



Bauxite Investment Spurs Hopes in Guinea

Reprinted with permission from **allAfrica.com**

NEWS

14 March 2006

By Tamela Hultman
Boke, Guinea

In one of the world's 10 poorest countries, where life expectancy barely exceeds 50 years, where 75 per cent of the women are illiterate, and where almost everyone is unemployed, Kadiatou Bah aims to beat the odds. She plans to open her own motor vehicle repair shop.

If her expectations seem unmerited by the circumstances, her optimism has plenty of company at the Centre de Formation Professionnelle, a technical school she attends in Boke, a dusty town about 50 kilometers inland from the northern coast of Guinea. Many of her teachers and her classmates are expecting new opportunities for this west African nation from one of the largest single foreign investments in Africa in recent years.

Global Alumina, a seven-year-old company operating from New York and Conakry, is developing a bauxite concession of nearly 700 square kilometers and has plans to explore, drill and mine. That news is not the source of local interest, however. Bauxite has been extracted from the rust-colored earth of this area for decades by large, multinational corporations, and the people who live here have seen few benefits.

In addition to its plans to mine, Global Alumina is building a refinery that will give Guinea a modern, large-scale processing facility for bauxite, which is experiencing strong worldwide demand. Guinea accounts for about half of the world's known reserves - enough to last 1000 years, by some calculations.

Although bauxite accounts for the bulk of the country's exports, almost all of it is shipped out as raw, unrefined ore. Guinea's production supplies about half of the bauxite imported into the United States and Canada.

The new plant will refine approximately 8.5 million tons of ore annually to produce 2.8 million metric tons of alumina, a product that is turned into finished

aluminum through smelting. The company expects to invest more than U.S.\$2 billion on the refinery and the peripherals - the mines that will provide the bauxite-containing soil, a coal-fired power plant, a dam to supply water, an upgrade of an existing rail line to transport the processed alumina to the coast and an expansion of infrastructure at the port city of Kamsar, 136 kilometers away.

The project is expected to provide a significant economic boost to a small country of less than eight million people. Global Alumina is in the process of hiring 10 to 12 thousand workers for the construction stage, projected to last four years. The permanent labor force, once the refinery is completed, may number as many as 2000.

For the government of Guinea, Global Alumina's investment is a welcome departure from the past 40 years, when the bauxite-mining companies rebuffed appeals to build a refinery. "We want to ensure that value is added locally to processed mineral resources," says Ahmed Tidiane Souare, minister of Mines and Geology, explaining official enthusiasm for Global Alumina's project. "Mining companies must not become islands of wealth. The effect must be felt first by the immediate community and then spread to the rest of the population."

Although Russian interests operate a concession and a smaller, older refinery further south, most of Guinea's bauxite is still mined, crushed and exported by Compagnie des Bauxites de Guinee, or CBG, owned 49 percent by the government and 51 percent by Halco Mining. Halco's major owners are the Canadian company Alcan and the U.S. company Alcoa, which each have a 45% share.

CBG has operated under a 1963 agreement that gave aluminum companies exploration rights over a large area, with mining concessions over a more limited range, in the expectation that a refinery would eventually be built. That never happened.

Instead, Alcan and Alcoa, through their bare-majority stake in CBG, parried all government attempts to put a refinery on the drawing board and, in recent years, also attempted to block the proposed refineries by Global Alumina and by Rusal, a Russian firm. But the government had had enough.

Five years ago, after Global Alumina broached its proposal for a refinery, Guinea warned the CBG operators of consequences - publicly unspecified - if they tried to keep control of concessions beyond their ability to exploit them. The government gave the mining companies until 2004 to determine which areas they would need to retain to satisfy their needs for the next 60 years and said they must relinquish claims to the remainder.

In October 2004, following sometimes-tense negotiations among all the parties, Global Alumina won the right to operate in an area previously within CBG's

concession. Under the agreement with the Guinea government, the company's wholly owned subsidiary, Guinea Alumina Corporation, will develop, finance, construct and operate the refinery.

Haskell Sears Ward, Global Alumina's senior vice president for governmental affairs, says the refinery will do more than make alumina. "This is the largest project ever undertaken in Guinea," he says. "There is a strong sense of hope that this can lead to the industrialization of the country, given the project's complexity and given its impact on both the micro and macro economy."

