

The Good, the Bad and the Ugly — The World Bank's Impact on Developing Railways from an RDC Perspective

HENRY POSNER III
Chairman

RDC RAILROAD
DEVELOPMENT
CORPORATION

www.RRDC.com

World Bank Transport Forum 2007
Washington DC
March 26, 2007

RDC – General

- Pittsburgh-based, privately held railway investment and management company
- Focus: Emerging Corridors in Emerging Markets
- Financial structure based on **Joint Ventures**

RDC – Businesses

Country	Entity	Length Km (Miles)	Employees	Avg. Tons (in millions)
USA	Iowa Interstate	1,005 (623)	185	6.2
Argentina	ALL Central	5,350 (3,324)	1,012	3.4
Argentina	ALL Mesopotamica	2,740 (1,703)	313	1.4
Guatemala	Ferrovias Guatemala	322 (200)	100	0.13
Peru	Ferrocarril Central Andino	490 (304)	169	1.7
Malawi	Central East African Railways	797 (495)	487	0.24
Mozambique	Nacala Corridor	872 (523)	227 Rail	0.27
Estonia	Eesti Raudtee**	693 (431)	2,389	44.3

****Renationalized Jan. 2007**

RDC — Investment Parameters

- **Most important factors are:** *(descending order)*
 1. Committed government
 2. Rational competition among bidders
 3. Local partners
 4. Investment & management skills

AGENDA

- **World Bank Roles:**
 - **GOOD**
 - Argentina
 - **BAD**
 - Guatemala
 - **UGLY**
 - Estonia
 - Mozambique
- **Conclusions**

THE GOOD

- **ARGENTINA — Support of Restructuring**
 - Restructuring a model for subsequent privatizations
 - Structural adjustment loans for retrenchments
 - End result: railway survival, if not prosperity

THE BAD

- **GUATEMALA – Institutionalized Indifference**
 - Designation as “Category A Environmental Problem” due to squatters...
 -but no consideration of highway deaths and pollution
 - Funding of squatters in El Salvador strangles potential connection
 - Results to date: capital starvation, CAFTA conflict a negative signal for all

THE UGLY

- **ESTONIA – Indirect Interference**
 - IFC funding of Severstaltrans, promoter of conflict
 - Indifference to corruption
 - Re-nationalization as a result
 - End result: win for politicians; draw for investors; loss for people

THE UGLY (Cont'd.)

- **MOZAMBIQUE – Direct Interference**
 - Funding of competing Sena Line, with underlying faulty due diligence
 - Funding of consultant study to discredit Nacala Corridor
 - Results to date: privatization discredited at the local level, mixed signals to financial marketplace

CONCLUSIONS

- **The World Bank has gone from being Part of the Solution to Part of the Problem.**
- **The World Bank needs a Code of Ethics addressing internal corruption and Unintended Consequences.**