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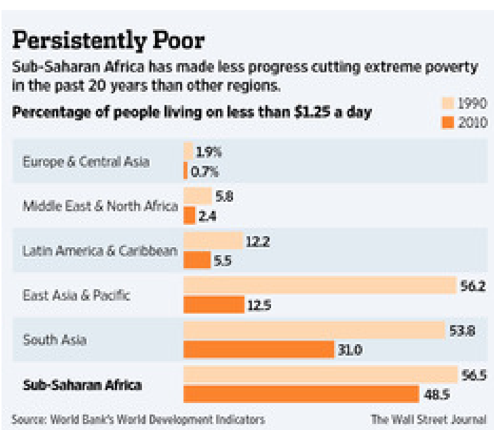
World Bank Plans $1 Billion for Congo

By PATRICK MCGROARTY

JOHANNESBURG—World Bank President Jim Yong Kim wants to sharpen the lender's focus on poverty, but he is confronting some of the bank's biggest skeptics on the world's poorest continent: Africa.

For decades, the bank used loans to poor countries as a catchall for fostering economic growth and development. Some of those nations, like China and India, have outgrown that blanket approach, so World Bank officials are pursuing more-targeted investments—with a bigger role for the private sector.



The bank's checkered legacy in Africa presents a different challenge. African officials recall the 1970s and 1980s, when the bank ramped up loans along with heavy-handed policy advice such as devaluing currencies and privatizing state businesses. Many countries sank deep into debt, partly as a result of corruption and mismanagement.

Now Mr. Kim, a Korean-born American who grew up in Iowa, is betting the World Bank can remain relevant in Africa by spurring investment in the continent's poorest, most conflict-ridden regions.

On Wednesday in Kinshasa, capital of the Democratic Republic of the Congo, the World Bank president committed more than $1 billion to build and revamp hydroelectric-power plants, roads, and agricultural infrastructure along the Central African country's long eastern border with Uganda and Rwanda, a region racked by more than a decade of rebel fighting.

In a sign of how difficult those projects will be, rebels attacked Congolese troops on Wednesday outside the eastern trading hub of Goma, a city Mr. Kim and United Nations Secretary-General Ban Ki-moon planned to visit on Thursday. The fighting was the most intense since rebels briefly took control of Goma late last year, and U.N. peacekeepers scrambled tanks to protect airports and hotels accommodating diplomats and aid officials in the region.

Mr. Kim said investing in energy and infrastructure is the best way to create the growth and jobs that could help quell the conflict, a model he hopes to replicate in Africa's Sahel region and in Myanmar.

"We're going to go hard first into fragile, conflict-affected states where we think we can make the biggest difference," said the 53-year-old Mr. Kim.

Today, the World Bank and the International Monetary Fund are far from Africa's only channels of foreign capital. China's state-backed loans have made it the continent's largest foreign investor. In many countries, Malaysia, Brazil and Turkey aren't far behind. And last month Rwanda became the latest of a dozen African countries to issue international bonds, harnessing global demand for yield to fund infrastructure projects.

"Africa has more opportunities for investment funding than it did when the World Bank was a dominant source of policy guidance and capital," said Calestous Juma, an international development professor at Harvard's Kennedy School of Government and an adviser to the African Union. As a result, Mr. Juma said, the bank is left to "struggle to adjust to the new world."

Mr. Kim, a physician who also has a doctorate in anthropology, appears comfortable in the throes of development policy. In 1987 he helped found Partners in Health, a nonprofit praised for its work combating tuberculosis and other infectious diseases in Haiti, Peru, Rwanda and other poor countries.

That on-the-ground, results-focused model "is a constructive way for the World Bank to try to define its engagement in lower-income and middle-income countries," says Eswar Prasad, an economist and trade policy professor at Cornell University who is familiar with Mr. Kim's plans for retooling the bank's work.

Mr. Kim is the first World Bank president without a deep résumé in finance or politics. The continuing dominance of the U.S. and European countries over the governance of the bank and the IMF meant that his selection was assured despite the dissent of Angola, South Africa and Nigeria, which instead backed Nigerian Finance Minister Ngozi Okonjo-Iweala to succeed departing bank President Robert Zoellick when his five-year term ended last year.

Mr. Kim says he is doubling down on the continent that is furthest from the bank's goal of eradicating extreme poverty by 2030. The bank's commitments in sub-Saharan Africa rose to nearly $14 billion in its current fiscal year, which closes at the end of June—Mr. Kim's first year on the job—from $12.2 billion a year earlier.

Congo, where Mr. Kim announced financing for new energy, road and agricultural projects on Wednesday, is one of the continent's poorest countries and one of the World Bank's biggest clients. The bank and the IMF helped relieve the vast, mineral-rich country's $12.4 billion in debt in 2010, and the bank says its investments and policy advice have helped boost economic growth to a projected 8.3% this year.

On top of past investments in infrastructure, health programs and business development, the bank said Wednesday that it will extend $490 million in interest-free financing to build and refurbish hydroelectric plants, $345 million to build roads and facilities at the Congo-Rwanda border, and hundreds of millions more to a smattering of agricultural, health and trade projects.

Some economists caution that focusing on the poorest countries might distract the bank from the tens of millions who remain in poverty in relatively better-off African countries such as Angola and even South Africa. The bank might miss a chance to help better-governed countries spread their increasing wealth more evenly, said Steven Radelet, a development professor at Georgetown University and former USAID chief economist.

"They're faced with those choices on the margin and I don't think they've fully wrestled with that," Mr. Radelet said.

Mr. Kim said the strategy isn't either-or: "While we plan to focus especially on poor people in poor countries, we remain focused everywhere there are poor people and that includes middle-income countries."

—Nicholas Bariyo in Kampala, Uganda, contributed to this article.

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