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China-Africa conference concludes in Beijing

November 5 - The third Forum on China-Africa Cooperation, which ran from November 3 to 5 in Beijing, serves as an important reminder of China’s growing involvement in Africa. The summit focused heavily on trade relations, and the BBC reports that trade agreements reached at the summit will double trade between China and Africa to \$100 billion by 2010. China also pledged \$5 billion in loans and credits to Africa by 2009, effectively doubling its bilateral aid to the continent. The size of the summit, attended by more than 40 heads of state, is also reflective of China’s growing interest in Africa, and particularly its raw materials. Last year, China imported 38 million tons of oil from Africa, and Angola has surpassed Saudi Arabia as China’s single largest supplier of oil. China’s expansion not only of trade with Africa, but aid and investment as well, has generated concern about possible implications for governance in Africa, given China’s apparent indifference to human rights violations and corruption.

Last week World Bank President Paul Wolfowitz created a storm of controversy after reportedly criticizing China’s involvement in Africa, asserting that China undermines good governance in Africa and that its loans could exacerbate African countries’ debt burdens. Chinese authorities rejected this criticism, insisting that Chinese cooperation in Africa “has been positive, based on equality and mutual benefits,” and that China’s actions are based on a policy of non-interference in African internal affairs. Wolfowitz later announced that the *Les Echos* article which first reported his comments was misleading, that he had not meant to single out China, and that, in fact, he believed the Sino-African summit was a “terrific idea.”

Last month, the Chinese government cancelled the bilateral debt of 31 African countries, amounting to a write-off of over €1 billion. Contrary to fears expressed by the World

Bank President and others that Chinese aid to Africa is increasing the continent's debt burden, the IMF has recently reported that increased financing from China does not appear to have significant effects on African countries' external debt. A *Reuters* article recently reported that "World Bank and IMF officials say they have seen little hard evidence China is lending to African governments on expensive terms and racking up countries' burdensome debts all over again." "We don't have a lot of evidence of very high interest rates," said Benedicte Vibe Christensen, Deputy Director of the IMF's African Department. "In many countries, China is still giving grants but in some cases the terms of the loans are not very transparent." The *Reuters* article further noted that, in response to concerns being raised by Western donors about the lack of transparency surrounding Chinese aid to Africa, "African officials argue that traditional Western donors have failed to deliver on commitments to increase aid, while China is a willing lender for such things as infrastructure."

In recent years, the Bank has increasingly held out the prospect of Chinese financing as a justification for its own, preemptive involvement in various high-impact projects. The Bank often claims that if it didn't support a project, another financier would and would do more harm. However, the Bank has neither the mandate nor the means to prevent all "bad projects" from taking place or to make all potentially harmful investments slightly less damaging. Given its finite resources and the opportunity costs of activities it undertakes, the Bank should its projects on the basis of their likelihood to make a positive contribution to poverty reduction. As the China-Africa summit approaches, it is important to question what increased Asian investment in Africa may mean for people and the environment.

Read an analysis of China's involvement in Africa from the *Economist* at:
http://www.economist.com/world/africa/displaystory.cfm?story_id=8089719

Read more about the outcome of the China-African summit from the BBC at:
<http://news.bbc.co.uk/2/hi/business/6120500.stm>

Read about Wolfowitz' criticism of China at the *Financial Times* at:
<http://www.ft.com/cms/s/ea6cd650-62d8-11db-8faa-0000779e2340.html>

Read the *Reuters* article on the terms of China's loans to Africa at:
http://za.today.reuters.com/news/NewsArticle.aspx?type=topNews&storyID=2006-10-31T063802Z_01_BAN123872_RTRIDST_0_OZATP-CHINA-AFRICA-LENDING-20061031.XML

NEPAD infrastructure action plan not being implemented

October 23 – According to a recent news item from African News Dimension (AND), a consulting firm studying the implementation of NEPAD's Infrastructure Short-Term Action Plan has concluded that the I-STAP remains little more than a wishlist of projects, as NEPAD has made very little headway in identifying investment sources in order to

follow through with its ambitious agenda. In 2003 the New Partnership for Africa's Development (NEPAD), an economic development program of the African Union, drafted the ambitious I-STAP to address Africa's infrastructure shortfalls with a series of extensive regional energy, ICT, water, road and rail projects. The Afro Consulting Group, who conducted the I-STAP implementation study, also suggested that NEPAD work with the UN Economic Commission for Africa (ECA) to harmonize preliminary studies of some of the planned infrastructure projects, some of which have been duplicated.

