

# IFIs in Africa News Briefing

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## Africa is Bank's selling point as it seeks donor dollars for IDA

South Africa's *Business Day* reports that Obiageli Ezekwesili, the World Bank's new Vice President for Africa, is hoping for \$56 billion from donors to replenish the coffers of the International Development Association (IDA), the Bank's lending window that provides loans on concessional terms to low-income countries. Speaking during the second round of IDA negotiations held in Maputo, Mozambique, the former education minister of Nigeria told donors that half of the money (around \$28 billion) would be earmarked for Africa.

The World Bank, like other public lending institutions, relies in part on periodic replenishments of its lending facilities by member countries. Donor countries contribute new funds to IDA every three years. Negotiations for the 15th replenishment will take place throughout 2007 to secure donor funds for IDA operations over the period July 2008 through June 2011.

According to *Business Day*, Ezekwesili acknowledged that in order to obtain the requested contributions, which would represent a 70 percent increase over allocations to the previous IDA envelope, "the G-8 must come through on its promise" made in 2005 to scale up aid to Africa. "We need to see the checks written." However, in its official statement on IDA financing requirements, the World Bank says it only seeking a 20% increase over the amount received during the previous replenishment.

Newly confirmed World Bank President Robert Zoellick has also emphasized Africa in his campaign to raise funds for IDA. During a recent tour of the continent, Zoellick reiterated the commitment of his predecessor, the ousted Paul Wolfowitz, to put Africa at the top of his agenda, and appealed to African leaders to help solicit IDA contributions.

Meanwhile, some critics argue that the Bank and many of its low-income borrowers are ill-equipped to effectively utilize such a substantial increase in aid. As the number and size of projects increase, they argue, the quality of loans suffers, leading to wasteful and ineffectual programs that could jeopardize any gains made during the latest round of debt relief.

The sheer volume of approvals for Africa during the 2007 fiscal year has posed a significant challenge to the Bank. Over the last three months, the Bank approved a spate of what some have described as hastily designed projects, in a last-ditch effort to meet its commitment to provide "\$5 billion or higher" to the continent in 2007. This push raised concerns that the Bank cut corners in its review of social and environmental safeguards. If the Bank was hard pressed to get \$5.7 billion out the door over the past year, there is reason to doubt that it could effectively manage over \$9 billion annually, as envisaged by Ezekwesili in her request to IDA donors.

- [World Bank executive hopes for more funds](#) by Linda Esnor, Business Day, June 14, 2007 (Business Day website)
- [The demand for IDA 15 resources and the strategy for their effective use](#), World Bank, June 2007 (World Bank website) (Acrobat PDF 392 KB)
- [Zoellick puts Africa at top of agenda](#), by Christopher Swann and Janine Zacharia, Bloomberg, June 10, 2007 (IHT website)
- [As fiscal year nears end, World Bank accelerates Africa lending](#), Bank Information Center, May 27, 2007 (BIC website)
- [Statement on the IDA meeting in Maputo](#), African Forum for Debt & Development, June 27, 2007 (AFRODAD website)
- [World Bank IDA begging for more money in Maputo](#), European Network on Debt & Development, July 6, 2007 (EURODAD website)

## **Congo government set to cancel illegal logging concessions**

*Reuters* reports that the Democratic Republic of Congo (DRC) has pledged to cancel logging contracts signed during the civil war and by the transitional government in contravention of a nationwide moratorium on the allocation of forest titles.

In 2005, the DRC government agreed to carry out a World Bank-sponsored legal review of existing logging titles, to convert those that meet certain criteria into forest concessions under the new forest code. Last year, 156 titles were submitted for consideration. The review is being conducted by the Congolese government, with technical assistance from an "independent observer" team comprised of a Belgian firm, Agreco, and the World Resources Institute (WRI), an environmental think-tank based in Washington DC.

