

**Bank Information Center**  
**IFIs in Africa News Briefing #14**  
**February 16, 2007**

**In this issue:**

- EIB repeats concerns over Chinese lending in Africa
  - World Bank, African Development Bank to collaborate on extractive industries
  - Bujagali Dam fails to meet international standards
  - Development of AfDB-funded titanium project put on hold; company to sue local farmers
  - Liberia Partners' Forum concludes in Washington
- 

**EIB repeats concerns over Chinese lending in Africa**

February 8 – At a recent press conference in Brussels, the head of the European Investment Bank (EIB) reiterated his apprehensions about increased competition from Chinese banks in Africa. As reported in the *Financial Times*, President Philippe Maystadt expressed his concerns that Chinese banks “apply lower ethical and environmental standards” to their investments in Africa, and that they are effectively undermining good governance and undercutting competitors. He suggested that the EIB engage in dialogue with Chinese banks on the issue of loan conditions, stressing that “abandoning conditionality would be a serious mistake.” This proposal was seen by some observers as a retreat from his previous, more confrontational position on how to address growing competition from China. In November, Maystadt drew a storm of criticism when he suggested that the EIB lower its environmental and social standards on lending to Africa in order to better compete with the Chinese.

After stating its intention to prioritize energy sector spending at its annual press conference, the EIB this week announced that it has entered negotiations with the government of Zambia to finance a hydropower project aimed at addressing the country’s energy shortage. Some observers, however, have charged that the EIB has ignored the priority sectors for the country identified by the EU, and has instead focused on Zambia’s lucrative mining sector. At a recent mining conference in Lusaka, the EIB’s director for southern Africa candidly told *Reuters* that the Bank’s support for the energy sector in Zambia was “aimed at improving availability of electricity to shore up industrial growth and also mining activities in the region.” Such statements have fuelled questions about

who will ultimately benefit from the EIB's involvement in the country's power industry. Previous EIB-financed mining projects in Zambia have led to serious environmental and social consequences for local communities without delivering many tangible benefits.

Read "EIB 'losing out to Chinese banks,'" in the *Financial Times*:

[http://www.ft.com/cms/s/c57ef17e-b7ac-11db-bfb3-0000779e2340,dwp\\_uuid=86be4e0c-53d0-11db-8a2a-0000779e2340.html](http://www.ft.com/cms/s/c57ef17e-b7ac-11db-bfb3-0000779e2340,dwp_uuid=86be4e0c-53d0-11db-8a2a-0000779e2340.html).

Read "EIB seeks talks on China's Africa lending spree" from *Reuters*:

[http://za.today.reuters.com/news/NewsArticle.aspx?type=topNews&storyID=2007-02-08T140416Z\\_01\\_BAN850638\\_RTRIDST\\_0\\_OZATP-EIB-PLANS-20070208.XML](http://za.today.reuters.com/news/NewsArticle.aspx?type=topNews&storyID=2007-02-08T140416Z_01_BAN850638_RTRIDST_0_OZATP-EIB-PLANS-20070208.XML).

Read a press release from CEE Bankwatch and others in advance of the EIB press conference entitled "Some unfortunate facts behind the big numbers":

<http://www.bankwatch.org/project.shtml?apc=147578-----1&x=1967909&d=r>

Read "European Investment Bank to finance Zambia's hydropower extension program" from Xinhua:

[http://english.people.com.cn/200702/16/eng20070216\\_350522.html](http://english.people.com.cn/200702/16/eng20070216_350522.html)

Read "EIB urges looser environmental and social standards for loans to Africa" from BIC:

<http://www.bicusa.org/en/Article.3037.aspx>

See BIC's webpage on the European Investment Bank in Africa:

<http://www.bicusa.org/eibinafr>

### **World Bank, African Development Bank to collaborate on extractive industries**

February 13 - The African Development Bank (AfDB) and World Bank concluded a two-day "experience-sharing meeting" on the extractive industries (EI) in Africa last week in Tunis. The two banks agreed to intensify their collaboration on EI work and support for the implementation of the Extractive Industries Transparency Initiative (EITI) by resource-rich countries in Africa. EITI is an international campaign whose stated aim is to improve governance in resource-rich countries through disclosure of company payments and government revenues from oil, gas and mineral extraction. Other outcomes of the meeting included: a proposal to jointly conduct geological studies to map oil, gas and mining reserves on the continent; a proposed technical assistance facility to aid countries in contract negotiation and industry regulation; and an agreement to support artisanal mining activities through a Communities and Small Scale Mining (CASM) initiative.