While infrastructure is undoubtedly necessary for sustainable development in Africa, it is important to consider whether the priorities identified by NEPAD reflect that end, and whom NEPAD's infrastructure plans are designed to benefit. Some observers have criticized NEPAD's infrastructure plan for its emphasis on large-scale, regional projects (such as massive hydroelectric dams and trans-continental highways) and its failure to consider smaller and more sustainable alternatives. Critics have also pointed out that international companies may well derive the most benefit from the expanded road networks, power generation schemes, and other large infrastructure investments, while Africa's poor will likely remain cut off by the lack of basic local road networks and adversely affected by the intense environmental and social consequences of such large-scale physical infrastructure projects. More fundamentally, others argue that NEPAD is not representative of the interests of most Africans, but instead reflects a neo-liberal bias and the influence of World Bank and IMF policy advice in its focus on private sector-led, export-oriented growth, rather than community-driven development.

Read the AND article on the Afro Consulting Group's findings at:

<http://hornofafrica.andnetwork.com/index?service=direct/1/Home/recent.fullStory&sp=154218>

Read the "African Civil Society Declaration on NEPAD" (2002) at:

http://www.ifg.org/wssd/acsnepad_decl.htm

Read more about NEPAD from Sustainability Watch at:

http://www.rio10.dk/index_test.php?a=show&doc_id=781

"The Year of Africa" was a turning point, says World Bank

October 30 – A BBC article reports that the World Bank, upon the release of its African Development Indicators 2006 report, has hailed 2005, previously declared "the Year of Africa," as a "turning point" for the continent. Citing the decrease in conflict on the continent and the attainment of higher GDP growth, the report describes the continent's progress and shows that "Africa is on the move." The report also tracks countries' progress in achieving the Millennium Development Goals (MDGs), claiming that at least a few African countries are on track to halve poverty by 2010. But despite its overall hopeful tone, the report cites some of the challenges facing Africa, including continued low rates of investment, outstanding infrastructure needs and the rising number of poor.

The fact that the number of Africans living in poverty is rising, even while the Bank praises progress, underscores how misleading indicators of growth can be. Growth does not necessarily lead to poverty reduction; indeed, inequitable growth can exacerbate the poverty of some, even as it enriches others, and looks good on paper. Higher rates of GDP growth and an improved score on the Bank's World Development Indicators do not necessarily reflect development, much less sustained development. Not only was growth not necessarily shared across the populations within individual countries, it wasn't shared across the continent. While the Bank's report touts the attainment of higher-than-average GDP growth rather in a number of countries during 2005, this trend was largely limited to oil producing countries benefiting from high international prices. In contrast, oil-importing countries suffered from higher costs and as a result had a disappointing year. For these reasons, many observers argue that the Bank's World Development Indicators are of limited use in assessing meaningful poverty reduction and development outcomes, and propose that countries should define their own measures of development progress.

Read the BBC article at: <http://news.bbc.co.uk/2/hi/business/6099672.stm>

See the World Bank African Development Indicators 2006 report website at: <http://web.worldbank.org/WBSITE/EXTERNAL/COUNTRIES/AFRICAEXT/EXTPUBREP/EXTSTATINAFR/0,,contentMDK:21102598~menuPK:3083981~pagePK:64168445~piPK:64168309~theSitePK:824043,00.html>

Report predicts Africa to be hardest hit by climate change

October 28 - A BBC article announces the release of a report "Africa Up in Smoke 2," an update of a June 2005 publication on the impacts of climate change on Africa, produced by the Working Group on Climate Change and Development, a coalition of civil society groups in the UK. The report details findings that reveal Africa's climatic conditions are becoming dangerously extreme: arid regions are more prone to drought while wetter areas are increasingly experiencing floods, a trend which will increase in magnitude over time without the adoption of effective mitigation measures. According to the BBC article, Andrew Simms of the New Economics Foundation (one of the organizations belonging to the Working Group), said "Global warming is set to make many of the problems which Africa already deals with, much, much worse." The report also points out the paradox that African countries, which have emitted the lowest volume of carbon into the atmosphere, are the most prone to climate change and the least equipped to mitigate its impacts. "Up in Smoke 2" calls for urgent action by industrialized countries to cut back on carbon emissions and increase support to Africa to combat the effects of global warming. The threat of climate change was further highlighted in the Stern Review Report on the Economics of Climate Change, also published this week, which anticipates the devastating economic effects that climate change will bring and stressed that responding immediately to curb greenhouse gases would far outweigh the costs in the future.

