

PROJECT SUMMARY INFORMATION: SNIM VI PROJECT (MAURITANIA)

1. Private sector Operation

2. The Project

The proposed project covers SNIM's capital expenditure program for the period 2000-2002, in particular (i) renewal of certain mining equipment and extension of its power plants in Zouerate and Nouadhibou, (ii) acquisition of shunting engines and wagons and bogies to cope with the increase in production capacity from 12 to 13.5 million tons a year and (iii) installation of a wet magnetic separation unit at the Guelbs plant in order to improve the quality of its iron ore concentrate and reduce emissions from the plant.

3. Financing Proposal

Borrower	Societe Nationale Industrielle et Miniere (SNIM).
Amount	EUR 30 million from own resources
Term	14 years, including a four-year grace period
Rate of interest	Fixed rate, determined at date of signature or of each disbursement, allowing for the interest subsidy provided for under the Lome Convention
Repayment	The borrower would repay the principal in 20 semi-annual installments.
Security	Guarantee of the Islamic Republic of Mauritania, Existing Trust arrangement (set up in connection with earlier operations). This provides for compulsory and irrevocable payment of all SNIM's revenue into a bank in Europe assignment to the Trustee of the rights deriving from the ore sales contracts. funds to be drawn from this revenue and deposited as a matter of priority in a Trust Account with a specialist financial institution (the Trustee), which would hold the amounts received and use them for automatically servicing the debt, while maintaining reserves in the account of between 50% and 150% of the next six-monthly installment assignment to the Trustee of the rights deriving from the ore sales contracts
Mandate	Lome IV B - under this heading any operation from own resources is guaranteed by the Member States.
Special aspects	Prudential financial ratios to be adhered to for the term of the loan
Commission's opinion	The opinion of the Commission has been requested
Opinion of the Article 28 Committee	The Article 28 Committee delivered a FAVOURABLE OPINION at its meeting on 23 November 2000

Financing Plan

	Source of finance	Amount	Amount	Share
		USDm	EURm	
1. Own Funds		39.6	45.0	41%
2. ADB		30.0	34.4	32%

3. EIB	26.3	30.0	27%
Total	95.9	109.4	100%

4. Value added information:

The proposed operation is consistent with the objectives and principles of Community aid laid down in the Lome Convention. The Bank's contribution will provide the promoter with a source of finance corresponding to the economic life of the project which is not available on the local capital market and not (yet) accessible from international commercial banks. The support from the EIB will help to consolidate SNIM's long-term competitiveness within the framework of the company's mining activities and thus to safeguard Mauritania's principal source of foreign exchange earnings. As Mauritania's leading industrial group, accounting for 12% of GDP (commercial goods and services) and some 50% of export revenue, SNIM has a fundamental impact on the country's industrial development and the resulting employment. Through its strategy of horizontal and vertical diversification by establishing subsidiaries or simply acquiring holdings, it acts as a driving force for industrial development by attracting other Mauritanian and foreign investors. Continuing Bank support for the SNIM Group therefore remains justified

5. Key issues

Environment

The various parts of the project are located either in the desert, within the site of an existing plant near Zouerate, or within that of an existing power plant at the ore terminal. The other items involve movable mining and railway equipment. Production will be increased at the existing pits. No new mine will be opened. This project to improve the competitiveness of the promoter will therefore not have any adverse impact on the population, the fauna or the flora. Insofar as possible, the project components will be dismantled and recovered as scrap at the end of their economic life.

The main effects of the project on the environment will be positive as a result of replacement of dilapidated equipment and better exploitation of and hence increased overall yields from the iron ore reserves of the Guelbs deposits. Furthermore, the ambient air at the Guelbs plant will contain less dust as a result of the wet, separate processing of the fines.

The extra water required (brackish) for the WMS plant - which, incidentally, will be limited to about 50 m³/h on average - will be provided from the same resources as those needed for Zouerate's current and future requirements and those to be used in future for the spirals plant. Supplies will be ensured during and beyond the life of the WMS plant by pumping the resources of *Tart Srey*, some 30 km away. A positive evaluation of these brackish aquifers, including volume, quality and capacity, was recently drawn up by a European firm specialising in this field.

It can therefore be said that the project can be undertaken without any major adverse repercussions on the environment

Procurement

The contract for the WMS plant, including the detailed project design engineering, will be on a turnkey basis. It will involve making restricted international enquiries, addressed to several international suppliers specialising in this type of equipment. Restricted international consultation procedures will also be applied for supply of the mining and railway equipment and for the energy installations. This seems reasonable in view of equipment standardization

These procedures are deemed appropriate for the type of project in question and therefore in the interests of the project