Already, say the students and staff at the Centre de Formation Professionnelle, Global's involvement has made a difference. They proudly showed visitors around an almost-completed girls' dormitory, contributed to by Global Alumina, which will enable the school to increase its proportion of young women students. Amadou Kadatou Diallo, a male student, says the expansion of the school is good for everyone. If Guinea is to change and to develop, he says, there must be new opportunities and new ways of doing things.

Haskell Ward says the aid to the school is good business as well as good works. The low level of education in Guinea means that many of Global Alumina's employees - at least in the beginning - will come from countries that produce more skilled laborers than their own economies can absorb. Hiring locally reduces costs and earns goodwill for the company.

But Ward says Global Alumina has a genuine commitment to being a socially engaged company, whose concern about people and the environment parallels its fiscal responsibility to be profitable. Education and skills programs, he says, can become a pipeline that propels Guineans to good jobs and decreased poverty.

That aspect of the company's operations animates many of the conversations with its managers and appears deeply embedded in its self-image. Mamady Youla, Director General of Guinea Alumina, exemplifies the country's small group of young, well-educated technocrats. He says local people have high expectations about benefits for their communities - and they should.

"People are totally aware," he says, "of the historic extraction of natural resources from the land where they have traditionally lived. They are aware that the goal is no longer that of extracting raw materials meant for export, but rather to extract and then process the materials in-country and that the challenge is generating jobs which serve to add value to the extracted resources."

Ward says that Youla is representative of a new generation of Guineans, "with integrity, transparency, competence and commitment to Guinea first. We're very fortunate to have him as director of all of our operations here."

Youla's colleague, Djoulde Kamara, says she was lured from operating her own business in Europe to join the team at Guinea Alumina, in part because of the company's promise to put people alongside profits in its operating principles. "It's not just a big industrial project," she says, "It's also a very big social project. I believe it will affect the lives of many Guineans."

In returning to her home country, Kamara sees job creation, better schooling and opportunities for small businesses as among the side-benefits the company will consciously promote. She also thinks the advantages for women will be tangible. "I believe there will be a positive message we will send to Guinean women," she says. "There has been talk for years about the importance of improving women's lives, but those promises were never kept. This is one of the ways Global can make a difference, through our work in different villages and on the sites where the company operates."

High-level government officials also talk of a development agenda. Some have begun to voice concern about the wealth concentrated in a few hands and with the culture of corruption that has characterized autocratic rule in Guinea. The country has had only two rulers since it declared independence from France in 1958 - Sekou Toure, until his death in 1984 and the current president, former military junta leader Lansana Conte. Elections have been held three times since 1993.

Besides bauxite, Guinea has deposits of iron ore, diamonds, gold and uranium. Its water supplies are so plentiful that it is called "the water tower of west Africa." Yet the country has remained impoverished, with little infrastructure and few services.

"The mining sector in Guinea is the mainstay of the economy," says Souare, the minister of mines, "and thus the pivot of any poverty-reduction strategy, because poverty-reduction goes hand-in-hand with expanded growth that is evenly distributed."

Souare says his ministry "will do everything possible to increase revenue" from Guinea's natural resources and will insist on appropriate, responsible management of the royalties the government receives from raw-material exploitation. "To achieve transparency," he says, "committees have been set up in the districts to ensure that these resources are channeled and utilized in local development plans, such as road construction and the building of health centers."

In recent years, transparency has become the watchword of a global movement aimed at decreasing corruption and government malfeasance, which have been particularly prevalent in extractive industries and in countries whose economies depend on oil or mineral exports. A U.S. State Department report In January of this year says Guinea has considerable potential for growth in the agricultural and fishing sectors, as well as in gold, diamonds, iron ore and, possibly, uranium.

But it says the country's "poorly developed infrastructure and rampant corruption continue to present obstacles to large-scale investment projects."

If Global Alumina can set a new standard for combining the well-being of Guinea's people with the profitable exploitation of their resources, it may encourage other investors, in Guinea and elsewhere, to make similar attempts. And if the government of Guinea can match its poverty-fighting deeds to its words, there may be some chance of meeting the expectations the refinery construction has generated.

"It is true that it's a double-edged sword to undertake this project among a population with such high expectations," says Mamady Youla, but he says the company is aware of the challenges and has done its homework. He says Global Alumina "is working hard to collaborate with bilateral and multinational institutions to develop programs to maximize the positive returns of the project for the people of this area."