



Bank Information Center
IFIs in Africa News Briefing
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IMF approves quota reform

At its annual meetings in Singapore, the Board of Governors of the International Monetary Fund (IMF) approved an ad hoc increase to the membership quotas and linked voting shares for China, South Korea, Turkey and Mexico, to reflect the growth of the four countries' economies. This change marked the first stage in a series of reforms to the institution's voting structure. The second stage, as agreed at the meeting, will include an increase in basic votes for all member countries and a revision of the formula by which votes are allocated – both of which are expected to result in only a marginal increase, if any, in voting power for developing countries. Civil society groups have criticized the reforms for failing to redress the power imbalances of the northern-dominated institution. They charge that the formula for determining member country voting shares – based on a one-dollar-one-vote calculus – is flawed, and that without a fundamental revision of this approach to allow developing countries more say over how the institution operates, the “reforms” underway will be merely cosmetic.

Read the IMF's press release at <http://www.imf.org/external/np/sec/pr/2006/pr06205.htm>

Read the Bretton Woods Project's response to the IMF quota reforms at <http://www.brettonwoodsproject.org/art.shtml?x=543245>

World Bank and IMF deemed unsuitable for delivering aid in Africa

A report released by the United Nations Trade and Development Agency (UNCTAD) criticizes the World Bank and IMF for their failure to effectively deliver aid to Africa.

According to the report, the two institutions "have not lived up to expectations and are not suited to administering [the] doubled aid" committed by the G-8 countries. The report criticizes Africa's major donors for their failure to cooperate effectively and their growing concentration on security and energy issues at the expense of more immediate social concerns. Chief among the concerns raised is the disproportionate influence that the Bretton Woods Institutions (WB and IMF) wield over other donors' involvement, based on analyses that many perceive as arbitrary. UNCTAD concludes that aid delivery to Africa should be coordinated by the United Nations, which it argues could better address the needs and priorities of African countries.

Read the *Reuters* article at <http://www.alertnet.org/thenews/newsdesk/L21537404.htm>

Read the UNCTAD report "Economic Development in Africa" at <http://www.unctad.org/Templates/webflyer.asp?docid=7218&intItemID=2068&lang=1&mode=downloads>

IFC to increase investment in Africa and DRC

A September 18 press release from the International Finance Corporation (IFC), the World Bank's private sector arm, reported an 80 percent increase in overall investment commitments over the past financial year to Africa and the Middle East, particularly in the infrastructure sector. Subsequent articles from *Reuters* indicate that the IFC plans to further boost its activities in Africa; IFC Executive Vice President Lars Thunell marked the region as a priority frontier market in which the institutions aims to increase its investments. He specifically expressed his interest in scaling up support to the Democratic Republic of Congo (DRC), where IFC funds have been set aside for power generation, mining and other projects.

The IFC's increased interest in Africa has generated concern from many observers, particularly in light of the IFC's past investments in controversial projects whose development benefits have been dubious. A recent civil society report on the impacts of IFC investment in the mining sector calls into question the rationale for IFC financing of mines in the DRC despite ongoing unrest in the country and little government capacity to oversee the sector, ensure respect for human rights or effectively manage mining revenues.

Read the IFC's press release at <http://www.ifc.org/ifcext/media.nsf/content/SelectedPressRelease?OpenDocument&UNID=AE05A00CE444EB91852571ED004B0A0C>

Read the report "Tarnished Gold: Mining and the unmet promise of development" by BIC and other civil society groups on IFC investment in gold mining at <http://www.bicusa.org/en/Article.2956.aspx>

Read the *Reuters* articles at:

- http://za.today.reuters.com/news/newsArticle.aspx?type=businessNews&storyID=2006-09-20T084642Z_01_BAN031560_RTRIDST_0_OZABS-IMF-IFC-20060920.XML
- http://za.today.reuters.com/news/newsArticle.aspx?type=businessNews&storyID=2006-09-20T080350Z_01_BAN029000_RTRIDST_0_OZABS-IMF-CONGO-DEMOCRATIC-20060920.XML

African Development Bank intends to expand operations in lusophone Africa

African Development Bank (AfDB) President Kaberuka has expressed his intention to command a greater presence in Portuguese-speaking Africa, by both increasing grants and loans to lusophone countries and raising the number of Portuguese-speaking staff. He revealed that the AfDB plans to establish a delegation in Luanda, Angola and make its delegation in Maputo, Mozambique the center of its operations for southern Africa. Africa's lusophone countries include Mozambique, Cape Verde, Angola, Guinea-Bissau, and Sao Tome and Principe.

