinmetz in late 2016 in relation to the Simandou case.<sup>54</sup> BSGR hit back by suing financier **George Soros** in a \$10 billion defamation lawsuit in April 2017 for allegedly manipulating the **Condé** government to cancel BSGR's rights.<sup>55</sup> A New York district judge put the case on hold in November.<sup>56</sup>

BSGR reportedly hopes to regain control of Simandou, despite the numerous court cases.<sup>57</sup> Placing itself into voluntary administration is an indication that Steinmetz, who is technically a non-affiliated beneficiary of the company, is far from giving up. The alleged reason the **Conté** administration expropriated Rio Tinto's stake in the mine was due to slow progress on extraction. The resulting court cases have pushed commercial extraction back by another ten years. China-based **Chinalco** purchased Simandou from Rio Tinto in 2016 for \$1.3 billion,<sup>58</sup> and proposed taking over full control of the site in

<sup>46</sup> FT, 7 Mar 2018.

<sup>47</sup> Reuters, 8 Mar 2018.

<sup>48</sup> Reuters, 8 Mar 2018.

<sup>49</sup> Reuters, 8 Mar 2018.

<sup>50</sup> NYT, 8 mar 2018.

<sup>51</sup> NYT, 8 mar 2018.

<sup>52</sup> FT, 7 Mar 2018.

<sup>53</sup> FT, 7 Mar 2018.

<sup>54</sup> FT, 7 Mar 2018.

<sup>55</sup> Reuters, 8 Mar 2018.

<sup>56</sup> Reuters, 8 Mar 2018.

<sup>57</sup> Telegraph, 12 Nov 2017.

<sup>58</sup> FT, 26 Oct 2016.

May 2017 in order to speed up development.<sup>59</sup> If the government of Guinea is to benefit from the concession, Chinalco will need to avoid getting dragged into BSGR's on-going tangle of court cases.

### Planner

9 May 2018 **Conakry (Guinea)** *Press Release*. The **Symposium Mines Guinea** (international mining conference and exhibition) **2018** begins;

### Chronology

19 Mar 2018 **Conakry (Guinea)** *Courrier de Conakry*. Opposition protests over 4 February election results resume for a second week in Conakry;

14 Mar 2018 **Conakry (Guinea)** *RFI*. The **Syndicat libre des enseignants et chercheurs de Guinée (SLECG)** and the education ministry agree terms to end a five-week teachers' strike over pay;

13 Mar 2018 **Conakry (Guinea)** *Energy World*. The **Export Import Bank of China** approves a \$1.3 billion financing deal for a hydroelectric power plant at Guinea's **Souapiti Dam**;

13 Mar 2018 **Conakry (Guinea)** *Courrier de Conakry*. Police shoot dead two protestors during opposition rallies against the local election results;

12 Mar 2018 **Conakry, Boké, Kamsar (Guinea)** *Jeune Afrique*. The opposition organises mass protests against alleged fraud during the 4 February local elections and blockades bauxite shipments in key mining towns;

9 Mar 2018 **Conakry (Guinea)** *News24*. President **Alpha Condé** promises a major cabinet reshuffle following protests on International Women's Day outside the presidential palace;

7 Mar 2018 **Guernsey (UK)** *FT*. **Israel-based businessman Beny Steinmetz's BSG Resources (BSGR)** enters voluntary administration to protect itself from liabilities from legal proceedings over the alleged expropriation of the **Simandou** iron ore mine in Guinea;

<sup>59</sup> Mining.com, 15 May 2017.