

AFRICA RISK CONSULTING

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There is growing opposition to the possibility of President Alpha Condé (2010-present) pursuing a third presidential mandate in 2020 despite the constitutional two-term limit. Economy and finance minister Mamadi Camara announces that Guinea is looking to raise \$100 billion, which will be used to carry out infrastructure development projects. Guinea receives financial support from the African Development Bank, Agence Française du Développement, and the World Bank to undertake socio-economic reforms and improve access to electricity. The London Court of International Arbitration orders Guernsey-based mining company BSG Resources (BSGR) to pay its former partner, Brazil-based mining company Vale SA, \$1.25 billion plus costs and interest in compensation for the termination of its stake in the Simandou iron ore concession.

Is President Condé seeking a third term?

There is growing speculation that President **Alpha Condé** (2010-present) is planning to pursue a third presidential mandate.¹ Leading civil society and opposition figures are putting up an organised front to prevent Condé from modifying the constitution in order to seek an additional presidential term.² Opposition **Union des Forces Démocratiques de Guinée (UFDG)** vice-president **Ousmane Diallo** accused President Condé on 27 March of trying to start a civil war and promote an environment of chaos and destruction by entertaining the idea of a third term.³ Another leading opposition group, the **Union des Forces Républicaines (UFR)**, has also expressed anger at the possibility of another Condé-led presidential term. UFR member of parliament (MP) **Saikou Yaya Barry** claims that Condé has been fortunate to be president for ten years, and if he does not want to depart willingly, “the Guinean people will make him go”.⁴ Civil society movement, the **Forces Sociales de Guinée** (Guinean social forces), president **Sano Abdourahamane** called on President Condé on 1 April to “avoid the temptation of seeking a third term”.⁵ Abdourahamane highlighted that President Condé had made his intention known since 2016, and cited the destabilisation of the **Cour Constitutionnelle** (constitutional court), the extension of MPs’ mandates, and the erosion of democratic institutions as signs that Condé wants a third term.⁶ Abdourahamane warned that any attempt to change the constitution would lead to destabilisation of the country and the sub-region.⁷

The **Association Guinéenne pour l’Unité et la Transparence (AGUT)** (Guinean association for unity and transparency) also denounced any attempt by President Condé to manipulate Guineans’ political choices.⁸ The AGUT accused President Condé of attempting to instill a climate of confrontation and division amongst Guinean people and called on international stakeholders to pay more attention to the evolving situation.⁹

¹ TV5 Monde, 24 Apr 2019

² DW, 5 Apr 2019

³ Aminata.com, 27 Mar 2019

⁴ Aminata.com, 26 Mar 2019

⁵ Aminata.com, 1 Apr 2019

⁶ Aminata.com, 1 Apr 2019

⁷ Aminata.com, 3 Apr 2019

⁸ Aminata.com, 8 Apr 2019

⁹ Aminata.com, 8 Apr 2019

In a move to thwart any attempt by Condé to change the constitution to allow him to pursue a third term, civil society movements and opposition parties established the **Front Nationale pour la Defense de la Constitution** (national front for the defence of the constitution) on 3 April.¹⁰ The platform is headed by Abdourahamane, Cellou Dalein Diallo and UFR president **Sidiya Touré**.¹¹ The trio held a meeting on 3 April in which Abdourahamane reiterated that pursuing a third term would pose great security risks for Guinea.¹² Touré added that it was time for all Guineans to say no to a third term and reject the possibility of a life presidency.¹³ Touré's remark was in reference to Guinea's two previous presidents, **Sekou Touré** (1958-1984) and **Lansana Conte** (1984-2008), who both died while in office. Sidiya Touré also warned that President Condé will meet the same fate as **Algeria's** former President **Abdelaziz Bouteflika** (1999-2019) and **Sudan's** former President **Omar El-Bashir** (1989-2019), who was ousted in a political coup on 11 April, if he seeks a third term.¹⁴ UFR vice-president **Ibrahima Bangoura** said on 20 April that his party will soon lead protests against a proposed third term.¹⁵

Despite strong pressure from the opposition and the creation of a movement against a third term, the presidential camp has voiced its support for the possibility. Banners have been seen across the capital **Conakry** in support of a new constitution.¹⁶ Presidential adviser and minister of state **Rachid Ndiaye** insists that "*constitutional change is necessary to modernise the governance of the country*".¹⁷ Ndiaye said if removing term limits is necessary, it will be discussed during consultations.¹⁸

