

# Simandou: un pont vers la prospérité



Bernabé Sánchez, Economist, November 2024

Picture credit: Comité Stratégique de Simandou twitter account





**En pleine phase de construction**

Picture credit: Winning Consortium Simandou LinkedIn page

# Simandou 2040: un pont vers la prospérité

## Quelques réflexions de septembre et octobre 2024

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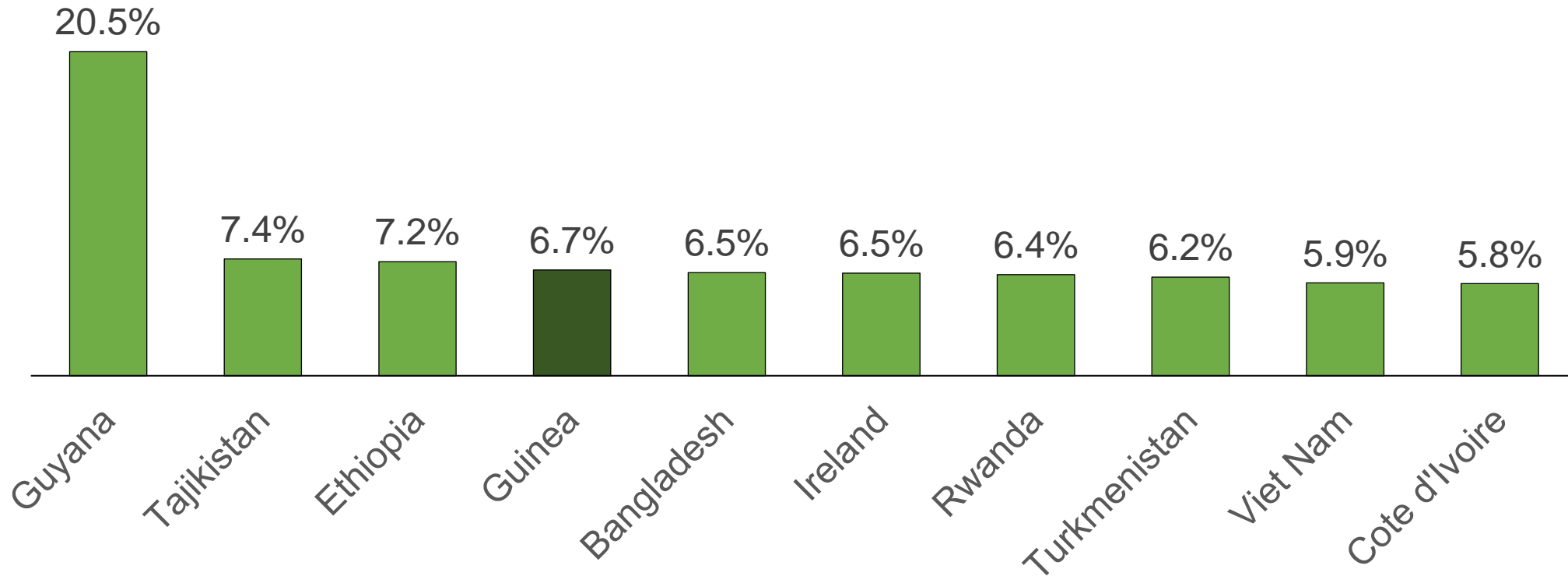
Croissance économique de la Guinée 2016 a 2023: une histoire de bauxite et investissements en infrastructures de transport et de l'énergie	Pages 4-14
Le défi de la croissance minière	Page 15
Simandou est différent	Pages 16-18
Simandou: opportunité et fondation pour maximiser l'impact	Pages 19-20
Simandou: politiques publiques ciblés pour maximiser l'impact	Pages 21-27
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*Toutes ces diapositives ont été publiées sur LinkedIn au cours des mois de septembre et octobre 2024 à <https://www.linkedin.com/in/bernabesancheznaffziger>*

# Guinea has been the fourth fastest growing economy globally since 2016 driven by the mining sector...

(Average GDP growth  
p.a. 2016-23)

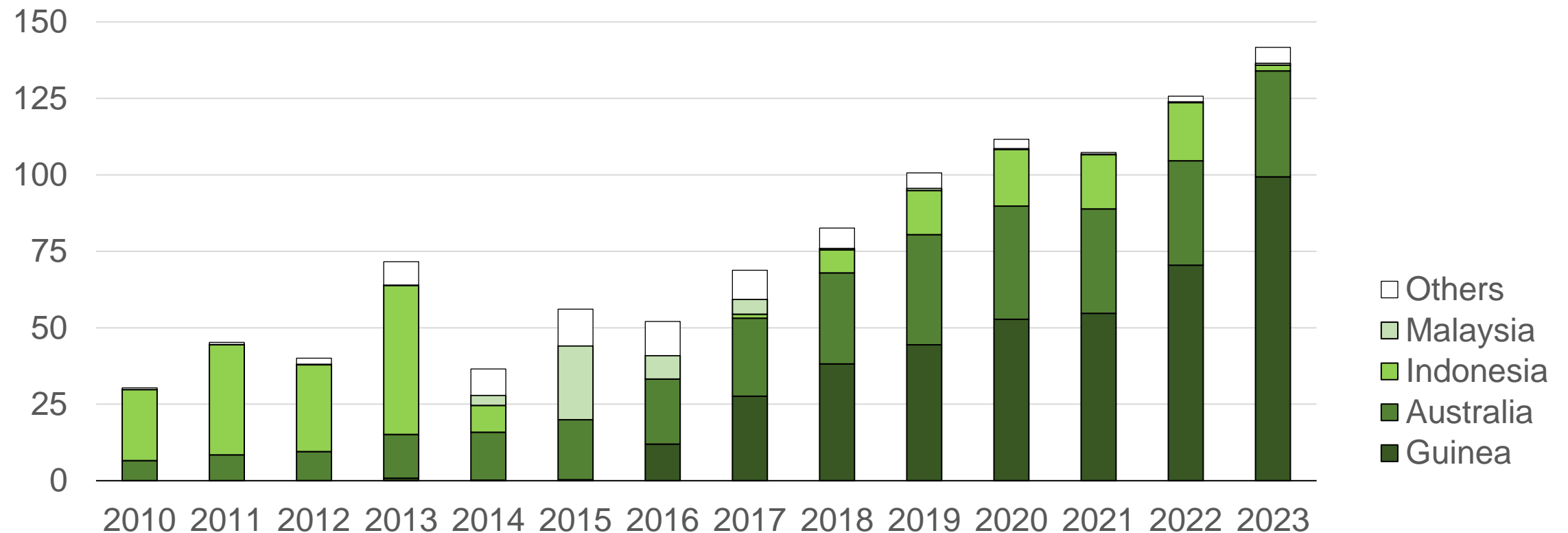


Source: World Development Indicators



# ... in particular Chinese alumina refinery demand for Guinean bauxite...

(Chinese bauxite imports, million tonnes)



Source: S&P Global Trade Atlas



**...with old mining infrastructure achieving new capacity records...**

**Although it is over 50 years old, the bridge has in the past year been handling record volumes (weekly record in December 2023 of over 940kt of bauxite from CBG, GAC and COBAD)**



**... the construction of the first new significant mining infrastructure in decades ...**



**First new railroad in Guinea since 1970, 135km Santou-Dapilon line constructed by China Railway 18 for SMB-Winning (Dapilon river port bauxite shipment weekly record of 1.2 million tonnes, Oct 2024)**



