



**International  
Finance Corporation**  
World Bank Group

# Investing in Progress

*with Experience, Innovation, and Partnership*

Presentation To:

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**Rashad Kaldany**  
Director

**Oil, Gas, Mining and Chemicals**  
**World Bank Group**



# Outline of Presentation

- The World Bank Group
- IFC Services
- What IFC Looks for
- The Chad Cameroon Project
- Some key lessons

# The World Bank Group



A group of 5 Institutions  
with a common goal:

- sustainable economic development
- poverty reduction

- IBRD – helps finance and advise governments
- IDA – helps governments of the poorest countries
- IFC – helps develop private business through financing
- MIGA – helps private sector through political risk insurance
- ICSID – resolves disputes between investors & government

# IFC can provide

- Financing:
  - Long term loans – including guarantees/credit lines
  - Mobilize funds from others – including through its syndicated B loan program
  - Equity and quasi equity investment
  - Risk management Products
- Added value in areas such as:
  - Environment and social issue management
  - Corporate governance
  - Local development

# IFC supports projects that:

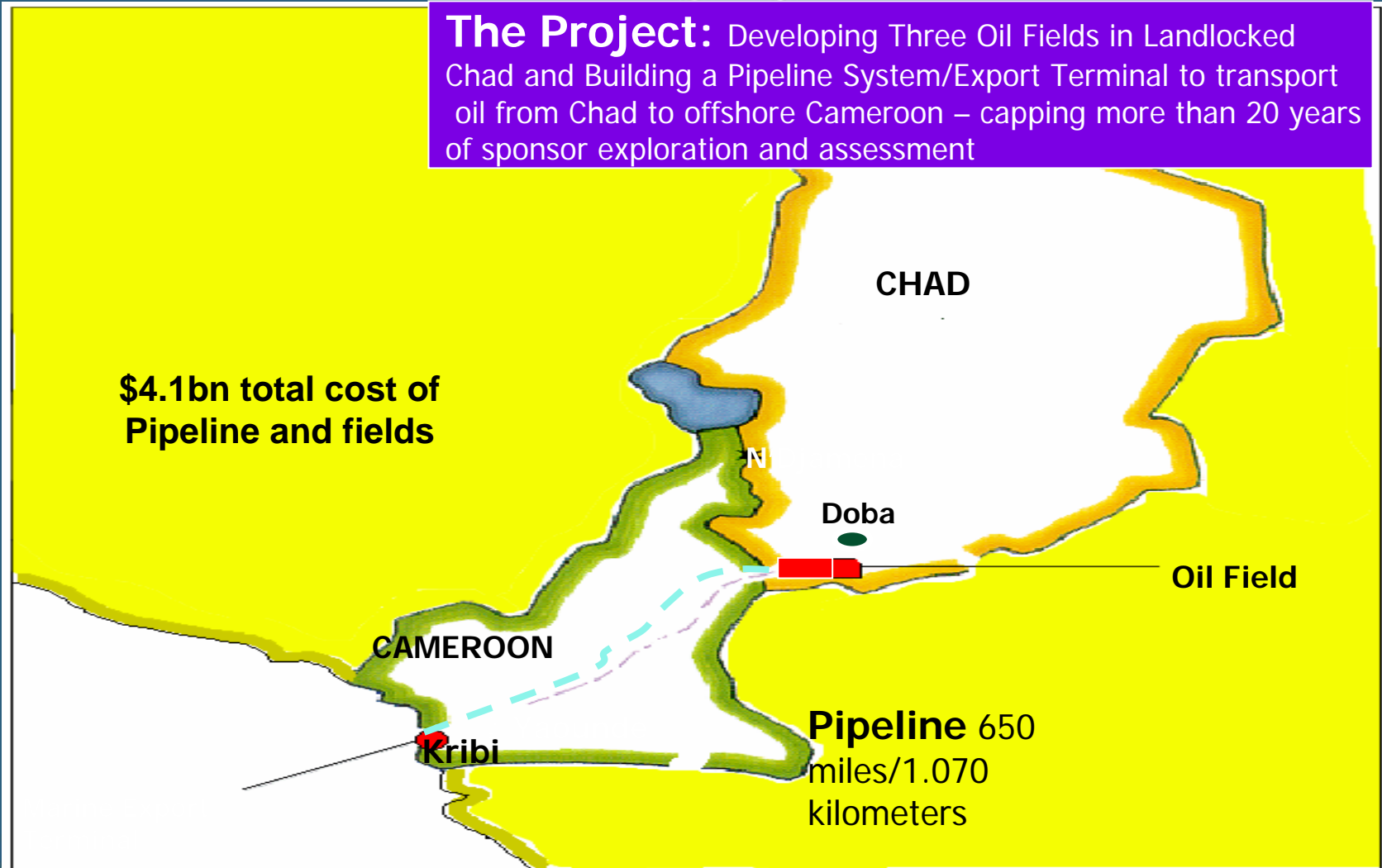
- Have good sponsors
- Are commercially strong
- Make economic sense for country
- Generate benefits for local community
- Meet IFC's environmental and social standards
- Have a reasonable balance of risk sharing with market returns
- Give IFC opportunity to make a difference

