

**The World Bank and IMF Policies in Cote d'Ivoire:  
Impact on Child Labor in the Cocoa Industry**



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## **The World Bank and IMF Policies in Cote d'Ivoire: Impact on Child Labor in the Cocoa Industry**

Africa has become the “forgotten continent”<sup>1</sup>, left behind in the globalization race. Most African countries have the highest level of poverty in the world. The legacy of the colonial past, corruption of the rulers, and the dependence of Sub-Saharan African economies on primary commodities are some of the many theories that exist to explain this phenomenon. However, the advent of structural adjustment policies (SAPS) imposed by the World Bank and IMF in the region within the last two decades has exacerbated social and economic problems. Their attempt to bring the African countries onto the world stage has only resulted in reversal of development there.

Cote d'Ivoire is a perfect example of a country where the socioeconomic situation deteriorated with the arrival of the World Bank and IMF. Cote d'Ivoire was a relatively stable country and possessed the largest economy in the West Africa Monetary Union,<sup>2</sup> until it began engagement with the World Bank and IMF in 1989. In exchange for aid and loans, the international institutions imposed structural adjustment policies that were harmful to the poor. Specifically, their policies have exacerbated the child labor problem in Cote d'Ivoire's cocoa farms.

Before linking the policies of the international institutions to the deterioration of Cote d'Ivoire's socioeconomic environment, a brief introduction to the World Bank and IMF, and their policies will be given. It is followed by description of the impacts of these policies on poverty, education, health, and ultimately child labor in Cote d'Ivoire.

### **I. The World Bank and IMF: Reversing Development**

The World Bank and IMF are US-created, international development/financial institutions that were started in 1946 in Bretton Woods, Massachusetts, to assist countries recovering from the devastation of World War II. While the World Bank took to financing development projects, IMF provided financial policy advice to donor countries. Their aim was to stabilize national currency and balance of payments in order to encourage foreign investments. They also provided aid and loans in exchange for structural adjustment policies (SAPs) the donor countries had to implement. The policies include reduction in government expenditures, monetary tightening, elimination of government subsidies for food, privatization of state owned enterprises, and reductions in barriers to trade, foreign investment, and ownership.<sup>3</sup>

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<sup>1</sup> Mkandawire, Thandika & Soludo, Charles. *Our Continent Our Future: African Perspectives on Structural Adjustment*. New Jersey: Africa World Press, Inc. 1999.

<sup>2</sup> The World Bank Group. *Countries: Cote d'Ivoire, April 2002* (visited May 15, 2002) <<http://www.worldbank.org/afr/ci2.htm>>.

<sup>3</sup> Naiman, Robert and Watkins, Neil. “A Survey of the Impacts of IMF Structural Adjustment in Africa: Growth, Social Spending and Debt Relief.” Center for Economic and Policy Research April 1999.

Today, after more than fifty years, the World Bank and IMF have brought about more misery than wealth. Their remedy to every donor country is the package of structural adjustment policies that is intended as a “one-size-fits all” model of development. No matter the development stage of the donor country or the credibility of the government, these reforms in the financial, banking, export sectors, and fiscal policies have to be carried out in exchange for aid and loans.

## **II. Cote d’Ivoire: Fall from Grace**

Cote d’Ivoire was a country of relative prosperity and a symbol of stability in West Africa. After independence in 1960, the economy enjoyed a growth rate of about seven percent per year until the early 1980s. However, this image does not hold true today. News reports of political riots, increasing racial tensions, and to the embarrassment of the world cocoa producers, bonded child laborers working on cocoa farms in Cote d’Ivoire are now the face of the country. How the country fell from grace in the last two decades can only be explained by the arrival of the World Bank and IMF into Cote d’Ivoire.

The IMF became involved in Cote d’Ivoire in November 1989 on a stand-by arrangement where the government and IMF agreed on an outline of economic policy changes. Following the initial stand-by arrangements, six World Bank Structural Adjustment Loans from 1989-1993 followed. Then, in 1994, Cote d’Ivoire entered into the IMF Enhanced Structural Adjustment Facility (ESAF), which is an IMF concessional lending facility for the least developed countries. It offered low interest rates (0.5%) and repayment terms of five and a half to ten years. The loan was disbursed in the amount of \$384 million over a period of three years.<sup>4</sup>

Prior to the ESAF loan, the Cote d’Ivoire government had to first agree to a set of structural adjustment programs as dictated by the World Bank and IMF. It was a program of accelerated privatization, reduction in government expenditures followed by currency devaluation. The main structural reforms in Cote d’Ivoire and their effects were:

I. Liberalization of the cocoa and coffee sectors. (Cocoa is the main focus here).

*Consequences:*

- High economic instability
- Increased agriculture poverty
- Widespread child labor practices

II. Reduction in government expenditures

*Consequences:*

- Decline in the quality of education
- Decline in the quality of the national health system

III. Currency devaluation

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<sup>4</sup> Naiman and Watkins.

*Consequences:*

- Decrease in purchasing power of the poor
- Decrease in standard of living

The rigid structural policies prescribed by the World Bank and IMF left Cote d'Ivoire with no choice but to perform the set of reform policies in exchange for aid and loans. As explained in detail below, the reforms consisted of ill-advised policies that produced devastating effects on the poor.

