

## AFRICA RISK CONSULTING

### Guinea Monthly Briefing August 2019

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#### Guinea Summary 22 August 2019

*Guinea and India sign cooperation agreements worth \$251m during Indian president Shri Ram Nath Kovind's (2017-present) visit to Guinea from 1 to 3 August. Franco-Israeli billionaire Beny Steinmetz and two other accused will be tried in Geneva (Switzerland) for alleged acts of corruption linked to the attribution of mining licences in Guinea. The International Monetary Fund (IMF) has approved a \$23.9m disbursement to Guinea following the completion of its third review mission under Guinea's Extended Credit Facility (ECF).*

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#### India shows growing interest in Guinea

Guinea and India signed cooperation agreements worth \$251m during Indian president **Shri Ram Nath Kovind's** (2017-present) visit to Guinea from 1 to 3 August<sup>1</sup> in an indication of India's intention to establish stronger economic cooperation with Guinea. This was the first official visit to Guinea by an Indian president.<sup>2</sup>

The two parties signed several bilateral accords and memoranda of understanding (MOU). India will allocate a \$22m line of credit to equip seven Guinean universities and higher education institutions as well as 200 health centres with solar energy.<sup>3</sup> Another \$170m was set aside to improve access to potable drinking water in the greater **Conakry** region. Conakry is Guinea's largest city and has experienced water shortages for the last decade.<sup>4</sup> Irrigation activities in Guinea's agricultural plains are to receive \$59m.<sup>5</sup> India is also set to carry out the reconstruction of regional hospitals in **Conakry, Kankan, Kindia** and **Labe**.<sup>6</sup>

President Kovind expressed India's interest in investing in Guinea's renewable energy, traditional medicine and telecommunications sectors.<sup>7</sup> Guinea's investment and public-private-partnership minister, **Gabriel Curtis**, reported on 5 June that the information, communication and technology (ICT) sector had received \$337m in investments between 2010-2018 from investors from around the world.<sup>8</sup>

Indian companies have also expressed strong interest in Guinea's mining sector.<sup>9</sup> India-based **Jaguar Dynamic Mining** has cited the **Boke** and **Gaoual** bauxite projects in Western Guinea as potential domains of engagement.<sup>10</sup> Currently, **Sino-Singaporean** consortium **SMB Winning** is the main company carrying out bauxite exploitation in this region.<sup>11</sup> In June, the mines and geology ministry signed three agreements with India-based mining company **Ashapura** to restart operations at the **Yomboyeli** iron mine, rehabilitate the port of **Konta** and develop basic infrastructure (see *ARC Briefing Guinea June 2019*).<sup>12</sup> Ashapura paid \$25m to take over the Yomboyeli iron mine from **China-**

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<sup>1</sup> RFI, 28 Jul 2019

<sup>2</sup> RFI, 28 Jul 2019

<sup>3</sup> Jeune Afrique, 31 Jul 2019

<sup>4</sup> Jeune Afrique, 31 Jul 2019

<sup>5</sup> Jeune Afrique, 31 Jul 2019

<sup>6</sup> Jeune Afrique, 31 Jul 2019

<sup>7</sup> RFI, 3 Aug 2019

<sup>8</sup> La Tribune Afrique, 5 Jun 2019

<sup>9</sup> Jeune Afrique, 31 Jul 2019

<sup>10</sup> Jeune Afrique, 31 Jul 2019

<sup>11</sup> Jeune Afrique, 31 Jul 2019

<sup>12</sup> Jeune Afrique, 7 Jun 2019

based **Forecariah Mining**.<sup>13</sup> President Kovind also held a meeting with the Indian community resident in Guinea, which is highly involved in economic activities such as trade, industry and agribusiness.<sup>14</sup>

India has been taking significant steps towards fostering stronger ties with **African** nations in the past several years. In 2015, the Indian government organised the **India-Africa Summit** at the Indian capital, **New Delhi**.<sup>15</sup> While Guinea opened an embassy in India in 2012, India's ambassador to Guinea is expected to present credentials in Conakry in September.<sup>16</sup> India is one of several emerging economic powers that actively participate in economic activities across Guinea. These include China and **Russia** in mining, and **Turkey**, which is involved in port logistics.

### **Franco-Israeli billionaire Beny Steinmetz to appear in court on corruption charges**

**Franco-Israeli** billionaire **Beny Steinmetz** and two other accused will be tried in **Geneva (Switzerland)** for alleged acts of corruption linked to the award of mining licences in Guinea.<sup>17</sup> The trial may have a negative impact on the development of the **Zogota** iron mine of which Steinmetz was granted control in February, and negatively impact investor perceptions of corruption risk in Guinea. Geneva canton public prosecutor **Claudio Mascotto** is pursuing Steinmetz alongside his business collaborators, French national **Frederic Cilins** and **Belgian** national **Sandra Merloni-Horemens**.<sup>18</sup> The Geneva court will try the three accused on charges of "*bribery of foreign public officials and false titles*".<sup>19</sup> A trial date has not yet been set, but it is believed that the trial will not begin for several months.<sup>20</sup>

