

**Bank Information Center**  
**IFIs in Africa News Briefing #16**  
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**In this issue:**

- Wolfowitz's pledge to Africa has hollow ring
  - IFC to double number of mining investments in Africa
  - Bank set to confirm new VP for Africa
  - IMF's work in Africa found wanting
  - NGOs demand revision of unfavorable DRC mining contracts
  - World Bank introduces new measures to speed up emergency assistance
  - Additional Articles
- 

**Wolfowitz's pledge to Africa has hollow ring**

March 14 - World Bank lending to Africa during the 2007 fiscal year is down \$1 billion compared to this time last year, according to a Global Accountability Project (GAP) press release. The Bank has committed approximately \$1.8 billion during the first three quarters of the current fiscal year, which runs from July 1 to June 30. If it is to match its lending of \$4.8 billion to Africa during the previous fiscal year, as Bank President Paul Wolfowitz has pledged to do, the Bank will have to push through another \$3 billion in less than four months.

GAP argues that this "could only be accomplished if serious shortcuts are taken" during the safeguard process, which aims to assess and mitigate the negative impacts of Bank projects. This prospect has generated serious concerns, both inside and outside the Bank, that the quality of projects and development effectiveness in the region would suffer as a result.

These revelations come at the onset of negotiations over donor governments' funding commitments to the concessional lending arm of the World Bank, the International Development Association (IDA), for the next three-year cycle beginning in 2008. Wolfowitz, currently at the tail end of his tour of four African countries, has appealed to donors to give generously to support the Bank's work in Africa. Bea Edwards, GAP's International Program Director, suggests that governments may be unwilling to step up

their contributions to IDA in light of the Bank's apparent failure to fulfill its commitments to increase assistance to the region.

Wolfowitz is currently in South Africa promoting anti-malaria initiatives, on the last stop of his four-country tour in Africa. He visited Ghana as the country marked its 50th anniversary of independence, Burundi where he spoke about good governance and anti-corruption, and the Democratic Republic of Congo where he promised \$1.4 billion in grants over the next three years.

Since assuming the presidency of the Bank in 2005, Wolfowitz has repeatedly cited Africa as one of the Bank's top priorities. In September 2005, the Bank produced its Africa Action Plan, a document which laid out its short- and long-term objectives in the region. The scenarios outlined in the document were largely predicated on a major increase in donor funds for the region, to which G8 countries committed during the Gleneagles summit. However, these funding commitments have, to date, gone unfulfilled. The World Bank has indicated that it will review the implementation of the Africa Action Plan next month at its Spring Meetings in Washington DC.

Read the press release from the Government Accountability Project at:  
[http://www.whistleblower.org/content/press\\_detail.cfm?press\\_id=829](http://www.whistleblower.org/content/press_detail.cfm?press_id=829)

See the World Bank's Africa Action Plan webpage at:  
<http://web.worldbank.org/WBSITE/EXTERNAL/COUNTRIES/AFRICAEXT/0,,contentMDK:20687937~menuPK:258649~pagePK:146736~piPK:226340~theSitePK:258644,00.html>

### **IFC to double number of mining investments in Africa**

March 14 - Rashad Kaldany, outgoing Director of the Oil, Gas, and Mining department at the World Bank Group, told Bloomberg that the International Finance Corporation (IFC) expects to double the number of its investments in Africa's mining sector. He added that the World Bank's private lending arm intends to diversify its mining portfolio in Africa from primarily gold production to include base metals such as copper, aluminum and iron ore, which are currently fetching high prices on international commodity markets.

During the 2006 calendar year, the IFC approved 3 mining projects worth \$280 million in sub-Saharan Africa, including \$125 million for the controversial Ahafo gold mine in Ghana, a \$5 million equity investment in an iron ore project in Guinea, and up to \$150 million for platinum miner Lonmin in South Africa. According to an article in Business Report, the \$100 million loan and \$50 million equity deal with Lonmin, which was signed last week, constitutes IFC's single largest investment in Africa today.

Kaldany noted that the IFC prefers to invest in countries that have subscribed to the Extractive Industries Transparency Initiative (EITI), an international campaign requiring disclosure of company payments and government revenues from oil, gas and

mineral extraction in resource-rich countries. He also added that the IFC would only finance lowest cost producers, to prevent default when the prices of commodities return to their long-term levels.

The IFC's stated intention to double its mining investments in Africa is troubling, though perhaps not surprising. Last year, the volume of the IFC's extractive industries lending increased by over 50 percent. Serious questions remain about the development impacts of extractive industry investments; all too often, the environmental and social consequences of mining projects outweigh the potential benefits for affected communities. In the case of the IFC-supported Ahafo gold mine, for example, nearly 10,000 local residents have already lost their homes and/or livelihoods as a result of the mine, and thousands more in farming-dependent communities are expected to be physically or economically displaced by the mine's second phase. Meanwhile, the project sponsor is planning to open another mine site in the country, which could threaten a forest reserve and jeopardize local water sources.