### **III. Liberalization of the Cocoa Industry**

The cocoa industry in Cote d'Ivoire was once a state managed industry before it was forced to privatize at the demands of the World Bank and IMF. Officials of the World Bank and IMF insisted that the cocoa farmers must receive the true price of cocoa beans in the world market without the intervention of the government. Little did it occur to them that rapid liberalization would produce devastating effects in a country that is highly dependent on cocoa as a major contribution to GDP and in an industry dominated by small family farms.

Since 1955, Cote d'Ivoire's cocoa industry was regulated by a state institution it inherited from the French called CAISTAB (Caisse de Stabilisation). The government exerted a considerable influence on the cocoa sector through this institution. The role of CAISTAB included setting an official export price, releasing exports negotiated by private exporters, selling a proportion of the crop, setting the pricing structure, and farmgate price (price that farmers get) and ensuring the quality of the beans at the point of export.<sup>5</sup> The system served as a safety net for the cocoa farmers who were guaranteed a minimum price for the season no matter the price of cocoa beans in the world market.

CAISTAB was completely privatized and split into three branches in November 1999. Under the new cocoa privatized system, the price risk was transferred to the farmers. The system, which is still evolving, was split into three private branches, Autorite de Regulation du Café et du Cacao (ARCC), Bourse du Café et du Cacao(BCC), and Regulatory and Control Fund (FRC).<sup>6</sup>

An auction system exists for export rights of cocoa. This new system was meant to guarantee the transparency of the cocoa industry and prevent the abuse of monopolistic positions and encourage fair trade. It has also aimed to limit cocoa processors from buying more beans than their plants can process to make it easier for local farmers to compete in the international marketplace.

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<sup>5</sup> International Cocoa Organization. *Q and A: Information on the Effects of Liberalization on Ivory Coast's Cocoa Market* (visited June 21,2002) <<http://www.icco.org/questions/ivory.htm>>.

<sup>6</sup> ARCC is charged with overseeing export licenses and resolving possible conflicts between various members of the cocoa sector. BCC is operated by the private sector and it is in charge of carrying out technical, financial, and supervisory missions in the marketing of cocoa to exporters. FRC is also privately run and was established in 2002 to administer the money generated from cocoa taxes.

## IV. Consequences

Despite the World Bank and IMF's glamorous talk of free open market systems that would better the lives of the farmers, the new privatized system failed to improve the standard of living for many of them. Cote d'Ivoire continues to suffer from high economic instability as a result of liberalization of their nation's significant agriculture sector. The lives of agricultural workers have also been adversely affected by the decline of world cocoa prices. Worst of all, the use of child labor has become a common practice on cocoa farms, sometimes with reports of abusive and exploitative treatment of the child laborers.

Most importantly, the World Bank and IMF failed to take into account the fact that Cote d'Ivoire's economic and social structures are closely intertwined with the cocoa industry. Reforming the cocoa industry affected the basic foundation of the Cote d'Ivorian's socioeconomic structure. The economy is highly dependent on agriculture products and engages between 60%-70% of the population in agricultural activity.<sup>7</sup> In return, agriculture accounts for approximately 70% of the country's export earnings in which cocoa and coffee make up for 40% of the country's Gross Domestic Product (GDP).<sup>8</sup> Cote d'Ivoire is the world's largest cocoa producer providing for 43% of the world's output.<sup>9</sup> Privatization of the once state-owned cocoa industry was going to bring about monumental social and economic changes to Cote d'Ivoire; it was not going to be a simple application of the economic model of free market system.

### A. High Economic Instability

Despite the Cote d'Ivorian government's attempt to diversify the economy, it remains highly dependent on primary commodities, cocoa and coffee, whose prices in the world market fluctuate. Cocoa is characterized by boom and bust cycle - as global production/supply rise, price of cocoa beans fall and vice versa. Consequently, income from the sale of the good shrinks, the term referred to as the "fallacy of composition".<sup>10</sup>

Throughout the 1980s, cocoa prices plummeted in the world market and Cote d'Ivoire suffered a serious economic downturn. The economy had a comeback in 1994 due to the 50% devaluation of the currency and improved prices for cocoa and coffee.<sup>11</sup> The economy sustained rates of growth of about 6% from 1995 to 1998. However, in 1999, cocoa prices plummeted

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<sup>7</sup> The US Department of State. *Background Note: Cote d'Ivoire* (visited April 8, 2002) <<http://www.state.gov/r/pa/ei/bgn/2846.htm>>.

<sup>8</sup> *Countries: Cote d'Ivoire, April 2002*.

<sup>9</sup> UNCTAD. [www.unctad.org/infocomm/anglais/cocoa/market.htm](http://www.unctad.org/infocomm/anglais/cocoa/market.htm).

<sup>10</sup> Robbins, Peter. *All aboard the Titanic—Managing tropical commodity markets* (visited May 15, 2002) <<http://www.iita.org/info/phnews3/mi1.htm>>.

