

Bank Information Center
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World Bank seeks China's cooperation in lending to Africa

December 7 – The World Bank's new Vice President for East Asia and the Pacific, James Adams, told *Reuters* that the World Bank and China are considering pooling their resources to finance development projects in Africa. Although the two lenders maintain starkly different approaches to conditionality - the World Bank regularly imposes strict economic policy conditions on its loans, while China maintains a policy of "non-interference" on the countries it loans to – Adams said he was "confident that we'll be able to find a broad range of activities where we can work together."

Adams' statements following his recent trip to China appear to be the latest about-face in the World Bank's attitude toward China and its growing role in Africa. In October, 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. Wolfowitz later rescinded his comments and described the subsequent China-Africa Summit as a "terrific idea." Only two weeks ago, however, the president of the European Investment Bank (EIB) Philippe Maystadt was reported in *Financial Times* as complaining that the EIB and World Bank were losing out on lending to Africa, particularly in the mining sector, to competition from Chinese lenders who do not require environmental assessments or adherence to labor standards.

Read the Reuters article "World Bank eyes African joint financing in China" at:
http://za.today.reuters.com/news/newsArticle.aspx?type=businessNews&storyID=2006-12-07T110314Z_01_BAN739784_RTRIDST_0_OZABS-CHINA-WORLDBANK-20061207.XML

Read the *Financial Times* article “EIB accuses Chinese banks of undercutting Africa loans” at: <http://www.ft.com/cms/s/added3c2-7f4e-11db-b193-0000779e2340.html>

Read a reaction to the EIB’s suggested lowering of standards from BIC at: <http://www.bicusa.org/en/Article.3037.aspx>

Read the *Financial Times* article “World Bank hits at China over lending” at: <http://www.ft.com/cms/s/ea6cd650-62d8-11db-8faa-0000779e2340.html>

Wolfowitz urges United States to increase contribution to IDA for Africa’s sake

December 11 – At a meeting of the Atlanta Federal Reserve Board last week, World Bank President Paul Wolfowitz stressed that Africa has made real progress in improving governance, and that the U.S. should increase aid to the continent by increasing its contribution to the International Development Association (IDA). He added that the US contribution to IDA, the arm of the World Bank that lends to the world’s poorest countries on concessional terms, “has declined from 21.6 percent to 13.8 percent of total contributions.”

As noted in the *Economist*, Wolfowitz faces a series of challenges in raising money in the next round of IDA replenishment negotiations, as some member governments are increasingly reluctant to contribute to the fund.

Last week, the Bank came under fire following the release of a report by its own Independent Evaluation Group on the Bank’s development effectiveness. The report found that the institution has not successfully contributed to poverty reduction, particularly in Africa.

The Bank’s recent write-off of some Highly-Indebted Poor Country (HIPC) debt poses additional challenges to raising more donor funds. "One of Mr. Wolfowitz's early triumphs was to persuade donor countries to compensate the bank for the money it would no longer collect from its debtors," the magazine writes. "He was also assured that this compensation would come on top of, not instead of, their other donations to his institution. Next year will be the first real test of this commitment. Already, some donors have shown ‘a lackadaisical attitude’ towards relieving the costs of debt relief."

Concerns about Wolfowitz's handling of the Bank's new anti-corruption framework may further dissuade donor contributions. "At the bank's annual meetings in September, his overseers stressed the need for ‘predictability, transparency, and consistent and equal treatment across member countries’. They will be reluctant to proffer lots more money until they are sure it will be handed out in that spirit," the *Economist* writes.

The World Bank, like other public lending institutions, relies on periodic replenishments of its lending facilities by member countries. Donor countries contribute new funds to

IDA every three years. Negotiations will take place throughout 2007 to secure donor funds for IDA operations over the period July 2008 through June 2011. .

Read the article “Wolfowitz says U.S. needs to do more in Africa” from *Reuters* at: <http://today.reuters.co.uk/news/CrisesArticle.aspx?storyId=N11243211&WTmodLoc=World-R5-Alertnet-3>

Read the *Economist* article “Hungry like the wolf” at: http://www.economist.com/world/international/displaystory.cfm?story_id=E1_RPRNGV_V

Read the Independent Evaluation Group report “Annual Review of Development Effectiveness 2006: Getting Results” at: <http://web.worldbank.org/WBSITE/EXTERNAL/EXTOED/EXTOEDARDE/EXT2006ANNREVEVEFF/0,,menuPK:3079280~pagePK:64168427~piPK:64168435~theSitePK:3079226,00.html>

AfDB-financed titanium mining project subject to court case

December 12 - The Kwale Titanium Project in coastal Kenya has become the subject of an intense controversy in recent weeks after seven farmers refused a resettlement compensation package that would pave the way for Canada-based Tiomin mining company to exploit the mineral-rich soil, estimated to contain over 117 million tons of minerals used to create titanium.

The farmers have initiated legal proceedings against the Government of Kenya, arguing that “the Government does not have the constitutional power to order the compulsory acquisition of their land.” The courts are expected to rule on the case next week.

Tiomin’s stock took a dive this week after the company announced that the project’s development schedule and budget would not be met because it could not access the project site. The project’s senior lenders stated that they would not disburse funds until all legal matters were resolved.

