



Bank Information Center
IFIs in Africa News Briefing
September 1, 2006

In this issue:

- [World Bank's clean energy framework contains Energy Action Plan for Africa](#)
- [World Bank report on natural resources may lead to ECOWAS protocol](#)
- [Environmental Summit highlights risk of climate change to Africa](#)
- [Chad: The saga continues – The unraveling of the World Bank's model project](#)
- [Africa's Executive Directors at the IMF call for rejection of quota reform unless voice of poor countries is protected](#)

World Bank's clean energy framework contains Energy Action Plan for Africa

August 18 - Preliminary reports of the World Bank's new Clean Energy Investment Framework describe a new Action Plan for Africa intended to double household energy access by 2030. The strategy prioritizes large-scale regional initiatives through extended "power pool" projects and the construction of major hydropower and thermal generation plants. According to the Bank, increasing household electricity access to 47 percent by 2030 would require a doubling of annual energy financing for Africa from \$2 billion to \$4 billion. However, the Bank says because of constraints on lending through its soft-loan arm (IDA) it would be unable to devote sufficient additional funds to implement the strategy. It suggests that African governments will instead need to mobilize concessional financing through other donors, and attract private investment in the energy sector.

Private sector involvement in utilities, however, remains a controversial issue in developing countries. The privatization of state-owned power companies and tariff increases often reduce rather than increase access to and affordability of electricity, as government subsidies are eliminated and prices rise. Despite these potential negative impacts on the poor, the Bank continues to emphasize the removal of barriers to private sector participation as a key component of the Energy Action Plan for Africa.

The Clean Energy Investment Framework, which will feature among the principal items for discussion at the upcoming annual meetings of the World Bank in Singapore, has met with mixed reactions because of its continued emphasis on fossil fuels and reliance on large-scale, grid-based approaches to energy development. Critics argue that the framework's endorsement of high-impact and dangerous energy sources, such as large

hydropower and nuclear, as well as unproven energy technologies, such as “clean coal”, leave both the poor and the climate at risk.

Read the Reuters article “World Bank fine tunes clean energy funding proposal” at http://today.reuters.com/news/articlenews.aspx?type=reutersEdge&storyID=2006-08-14T220848Z_01_N14226138_RTRUKOC_0_US-ECONOMY-ENERGY-WORLDBANK.xml

Read IPS news’ take on the framework at <http://www.ipsnews.net/news.asp?idnews=34395>

For more on the Framework, visit the World Bank’s Energy page <http://www.worldbank.org/energy>

World Bank report on natural resources may lead to ECOWAS protocol

August 28 - An article in Ghana’s *Public Agenda* newspaper describes plans for the Economic Community of West African States (ECOWAS) to enact a new protocol on natural resources in order to prevent regional conflict. This decision was reached in response to a recent World Bank report that cited the over-reliance on natural resource revenues as a primary cause of conflict in West Africa. According to the *Public Agenda* article, ECOWAS leaders agreed that a new protocol should “include the sharing and dissemination of information, adoption of legally binding instruments, and the creation of monitoring mechanisms on cross-border natural resources in West Africa.”

The World Bank Group’s recognition of the dangers of relying on natural resource revenue appears at odds with its continued support for investments in the extractive sector throughout Africa. The World Bank Group has come under fire for its support for extraction projects such as the Chad-Cameroon Oil Pipeline, the Ahafo Gold mine in Ghana, and the West Africa Gas Pipeline in Nigeria, which is expected to suffer delays as a result of intensified conflict in the Niger Delta region.

Read the *Public Agenda* article at http://www.ghanaweb.com/public_agenda/article.php?ID=5754

Read the *Vanguard* newspaper’s article on the expected delay of the West Africa Gas Pipeline at <http://allafrica.com/stories/200609010009.html>

Environmental Summit highlights risk of climate change to Africa

August 29 - An *Associated Press* article describes the outcomes of the third Assembly of the Global Environment Facility (GEF) held in South Africa, where donors pledged over \$3 billion to the facility. The GEF was established in 1991 as a partnership between the World Bank, and the United Nations Development and Environment Programs (UNDP

and UNEP), designed to provide concessionary financing for projects that protect biodiversity and international waters, and combat climate change. At the recent summit, the World Bank acknowledged that climate change poses a significant threat to its development programs and projects, noting that impacts are already being felt in the drier countries in Africa that are “bearing the brunt of the damage because of the impact of climate change on crucial farm production.” Some observers complain that despite the disproportionate threat that climate change poses to Africa, the GEF has largely overlooked the continent.