# Key areas for negotiation:

- **Appropriate risk sharing**
  - IFC is relatively comfortable with political risk (but still aims to mitigate as possible)
  - IFC accepts certain commercial risks as lender and equity holder (but expects sponsors to meet their core commitments)
- **Environment and Social Requirements;**
  - Cost vs. value added
- **Key to Success in financing in new/difficult markets**
  - Early engagement and common understanding of what all are looking to achieve

# The Chad Cameroon Pipeline

**The Project:** Developing Three Oil Fields in Landlocked Chad and Building a Pipeline System/Export Terminal to transport oil from Chad to offshore Cameroon – capping more than 20 years of sponsor exploration and assessment



# Chad – Background

- Huge, sparsely populated country - 8 million people
- 200 ethnic groups, 120 languages
- One of the poorest countries in the world
  - 167/174 in UN HD Indicator
  - GNI per capita \$200 pa
  - More than 60% below poverty line
  - Life expectancy (2000) 48 years
  - Only 16,000 electricity supply connections
  - Population growth rate >3% pa

# Chad Oil development: Issues

- **For country:** development after 20+ years of exploration/development
- **For investor:** Huge, lumpy investment, cross-border, high cost oil and & high perceived political risk
- **From development perspective:**
  - Weak governance
  - Political tensions
  - Environmental and social risk
- **Note:** Unlike many infrastructure projects which service local markets, availability of foreign exchange and risk of mis-match of US\$ or other hard currency financing currency and local currency priced (and politically sensitive) services, not an issue.





# Revenue Management Agreement

- **Agreement on use of revenues**
  - 10% royalties and dividends for future generations
  - 80%-95% royalties + 85-100% dividends for priority sectors agreed with Bank and Parliament
  - 5% royalties to Doba region
  - Balance to government operating costs
- **The pace of spending** to be set by reference to capacity and other processes economic management/poverty reduction strategies agreed between the World Bank, International Monetary Fund and Government
- **Audited offshore escrow accounts**
- **Public independent oversight** by committee made up of government, civil society, judiciary, parliament – authorize and verify disbursement. Reports quarterly

# Chad Cameroon Developments to Date

- Oil flowing although volumes lower than expected, but new oilfields coming on line
- Prices much higher (but note quality discounts)
- Net revenues to government higher than expected – with corporate tax date brought forward
- Revenues being accounted for and (generally) applied to development needs
- Following Chad Government – World Bank stand off – a new, more flexible but more encompassing revenue management deal has been agreed in principle
- Government has renegotiated aspects of deal with two investors
- High level government commission to lead renegotiations of oil contracts to obtain higher share of oil revenues

# Some key lessons from IFC's oil, gas & mining projects

- Overall fairness of deal at the national level, including:
  - Delivery of early benefits.
  - Capacity to deal with the unexpected such as high price windfalls.
  - Transparency
- Community benefits at the local level which requires:
  - Meaningful consultation
  - Realistic plan for how community will benefit in a sustainable way – which recognizes and addresses local realities (including governance weakness) and goes beyond compliance and external relations.
  - Clear objectives, results measurement, and communication