



IFC

**International
Finance Corporation**
World Bank Group

WEST AFRICA REGIONAL MINING FORUM, CONAKRY, GUINEA

***Creating Enabling Environment for Infrastructure Development
For Large-scale Mining***

**William Bulmer, Associate Director, Head of Mining
Division, IFC**

February 2008

Outline:

- ***Introduction***
- ***Mining and Infrastructure***
- ***Private Investment in Infrastructure***
- ***World Bank/IFC Role***
- ***Conclusions***

INTRODUCTION:

AFRICA : UNDER-INVESTMENT IN INFRASTRUCTURE TO SUPPORT DEVELOPMENT PROSPECTS



- **Large critical infrastructure needs: Globally**
 - 500 million (“mn”) people lack access to energy
 - 1 billion (“bn”) people lack clean water, and 2.5 billion people lack access to basic sanitation
 - 3 million people die annually from water related diseases

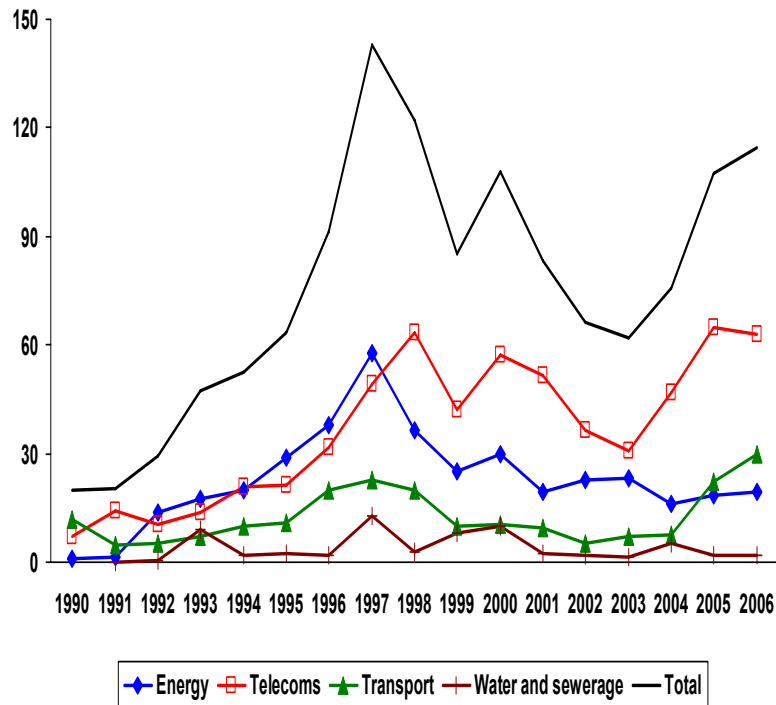
- **Africa lags behind other regions of the world in attracting private funding for infrastructure**
 - US\$50bn of funding attracted between 1990 – 2006 compared with US\$93bn for South Asia, and US\$435bn for Latin America
 - About 65% of private infrastructure investment in Africa was to the telecom sector

INTRODUCTION (CONT.):