Read the article "IFC to put more into African mines" from Bloomberg at:  
<http://www.busrep.co.za/index.php?fSectionId=&fArticleId=3729448>

Read "World Bank unit lends Lonmin \$150m" from Business Report at:  
<http://www.busrep.co.za/index.php?fSectionId=&fArticleId=3729387>

See the World Bank Group's implementation report from the Extractive Industries Review at:  
<http://siteresources.worldbank.org/INTOGMC/Resources/implementationtomr2.pdf>

Download the report "Tarnished Gold: Mining and the unmet promise of development" at: <http://www.bicusa.org/en/Article.2956.aspx>

Read more about the Ahafo Gold Mine on BIC's website at: <http://www.bicusa.org/ahafo>

### **Bank set to confirm new VP for Africa**

March 19 – Reuters reports that Nigeria's Minister of Education, Dr. Obiageli Ezekwesili, is expected to become the next Vice President for Africa at the World Bank, and that her nomination will be submitted to the Board for approval by the end of the week. If confirmed, Dr. "Oby" Ezekwesili will become the head of the Bank's operations in Africa, one of Bank President Paul Wolfowitz's declared top priority areas.

Dr. Ezekwesili is well-known in Nigeria for her anti-corruption efforts through the Nigeria Extractive Industries Transparency Initiative (NEITI) and in her capacity as head of the Due Process Office, which reviews public procurement bids. She is currently serving in President Obasanjo's cabinet as the Minister of Education.

Dr. Ezekwesili will replace Mr. Hart Schafer, who has been serving as the Acting VP for Africa since December. Schafer took over from Gobind Nankani, who resigned as VP for Africa in November 2006 and was dubbed by Reuters at the time as the “latest casualty in President Paul Wolfowitz's management shake-up.”

A press release from the Government Accountability Project last week attributed the notable drop in the Bank's lending to Africa (See “Wolfowitz's pledge to Africa has hollow ring” above) in part to Nankani's departure and the delay in appointing a permanent replacement.

Read the Reuters article “Nigeria education minister tapped for World Bank” at: <http://www.reuters.com/article/bankingfinancial-SP/idUSN1824541820070319>

Read the press release from the Government Accountability Project at: [http://www.whistleblower.org/content/press\\_detail.cfm?press\\_id=829](http://www.whistleblower.org/content/press_detail.cfm?press_id=829)

Read “World Bank Africa Vice President resigns” at: <http://www.bicusa.org/en/Article.3017.aspx>

### **IMF's work in Africa found wanting**

March 13 - An article by the Inter Press Service (IPS) news agency describes a critical new report on the International Monetary Fund's (IMF) lending to sub-Saharan Africa. According to IPS, the report, which was conducted by the Independent Evaluation Office (IEO), the Fund's own monitoring unit, found that the IMF's work in Africa is “confused, vague, lacks transparency and suffers from a large gap between rhetoric and practice.”

The report's conclusions were based on the experiences of five countries in Africa between 1999 and 2005 under the IMF's Poverty Reduction and Growth Facility (PRGF) concessional lending program. The report noted that while the countries under study registered positive economic growth and improved macroeconomic indicators, the proportion of people living in poverty did not decrease. These findings highlight the gap between the Fund's stated commitments to reducing poverty and the impacts of the policies it promotes. Civil society advocates have long argued that the Fund's operations have exacerbated rather than decreased poverty, through the strict economic policy conditions that it often attaches to its loans. As explained in the IPS article, such conditions typically include “tight fiscal management, tax reforms, financial sector reform, governance reforms, economic liberalisation and privatisation of state-owned enterprises.” Some civil society organizations such as AFRODAD argue that PRGFs have failed to improve overall poverty reduction outcomes (see link to Afrodad report below). There is growing concern about the IMF's continued insistence on capping public expenditure, which may constrain a country's ability to hire more of the doctors and teachers needed to fight HIV/AIDS, increase school enrollment, or otherwise improve social service delivery.

The IEO's report comes amid increasing debate about the continued relevance of the IMF. The Fund is in crisis, with growing numbers of middle income borrowers repaying their debts to get out of programs with the IMF, and with some poorer borrowing countries such as Ghana expressing reluctance to cast their lot with the Fund; in November, Ghana announced its withdrawal from the PRGF, citing the "highly prescriptive conditions" attached to the loans.

Read the article "Internal audit questions IMF's role in Africa" by IPS at:  
<http://www.ipsnews.net/news.asp?idnews=36906>

Read "Congo must contain spending as economy slows – IMF" from Reuters at:  
<http://www.alertnet.org/thenews/newsdesk/L13638442.htm>

Download the IEO's report at:  
<http://www.imf.org/external/np/ieo/2007/ssa/eng/index.htm>

Read a report from Afrodad about the failure of the PRGF and the negative impacts of the associated conditionalities, including case studies from Africa, at:  
[http://www.afrodad.org/index.php?option=com\\_content&task=view&id=67&Itemid=54](http://www.afrodad.org/index.php?option=com_content&task=view&id=67&Itemid=54)

### **NGOs demand revision of unfavorable DRC mining contracts**

March 13 - A coalition of NGOs launched an appeal to the Congolese government, the World Bank and other international partners to "renegotiate, revoke or cancel" disadvantageous mining contracts made during the war and under the transitional government, in order to ensure that the Congolese people derive a "fair share" from the exploitation of the country's natural resources. In anticipation of World Bank President Paul Wolfowitz's arrival in Brussels for an international conference on "Improving Governance and Fighting Corruption: New Frontiers in Public-Private Partnership," the organizations published a memorandum that is highly critical of joint venture agreements that the Democratic Republic of Congo's (DRC) transitional government entered into with private companies.