**... and not just railways, but also conveyor belts...**

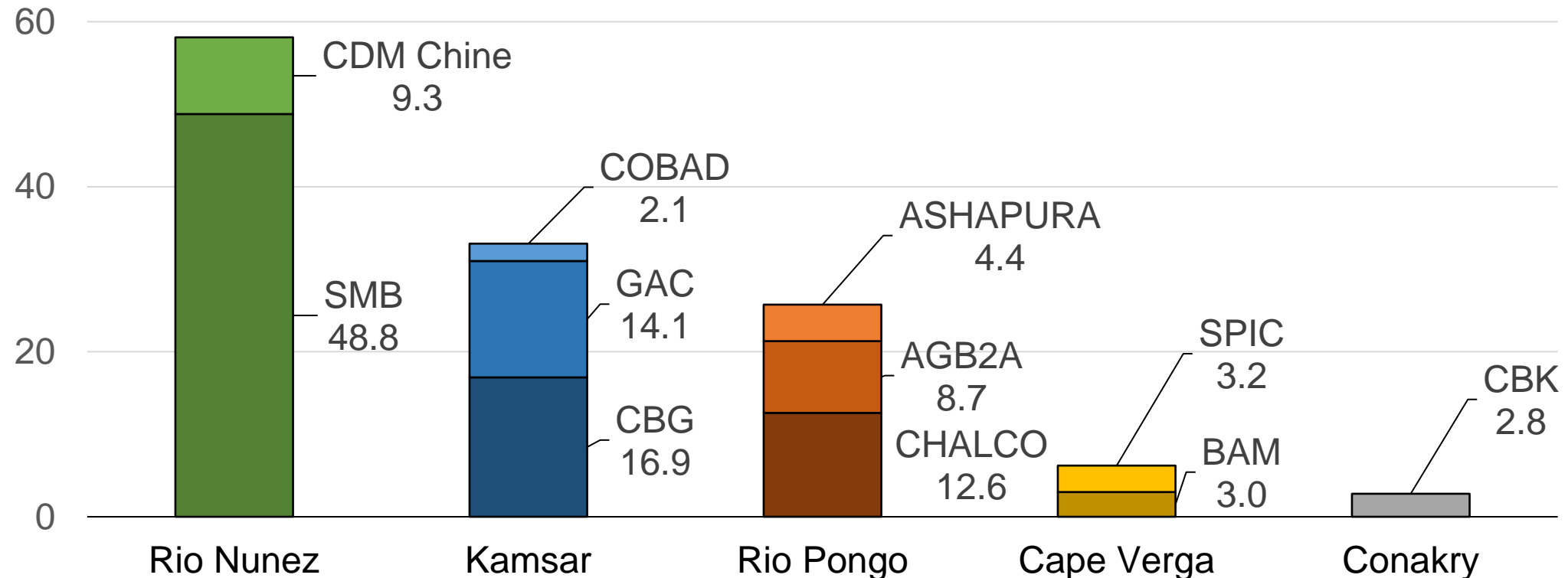


**Chalco Boffa conveyor belt over the national road en route to Kokaya port on Rio Pongo (contributing to weekly bauxite shipment record of 1.1 million tonnes in May 2024)**



## ... leading to five main bauxite port areas along the coast of Guinea from Conakry to the Rio Nunez.

Million tonnes of bauxite  
exported in 2023



Source: *Bulletin de Statistiques Minières et Carrières No 22, Ministère des Mines et de la Géologie*



**An additional 700MW new power generation capacity has also been delivered, with more underway...**

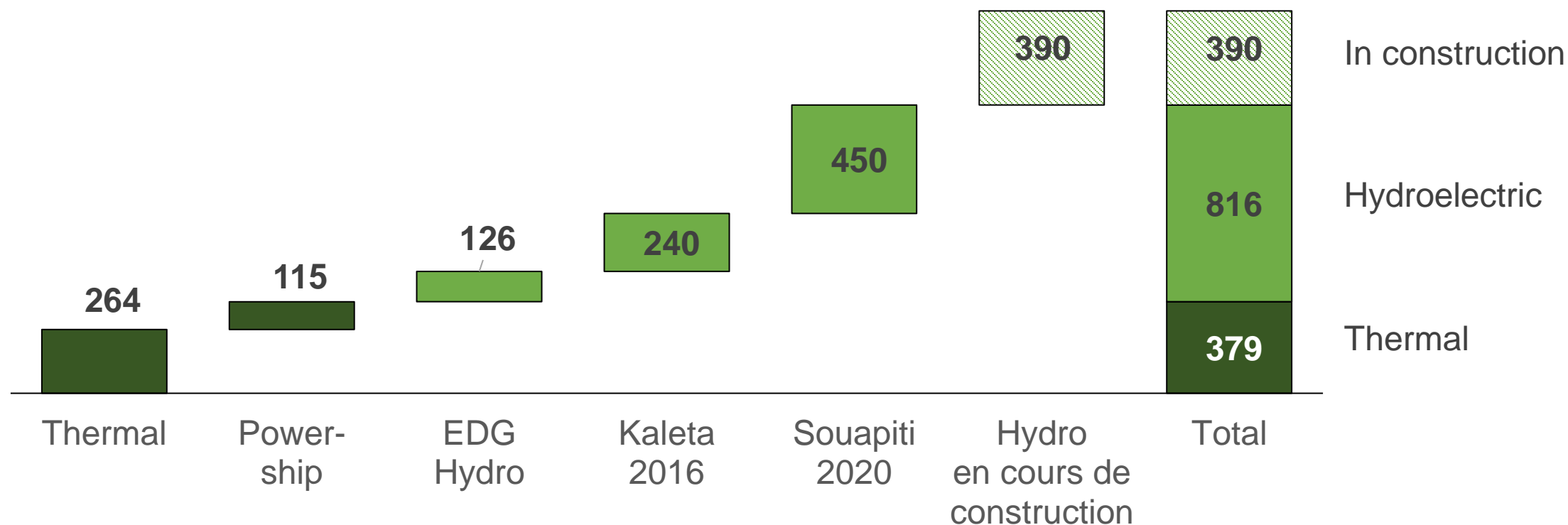
**Construction of Amaria 300MW dam, the third large hydroelectric dam on the Konkouré river.**





## ... more than trebling previous installed capacity...

Installed power capacity (MW)



Source: African Development Bank, Country Priority Plan and Diagnostic of the Electricity Sector, Guinea 2021



**... with transmission and distribution investments underway to expand access to electricity.**

**OMVG power line Linsan to Labé,  
September 2024**



**New paved roads to the new mines and ports have also been opened...**

**Paved road connecting Boké town with SMB operations and Katougouma port (weekly bauxite shipment record 870kt in Dec 2023)**