The World Bank has presented itself as a leader in the fight against climate change through its role in the Global Environment Facility (GEF) and in facilitating carbon finance, and more recently through its Investment Framework on Clean Energy and Development. According to a critique of the framework by a coalition of environmental groups, however, the Bank's new so-called "clean energy" plan, "instead of combating climate change...promotes coal-fired power, nuclear power and large hydropower projects." In their report, the civil society organizations call on the Bank to combat climate change by halting their subsidies for northern oil companies and "to redirect existing dirty energy financing to renewable technologies and energy efficiency projects."

Read the BBC article at: <http://news.bbc.co.uk/2/hi/africa/6092564.stm>

Read the Oxfam report "Africa – Up in Smoke 2" at:
http://www.oxfam.org.uk/what_we_do/issues/climate_change/africa_up_in_smoke.htm

Read the civil society critique of the World Bank's investment framework at:
<http://www.bicusa.org/en/Article.2954.aspx>

Read about the Stern Review at: <http://www.ft.com/cms/s/c8d3778c-6856-11db-90ac-0000779e2340.html>

World Bank to finance thermal power plant in Uganda

October 31 – According to an article in *New Vision* (Uganda), the World Bank's Managing Director Juan Daboub, during his visit to Uganda, pledged to finance the construction of a 50 MW thermal power plant to help address the country's energy crisis. Uganda's private sector is relieved at the news of this respite, after months of load-shedding caused by the impacts of prolonged drought and record low water levels in Lake Victoria on the output of Uganda's hydroelectric dams. The Bank's proposal to finance \$175 million of the \$180 million total project cost is expected to go before the World Bank Board of Directors for approval in January 2007. Critics have charged that the Bank's support for the fossil fuel-based thermal plant demonstrates the contradiction of its commitment to fight climate change in the long-term while prioritizing short-term private sector growth. Meanwhile, Daboub reaffirmed the Bank's commitment to help finance the construction of the Bujagali Hydroelectric Dam, which has been revived after the project stalled in 2002 over corruption concerns and the private sector sponsor withdrew from the project in 2004. With a new investor and continued commitment from the World Bank to support the project, despite persistent civil society concerns, the government of Uganda expects to complete the dam's construction in 2010. Although proponents claim the completion of the 250 MW dam will provide a solution to Uganda's energy woes, some observers point out that long-term projections of the dam's power generation capacity may be overly optimistic considering the diminished water levels of Lake Victoria and the anticipated impacts of climate change on the hydrology of the Nile River basin.

Read the *New Vision* article at: <http://allafrica.com/stories/200611010156.html>

Read more about the Bujagali dam on BIC's website at:
<http://www.bicusa.org/en/Project.24.aspx>

Read more about the Bujagali dam on the International Rivers Network's website:
<http://www.irn.org/programs/bujagali/>

African Development Bank endorses EITI

October 30 – An article in *East African Business Week* reports that the African Development Bank (AfDB) has endorsed the Extractive Industries Transparency Initiative (EITI), which aims to promote voluntary disclosure of revenue payments from extractive industry companies and government earnings from the oil, gas and mining sectors. The AfDB made the announcement at the recent EITI conference in Oslo, Norway. While the endorsement of the initiative is seen as a positive signal by the Bank, it falls short of actually requiring that revenues from extractive projects sponsored by the AfDB be disclosed. The AfDB has approved two extractive industry projects in Africa so far this year: \$40 million for the Kwale Titanium Mine in Kenya and \$43 million for the Lumwana Copper Mine in Zambia, which is co-financed by the European Investment Bank.

Read the *East African Business Week* article at:
<http://allafrica.com/stories/200610300571.html>

Read the African Development Bank press release at:
http://www.afdb.org/portal/page?_pageid=293,174339&_dad=portal&_schema=PORTAL&press_item=7838218&press_lang=us

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