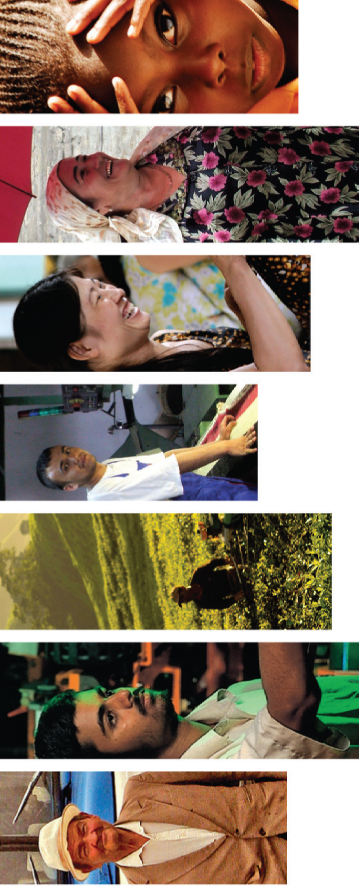


CREATING
OPPORTUNITY



IFC 2007

LSM/ASM & Infrastructure
Workshop

Lubumbashi, Nov. 20-23,
2007

Ram Mahidhara

Infrastructure Dept

Sub-Saharan Africa



International
Finance Corporation
World Bank Group

What is IFC?

- A member of the World Bank Group but a separate legal entity
- Owned by 179 member countries
- **GLOBAL** Headquartered in Washington, D.C.
- **LOCAL** More than 100 country offices worldwide

IFC' Mission

To promote sustainable private sector investment in developing countries, helping to reduce poverty and improve people's lives

IFC's Product Offering

- **FINANCIAL PRODUCTS**
Financing private sector investment
 - Equity, quasi-equity, long-term debt, structured finance, risk management products
- **MOBILIZING PRIVATE CAPITAL**
Raising additional financing in local and international market
 - Syndications, structured finance
- **ADVISORY SERVICES**
Support to businesses and governments
 - Global industry/market knowledge: business advice, training, other forms of support

Where do we get our money from?

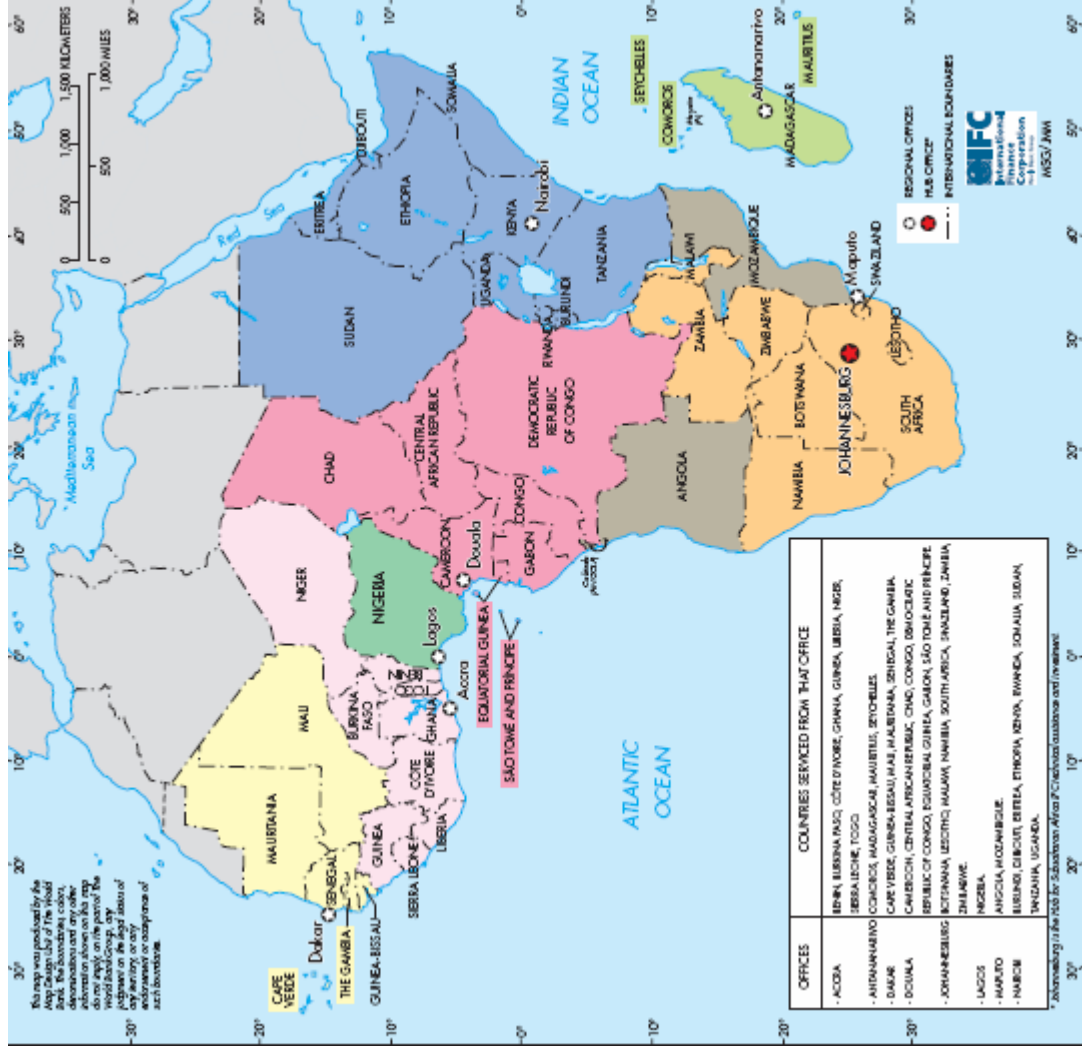
- AAA/Aaa credit rating for international borrowings
- IFC borrows money on the international markets
- Last year, we borrowed US\$2.7 billion in 11 currencies
- Paid-in Capital: \$2.4 billion
- Total Capital (Net Worth): \$14.1 billion
- 3,100 staff (51 percent based in field)
- Ability to leverage expertise of the World Bank Group