The charges against Steinmetz, Cilins and Merloni-Horemens stem from 2005 when Steinmetz purportedly promised to pay bribes to one of former President **Lansana Conté's** (1984-2009) wives.<sup>21</sup> The bribe was meant to ensure that **Guernsey-based BSG Resources (BSGR)**, the company that Steinmetz founded, would be able to obtain the concession rights to the **Simandou** iron project.<sup>22</sup> Between 2005 and 2010, Steinmetz allegedly orchestrated the payment of \$10m to various Guinean authorities in order to facilitate the award of the mining licence.<sup>23</sup> As a result, Steinmetz and BSGR were able to acquire two blocks at the Simandou iron project at the expense of their competitor, **United Kingdom (UK)-based Rio Tinto**.<sup>24</sup> In 2010, BSGR sold 51% of its stake in the Simandou iron project to **Brazil-based Vale SA** for the sum of \$2.5 billion.<sup>25</sup> However, in 2014, President **Alpha Condé** (2010-present) terminated the contract alleging acts of corruption during the contract award process and subsequently launched investigations into the matter.<sup>26</sup> Steinmetz went on to accuse Condé and **United States** financier **George Soros** of organising a smear campaign against him and enacted court proceedings against the Guinean government.<sup>27</sup> The ensuing legal battle was only resolved in February, when both sides decided to drop charges against each other following mediation efforts pursued by former French president **Nicolas Sarkozy** (2007-2012) (see *ARC Guinea Briefing March 2019*).<sup>28</sup> The UK-based **London Court of International Arbitration (LCIA)** has

<sup>13</sup> Jeune Afrique, 7 Jun 2019

<sup>14</sup> RFI, 3 Aug 2019

<sup>15</sup> RFI, 28 Jul 2019

<sup>16</sup> Jeune Afrique, 31 Jul 2019

<sup>17</sup> Reuters, 12 Aug 2019

<sup>18</sup> Jeune Afrique, 13 Aug 2019

<sup>19</sup> La Tribune Afrique, 13 Aug 2019

<sup>20</sup> Reuters, 13 Aug 2019

<sup>21</sup> Reuters, 12 Aug 2019

<sup>22</sup> Reuters, 12 Aug 2019

<sup>23</sup> Reuters, 12 Aug 2019

<sup>24</sup> La Tribune Afrique, 13 Aug 2019

<sup>25</sup> RFI, 13 Aug 2019

<sup>26</sup> Jeune Afrique, 13 Aug 2019

<sup>27</sup> Jeune Afrique, 13 Aug 2019

<sup>28</sup> Jeune Afrique, 15 Jul 2019

ordered BSGR to pay its former partner, Vale, \$1.25 billion plus costs and interest in compensation for the termination of its stake in the Simandou iron ore concession (see *ARC Guinea Briefing April 2019*).<sup>29</sup>

Mascotto has been investigating the case since 2013 and has sought assistance from Guinea, Israel, **Ukraine** and the UK in order to track alleged financial flows and identify account owners.<sup>30</sup> Swiss authorities are interested in the Steinmetz case because they believe some of the money used to pay bribes passed through Swiss-based bank accounts.<sup>31</sup> Steinmetz lawyer **Marc Bonnet** says Steinmetz will contest all charges against him, particularly whether they have a basis in fact or in law.<sup>32</sup>

Steinmetz is no stranger to legal proceedings. In August 2017, Steinmetz and **Tal Silberstein**, an adviser to former **Austrian** Chancellor **Sebastian Kurz** (2017-2019), were investigated on charges of money laundering.<sup>33</sup> In May 2016, Steinmetz was indicted in **Romania** for “*forming an organised criminal group, complicity influence peddling and money laundering*” in relation to a case of fraudulent return of properties which cost the Romanian government €145m (\$160.5m).<sup>34</sup>

Steinmetz’s new legal woes may spell trouble for the Guinean mining sector. Part of the agreement that both parties drop charges with respect to the Simandou affair, was that Steinmetz would obtain the right to operate a smaller iron ore concession at Zogota. The on-going criminal case may hamper development of the Zogota project. Mines and geology minister **Abdoulaye Magassouba** stated that the government was not involved in trying to prosecute Steinmetz and cited the February agreement as a rationale for not pursuing a case against him.<sup>35</sup>

### IMF approves \$23.9m loan under Extended Credit Facility

The **International Monetary Fund (IMF)** executive board approved a \$23.9m disbursement to Guinea on 26 July following the completion of the IMF’s third review mission under Guinea’s Extended Credit Facility (ECF).<sup>36</sup> This will be a positive sign to international stakeholders about the government’s management of the economy. The loan provided under the ECF, which Guinea adopted in December 2017, was worth \$170m.<sup>37</sup> While the aim of the ECF is to strengthen resilience, scale-up growth supporting investment and social safety nets as well as promote private sector development, the \$23.9m loan will go towards budgetary support.<sup>38</sup>