The memo cites three of the most significant contracts approved by the transitional DRC government, which collectively signed away over 70% of the government's most valuable copper and cobalt reserves to international companies. The World Bank has acknowledged that the awarding of the contracts was characterized by "a complete lack of transparency." The NGO coalition argues that the transparency of existing and future mining contracts is essential to combat corruption and to protect the interests of the Congolese people. Citing precedents in other countries, the groups insist that the terms of deals in the extractive sector must be made public, and that existing agreements should be reviewed and disadvantageous or illegal contracts renegotiated or cancelled.

Read the press release at:  
<http://www.11.be/index.php?option=content&task=view&id=101927>

Read and sign the appeal for Congo to get a fair share at: <http://www.11.be/fairshare>

Download and read the memorandum at: [http://www.raid-uk.org/docs/DRC\\_contracts/Memo\\_PPP\\_DRC\\_MAR07\\_update.pdf](http://www.raid-uk.org/docs/DRC_contracts/Memo_PPP_DRC_MAR07_update.pdf)

Read “World Bank study notes ‘complete lack of transparency’ in DRC mining contracts” at: <http://www.bicusa.org/en/Article.3088.aspx>

### **World Bank introduces new measures to speed up emergency assistance**

March 6 – World Bank President Paul Wolfowitz has announced a new policy to streamline lending to countries after natural disasters or emerging from conflict. This new framework is being touted by the Bank as a means to quickly respond to emergency situations when financing needs are urgent, and would effectively reduce the time it takes to approve projects and disburse funds from the current average cycle of nine months to only twelve weeks.

Taken at face value, this new policy may appear to be a positive change in the Bank’s operations, enabling the institution to bypass bureaucratic processes and quickly deliver relief. However, some observers are concerned that the Bank’s policies on emergency lending were already too lax; the Bank’s current operational policy 8.50 allows a one-year waiver of the application of social and environmental policies in order to facilitate rapid disbursement of funds in emergency situations. Given that the World Bank does not finance humanitarian assistance but rather supports ‘economic recovery’ in the wake of crises, there are concerns that its lending in such contexts requires closer scrutiny than might be necessary for food aid or other relief assistance. In the Democratic Republic of Congo (DRC), a country still emerging from conflict closely related to control of natural resources, nearly half of the \$2.3 billion that the Bank has committed to the country since 2001 was approved on an emergency basis. These funds included support for projects with potentially significant impacts—such as those aimed at boosting private investment in the DRC, rebuilding infrastructure and reforming forest and mining practices. However, several of these projects were not subject to normal social and environmental safeguard reviews prior to approval, as a result of their emergency status.

During his trip this month to the DRC, Wolfowitz pledged to provide the government with a new \$180 million grant under the new streamlined procedure to rebuild infrastructure in the country’s capital, Kinshasa. According to the Bank’s website, the infrastructure support project is expected to go before the Board for approval by the end of March, only a month after initial project information documents were made public. As discussed above (“Wolfowitz’s pledge to Africa has hollow ring”), the shortened timeframe for project approvals may be coming at the expense of thorough assessments of potential adverse impacts and accompanying measures to improve project design. The proposed grant for Kinshasa may be particularly vulnerable to such oversights

considering its multi-sectoral nature, covering road building, water and sanitation, and malaria prevention.

Read the press release from the World Bank on the new policy at:

<http://web.worldbank.org/WBSITE/EXTERNAL/NEWS/0,,contentMDK:21244051~pagePK:34370~piPK:34424~theSitePK:4607,00.html>

Read a Reuters article on the proposed grant for Kinshasa at:

<http://www.alertnet.org/thenews/newsdesk/L09469467.htm>

Read more about the World Bank's involvement in the Democratic Republic of Congo at:

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

### **Additional Articles**

“Economy yet to recover from old reforms, says Kituyi” by Brian Adero, East African Standard, March 14, 2007 (EA Standard website):

[http://www.eastandard.net/hm\\_news/news.php?articleid=1143966029](http://www.eastandard.net/hm_news/news.php?articleid=1143966029)

“Nile Basin energy future” by Derek Sands, Monsters and Critics, March 5, 2007 (M&C website):

[http://news.monstersandcritics.com/energywatch/features/article\\_1272997.php/Nile\\_Basin\\_energy\\_future](http://news.monstersandcritics.com/energywatch/features/article_1272997.php/Nile_Basin_energy_future)

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