FY07 Financial Results

- IFC invested over \$8 billion for its own account (including \$1.4 billion in Sub-Saharan Africa)
- IFC mobilized nearly \$4 billion more from private banks and other financial institutions
- IFC's strong net income and growth allowed us to contribute \$500 million to IDA

CREATING OPPORTUNITY

Local Presence



IFC'S Infrastructure Dept.

Transportation Infrastructure

Airports
Ports
Roads

Infrastructure

- Created in 1992 to address a market need
- Current portfolio: \$ 3.2 bn
- FY07 Commitments: Approx \$1 bn
- 70 professionals in Washington, DC and 6 international offices

Transportation Services

Logistics
Shipping
Airlines

Power

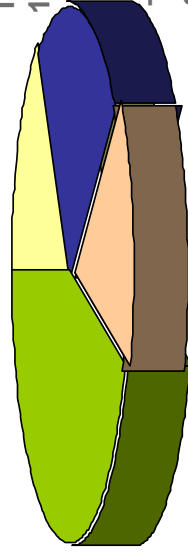
Generation,
Transmission,
Distribution

Renewable Energy

Utilities

Water, Waste, Gas
Distribution, Privatized
Public Services

Transport Infrastructure
16%



Power 43%

Utilities 17%

Transport Services
24%

IFC'S INFRASTRUCTURE INVESTMENTS: OVERALL

SECTOR	PROJECT COST	IFC NET	SYNDICATIONS
		US\$Millions	
TRANSPORT	7417	2887	2970
POWER	16000	3000	2500
NON-POWER UTILITIES	-	300	147
TOTAL INFRASTRUCTURE INVESTMENT	23417	6187	5617



IFC'S INFRASTRUCTURE INVESTMENTS: TRANSPORT

SECTOR	PROJECT COST	IFC NET	SYNDICATIONS
ROADS	2563	410	176
RAILWAYS	-	331	179
OTHER	4854	2146	2615
TOTAL TRANSPORT	7417	2887	2970

Recent IFC Infrastructure investments: SSA

- Rift Valley Railroad (Kenya/Uganda, rail) & Tanzania Rail
- Intraspeed (Rwanda, logistics)
- BBCOM (Burkina Faso, bus company)
- Bujagali (Uganda, hydro power)
- AES Sonel (Cameroun, thermal power)
- Ishasa (Uganda, hydro power)

INFRASTRUCTURE SSA: PERSISTENT SHORTAGE

- Availability of public capital in emerging markets constrained due to deficits and/or poor fiscal management
- Availability of private capital also constrained: risk-sensitive investors often unwilling to take SSA infrastructure risk
- Yet... huge need in SSA infrastructure for capital, operational efficiencies & competitiveness