Condé's own statements and actions appear to support his ambition for a third term. In 2017, during a visit to **France**, criticised the notion of presidential term limits,¹⁹ while analysts see his removal in October of constitutional court president **Kelefa Sall** – who was opposed to the idea of Condé extending his rule – as a strategy to remove obstacles to a potential third presidential term (see *ARC Guinea Briefing October 2018*). In a statement interpreted as affirming his desire to undertake another term, he declared at a meeting with members of the ruling **Rassemblement du Peuple Guinéen Arc-en-Ciel (RPG Arc-en-Ciel)** on 24 March:

*"Nobody will prevent me from moving forward with the Guinean people and to carry out the will of Guineans."*²⁰

During an interview with **Senegalese** journalists on 20 April, he said the question of modifying the constitution and enabling him to have another mandate "*will depend on the will of the Guinean people*".²¹ In the interim, whether Condé will stand for president in 2020 will continue to be the dominant political topic, with significant implications for Guinea's stability and its attractiveness as an investment destination.

Guinea seeks \$100 billion to finance infrastructure projects ...

The Guinean government is looking for \$100 billion to carry out its large-scale infrastructure projects.²² Economy and finance minister **Mamadi Camara** made the announcement at a press conference presentation on mobilising finance for road infrastructure projects in Guinea.²³ Camara

¹⁰ Aminata.com, 3 Apr 2019

¹¹ Aminata.com, 3 Apr 2019

¹² Aminata.com, 3 Apr 2019

¹³ Aminata.com, 4 Apr 2019

¹⁴ Aminata.com, 12 Apr 2019

¹⁵ Aminata.com, 21 Apr 2019

¹⁶ DW, 5 Apr 2019

¹⁷ TV5 Monde, 24 Apr 2019

¹⁸ TV5 Monde, 24 Apr 2019

¹⁹ TV5 Monde, 24 Apr 2019

²⁰ TV5 Monde, 24 Apr 2019

²¹ TV5 Monde, 24 Apr 2019

²² La Tribune Afrique, 27 Mar 2019

²³ La Tribune Afrique, 27 Mar 2019

said the government will launch a bond issue in 2019 to fulfill its objective.²⁴ Camara stressed that the bond issue will not be in order to provide money for the national treasury. Budget minister **Ismael Dioubate** and **Banque Centrale de Guinée** (central bank) governor **Louency Nabe**, also at the press conference, invited local businesspeople and bankers to the event as part of a drive to secure domestic financial resources.²⁵ Camara said he wished to see the active participation of local stakeholders to finance earmarked infrastructure projects.²⁶

Guinean authorities have long neglected the domain of road construction, and the fundraising exercise intends to remedy this.²⁷ Guinea's economic development framework, the **Plan Nationale du Développement Economique et Sociale (PNDES)** (national economic and social development plan), which runs from 2016-2020, also highlights road infrastructure development as a priority.²⁸

The funds raised will also go towards the development of railway infrastructure, most notably the establishment of the **Conakry-Bamako (Mali)-Bobo Dioulasso (Burkina Faso)** railway corridor, as well as energy infrastructure.²⁹ Guinea has already received loans for the **Souapiti** hydroelectric dam³⁰ and the **Koukoutamba** hydroelectric dam (see *ARC Guinea Briefing March 2019*).

The Guinean government has a positive track record in attracting money to develop its economy. In February, the mining ministry reported that the mining sector had received \$10 billion for the 2016-2025 period (see *ARC Guinea Briefing February 2019*). Most of this has come from foreign partners and Guinea hopes to replicate its success by attracting potentially interested parties to finance these projects.

... as \$215m flows in from multilateral institutions to support development initiatives

The **African Development Bank (AfDB)** approved a \$110m loan to the Guinean government on 27 March.³¹ The financial assistance will go towards the implementation of social and economic reforms and the development of the **Fomi Dam**.³² The provision of these loans will help Guinea attain some of the objectives it has outlined in the PNDES (see above). Prime minister **Ibrahima Kassory Fofana** met with AfDB president **Akinwumi Adesina** at the bank's headquarters in **Abidjan (Cote d'Ivoire)**.³³ Discussions centered around the activities of the **Mission d'appui a la Mobilisation des Ressources Internes (MAMRI)** and the **Agence Nationale d'Inclusion Economique et Sociale (ANIES)** (national agency for social and economic inclusion).³⁴ MAMRI will receive \$15m to build its domestic revenue mobilisation capacity while ANIES will be allocated \$55m to address poverty-related issues, and \$40m will go towards the Fomi Dam.³⁵