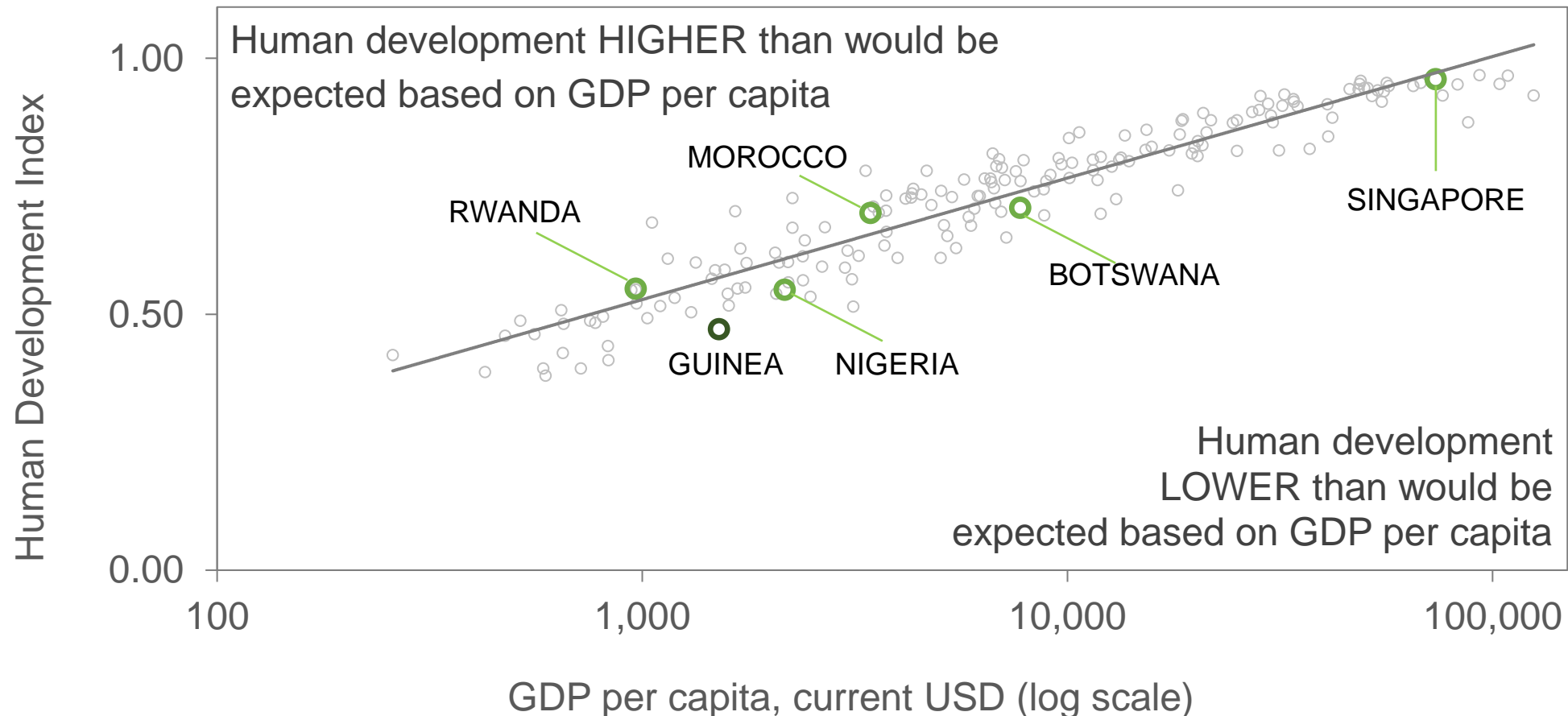
**... and improvements to national road infrastructure support broader based economic growth.**

**Coyah-Dabola 355km road upgrade delivered by China Road and Bridge Corporation 2019-23, including new Mamou bypass road in picture**





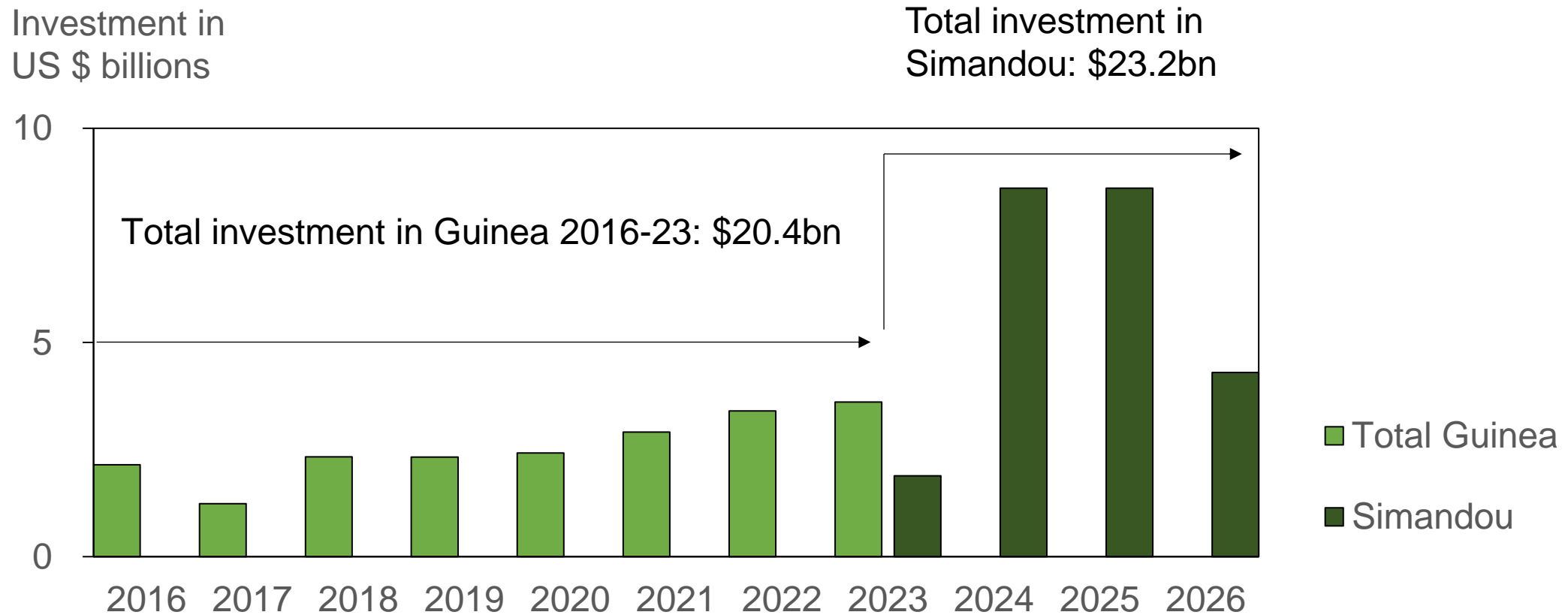
# The challenge has been translating that economic growth into human development