The conference came only weeks after the AfDB's inaugural meeting of its new Extractive Industries Task Force, a committee responsible for advising the Bank on a strategy for its future engagement in the oil, mining and gas sectors and developing instruments to support EITI implementation, revenue maximization and effective

management in member countries. The Task Force was created following the AfDB's endorsement of EITI at the third official EITI conference held last October in Oslo, Norway. AfDB now holds a seat as an observer on the EITI Board.

While growing interest in EITI signals the increased attention stakeholders are paying to the issue of revenue transparency, civil society advocates argue that bolder steps are needed to ensure that companies and resource-rich countries move beyond rhetoric to disclose meaningful information about natural resource extraction. Adherence to EITI requires that governments and companies voluntarily disclose EI revenue payments and receipts. Critics argue that more extensive and thoroughgoing reforms are needed in order for transparency in the extractive industries to have a real effect on poverty alleviation and socio-economic justice in resource-rich countries. Members of the Publish What You Pay (PWYP) coalition advocate for universal, mandatory requirements regarding the disclosure of all payments, revenues, and, importantly, contracts between extractive industry companies and their host governments so as to help ensure the accountability of all industry actors and state beneficiaries.

The AfDB's recent meeting with the World Bank is indicative of its growing interest in the extractive sectors. The AfDB approved financing for two major mining projects last year and has signaled its intent to increase its involvement in the mineral sector. With commodity prices on the rise and a renewed scramble for Africa's natural resources, the AfDB is only one among many lenders trying to cash in on Africa's mining boom. However, serious questions remain about the AfDB's capacity to design and supervise oil, gas and mining projects considering the significant environmental, social and economic risks they entail.

Read the AfDB press release from its inaugural EI Task Force meeting in January:  
[http://www.afdb.org/portal/page?\\_pageid=293,158705&\\_dad=portal&\\_schema=PORTAL&focus\\_item=11610237&focus\\_lang=us](http://www.afdb.org/portal/page?_pageid=293,158705&_dad=portal&_schema=PORTAL&focus_item=11610237&focus_lang=us)

Read the press release and download presentations and documents that resulted from the AfDB-World Bank meeting:  
[http://www.afdb.org/portal/page?\\_pageid=293,174339&\\_dad=portal&\\_schema=PORTAL&press\\_item=12846233&press\\_lang=us](http://www.afdb.org/portal/page?_pageid=293,174339&_dad=portal&_schema=PORTAL&press_item=12846233&press_lang=us)

Read "African growth needs financial openness – experts" from *Reuters*:  
[http://za.today.reuters.com/news/NewsArticle.aspx?type=topNews&storyID=2007-02-13T063943Z\\_01\\_BAN323969\\_RTRIDST\\_0\\_OZATP-AFRICA-ECONOMY-REFORMS-20070213.XML](http://za.today.reuters.com/news/NewsArticle.aspx?type=topNews&storyID=2007-02-13T063943Z_01_BAN323969_RTRIDST_0_OZATP-AFRICA-ECONOMY-REFORMS-20070213.XML)

### **Bujagali Dam fails to meet international standards**

February 15 - A report released last week documents the failure of the proposed Bujagali Dam in Uganda to fully comply with the international best practices set by the World Commission on Dams (WCD). The report by the International Rivers Network (IRN) in collaboration with Uganda's National Association of Professional Environments (NAPE)

cites several key areas where the proposed hydropower project does not meet the criteria set out in the WCD decision-making framework, including:

- the failure of studies to address the anticipated impacts of continued reliance on water releases from Lake Victoria, which is already at a critically low level
- the vulnerability of the proposed dam to climate change-induced drought
- the unavailability of many key documents to the public
- the lack of a comprehensive assessment of Uganda's energy needs and alternative options for addressing the country's energy crisis.

The project must be judged fully compliant with the WCD framework to qualify for carbon credits, in which the Dutch government has expressed interest.