Fofana reported that domestic revenue currently accounts for only 13.5% of gross domestic product, and the government intends to raise this figure to 20%.³⁶ He said that by attaining this objective, the government would be able to meet its financial needs and foster economic development. Fofana noted that Guinea is ranked very low on the **United Nations Human Development Index** (183 out of 188 in 2018) and that more than 60% of Guineans live in poverty despite robust economic growth over the last few years.³⁷

²⁴ La Tribune Afrique, 27 Mar 2019

²⁵ La Tribune Afrique, 27 Mar 2019

²⁶ La Tribune Afrique, 27 Mar 2019

²⁷ La Tribune Afrique, 27 Mar 2019

²⁸ La Tribune Afrique, 27 Mar 2019

²⁹ La Tribune Afrique, 27 Mar 2019

³⁰ Nouvelle de Guinée, 4 Sep 2019

³¹ Guineenews, 27 Mar 2019

³² Guineenews, 27 Mar 2019

³³ Guineenews, 27 Mar 2019

³⁴ Guineenews, 27 Mar 2019

³⁵ Guineenews, 27 Mar 2019

³⁶ Guineenews, 27 Mar 2019

³⁷ Guineenews, 27 Mar 2019

Guinea also received a \$105m loan from the **Agence Française du Développement (AFD)** and the **World Bank** on 2 April to support its efforts to upgrade its socio-economic infrastructure and improve the livelihoods of Guineans.³⁸ The World Bank has committed \$50m while the AFD will provide the remaining \$55m.³⁹ This loan will be directed towards developing Guinea's electricity sector, in particular the rehabilitation of the electricity network in **Greater Conakry, Fonecoriah** and **Kindia** regions.⁴⁰ The **Agence Guinéen d'Electrification Rurale** (Guinean rural electrification agency) and **Electricité de Guinée (EDG)** will provide electricity to 12 isolated rural communities.⁴¹ It is estimated that the loan will enable 82,000 urban households and 3000 rural households to have access to electricity.⁴²

BSGR ordered to pay Vale \$1.25 billion over termination of Simandou stake

The **United Kingdom (UK)**-based **London Court of International Arbitration (LCIA)** has ordered **Guernsey**-based mining company **BSG Resources (BSGR)** to pay its former partner, **Brazil**-based mining company **Vale SA**, \$1.25 billion, plus costs and interest in compensation for the termination of its stake in the **Simandou** iron ore concession.⁴³ This development will increase uncertainty on the engagement of potential investors in Guinea's mining industry. The LCIA found BSGR guilty of fraud and breach of warranty on 9 April.⁴⁴ The LCIA ruling follows BSGR owner **Franco-Israeli** businessman **Beny Steinmetz's** settlement with the Guinean government over the Simandou iron ore concession on 25 February (see *ARC Briefing Guinea March 2019*).⁴⁵

BSGR and Vale established a joint venture to exploit the Simandou iron ore project in 2010. Vale purchased 51% of BSGR's stake in the project for \$2 billion.⁴⁶ Steinmetz acquired the exploitation concession for two of the four available blocks in 2008, shortly before former president Lansana Conte passed away.⁴⁷ However, after Condé was elected president, he ordered an investigation into whether BSGR had obtained the mining rights through the use of corrupt methods.⁴⁸ After concluding an investigation into the matter in 2014, the Guinean government terminated BSGR's operating licence for the Simandou iron ore project.⁴⁹ The government concluded that Steinmetz and his associates had paid bribes to Guinean public servants to acquire the mining rights.⁵⁰ The withdrawal of the exploitation rights led to a series of legal action between the Guinean government and Steinmetz. Steinmetz was arrested in Israel in 2016 on charges relating to the Simandou saga.⁵¹ Steinmetz placed BSGR under administration in March 2018⁵² to protect the company from legal action over its operations in Guinea.⁵³

According to the February settlement, BSGR agreed to relinquish its claims to blocks 1 and 2 of the Simandou iron ore project, and both parties (BSGR and the Guinean government) would waive all outstanding legal procedures.⁵⁴ The deal was reportedly brokered by former French president