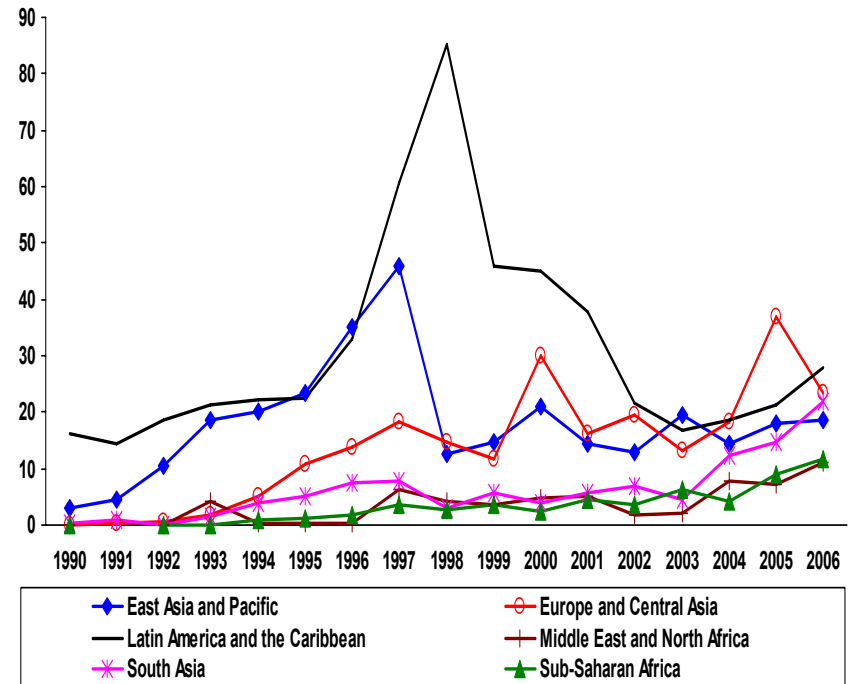
GLOBAL INVESTMENTS IN PRIVATE INFRASTRUCTURE



By Sector



By Region



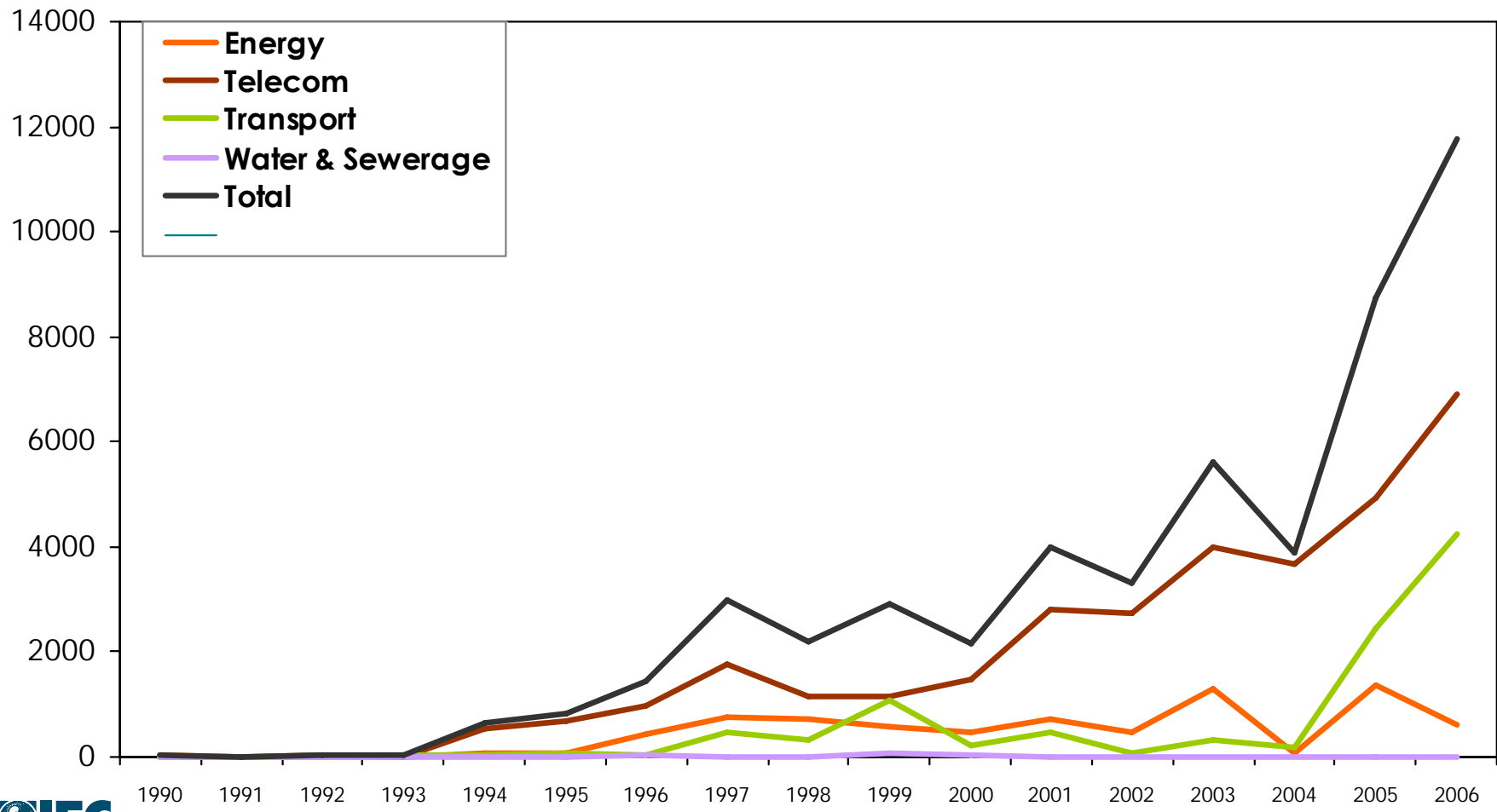
Source: World Bank PPI Database, November 2007

