cant fiscal slippages. In addition, some structural reforms have been partially implemented or delayed", an IMF mission team said in a statement.

"Accordingly, the first assessment under the staff-monitored programme could not be concluded."

Budgetary overspending was due mainly to fuel subsidies that cost the state CFAf134bn (US$286m) in the first three months of the year due to high oil prices, mission chief Johannes Mongardini told reporters during his visit.

Congolese President Denis Sassou-Nguesso is being investigated by authorities in **France** over his investments there and the country has been under pressure from foreign donors, such as the IMF, and anti-corruption campaigners, to tighten the management of natural resources like oil and diamonds.

The government signed up more than three years ago to the Extractive Industries Transparency Initiative (EITI), designed to reduce graft principally in the oil and mining industries.

But the government only got round to naming the committee tasked with implementing the initiative in a decree dated August 30th—days before the IMF mission team arrived on September 10th.

Part of the reason for the delay was a dispute over the role civil society groups should have on the EITI committee.

In the end the government gave the deputy committee chair to Christian Mounzeo, a leading member of a local organisation "Publish What You Pay", while handing other key posts to officials from the government and oil companies.

Mounzeo and fellow "Publish What You Pay" campaigner Brice Mackosso, also named as a member of the EITI committee, were given suspended prison sentences and fined in 2006 after being convicted of embezzling aid funds from another organisation in a case the pair dismissed as political harassment. (*Reuters 20/9*) **IMF consultation p. 17372**

DEMOCRATIC REPUBLIC OF CONGO

China Ups The Aid Stakes

Beijing is buying its way into mineral-rich countries.

By signalling its intention to provide $5bn to fund the roads, railways, hospitals and clinics that the Democratic Republic of Congo so desperately lacks, Beijing has thrown down its most direct challenge yet to the west's architecture for assisting Africa's development. African nations face a choice, regardless of how indebted, poorly governed, or wracked by conflict they may be. They can go through all the hoops laid out by traditional western donors in return for funds that are often slow to arrive and ultimately are insufficient. Or they can, without regard for accountability or human rights, access cash and infrastructure upfront, colateralised against the mineral and other resources that China desires. Nor is China alone. **Brazil, Russia** and **India** are following Beijing's example, if less ambitiously.

DR Congo is the latest of many African countries to consider such a deal. But it is the first to do so at a delicate juncture in negotiations with the **World Bank** and the International Monetary Fund (**IMF**) over cancellation of debt. It is struggling to fulfill the terms required to secure IMF budget support. It stands to gain from a clean slate as well as fresh World Bank and other donor assistance should terms be agreed. The sums involved in the draft deal with China are simply larger. Relative to the nation's current earnings and equivalent to around 500% of exports, they also dwarf anything comparable that the Chinese have offered to date in **Angola** or **Sudan**. The World Bank, IMF and African Development Bank (**ADB**) are scrambling to respond. (*Financial Times, London, 29/9*)

According to *Liberation*, Paris, the IMF representative in Kinshasa, who was evaluating its assistance programme in DR Congo when the Chinese loan was announced, warned the country that the Chinese project would have a significant macroeconomic impact on the country. An observer remarked that China had a clear policy of financing infrastructure in order to export extracted minerals more easily, rather than processing them on site.

The Brussels EU Commission was also pipped at the post, having been discussing a, by comparison, paltry sum of $500m over five years.

Some in Kinshasa view the IMF and World Bank as financial behemoths: "these institutions have been with us for decades, but there is still no light at the end of the tunnel". (*Liberation, Paris, 4/10*)

IMF View

Meanwhile the IMF analysed recent economic developments.

The new government (2007) has taken steps to reestablish macroeconomic discipline. Strong revenue collection and expenditure restraint reduced net bank credit to the government. This tightened liquidity conditions and contributed to a decline in base money. Consequently, since May, the Congo franc has appreciated by 12%, annualised inflation declined to 12% and international reserves increased to US$190m. Preliminary data indicate that real GDP could grow by 6.5% in 2007. However, the DR Congo accumulated external arrears vis-à-vis bilateral creditors, and its external debt remains unsustainable.

Directors stressed that the implementation of the 2007 budget (*p. 17409*), as promulgated, would put macroeconomic stability at risk. Optimistic revenue projections and a concomitant expansion of spending would likely lead to a new cycle of widening fiscal deficit, rapid money expansion, depreciation of the currency, and rising inflation. Directors also noted that the large increase in the wage bill would undermine fiscal sustainability and crowd out pro-poor spending. They encouraged the authorities to take the necessary measures for meeting the fiscal objectives of the 2007 SMP, and noted their assurances on the implementation of a Treasury cash-flow plan consistent with the SMP.

To promote growth and reduce poverty, Directors emphasised that the medium-term policy agenda should include bold strategies to combat corruption—especially in the natural resources sector—privatise public enterprises, strengthen the judiciary, and reduce the regulatory burden on business.

Directors emphasised that rural sector development and increased investment in human capital—health and education—will be critical in addressing entrenched poverty. (*International Monetary Fund 21/9*) **Investment opportunities p. 17475**

GHANA

International Bond Debut

The proceeds will be used to improve infrastructure.

The Republic of Ghana, on September 27th, became the first west African sovereign state to enter the international bond markets, selling a benchmark issue to raise $750m.

The deal met almost $3bn of demand and could, bankers say, be the first of a number from African countries that have benefited from debt relief.