Source: UNDP Human Development Index and World Bank World Development Indicators



# Simandou is different because of its scale: capex larger than the sum of all other investment since 2016

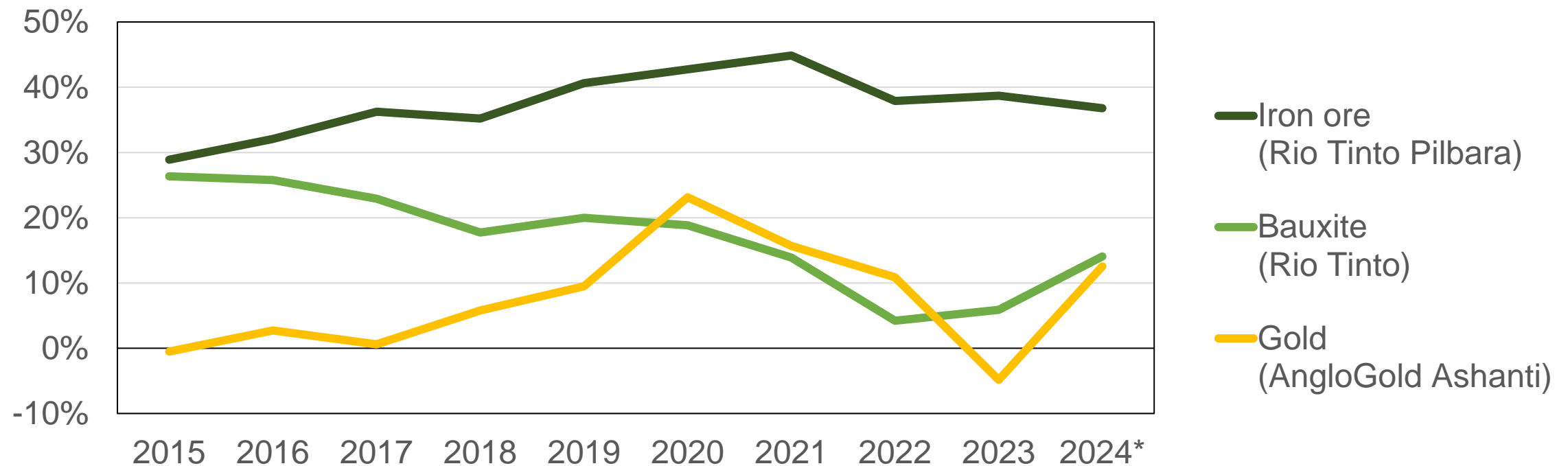


Sources: Total investment from IMF World Economic Outlook April 2024; Simandou based on assumption WCS costs equal Rio Tinto's published estimate of \$11.6bn for Simfer



# It is different because of its market: iron ore historically delivers better margins than bauxite and gold

Underlying/Headline earnings margin

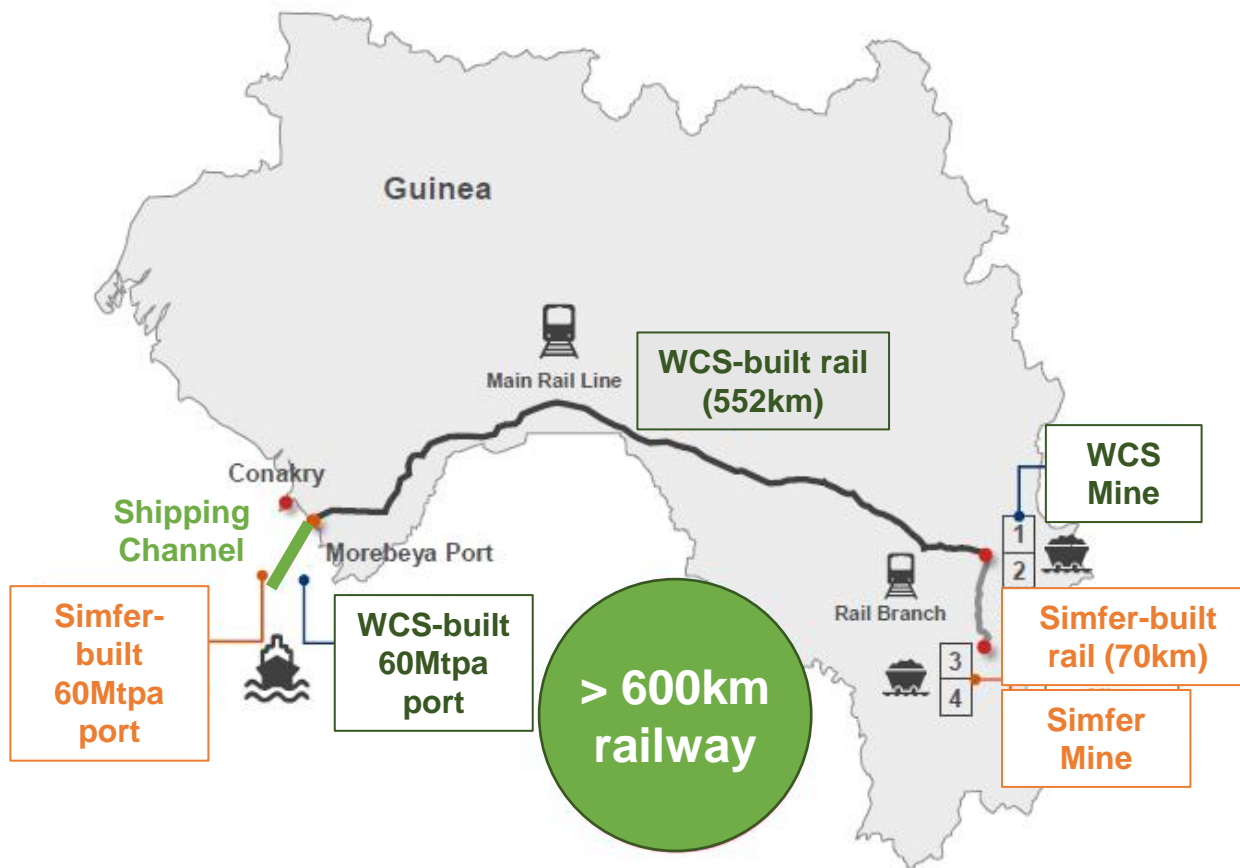


Sources: Rio Tinto and AngloGold Ashanti annual results, various years

\* 2024 refers to first six months



# It is different because of its footprint: the first mining project to impact all four regions of Guinea



Mines in Beyla (Guinée Forestière) and Kérouane (Haute-Guinée)



600km railway across primarily Haute- and Moyenne-Guinée



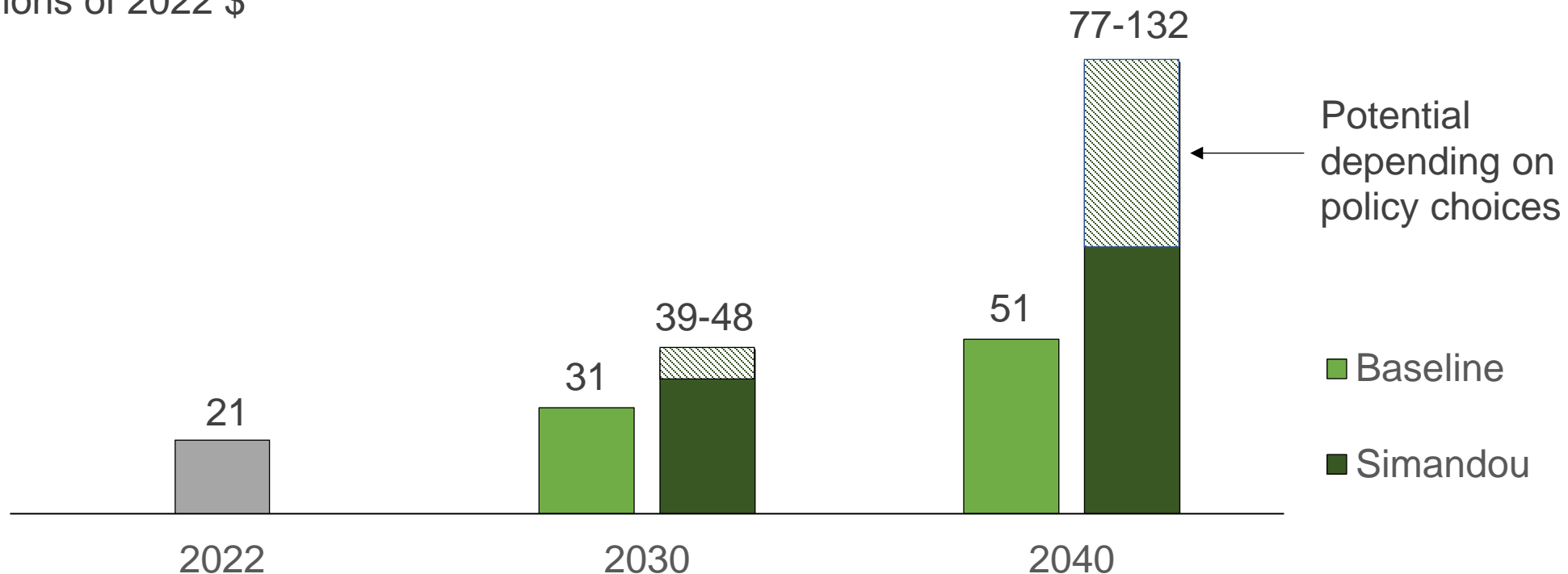
120 million tonne port in Forécariah in Basse-Guinée

