

Bank Information Center
IFIs in Africa News Briefing #12
January 5, 2007

In this issue:

- European Investment Bank approves over \$1 billion for Africa's energy sector
 - IFC and EIB prepare to approve financing for controversial Uganda dam
 - IMF warns Chinese lenders to Africa
 - World Bank study notes “complete lack of transparency” in DRC mining contracts
 - African Development Bank prepares for next replenishment round
 - Regional communications project to move ahead
-

Note: Because BIC's Africa Program will be attending the World Social Forum in Nairobi, the next edition of the IFIs in Africa News Briefing will be available the first week of February. That issue will contain a special feature on the WSF. For more information on the WSF, visit <http://www.wsf2007.org>.

European Investment Bank approves over \$1 billion for Africa's energy sector

December 2006 - In the last month of 2006, the European Investment Bank (EIB) approved an astounding €25 billion (approximately \$1.08 billion) worth of loans and investment for major energy projects in Africa. This surge in financing was seen as an effort by EIB to push through projects before the end of the fiscal year.

These investments include:

- a €300 million loan for the construction of a 1500 km-long electricity transmission line from Johannesburg to Capetown, South Africa;
- €5 billion toward the construction and operation of a natural gas pipeline in Egypt;
- €250 million for the construction of two 750 MW gas-fired combined cycle power plants, also in Egypt;
- €170 million for the expansion of Morocco's power grid;
- and €70 million for a stake in the West Africa Gas Pipeline, which will transport natural gas from Nigeria's Delta Region to industrial centers in Ghana.

The sheer volume of investment is a cause for concern, considering the Bank's troubling track record as a supporter of major infrastructure on the continent, and the inadequacies of EIB safeguard policies to mitigate the negative social and environmental consequences that typically accompany large energy projects. Furthermore, because the Bank lacks an accountability mechanism for projects outside the EU, affected communities have no formal channel through which to contest the impacts of EIB-financed projects.

The limited scope of the Bank's transparency policy also precludes affected communities from accessing critical project-related documents such as environmental impact assessments (EIAs) and resettlement plans. The Bank cites the need for business confidentiality as a justification for keeping project information from the public.

Apart from the direct effects on local communities, the Bank's investment in conventional fossil fuel extraction and fossil fuel-based power generation appears to contravene its stated commitment to combat climate change.

For more about these projects and to see some of the other projects the EIB is considering in Africa, view BIC's spreadsheet on EIB Extractive and Energy Projects in Africa: <http://www.bicusa.org/proxy/Document.9804.aspx>

See BIC's new page on the European Investment Bank in Africa at: <http://www.bicusa.org/en/Issue.31.aspx>

See what projects are in the EIB's official project pipeline at: <http://www.eib.org/projects/pipeline/>

Read more about the West Africa Gas Pipeline at: <http://www.bicusa.org/wagp>

IFC and EIB prepare to approve financing for controversial Uganda dam

December 22 - Both the International Finance Corporation (IFC) and European Investment Bank (EIB) disclosed project documents for the controversial Bujagali hydroelectric dam this week. After being on hold for more than three years, following corruption scandals and the withdrawal of its first private sector sponsor, the proposed 200MW dam on the Victoria Nile in Uganda is alive again – being fast-tracked by the government and financiers for construction in early 2007.

On Wednesday, the IFC disclosed the brief Summary of Proposed Investment (SPI) and Environmental and Social Review Summary (ESRS) documents for the Bujagali project. The documents indicate that IFC's proposed \$100 million investment in the dam will go before the Board of Directors for approval on April 19, 2007.

Meanwhile, the European Investment Bank (EIB) also announced its own proposal to invest €100 million (approximately \$130 million) in the project. According to the Communication and Information Department at the Bank, the EIB “is planning to finalise

its appraisal [of Bujagali] in March and, if successful, a financing decision may be expected after that in 2007.”

Read more about the Bujagali project at: <http://www.bicusa.org/bujagali>

See the IFC’s newly disclosed Summary of Proposed Investment (SPI) for the project at: <http://www.ifc.org/ifcext/spiwebsite1.nsf/2bc34f011b50ff6e85256a550073ff1c/21e1f67a14f119e28525724a00667e87?opendocument>

See the IFC’s newly disclosed Environmental and Social Review Summary (ESRS) for the project at: <http://www.ifc.org/ifcext/spiwebsite1.nsf/2bc34f011b50ff6e85256a550073ff1c/9f2c12cd6658e6ee8525724a00634b4d?opendocument>

See the EIB’s project information on the Bujagali dam at: <http://www.eib.org/projects/pipeline/project.asp?pipe=1732>

Read more about the Bujagali project from the International Rivers Network at: <http://www.irn.org/programs/bujagali/>

IMF warns Chinese lenders to Africa

December 19 - A report published by the International Monetary Fund (IMF) urged China to exercise caution while investing in Africa. The IMF expressed concern that the ever-increasing volume of Chinese loans with loose conditions to African countries could end up producing a "new wave of Africa debt."

With fewer conditions attached to its loans than are required by many international financial institutions (IFIs) and with a policy of non-interference in domestic politics, Chinese investment is being welcomed by many African governments. According to a report in the *Financial Times*, the governor of the China Development Bank stated last week that "the bank's lending abroad would rise very fast as it backed the overseas push of China's state-owned energy and mineral companies into Africa and elsewhere."

As China’s lending to Africa reached \$5 billion in 2004 – double what it was ten years before – the IMF is concerned that China will undercut other creditors and accelerate the rate of debt accumulation in Africa.