Read the article at <http://www.macauhub.com.mo/en/news.php?ID=2024>

IEG reports increase in funds to fragile states

A recent report by the World Bank's Independent Evaluation Group (IEG) assesses increased Bank support for "fragile states," which reached \$4.1 billion during 2003 - 2005. "Engaging with Fragile States: an IEG Review of Low-Income Countries Under Stress," finds that the Bank's performance in this field has been mixed, and highlights a number of serious challenges facing the Bank in its post-conflict work, including: the failure to internalize political understanding in the design of country strategies; the inadequacy of internal Bank structures to support LICUS work; insufficient emphasis on innovative approaches to capacity-building (a traditional area of weakness for the Bank) and the lack of follow-through beyond policy agreements during the immediate post-war phase. While the IEG applauds the Bank and the international community for their willingness to support "high-risk" countries, some observers are concerned that the Bank is reengaging too quickly in countries still unable to effectively absorb foreign aid. Observers also question whether the IEG's assessment looks closely enough at the root causes of conflict and what role the Bank's own operations and policy prescriptions may play in contributing to social instability. Critics also point out that the World Bank wields too much leverage in fragile states, particularly those emerging from conflict. For example, the Bank has committed over \$2 billion in loans to the Democratic Republic of Congo since 2001, drawing criticism for its role in the revisions of mining and logging laws to stimulate foreign investment – particularly since the struggle for control of natural resources was among the chief drivers of the country's conflict.

Read more about the IEG's findings in the *Vanguard* newspaper (Nigeria) at <http://www.vanguardngr.com/articles/2002/north/nt303102006.html>

Read the advance copy of the IEG report at <http://www.worldbank.org/ieg/licus/>

Read more about World Bank involvement in the DRC from BIC's website at <http://www.bicusa.org/en/Region.9.aspx>

Read Bretton Woods Project's commentary on post-conflict work, "World Bank, IMF: Helping Peace or Creating Conditions for War?" at: <http://brettonwoodsproject.org/art.shtml?x=43345>

China and India take on a broader role in Africa

A new World Bank report, "Africa's Silk Road," considers the impacts of the recent unprecedented rise in African-Asian trade and investment and recommends policy reforms that the authors argue will help enhance the development benefits of China and India's increased economic activity in Africa. The report examines the major scaling up of trade and investment flows between Asia and Africa since 1990, which have been concentrated in the natural resources sector, but are increasingly diversifying into other industries. The study recommends significant trade liberalization measures, including "behind-the-border" reforms, within both Asia and Africa to stimulate "South-South" trade, to "unleash competitive market forces, strengthen basic market institutions, and improve governance." Among the policy reforms it encourages (particularly in African countries) are: the lowering of overall tariff levels; strengthening investment promotion agencies; eliminating protectionist non-tariff barriers; further developing trade-facilitation infrastructure; deregulating services and committing to binding international arbitration for investor-state disputes. Many observers are concerned that increased trade between Africa and Asia will entail a scaling up of the extraction of Africa's natural resources without a corresponding benefit for Africa's poor or the state of governance in Africa. As the report notes, increased competition from Chinese and Indian businesses in Africa has contributed to the displacement of domestic African sales and exports, unemployment and other social costs.

Read more about the report in *This Day* newspaper (Nigeria) at <http://allafrica.com/stories/200609181045.html>

Download the World Bank's study "Africa's Silk Road" at <http://web.worldbank.org/WBSITE/EXTERNAL/COUNTRIES/AFRICAEXT/0,,contentMDK:21056305~pagePK:146736~piPK:146830~theSitePK:258644,00.html>

European firms found guilty of bribery in Lesotho dam project

October 4 - A Lesotho court found three European firms, based in France, Germany, and Italy, guilty of fraud and fined them a total of \$5.6 million for engaging in bribery to obtain contracts in the multi-million dollar Lesotho Highlands Water Project, one of the

biggest dam projects in the world. According to a *Business Day* (South Africa) article from September 11, the project was co-financed by the World Bank, the European Investment Bank (EIB) and other international donors in the 1980's when apartheid South Africa, the main beneficiary of the hydropower scheme, was unable to attract financing because of international sanctions. Allegations of corruption have been made throughout the span of the multi-phase project, and according to the *Business Day* article the World Bank never followed through on its commitments to help finance the investigation and prosecution of the suspected companies. The article further points to apparent contradictions within the Bank, which is currently pursuing an anti-corruption agenda but has failed to curb corruption in the construction of one of its largest projects.

Read more about the Lesotho judiciary's verdict at <http://www.ibtimes.com/articles/20061004/lesotho-guilty.htm>

Read more about the Bank's involvement in the LHWP at <http://www.businessday.co.za/articles/topstories.aspx?ID=BD4A269213>

Read more about the critical social and environmental impacts associated with the project at <http://www.irn.org/programs/lesotho/>

The Bank Information Center is an independent, non-profit, non-governmental organization that advocates for the protection of rights, informed participation, transparency, and public accountability in the governance and operations of the World Bank, regional development banks, and the IMF. **Find out more at www.bicusa.org**

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