Controversy surrounding the Tiomin project has been ongoing since the project was conceived. Environmental groups have objected to the project, citing the threat to a host of endangered species in the Kwale area, which depend on the coast’s already fragile ecosystem. A Global Response briefing on the project charges that the Kenyan government negotiated a deal with Tiomin even “before an independent Environmental Impact Study was completed and without the consent of the affected population - around 5,000 people at the Kwale site alone.” According to the briefing, Tiomin announced that it would “rehabilitate” the site after the 20-year life of the project and resettle families back to the area, despite warnings from scientists that radioactive uranium was found in the titanium deposits.

In July, the African Development Bank approved a \$40 million loan for the project. The most recent controversy over the farmers' court case comes amid speculation that the Kwale project could become the subject of the first claim under the AfDB's new Independent Review Mechanism (IRM) – a function akin to the World Bank Inspection Panel, through which affected communities can appeal when AfDB “safeguard” policies have been violated.

Read “Lands Act is invoked to kick out farmers” from the *East African Standard* at:
http://www.eastandard.net/hm_news/news.php?articleid=1143961786

Read “Tiomin's Kenyan project delayed, stock melts” from *Reuters* at:
http://today.reuters.com/news/articleinvesting.aspx?view=CN&storyID=2006-12-12T160501Z_01_N12298318_RTRIDST_0_TIOMIN-KENYA-UPDATE-1.XML&rpc=66&type=qcna

Read more about the AfDB's new Compliance Review Mechanism Unit (CRMU) of the Independent Review Mechanism at:
http://www.afdb.org/portal/page?_pageid=473,5848220&_dad=portal&_schema=PORTAL

Read the briefing from Global Response at:
<http://www.globalresponse.org/gra.php?i=4/00>

Find additional resources about the project from Probe International at:
<http://www.probeinternational.org/pi/mining/index.cfm?DSP=subcontent&AreaID=202>

World Bank commits \$1 billion to DRC

December 14 – The World Bank Country Director for the Democratic Republic of Congo (DRC), Pedro Alba, has announced that the Bank would offer \$1 billion to newly elected President Joseph Kabila in support of his five selected priority areas. The five pillars include health, energy, infrastructure, education and good governance.

Despite renewed hopes about the DRC's future following its first free elections in over 40 years, many observers remain skeptical. In a *Voice of America* article, Carina Tertsakian from Global Witness cautions that “even if there are significant changes, it is going to take a lot of effort to reverse what has effectively been decades of very entrenched corruption and fraud from the top down.” A parliamentary investigation into contracts signed during the war and under the transitional government, known as the Lutundula Commission, concluded that many of the contracts should be renegotiated or cancelled: a difficult prospect. “The group in Congo that has benefited the most from these mining contracts has been Kabila's entourage,” adds Patricia Feeney from the British NGO Rights and Accountability in Development (RAID). Feeney stressed that the reluctance of donors, especially the World Bank, to push for the renegotiation of disadvantageous mining deals may limit prospects for meaningful change: “The World Bank has shown

loss of nerve. We have noticed a desire to protect Western companies that have acquired some of these assets.”

Since 2001 when it resumed operations in the DRC, the World Bank has committed over \$2 billion in loans and grants. The World Bank Group’s emphasis on investment in the natural resource sectors as a key driver of economic growth has aroused concerns. It has supported the revision of DRC’s mining, forest and investment codes, as well as the restructuring of the state-owned mining and utility companies, with an aim to increasing private sector participation in resource extraction and in power generation and distribution. In absence of government capacity to monitor, mitigate and manage the impacts of this investment, some observers fear that the country is effectively being carved up for the taking by private companies, with little regard for benefits to the Congolese public, the rights of local communities, or protection of the environment.

Read the *Angola Press* article “World Bank supports Kabila’s five pillars” at: <http://www.angolapress-angop.ao/noticia-e.asp?ID=494730>

Read the *Voice of America* article “DRC’s Kabila Faces Unruly, Corrupt Mining Sector” at: <http://www.voanews.com/english/2006-12-15-voa19.cfm>

Read a BIC article on MIGA’s planned half-billion-dollar investment in DR Congo’s mining sector at: <http://www.bicusa.org/en/Article.2979.aspx>

Read more about the World Bank in the DR Congo on BIC’s website at: <http://www.bicusa.org/drc>

World Bank prescriptions “inconsistent” with poverty mission, says Oxfam

December 13 - A World Bank report released this week, “Managing the Next Wave of Globalization,” predicts the halving of world poverty by 2030. According to an *Inter Press Service* article, the report also projects a widening of the gap between the rich and poor in developing countries, and predicts that “Africa is most likely to fall further behind because of its political fragility and vulnerability to fluctuations in commodity prices.” Oxfam and other NGOs have objected to the Bank’s conclusions, which propose an “increase in development assistance and lowering of trade barriers to products from developing countries, especially agriculture and labour-intensive manufactures.” Oxfam’s Etienne De Belder stresses instead that “countries that followed the export-driven model of development which the Bank proposes, were left with a social and economical hangover,” citing the case of most countries in sub-Saharan Africa.

Read the *IPS* article at: <http://www.ipsnews.net/africa/nota.asp?idnews=35824>

Read a new report from Oxfam “Kicking the Habit: How the World Bank and the IMF are still addicted to attaching economic policy conditions to aid” at: http://www.oxfam.org/en/policy/briefingpapers/bp96_kicking_the_habit_061127

Read the World Bank report at: <http://www.worldbank.org/gep2007>

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