Sources: Rio Tinto Investor Seminar, December 2023; Winning Consortium Simandou LinkedIn



# Simandou presents an opportunity to grow Guinea's annual GDP six-fold by 2040 according to the IMF

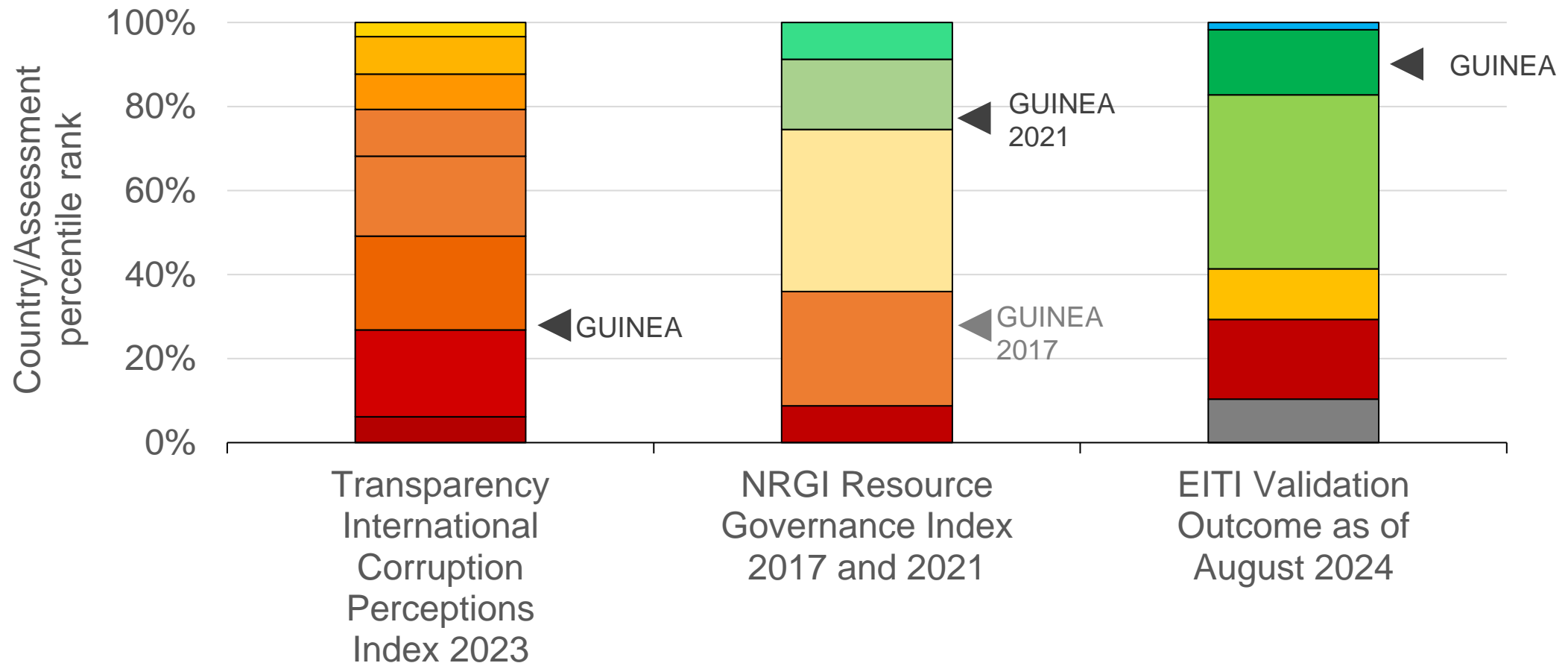
Estimated GDP of Guinea  
in billions of 2022 \$



Source: IMF 2024 Article IV Staff Report for Guinea



# Recent progress on governance is the foundation for maximising Simandou’s impact



Source: *Transparency International, NRGi, EITI*



# Local content through procurement and employment already boosting the economy



The 2022 local content law stipulates a minimum 40% procurement sourcing from domestic firms.

40% of costs at peak construction is worth over 10% of current GDP.

40% of costs during operations is worth about 5% of current GDP.

The 2022 local content law also has targets for national employment across four skill categories.



# Shared-use infrastructure along the mining corridor should provide an agricultural productivity boost



Mineral, fuel and agricultural cargo on the Carajás shared-use railroad in Brazil

Simandou rail and port infrastructure is committed to being shared-use.

In 2019 the Carajás 200Mtpa iron ore shared railway in Brazil transported:

- 9 million tonnes of agricultural exports (soybeans, corn, pulp).
- Nearly 2 million tonnes of fuel and fertilizer imports.
- Almost 300,000 passengers.

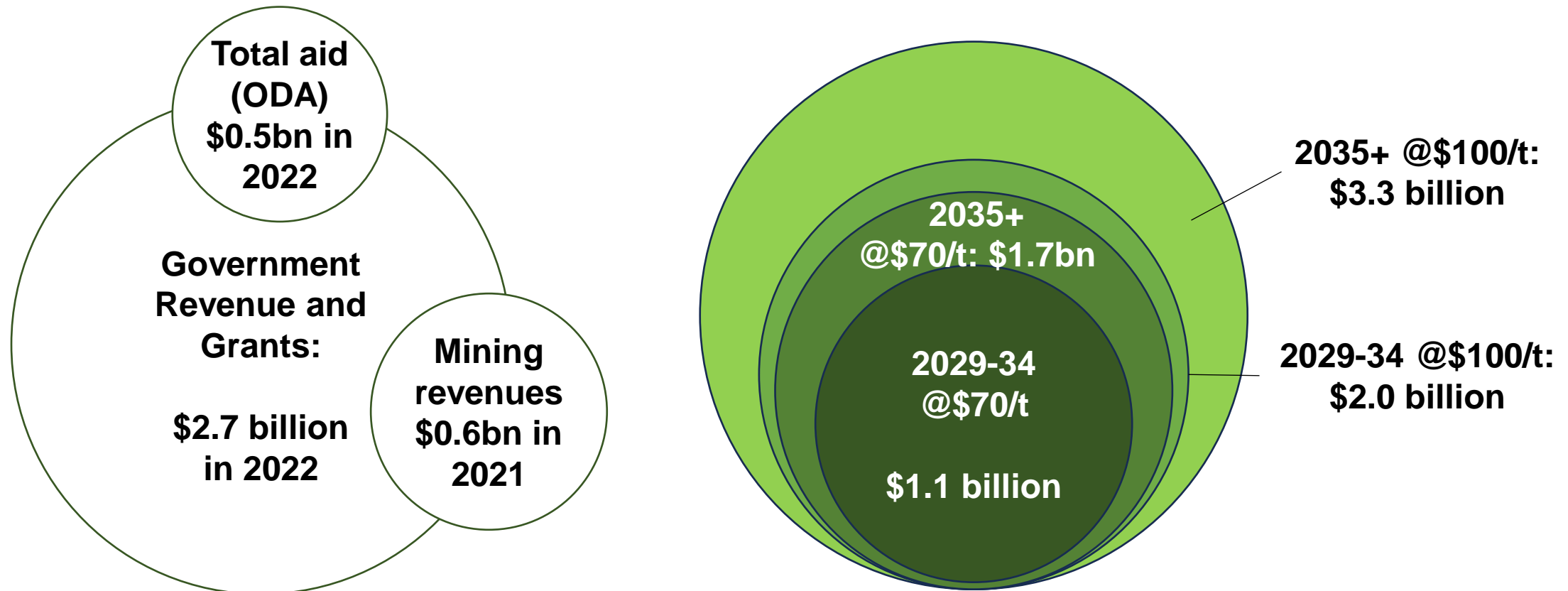
Guinea's agricultural productivity gap relative to Cote d'Ivoire is equivalent to 15% of current GDP.