The Bank’s admission of the impacts of climate change on its projects raises questions about its continued emphasis on large hydropower initiatives in Africa, particularly given the susceptibility of dams to climate change-induced drought. As the Bank’s environmental director, Warren Evans, admits, the data on which decisions to build dams were made, “doesn't make any sense any more,” adding that “we have to look to the future and guess what the hydrology will look like. Right now, the question is, are we building the right thing in the right place at the right time.”

Read the AP article at <http://www.chron.com/disp/story.mpl/ap/fn/4149270.html>

Chad: The saga continues – The unraveling of the World Bank’s model project

September 1 - The government of Chad last week ordered the expulsion of Chevron and Petronas, two members of the consortium of oil companies operating in the country, for the alleged nonpayment of \$500 million in taxes. The American and Malaysian oil companies have denied the government’s allegations and the outcome of the dispute is still unclear. Exxon, the third member and manager of the Consortium’s operations in Chad, has not faced similar charges. Meanwhile, Chad has launched a commission to review its contract with the oil consortium and renegotiate a deal for the government through its newly formed national oil company, Société des Hydrocarbures du Tchad (SHT). While the government insists that its expulsion of the two oil companies is unrelated to its attempt to secure a place for SHT in the oil consortium, some critics charge that the government is using these threats to leverage greater control of the production and sale of the country’s oil.

This dispute is the latest in a series of problems which have beset the Chad-Cameroon oil pipeline – the World Bank’s “model project” for natural resource exploitation in Africa. Concerns over the proper payment of taxes and the terms of the deal between the Chadian government and international oil companies operating in the country, highlight the need for greater transparency. Because the contract between the oil consortium and government of Chad is kept secret and tax payments are not disclosed, it is difficult for the public to evaluate the merits of the government’s claims. The government’s call for the renegotiation of the oil contract also raises the question of whether governments are getting a good deal from the extractive industry companies active in their countries. Often, resource-rich but impoverished countries like Chad are at a disadvantage in their negotiations with large, multinational companies like Exxon, Chevron and Petronas,

because of a lack of technical capacity and financial resources. For all the emphasis that the World Bank places on the importance of foreign direct investment to countries' economic growth and development, some critics assert that the Bank does not do enough to assist developing countries in negotiating good deals.

Read "Chad oil tax row 'not asset grab'" from BBC News:

<http://news.bbc.co.uk/2/hi/business/5298594.stm>

Read "Chad orders oil firms to quit," from *Mail and Guardian* (South Africa):

http://www.mg.co.za/articlePage.aspx?articleid=282843&area=/insight/insight_africa/

Read "Fuel to Ourselves," a commentary on Chad President Deby's speech in *The Guardian*: <http://business.guardian.co.uk/comment/story/0,,1863172,00.html>

For more on the impacts of the Chad-Cameroon pipeline project on poverty alleviation in Chad, read "Oil wealth fails Chadian villagers" by Stephanie Hancock from BBC News:

<http://news.bbc.co.uk/2/hi/africa/5295352.stm>

See BIC's page on the Chad-Cameroon oil pipeline:

http://www.bicusa.org/bicusa/issues/chadcameroon_oil_pipeline_project/index.php

Africa's Executive Directors at the IMF call for rejection of quota reform unless voice of poor countries is protected

August 28 - African countries have expressed serious concern that their voice within the International Monetary Fund (IMF) will be further marginalized after the Fund's Annual Meetings in Singapore next month. At the upcoming gathering, the IMF's governors are scheduled to discuss quota increases for certain member countries, namely China, Korea, Turkey and Mexico, which would affect the allocation of voting power on the institution's Board of Directors. Absent any measures to protect the voice of poorer countries, a rise in the proportion of votes held by these four countries would mean a reduction in the relative voting power of others--particularly worrisome for African countries that already have very little influence over the institution which dictates many of their economic policies.

In a letter to all African Governors of the IMF, dated August 28, the three Executive Directors representing sub-Saharan Africa on the Fund's Board indicated that they would vote against the proposed reform of quotas and votes when it came before the Board of Directors on August 31st, and encouraged African governors to reject the proposal if presented to them in its current form at the Annual Meetings in Singapore. They argue that without any firm, time-bound commitments to protect the voice and voting power of low-income countries on the Board, the current proposal would further weaken Africa's position in the Fund.

Read "Africa calls on Brown to block IMF voting reform" from *The Guardian* (London):
<http://politics.guardian.co.uk/foreignaffairs/story/0,,1861648,00.html>

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**