Read the Financial Times article at: <http://www.ft.com/cms/s/640a5986-863a-11db-86d5-0000779e2340.html>

Read a related article from Forbes.com at: <http://www.forbes.com/markets/feeds/afx/2006/12/07/afx3238287.html>

Read the joint World Bank and IMF report “Applying the Debt Sustainability Framework for Low-Income Countries Post Debt Relief” at:

www.imf.org/external/np/pp/eng/2006/110606.pdf

World Bank study notes “complete lack of transparency” in DRC mining contracts

December 22 – In a recent op-ed about the Democratic Republic of Congo (DRC) in the *Boston Globe*, John le Carre and Jason Stearns criticized the unfavorable mining contracts signed between several international companies and Gecamines, the Congolese state-owned copper company, as a threat to the country’s prospects for lasting peace and development. An independent legal audit of two such contracts showed that the benefit for the country would be minimal at best from the one-sided deals. In their op-ed, le Carre and Stearns summarize the audit’s findings: “For a minimal return, [the transitional government] has signed away millions -- if not billions -- of dollars' worth of copper and cobalt for 35 years.”

The authors were also critical of the World Bank’s involvement in the mining industry, questioning its emphasis on the privatization of the country’s mineral resources as a driver of economic growth, as well as the Bank’s apparent reluctance to use its leverage to help ensure that the DRC’s mineral wealth benefits the Congolese people.

As reported in a *Financial Times* article this week, a World Bank study of three deals signed by Gecamines in 2005 under the transitional government revealed that the contracts were “approved with ‘a complete lack of transparency.’” While the newly elected government is expected to review the three contracts (which are said to account for three-quarters of Gecamine’s copper and cobalt assets), “no substantial changes are expected.”

Read “Getting Congo's wealth to its people” in the *Boston Globe* at:

http://www.boston.com/news/globe/editorial_opinion/oped/articles/2006/12/22/getting_congos_wealth_to_its_people?mode=PF

Read the *Financial Times* article “Transparency fears lead to review of Congo contracts”

at: <http://www.ft.com/cms/s/c918d3a2-9a8a-11db-bbd2-0000779e2340.html>

Read “World Bank implicated in controversial DR Congo mining contracts” at:

<http://www.bicusa.org/en/Article.3021.aspx>

Read “Civil society calls on DRC President to renegotiate disadvantageous mining

contracts” at: <http://www.bicusa.org/en/Article.3036.aspx>

African Development Bank prepares for next replenishment round

Having completed a mid-term review of its operations under the current round of funding, the African Development Fund (the concessional lending arm of the African Development Bank group) is gearing up to facilitate the 11th round of donor replenishment, ADF-XI. While participants in the replenishment process agreed to hold the first meeting in March, the negotiations are not expected to begin in earnest until May when the AfDB holds its annual meetings in Shanghai. The African Development Bank, like other public lending institutions such as the World Bank, relies on periodic replenishments of its lending facilities by member countries. Donor countries contribute new funds to the ADF every three years. The Bank's dependence on these funds gives donors considerable influence over the way the money is used, shaping the policies and strategic directions of the institution.

The current 10th round of the African Development Fund, which will run from 2005 through 2007, has focused on supporting cross-border, regional integration projects. The next round, which will cover 2008 through 2010, is expected to prioritize funding for fewer, larger investments, particularly within the infrastructure sector.

In related news, Turkey has expressed interest in joining the African Development Bank next year, to reflect its increasing volume of trade with Africa. Roughly 40 percent of subscriptions to the African Development Bank come from non-regional members.

Read more about the ADF replenishment and the Bank's performance under ADF-X at: http://www.afdb.org/portal/page?_pageid=473,10476268&_dad=portal&_schema=PORTAL

Read about Turkey's plans to join the African Development Bank at: <http://www.turkishpress.com/news.asp?id=156806>

Regional communications project to move ahead

December 23 - Zambia and the Democratic Republic of Congo are the latest countries to agree to the implementation of the East African Submarine Cable System (EASSy), a \$300 million project designed to channel data along the eastern coast of Africa. The accession of the two countries completes the minimum number of signatories necessary for the project to begin, becoming the eleventh and twelfth countries to sign the protocol. Ten other countries in the region have yet to agree to the deal.

According to *The Monitor* in Uganda, the project will entail the laying of nearly 10,000 km of underwater fiber optic cables from South Africa to Sudan to support the integration of country information networks. This endeavor, which has received commitments of support from donors such as the World Bank and African Development Bank, is intended to bolster the private sector in the telecommunications industry – in particular, mobile phone and internet companies.

Some critics charge that the EASSy should not be financed with public money and that it will limit competition to the detriment of consumers. South Africa's telecommunications provider, Telkom, has been at the center of this controversy after it threatened to pull out of the deal if access is opened to non-members.

Read "More Countries Sign EASSy" at: <http://allafrica.com/stories/200612220652.html>

Read more about the controversy surrounding the EASSy project at: <http://www.afrimap.org/newsarticle.php?id=698>

Read a critique of the EASSy project at: <http://www.ralden.com/C1/EASSy/default.aspx>

The **Bank Information Center** (BIC) partners with civil society in developing and transition countries to influence the World Bank and other international financial institutions (IFIs) to promote social and economic justice and ecological sustainability. BIC is an independent, non-profit, non-governmental organization that advocates for the protection of rights, participation, transparency, and public accountability in the governance and operations of the World Bank, regional development banks, and IMF. BIC is supported by private foundations and organizations that work in the fields of environment and development. BIC is not affiliated with any of the Multilateral Development Banks, nor does it receive any funding from them.

Read [past editions](#) of BIC's IFIs in Africa News Briefing.

If you come across any news stories about IFI involvement in Africa that you think should be included in the next issue, please [let us know](#)

If you no longer wish to receive these periodic news briefings on IFIs in Africa, [click here](#).