IMF deputy managing director **Mitsuhiro Furusawa** said Guinea’s growth momentum continues and the medium-term outlook is favourable.<sup>39</sup> Furusawa praised the government’s implementation of macroeconomic policies and reforms to foster high and broad-based growth and reduce poverty while preserving stability.<sup>40</sup> Furusawa also expressed satisfaction with Guinea meeting performance targets set under the ECF.<sup>41</sup> Furusawa advised that advancing programmed tax revenue measures and applying the petroleum price adjustment mechanism will support revenue mobilisation.<sup>42</sup>

However, in its report the IMF suggested that the government should reduce electricity subsidies and build external buffers against shocks to strengthen Guinea’s resilience.<sup>43</sup> Furusawa also noted that

<sup>29</sup> Mining Weekly, 10 Apr 2019

<sup>30</sup> RFI, 15 Aug 2019

<sup>31</sup> La Tribune Afrique, 13 Aug 2019

<sup>32</sup> Reuters, 13 Aug 2019

<sup>33</sup> La Tribune Afrique, 13 Aug 2019

<sup>34</sup> La Tribune Afrique, 13 Aug 2019

<sup>35</sup> Reuters, 13 Aug 2019

<sup>36</sup> IMF, 26 Jul 2019

<sup>37</sup> IMF, 26 Jul 2019

<sup>38</sup> IMF, 26 Jul 2019

<sup>39</sup> IMF, 26 Jul 2019

<sup>40</sup> IMF, 26 Jul 2019

<sup>41</sup> IMF, 26 Jul 2019

<sup>42</sup> IMF, 26 Jul 2019

<sup>43</sup> IMF, 26 Jul 2019

monetary policy needs to be prudent to moderate inflation, and said that limiting the central bank's lending to the government will be key to containing inflationary pressures.<sup>44</sup> The IMF also encouraged the Guinean government to take steps to fight corruption and improve governance.<sup>45</sup>

Following the IMF loan approval, economy and finance minister **Mamadi Camara** said:

*"Beyond the financial support it allows us to mobilise, under which must be added the budgetary support of the other financial partners, including the **World Bank** and the **European Union**, the successful review of the programme as of July 26, 2019, reflects the eyes of international public opinion, the success of the Guinean authorities in the implementation of policies and performance reforms in 2019, which support the mid-term review of our **Plan National de Développement Economique et Social (PNDES) 2016-2020** [national plan for economic and social development]."*<sup>46</sup>

The IMF has provided Guinea with \$95.7m since it adopted the ECF in 2017. Despite the IMF's positive outlook, potential risks such as the possibility of President Condé attempting to pursue a third presidential term, may affect Guinea's current economic trajectory.

### Planner

Oct 3-4 **Lomé (Togo)** *Agence Ecofin*. **Invest in West Africa** forum takes place in Lomé;  
 Nov 2019 **(Guinea)** Legislative elections (date to be determined)  
 Oct 2020 **(Guinea)** Presidential elections (date to be determined)

### Chronology

16 Aug 2019 **Conakry (Guinea)** *Vision Guinee*. The opposition **Union des Forces Démocratiques de Guinée (UFDG)** calls on **France** to prevent President **Alpha Condé** from amending the constitution;

14 Aug 2019 **Conakry (Guinea)** *Jeune Afrique*. **Guinea Alumina Company (GAC)**, a branch of **United Arab Emirates (UAE)**- based **Emirates Global Aluminium (EGA)**, carries out first export of bauxite amounting to 70,000 tonnes;

13 Aug 2019 **Conakry (Guinea)** *La Tribune Afrique*. **Franco-Israeli** billionaire **Beny Steinmetz** will be prosecuted in **Geneva (Switzerland)** for alleged acts of corruption relating to the award of mining concessions in Guinea;

10 Aug 2019 **Conakry (Guinea)** *Vision Guinee*. Foreign affairs minister **Alpha Barry** announces the construction of a railway from Conakry to **Bobo Dioulasso (Burkina Faso)**;

10 Aug 2019 **Conakry (Guinea)** *Vision Guinee*. **Burkinabe** president **Roch Marc Kabore** undertakes a state visit to Guinea;

3 Aug 2019 **Conakry (Guinea)** *RFI*. **India** signs cooperation agreements with Guinea amounting to \$251m during Indian president **Ram Nath Kovind's** three-day visit to Guinea;

31 Jul 2019 **Conakry (Guinea)** *Agence Ecofin*. The **World Bank** will provide an \$80m loan to Guinea in order to support development initiatives in the education sector and towards capacity building of small and medium sized enterprises (SMME)

27 Jul 2019 **Conakry (Guinea)** *Aminata.com*. Former **Cour Constitutionnelle** (constitutional

<sup>44</sup> IMF, 26 Jul 2019

<sup>45</sup> IMF, 26 Jul 2019

<sup>46</sup> Financial Afrik, 8 Aug 2019

court) president **Kelefa Sall**, who was opposed to proposed constitutional change, passes away aged 61;

26 Jul 2019 **Washington D.C (United States) IMF Press Statement**. The **International Monetary Fund (IMF)** approves a \$23.9m loan under the Extended Credit Facility (ECF) to the Guinean government;

### About Africa Risk Consulting:

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