Source: Columbia Center for Sustainable Investment (2020), *Shared-use Infrastructure Along the World's Largest Iron Ore Operation: Lessons Learned from the Carajás Corridor*



# Annual government income from Simandou has the potential to exceed current total revenues

Government annual income from Simandou

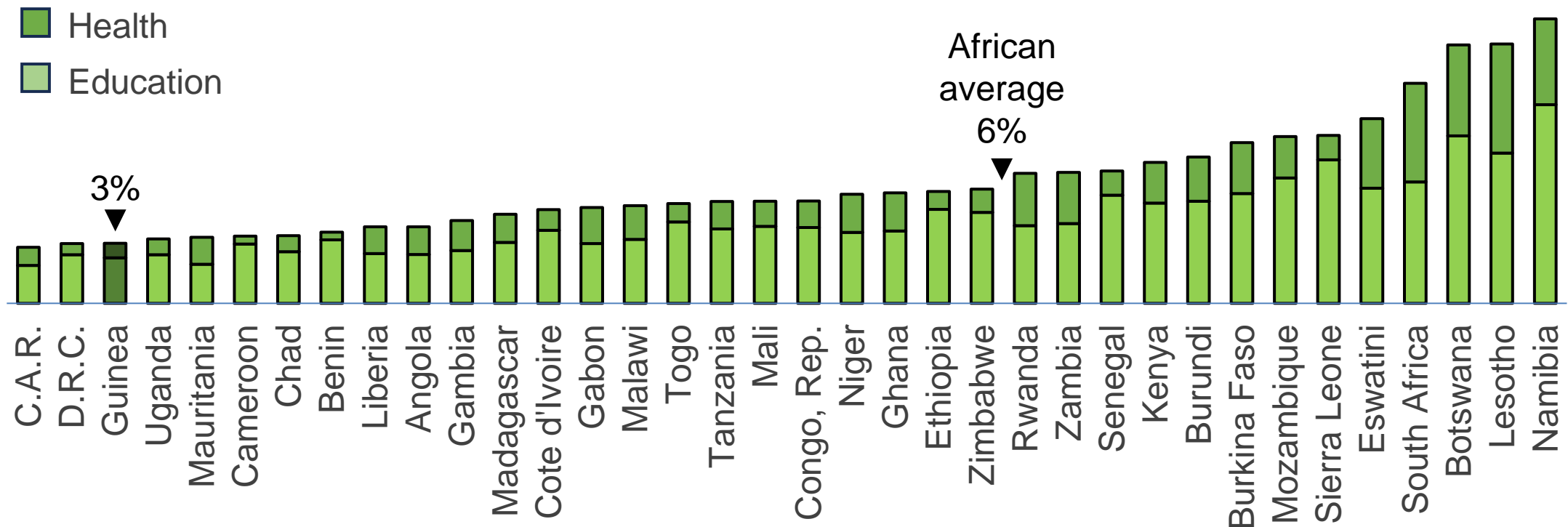


Source: IMF World Economic Outlook April 2024 for Government Revenue, OECD Data Explorer for Aid (ODA) disbursements, EITI Guinea 2021 Report (published December 2023), author's calculations



# Additional revenues will allow Guinea to close its gap in health and education spending

Government expenditure  
as % GDP 2016-22 on:

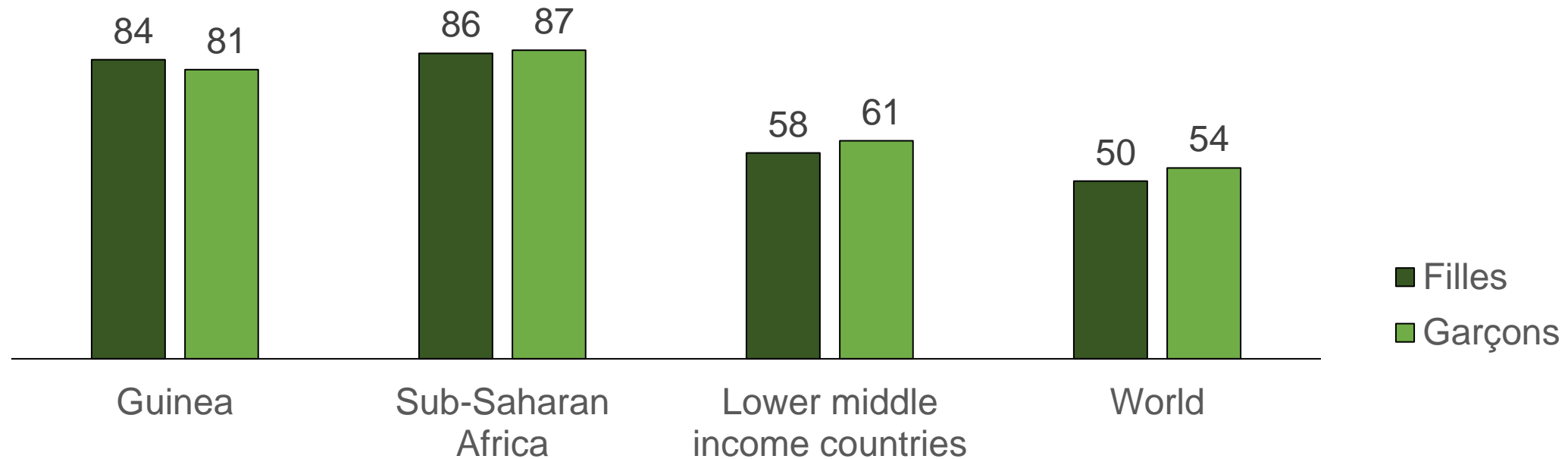


Source: World Development Indicators data to update chart from IMF 2023 Article IV Staff Report



# Additional public expenditure is needed to reduce learning poverty and the gender gap...

Learning poverty: Share of children at the end-of-primary age below minimum reading proficiency, girls and boys (%)



Source: World Bank, Guinea Gender Landscape published in October 2024



... to build on Guinea's rich cultural heritage ...