³⁸ Agence Ecofin, 2 Apr 2019

³⁹ Agence Ecofin, 2 Apr 2019

⁴⁰ Agence Ecofin, 2 Apr 2019

⁴¹ Agence Ecofin, 2 Apr 2019

⁴² Agence Ecofin, 2 Apr 2019

⁴³ Mining Weekly, 10 Apr 2019

⁴⁴ Jeune Afrique, 11 Apr 2019

⁴⁵ Jeune Afrique, 11 Apr 2019

⁴⁶ Jeune Afrique, 11 Apr 2019

⁴⁷ Jeune Afrique, 11 Apr 2019

⁴⁸ Jeune Afrique, 11 Apr 2019

⁴⁹ Jeune Afrique, 11 Apr 2019

⁵⁰ Jeune Afrique, 11 Apr 2019

⁵¹ Guardian, 25 Feb 2019

⁵² Mining Weekly, 8 Mar 2018

⁵³ Guardian, 25 Feb 2019

⁵⁴ Financial Times, 25 Feb 2019

Nicolas Sarkozy (2007-2012).⁵⁵ As part of the deal, Guinea requested that a group of investors, which include Steinmetz and former **Switzerland**-based **Xstrata** CEO **Mick Davis**, develop the **Zogota** iron ore deposit.⁵⁶ Davis is currently the co-treasurer of the ruling **Conservative Party** in the UK (see *ARC Guinea Briefing March 2019*).⁵⁷

The resolution of the dispute between BSGR and the Guinean government did not spell an end to conflict between BSGR and Vale. Vale had only paid \$810m out of the initially agreed \$2 billion when it purchased its stake in Simandou, as Vale accused BSGR causing it to lose \$897m as a result of the contract termination.⁵⁸ Furthermore, the LCIA found that Vale was not implicated in the bribery of Guinean officials and could therefore not be held liable for the loss of mining rights.⁵⁹ According to a communiqué issued by Vale, the company intends to use all possible means to recover the money due to it, but has not set a timetable for doing so.⁶⁰

The Simandou project is regarded as one of the world's largest undeveloped iron ore deposits with a capacity to produce 100m tonnes of iron ore per year.⁶¹ In contrast, the Zogota iron ore deposit has a much lower annual production capacity of 2m tonnes per year.⁶² With the latest ruling against him, Steinmetz and BSGR's new partner, **Niron Metals**, may find it difficult to attract willing investors for the Zogota iron mines which the Guinean government has allocated to them. This will also spell bad news for the Guinean government, which had no doubt hoped to have turned the page with Steinmetz and his repeated legal controversies, as the LCIA ruling may have the effect of discouraging willing investors in Guinea's mining sector.

Planner

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

12-16 Jun 2019 **Conakry (Guinea)** *Guineematin.com*. Salon international de l'agriculture, de la pêche et des ressources animales de Guinée (international forum for agriculture, fishery and animal resources)

21-22 Jun 2019 **Abidjan (Cote d'Ivoire)** Guinee-Cote d'Ivoire Economic Forum

Chronology

23 Apr 2019 **Conakry (Guinea)** *Agence Ecofin*. State mining corporation **Société guinéenne du patrimoine (Soguijami)** will be incorporated in the presidency;

10 Apr 2019 **Conakry (Guinea)** *Mining Weekly*. The **London Court of International Arbitration** orders **Guernsey**-based mining company **BSG Resources (BSGR)** to pay its former partner, **Brazil**-based mining company **Vale SA**, \$1.25 billion, plus costs and interest in compensation for the termination of its stake in the **Simandou** iron ore concession;

6 Apr 2019 **Conakry (Guinea)** *RFI*. The **Assemblée Nationale** (national assembly) commences its session;

2 Apr 2019 **Conakry (Guinea)** *Agence Ecofin*. The **Agence Française du Développement (AFD)** and the **World Bank** provide a \$105m loan to Guinea in order to improve access to electricity;

⁵⁵ Jeune Afrique, 25 Feb 2019

⁵⁶ Financial Times, 25 Feb 2019

⁵⁷ Financial Times, 25 Feb 2019

⁵⁸ Jeune Afrique, 11 Apr 2019

⁵⁹ Jeune Afrique, 11 Apr 2019

⁶⁰ Jeune Afrique, 11 Apr 2019

⁶¹ Mining.com, 8 Apr 2018

⁶² Financial Times, 25 Feb 2019

27 Mar 2019 **Conakry (Guinea)** *La Tribune Afrique*. Economy and finance minister **Mamadi Camara** announces that Guinea is looking to raise \$100 billion to fund infrastructure development projects;

27 Mar 2019 **Conakry (Guinea)** *Guineenews*. The **African Development Bank (AfDB)** grants a \$110m loan to Guinea, to undertake socio-economic reforms;

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