INTRODUCTION (CONT.):

INVESTMENTS IN PRIVATE INFRASTRUCTURE IN SUB-SAHARAN AFRICA BY SECTOR

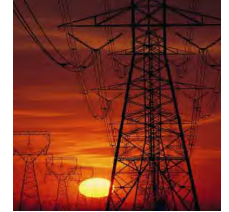


Nominal US\$ millions



INTRODUCTION (CONT.):

GOVERNMENTS ROLE: CREATE AN ENABLING ENVIRONMENT FOR PRIVATE SECTOR PARTICIPATION IN INFRASTRUCTURE DEVELOPMENT



- **Governments constraints in providing required infrastructure**
 - Financial capacity – competing priorities for limited financial resources e.g. health and education
 - Technical capacity – lack of expertise to manage complex infrastructure projects

- **Governments aware but unable to address needs on their own**
 - The region's infrastructure requirements - US\$20bn estimated annually between 2005 – 2015 - equivalent to about 7% GDP (Commission for Africa Report)
 - Investments in infrastructure have averaged about US\$10bn per year
 - Only 15 percent of those investments in infrastructure have come from the private sector
 - If adjusted by the weight of South Africa, investment in infrastructure should increase between 3 to 4 times, in order to cope with the region's needs

MINING AND INFRASTRUCTURE

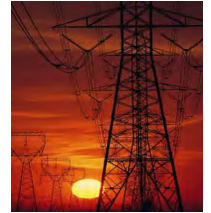
LARGE-SCALE MINING REQUIRES HUGE INFRASTRUCTURE



- **Lack of adequate infrastructure has been a hindrance to the development of the mining industry in Africa**
- **Large-scale mining in particular requires the support of huge infrastructure mostly rail and port facilities and power**
 - Infrastructure costs can exceed 50% of the development cost of large-scale mining projects in Africa e.g.
 - Moatize Coal Project in Mozambique – requires the Sena Rail Line rehabilitation and port development
 - Simandou Iron Ore project in Guinea – requires about 700 km of rail line and port facilities
 - Faleme Iron Ore in Senegal – requires 700km rail line and construction of port facilities
- **Large-scale mining projects should be developed as an integrated project with associated infrastructure**
 - Risk of dedicated infrastructure should be borne by mining company, not government
 - Integration of mine and infrastructure development increases project's bankability

MINING AND INFRASTRUCTURE

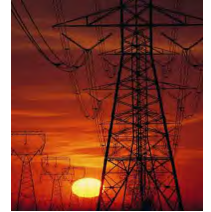
MINING INFRASTRUCTURE SOMETIMES OFFERS OPPORTUNITIES FOR BROADER ECONOMIC DEVELOPMENT



- Individually, some mining projects may not be able to support the cost of required infrastructure, mainly railways and ports
- Having third-party investors develop the infrastructure that can serve sector and beyond may be a solution
- Where feasible Governments should promote and leverage the infrastructure associated with mining projects to the benefit of the community in general
- **Governments could:**
 - Create an enabling environment for private sector investment and management of infrastructure projects through appropriate incentives and regulations
 - Avoid the burden of project related risks which are within the control of the mine and infrastructure investors
 - Where there is a broader economic use of the infrastructure, Governments can encourage public-private partnerships allowing full costs recovery of public component

GOVERNMENT ROLE

CREATING THE ENABLING ENVIRONMENT



- **Stable macroeconomic environment as an incentive to long term incentives**
- **Adequate legal and policy framework for concessions and partnerships with private sector**
- **Legal systems allowing for contract enforcement, bankruptcy and lender remedies e.g. commercial courts**
- **Stable regulatory framework recognizing project's life cycle needs**
- **Conditions to attract long-term financing, including the development of local currency debt capital markets**
- **Where applicable, provide an incentivised and cost recovery tariffs structure**
- **Comprehensive regional planning, including water and environmental issues to promote long term sustainable development**

WORLD BANK / IFC ROLE

SUPPORTING PRIVATE SECTOR PARTICIPATION IN INFRASTRUCTURE DEVELOPMENT

IFC's Advisory Services Department



- **Advisors to the government**

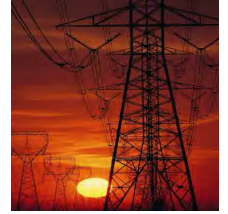
- Preparation and support for institutional reform, often jointly with the World Bank
- Preparation and structuring of projects under public-private partnerships
- Organization of international bidding for infrastructure projects
- Marketing to potential investors
- Elaboration of all contracts