Local civil society groups and international allies, such as Greenpeace, have long demanded the cancellation of illegally allocated contracts, and have been critical of the World Bank's interventions in the forestry sector, arguing that Bank-backed reforms have facilitated private sector investment, often at the expense of local

communities. Greenpeace remains concerned that the criteria for cancellation in the legal review may not be strictly applied, and that many dubious titles could be confirmed in the process. Furthermore, they are worried that real problems will arise following the conclusion of the review.

Many companies are expected to appeal decisions to cancel their titles, and there is no sign that the government is prepared to handle these legal challenges. In addition, few if any steps have been taken to strengthen the government's enforcement power or to prevent social conflicts from arising when community investments promised by companies operating illegally are left unfulfilled.

Greenpeace and its allies continue to demand that the moratorium on new logging titles must be maintained and effectively enforced even after the review process is concluded, in order to develop a proper land use plan with the participation of local communities. Forest dependent communities have thus far been excluded from decision making, and groups call upon the World Bank to actively promote alternatives to industrial logging that directly benefit the poor.

Congo's environment minister reportedly told Reuters that "Congo is ready to cancel more than half its timber contracts," but that it is soliciting increased international aid as an incentive to desist from further degradation of the country's rainforests, the world's largest after the Amazon.

The DRC is among the five pilot areas under consideration for the Bank's new Forest Carbon Partnership Fund, an avoided deforestation financing scheme expected to be launched in December of this year at the COP summit on climate change in Bali.

- [Congo logging contracts under review](#) by Mary Childs, Reuters, June 14, 2007 (Reuters website)
- [Congo to cancel logging deals to protect forests](#) by Joe Bavier, Reuters, June 22, 2007 (Reuters website)
- [Greenpeace releases new report critical of World Bank's role in DRC's forest sector](#), Bank Information Center, April 11, 2007 (BIC website)
- [Bank to pilot carbon fund for avoided deforestation](#), Bank Information Center, June 14, 2007 (BIC website)
- [World Bank in the DRC webpage](#), Bank Information Center (BIC website)

## **IFC investment in Africa reaches \$1 billion**

By the time the World Bank Group's fiscal year came to a close over this past weekend, the International Finance Corporation (IFC) had committed over \$1 billion for new projects in sub-Saharan Africa, by far its most significant investment in the region to date. "I would hope to see us put in \$10 billion in the next 10 years, half of it going into infrastructure," IFC's Africa Director Thierry Tanoh told Reuters.

As noted by *Reuters*, this increase was punctuated by a spike in investments in the mining sector, which rose "to \$300 million in 2007 against \$50 million in 2006," a

trend fueled by high commodity prices. In March, the IFC revealed that it intends to double the number of mining projects it supports in Africa, causing much trepidation among civil society groups who are skeptical of the projects' purported benefits. More often than not, they argue, hard rock mining in Africa has wrought severe social and environmental damages, which IFC involvement has done little to mitigate.

The IFC's promise to ramp up investment in Africa's infrastructure raises additional concerns. While there is little debate that Africa suffers from a serious infrastructure deficit, experience shows that the large, capital-intensive projects that the IFC traditionally supports often fail to help those most in need. Earlier this year, the IFC approved a \$130 million loan for the Bujagali hydroelectric dam on the Victoria Nile in Uganda, a decision vigorously opposed by local civil society groups. The dam's critics contend that estimates of electricity output are overly optimistic, that the project is too costly, and that its environmental impacts will outweigh potential benefits.

The IFC has also taken steps to increase its support for private education institutions in Africa, modeled on previous successes it claims to have achieved. Earlier this month, the IFC approved a \$50 million program to support private education on the continent. This latest approval has revived concerns that user fees charged by for-profit companies will keep basic services, such as education, beyond the means of the continent's poorest and most at-risk populations.