CHALLENGES FOR PVT. SCTR INFRASTRUCTURE

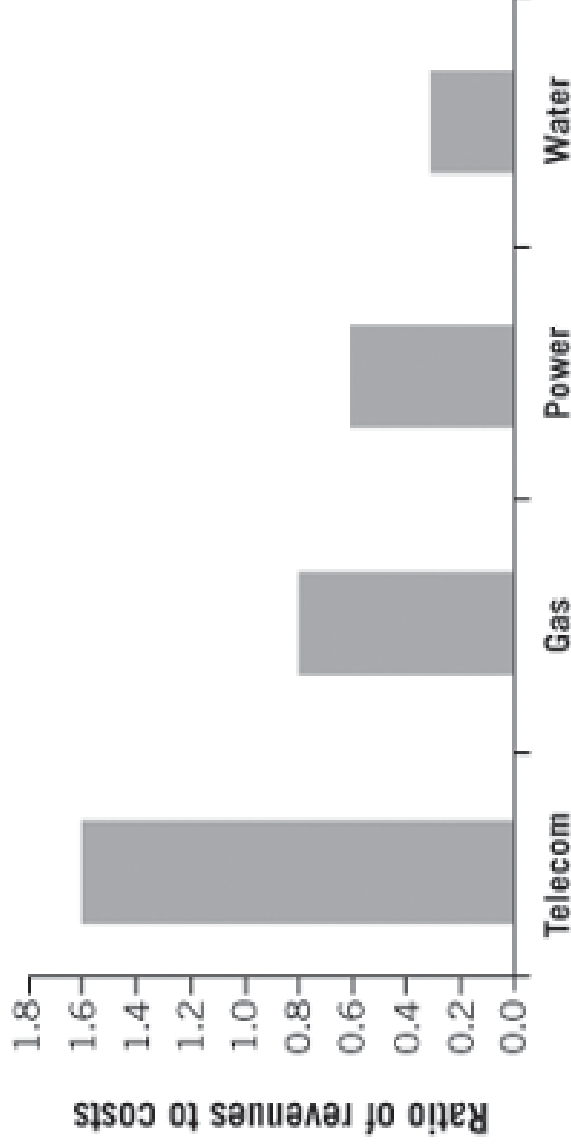
- Massive investment needs
- Pricing regimes do not always (often?) cover service provision costs (implicit or explicit subsidies)
- New or untested regulatory bodies
- Poor credit-worthiness of state oftakers
- High perceived country risk coupled with high investor return requirements
- Investors re-evaluating international operations and opportunities

WHERE HAS PRIVATE MONEY GONE?

- Projects that generate ready cash flows and where user fees can be collected continue to attract the bulk of what private investment is available
- Customers here typically wholesale users (telecommunications, ports, airports, captive power plants, freight railways and natural gas pipelines)
- But....power, roads, urban transport, water supply and sanitation receive little capital.

COST RECOVERY: KEY FACTOR

Figure 3: Cost recovery in infrastructure under the public sector



Source: World Development Report (1994)

IF PUBLIC PRIVATE PARTNERSHIPS (PPPs) ARE TO BECOME A SUSTAINABLE OPTION...

- Ensure Public's understanding and support
- Transparency
- Credible sharing of risks, costs & benefits

SUSTAINABLE PPPs...?

More focus on long-term sustainability aspects of PPPs

- political, financial, and social sustainability
- local currency financing & risk insurance
- Sound regulatory arrangements and structures

Attention to factors outside of contracts

- acceptability by consumers and public
- “sustainable” subsidy arrangements

For private partners:

- Expect tenders for all deals**
- Need consortia to provide bundled service solutions (not assets, equipment and supplies)**
- Greater attention to ensuring immediate public benefits and community participation**
- Seek balanced deal for sustainability**
- Don't put undue faith in contracts alone – expect adaptations and shocks**

For government partners

- Transparency throughout**
- Build regulatory capacity**
- Share risk, not just funding**
- Build public consensus before deal**
- Sustainable solutions for pricing, social and environmental aspects**
- Require service/output targets, but give operator flexibility on inputs and investment levels**
- Make contracts adaptable**

POSSIBLE PPP OPTIONS FOR KATANGA...?

Two Possible Option, both difficult

KOLWEZI-LIKASI ROAD?

- Either direct or via Nguba/Guba?
- SPV – trust structure – mining companies as shareholders
- Shadow tolls
- Questions – who will build/maintain/tolling mechanism?
- Common carrier(bus/individual) usage?

KOLWEZI-LUBUMBASHI RAILROAD REHAB?

- Economic – given the distance?
- What about the KOLWEZI – LIKASI corridor
- Would help but may not remove need for Kolwezi-Likasi road

IFC ROLE?

- Explore idea with stakeholders to see if concept agreeable/ feasible

IF FEASIBLE....

- Coordinate technical/legal/environmental/social studies
- Project structuring
- Investigate and identify funding for secondary spurs (for road) to benefit selected local communities
- Finance upto 25% of project costs on own and mobilise additional finance

CREATING OPPORTUNITY

HOW DO WE WORK TOGETHER?

CONTACT US!

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February 21, 2008



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