- **Recent advice to governments on mobilization of private sector participation**

- Mozambique - Moatize Coal Deposit – advised government on the selection of a private sector developer (CVRD of Brazil) and the award of exploration rights
- Guinea - Simandou - advised on strategic approach to iron ore transportation from Simandou and Mt Nimba
- Vietnam, Zambia and Brazil - Advised on structuring of Independent Power Producers
- Kenya / Uganda - Advised on railway concessioning to private sector (Kenya – Uganda Railways)
- Madagascar, Brazil and India - Advised on port concessioning

WORLD BANK / IFC ROLE

SUPPORTING INFRASTRUCTURE DEVELOPMENT THROUGH INVESTMENTS AND ADVISORY WORK



IFC Investment Departments

- **Mobilising Equity, Loans and Risk Management products**
- **Total committed portfolio of US\$1.35bn in mining and infrastructure projects in Africa**
- **Some key IFC Mining Division projects**
 - Simandou in Guinea – US\$35mn committed in 5% equity participation
 - Mozal in Mozambique – US\$140mn in loans
 - Lonmin in South Africa – US\$50mn in equity and US\$100mn stand by loan towards community initiatives
- **Some key IFC Infrastructure Department projects**
 - Bujagali Hydro electric plant in Uganda – US\$130mn in loans and US\$300mn IDA Partial Risk Guarantees and \$115m MIGA Political Risk Insurance
 - Kounoune I IPP in Senegal – €17mn in IFC loans and \$7.2mn in IDA Partial Risk Guarantees
 - Kenya-Uganda railway

WORLD BANK / IFC Role

SUPPORTING INFRASTRUCTURE DEVELOPMENT THROUGH INVESTMENTS AND ADVISORY WORK

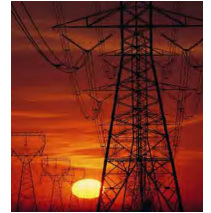


IFC New Initiatives

- **Recently established a dedicated unit to provide support for PPPs in infrastructure with focus on:**
 - Structuring sustainable arrangements
 - Working with public agencies to prepare balanced and equitable proposals
 - Promoting transparency
 - Providing capital including equity and subordinated debt to comfort domestic institutions
 - Providing local currency facilities; guarantees and structured financing products
 - Enhancing confidence in the long-term durability of the PPP transaction
- **Establishing a Global Infrastructure Project Development Facility - InfraVentures**
 - US\$100m over 5 years in IDA countries with focus on Africa
 - Dedicated, experienced senior professionals
 - Fund staff to act proactively as project developers, principally with co-developer, or as “surrogate” sponsor
 - Objective of bringing more projects to financial close and implementation

WORLD BANK / IFC ROLE

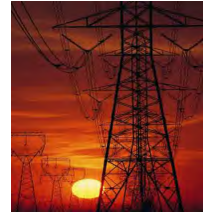
SUPPORTING INFRASTRUCTURE DEVELOPMENT THROUGH INVESTMENTS AND ADVISORY WORK



- **Public-Private Infrastructure Advisory Facility (PPIAF)**
 - Funding to assist private sector and Government explore partnerships in infrastructure development
- **Technical Assistance Trust Funds Units**
 - Provides support for a broad range of private sector oriented technical assistance and advisory services
- **Doing Business Project**
 - Providing objective measures of business regulations and their enforcement across 178 countries and selected cities at the sub national and regional level.
 - Benchmarking creates incentives and competition for governments to reform
- **SME and Linkages Services**
 - Provides linkages services to enhance developmental impacts of mining and infrastructure projects thus promoting community support for projects

CONCLUSIONS:

THE WORLD BANK GROUP IS COMMITTED TO FACILITATE PRIVATE SECTOR PARTICIPATION IN INFRASTRUCTURE



- **Infrastructure is key to the development of a viable mining industry**
- **Large scale mining has the potential to bring infrastructure benefits to the host country**
- **Partnership and appropriate risk sharing essential**

- **There are different approaches to providing mining infrastructure**
 - Integrated within large-scale mining projects
 - Provided by third-party serving multi-users

- **Governments have key role but not necessarily in financial investment**
 - Create an enabling environment for private investment
 - Ensure broader development potential is realized
 - Provide needed support for reasonable benefit-risk sharing



THANK YOU FOR YOUR ATTENTION