(Pictured: La case à palabres in Dalaba)





Bella  
2024

# ... an inclusive, sustainable and global future!

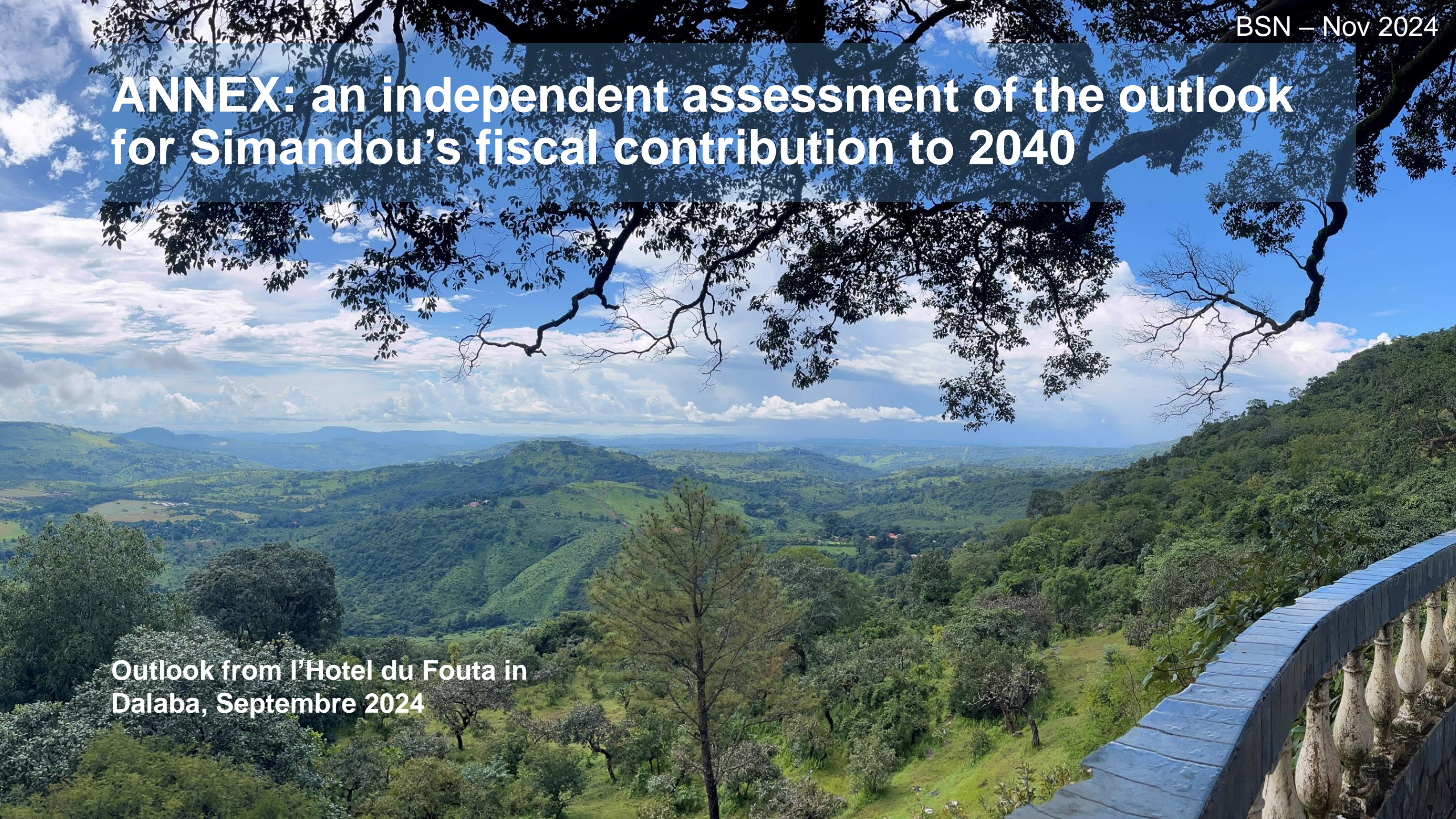
(Pictured: the new Tech Hub at the Institut Supérieur de Technologie de Mamou)





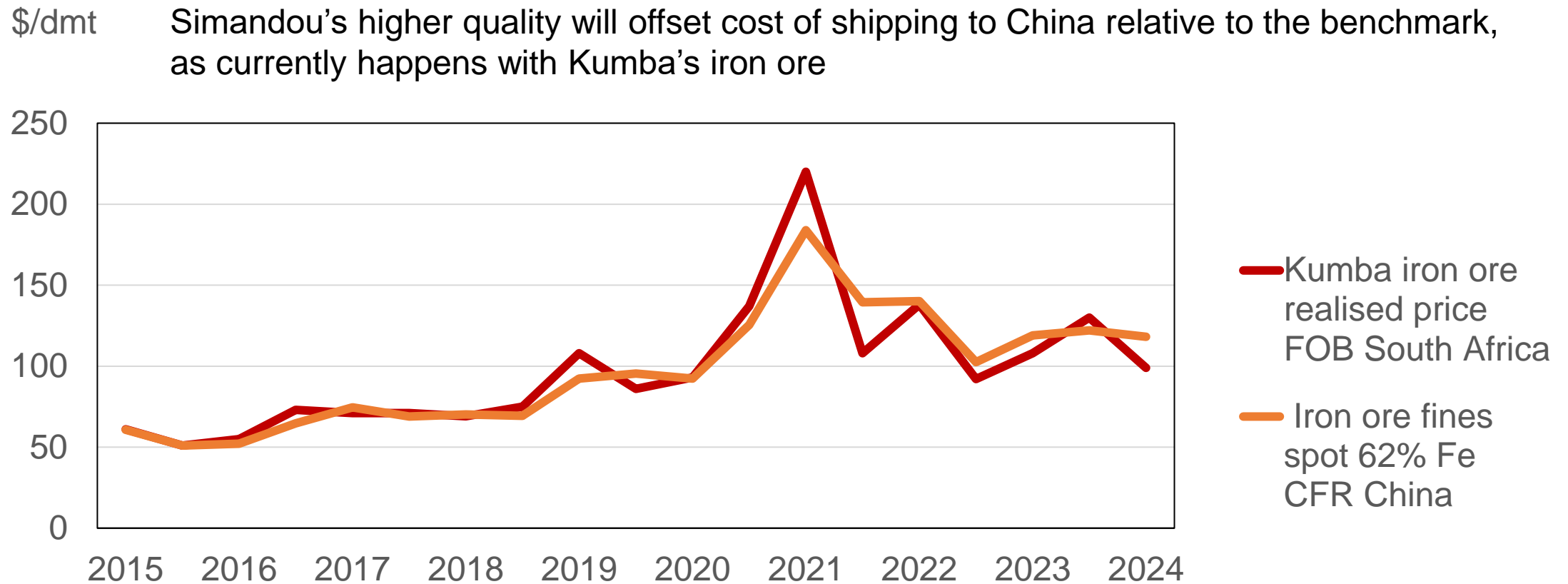
# ANNEX: an independent assessment of the outlook for Simandou's fiscal contribution to 2040