Several major public lenders are currently considering financing for the project. The International Finance Corporation (IFC) and European Investment Bank (EIB) are preparing investments worth \$100 million and €100 million, respectively, toward the construction of the dam itself, and both are expected to decide in April whether to approve the project. The World Bank is also proposing to provide up to \$115 through a partial risk guarantee, while the African Development Bank intends to contribute over \$43 million toward the construction of transmission lines associated with the project.

Download the full report "Analyzing Bujagali Hydroelectric Project's compliance with the strategic priorities of the World Commission on Dams" from IRN:

<http://www.irn.org/pdf/bujagali/BujagaliWCD2007.pdf>

Read the press release from IRN on the report:

<http://www.irn.org/programs/bujagali/index.php?id=070212report.html>

Find out more about the Bujagali dam:

<http://www.irn.org/programs/bujagali>

<http://www.bicusa.org/bujagali>

### **Development of AfDB-funded titanium project put on hold; company to sue local farmers**

Canada-based Tiomin Resources has announced that the development of its titanium concessions in Kenya's Kwale District will be put on hold for several months. The project, financed in part by the African Development Bank, has faced a series of delays and rising costs that have prompted some of its financiers to withdraw their support.

Controversy has surrounded the project since its inception, culminating in a lawsuit filed last year by local farmers who protest the acquisition and exploitation of their land. The government ruled against the farmers in December. Last week, Tiomin filed a suit in the High Court against the farmers for damages of nearly \$2.9 million, claiming that the delay resulting from the lawsuit precipitated a costly interruption of its operations and a

temporary halt in the project. Tiomin accused the farmers of trying to use litigation to kill the multi-million dollar project. Even if the court were to rule in Tiomin's favor, the collective assets of the farmers only amount to about one-tenth of the damages claimed.

Read "Tiomin wants Sh200m suit cost from farmers" from the *Nation* (Kenya):  
<http://allafrica.com/stories/200702140252.html>

Read "No end to Tiomin's woes" in the *East African Standard* (Kenya):  
[http://www.eastandard.net/hm\\_news/news.php?articleid=1143964808](http://www.eastandard.net/hm_news/news.php?articleid=1143964808)

### **Liberia Partners' Forum concludes in Washington**

February 14 – International donors met in Washington, D.C. last week for a conference on Liberia. While a variety of issues were discussed, one of the most pressing topics was how to address Liberia's massive \$3.7 billion debt, half of which represents accrued interest. Despite the government's proven willingness to implement economic reforms encouraged by the IMF, World Bank and African Development Bank, the country remains ineligible to receive debt cancellation until it clears its arrears of \$1.5 billion to these institutions - a feat which many observers insist is impossible. In an article written in advance of the meeting, Eurodad explains that the IMF and the World Bank are trying to avoid writing off these loans that should not have been made in the first place; instead, they are encouraging bilateral donors to pay off Liberia's arrears. The issue has become increasingly politicized: should donors pay off Liberia's arrears to the Bank and Fund and call it aid? If so, they would effectively be diverting limited resources from pressing developmental needs to pay the multilateral institutions. The meeting concluded with limited pledges by the U.S., Germany and the U.K. to clear some of Liberia's arrears to the IMF, World Bank, and AfDB.

Read "Campaigners in Africa and Europe call for immediate debt cancellation for Liberia," from Eurodad:  
<http://www.eurodad.org/articles/default.aspx?id=761>

Read a press release from the World Bank:  
<http://web.worldbank.org/WBSITE/EXTERNAL/COUNTRIES/AFRICAEXT/0,,contentMDK:21222449~menuPK:258649~pagePK:2865106~piPK:2865128~theSitePK:258644,00.html>

---

The **Bank Information Center** (BIC) partners with civil society in developing and transition countries to influence the World Bank and other international financial institutions (IFIs) to promote social and economic justice and ecological sustainability. BIC is an independent, non-profit, non-governmental organization that advocates for the protection of rights, participation, transparency, and public accountability in the governance and operations of the World Bank, regional development banks, and IMF.

BIC is supported by private foundations and organizations that work in the fields of environment and development. BIC is not affiliated with any of the Multilateral Development Banks, nor does it receive any funding from them.

Read [past editions](#) of BIC's IFIs in Africa News Briefing.

If you come across any news stories about IFI involvement in Africa that you think should be included in the next issue, please [let us know](#)

If you no longer wish to receive these periodic news briefings on IFIs in Africa, [click here](#).