

IFC Investment in Simandou Mine (Guinea)

May 24, 2012

U.S. Position

As a post-conflict country with a new government that is working hard to reengage with the international community, Guinea warrants the World Bank Group's strong support. The United States appreciates the Guinean government's eagerness to develop the country's impressive mineral reserves as a source of funding to support the country's development objectives. The United States also recognizes the positive role that the IFC can play in maximizing the project's developmental outcomes – in particular by ensuring that social and environmental protections are met as the project moves forward. However, given that the social and environmental impact assessments (EIA) have not even been completed for this Category A project, the United States requests to be recorded as abstaining for legislatively mandated reasons.

Guinean authorities have demonstrated a strong commitment to addressing Guinea's economic and governance challenges in the 18 months since the country returned to democratic rule. In addition, the United States sees clear complementarity between the proposed IFC investment and the capacity-building efforts that Guinean authorities are undertaking under the IDA-funded \$10 million Grant for Economic Governance as well as the country's IMF program. The close coordination between Guinea and the IMF on the use of the \$700 million settlement payment from Rio Tinto is a good sign of the government's commitment to transparency in managing its mining revenues. Moreover, the United States commends Guinean authorities for reestablishing the country's candidacy under the Extractive Industries Transparency Initiative (EITI), and the United States urges authorities to continue working with the World Bank to achieve EITI validation by the August 31, 2012 deadline. Governance issues in the extractive sectors are a key concern of the United States, and so the United States will expect Guinea to complete the EITI process. Overall, the United States sees Guinea's undertakings with the World Bank Group and the IMF as demonstrating the authorities' commitment to improve its public financial management and governance frameworks – both of which will be crucial to the effective management of the project's large revenue stream to the government.

The United States agrees with the IFC project team's assessment that this is a truly transformational project for Guinea, including the potential to quadruple the government's revenues and double the country's GDP by 2025, and to require the build-out of much-needed transport infrastructure. If appropriately managed, Guinea's rich mineral endowment has the potential to fund the government's development goals as well as generate economic activity that will catalyze growth in other sectors of the economy.

The United States appreciates that the \$3 billion in investment under Simandou III will include over \$600 million for feasibility studies, including studies of the project's social and

environmental impacts. The United States understands the reason IFC has chosen not to await the completion and posting of the impact assessment, given that the investment involves a rights issue that is precipitated at least in part by Guinean authorities' ambitious deadline to complete Simandou III by mid-2015. However, given that the large scope and timeline for investment triggered a reclassification of the project from Category B to Category A, and because the project site is – by the project team's own definition – a “bio-diversity hotspot,” the United States believes investors as well as Guinean authorities should have agreed to wait for the assessments to be completed and posted before proceeding with the investment plan. *As a mitigating measure, the United States requests that the IFC hold a technical session for the Board after the EIAs are completed and posted, and before the Environmental and Social Management Plan (ESMP) has been finalized, so that the Board will be fully consulted on the measures proposed.*