Outlook from l'Hotel du Fouta in Dalaba, Septembre 2024





# Iron ore prices have averaged ~\$100 per tonne over the past decade

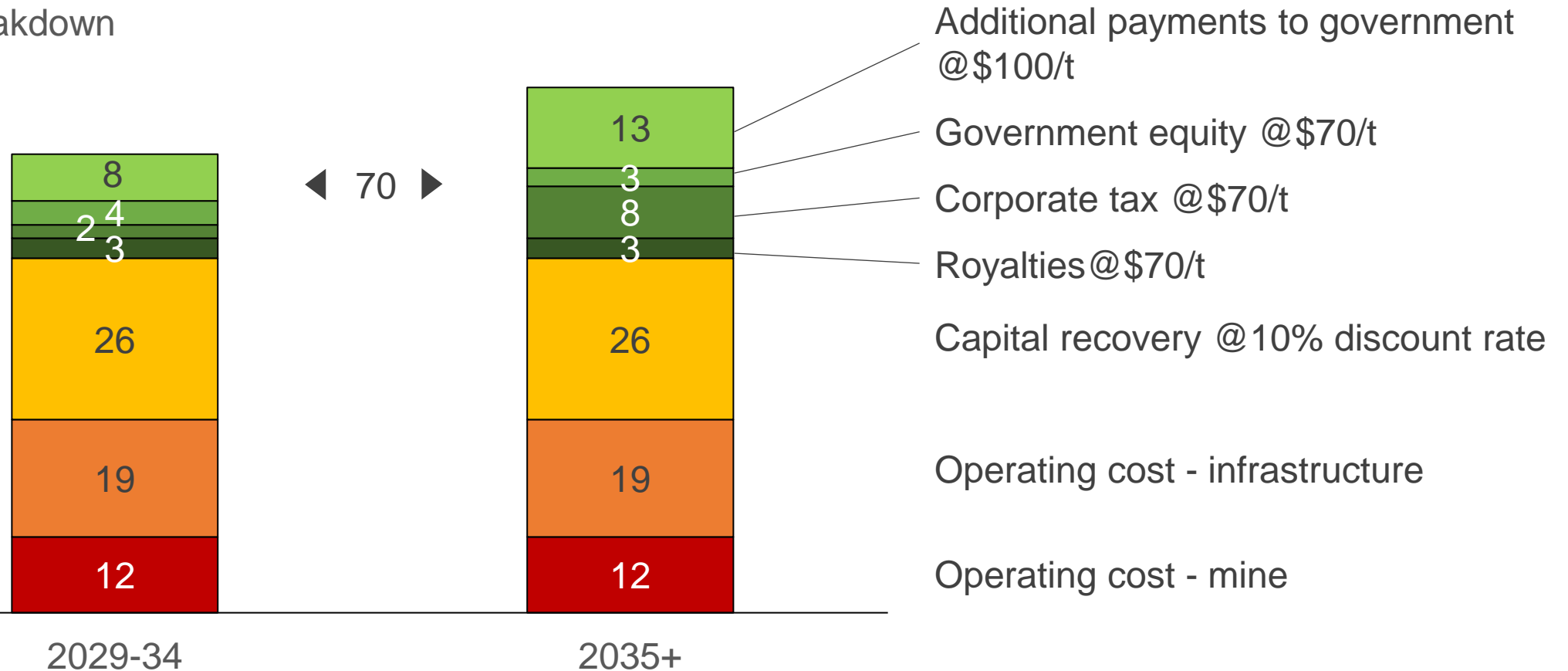


Sources: World Bank's "Pink Sheet" Data, AngloAmerican's Kumba Iron Ore Financial Results



# Cost of capital invested is recovered at an average price of ~\$70/dmt throughout the life of mine

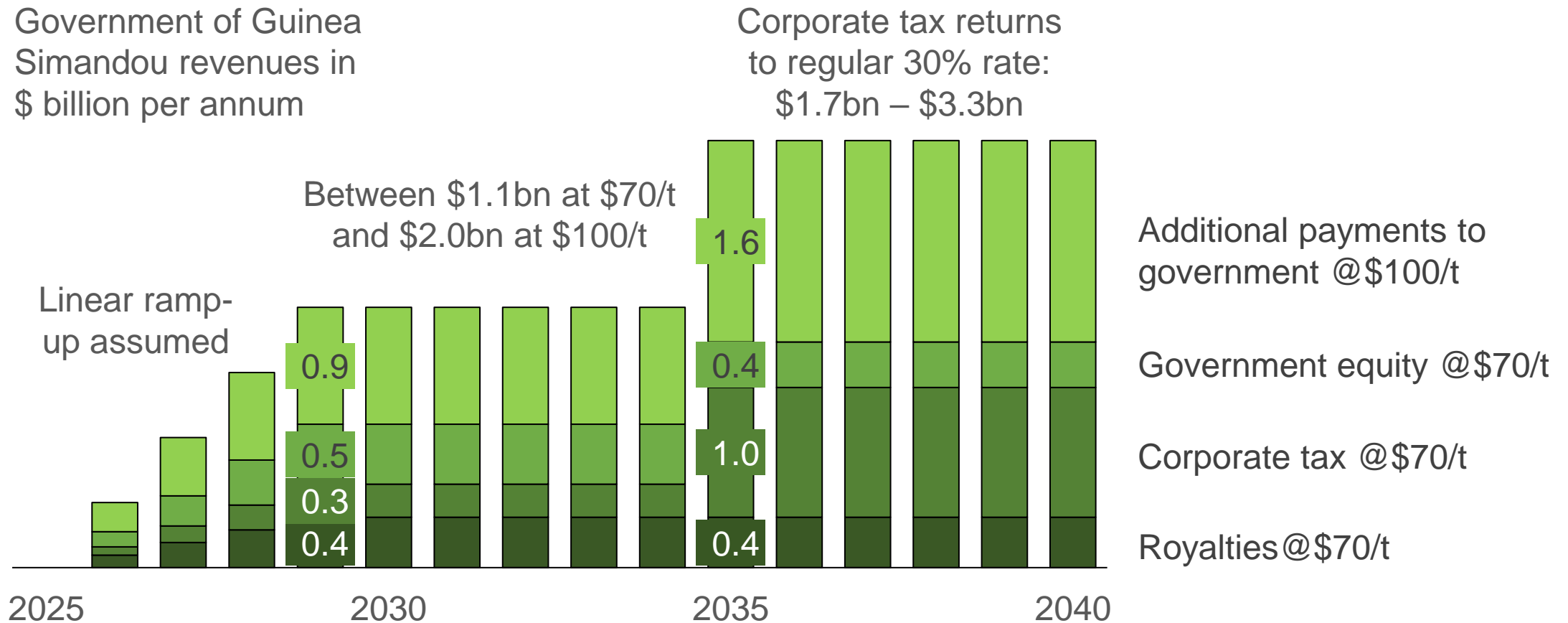
Cost breakdown  
\$/dmt



Sources: Rio Tinto Investor Seminar December 2023, Winning Consortium Simandou Mining Exploitation Convention 2020 accessed at [resourcecontracts.org](http://resourcecontracts.org), author's calculations



# Production ramp-up, iron ore prices and short term corporate tax concessions drive government income



Sources: Rio Tinto Investor Seminar December 2023, Winning Consortium Simandou Mining Exploitation Convention 2020 accessed at [resourcecontracts.org](http://resourcecontracts.org), author's calculations



PROGRAMME

SIMANIDOU



2040

Un **pont** vers la **prospérité** !