See what extractive and energy projects the IFC and other IFIs are considering in Africa:

- [Africa Extractive Industries and Energy Projects Spreadsheet](#), May 14, 2007 (BIC website) (MS Excel 304 KB)
- [IFC at \\$1 bln mark in funding to Africa, plans more](#) by James Macharia, Reuters, June 14, 2007 (Reuters website)
- [World Bank program targets African private schools](#) by Lesley Wroughton, Reuters, June 13, 2007 (Reuters website)
- [IFC reaches billion dollar milestone in Africa](#), International Finance Corporation, June 14, 2007 (IFC website)
- [IFC to double number of mining investments in Africa](#), Bank Information Center, March 14, 2007 (BIC website)
- [Tarnished Gold: Mining and the unmet promise of development](#), September 2006 (BIC website) (Acrobat pdf 376 KB)
- [Bujagali problem project webpage](#), Bank Information Center (BIC website)

## **IMF to prioritize post-conflict countries in Africa**

The IMF's Director for Africa, Abdoulaye Bio-Tchane, reportedly told *Reuters* that the Fund will prioritize financial assistance to African countries emerging from conflict in order to "re-energise the economy of the world's poorest continent." He said that the Fund is currently negotiating agreements with four post-war countries –

Cote d'Ivoire, Democratic Republic of Congo, Liberia and Guinea-Bissau – adding that "they are countries which really need the Fund."

The Fund is reportedly aiming to strike a deal with Cote d'Ivoire in July for a \$60 million loan, conditioned on progress in political reunification and reform of the country's crucial cocoa and oil sectors. In August 2006, then-Prime Minister Charles Konan Banny acknowledged that earlier World Bank- and Fund-led reforms of the cocoa sector were a failure that had worsened the plight of the country's small farmers.

In his interview with *Reuters*, Fund Director Mr. Bio-Tchane also commended the Democratic Republic of Congo for improvements in its fiscal situation, adding that the country appears on track to qualify for a Poverty Reduction and Growth Facility (PRGF) lending program with the Fund next year. A few weeks ago, the IMF predicted that Congo would soon "reap the benefit" of the surge in mining investments since the end of the war. Many observers remain doubtful about these projections, citing persistent corruption and generous terms granted to foreign mining companies, and suggest that very few Congolese stand to benefit at all from the country's lucrative mineral sector.

Critics have questioned whether the IMF has the necessary expertise to engage countries emerging from war, and are concerned that it might exert its leverage over cash-strapped governments with little bargaining power to resist economic reforms that are contrary to their best interests.

In related news, Rodrigo de Rato announced last week that he would step down from his post as the IMF's Managing Director, citing personal reasons. Considering that recent public outcry over the US government's prerogative to choose the president of the World Bank led to naught when it came time to replace outgoing President Wolfowitz, there is little doubt that Europe will be left to choose de Rato's replacement, without opposition. Last week, the Bank's Board of Directors confirmed Robert Zoellick as the next President, after the member governments that publicly criticized the untransparent selection process failed to nominate a single alternate candidate for the post.

- [IMF sees post-war states as priority in Africa](#) by Daniel Flynn, Reuters, June 14, 2007 (Reuters website)
- [Ivorian Prime Minister admits failure of Bank/IMF cocoa reforms](#), Bank Information Center, August 11, 2006 (BIC website)
- [IMF predicts DR Congo to "reap the benefit" of its mineral wealth](#), Bank Information Center, June 15, 2007 (BIC website)
- [EU stakes claim to nominate next IMF chief](#) by Lesley Wroughton and Paul Taylor, Reuters, June 29, 2007 (Reuters website)
- [US won't challenge Europe on IMF - Paulson](#) by Lesley Wroughton, Reuters, July 2, 2007 (Reuters website)

## **Additional Articles**

- [Op-Ed: Africa - World Bank, IMF get dose of own medicine](#) by Robert Savio, East African, June 12, 2007 (AllAfrica.com website)
- [Mozambique: Green lobby opposes dam construction](#), IRIN, June 29, 2007 (Reuters website)
- [1bn a year 'for Africa infrastructure': Europe to give €6 bn to build infrastructure](#) by Linda Esnor, Business Day, June 15, 2007 (Business Day website)
- [China insists on 'tied aid' in Africa](#) by Jamil Anderlini, Financial Times, June 25, 2007 (FT website)