<sup>11</sup> Central Intelligence Agency. *Cote d'Ivoire* (visited May 15, 2002) <<http://www.cia.gov/cia/publications/factbook/geos/iv.html>>.

again leading to a drop in the economic growth to 1.6% in 1999. In 2000, the World Bank estimated that the decline in GDP was about -2.4%.<sup>12</sup>

Despite the economic instability of Cote d'Ivoire, the World Bank and IMF still insisted on complete liberalization of the cocoa industry. As liberalization was completed in 1999, it coincided with the decline in world's cocoa prices<sup>13</sup>, and the farmers were the worst hit. They were left feeling extremely vulnerable and exposed to the cocoa price fluctuations and the government was unable to intervene as their role in the cocoa industry has been eliminated.

Today, to fight back the pain of privatization, cocoa-producing countries, including Cote d'Ivoire have formed a cartel to control the price of cocoa beans by restricting the supply of their commodities. In 2000, four African cocoa-producing countries, Cote d'Ivoire, Ghana, Nigeria, and Cameroon agreed to destroy 250,000 tons of cocoa bean to raise prices.<sup>14</sup>

## **B. Increase Agriculture Poverty**

The poverty level of agricultural workers increased greatly as a result of the liberalization of the cocoa industry. With the fall in cocoa prices throughout the 1980s and most of 1990s, agricultural workers were left to fend for themselves at below profit levels. The government who used to set the minimum guaranteed price could no longer protect them. Because 70% of the population is engaged in agricultural activity in Cote d'Ivoire, the fall of cocoa prices significantly increased rural poverty.

From 1988 to 1995, the incidence and intensity of poverty doubled from 17.8% to 37% of the population.<sup>15</sup> In addition, although Cote d'Ivoire's exports increased from \$3 billion to \$5 billion from 1980 to 1995, an analysis from Friends of the Earth International showed its GDP remained stagnant at \$10 billion for that period.<sup>16</sup>

Many farmers were confused when privatization arrived as little or no education or training existed to assist their proper transition. Programs to train the farmers into the new system were non-existent or minimal. In a country where 57% of the population is illiterate<sup>17</sup>, the "mechanics" of free market system was not clearly communicated to the cocoa farmers. Whereas the government used to set the cocoa prices for the season, the farmers now had to listen to state radio and newspaper's announcements that highlighted the London price upon

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<sup>12</sup> *Countries: Cote d'Ivoire, April 2002.*

<sup>13</sup> International Cocoa Organization. *ICCO Monthly and Annual Averages of Daily Prices of Cocoa Beans, 1971-2002* (visited August 21, 2002) <<http://www.icco.org/prices/pricesave.htm>>.

<sup>14</sup> Nigeria Exchange, *4 African countries to destroy 250,000 tonnes of cocoa* (visited August 21, 2002) <[www.ngex.com/news/190700.htm](http://www.ngex.com/news/190700.htm)>.

<sup>15</sup> The World Bank. *Poverty in Cote d'Ivoire: A Framework for Action 1997* (visited May 18, 2002) <[http://www-wds.worldbank.org/servlet/WDS\\_IBank\\_Servlet?pcont=details&eid=000009265\\_3971104184200](http://www-wds.worldbank.org/servlet/WDS_IBank_Servlet?pcont=details&eid=000009265_3971104184200)>.

<sup>16</sup> Friends of the Earth International. *Briefing: The World Trade System: How it Works and What's Wrong with it* (visited May 15, 2002) <[http://www.foe.co.uk/resource/briefings/world\\_trade\\_system.html](http://www.foe.co.uk/resource/briefings/world_trade_system.html)>

<sup>17</sup> The World Bank. *Cote d'Ivoire at a Glance 2001* (last modified September 18, 2001) <[http://www.worldbank.org/data/countrydata/aag/civ\\_aag.pdf](http://www.worldbank.org/data/countrydata/aag/civ_aag.pdf)>.

which the farmers get 60% of the price. A great deal of loss and resentment resulted when farmers were misinformed about how to perform the price setting.<sup>18</sup>

A senior Agriculture Ministry official was reported as admitting that the first three years of liberalization would be difficult for the farmers. He also predicted trouble particularly from “friction between farmers and buyers over farmgate prices” particularly when the farmers do not know at what price they should be selling.<sup>19</sup> Despite such predictions, nothing was done to help ease the transition for the farmers.

### **C. Widespread Child Labor Practice**

The legal minimum age in Cote d’Ivoire for agriculture work is 12. Forced or bonded child labor is prohibited in the country but is not enforced. Similarly, there is a labor law limiting hours of young workers defined as those under the age of 18<sup>20</sup>, but in the agriculture sector, violators go unnoticed or unpunished. Liberalization of the cocoa industry, and in the aftermath of high economic instability and increased agricultural poverty, the practice of child labor has become a common practice.

The US State Department estimated there are approximately 15,000 children working on cocoa, coffee and cotton farms in Cote d’Ivoire. Media reports have documented children as young as nine years old working on cocoa farms in exploitative conditions. Many work for 12-hour days conducting hazardous types of work such as using machetes to open cocoa pods, carrying heavy loads and applying pesticides.<sup>21</sup> The most recent study completed in July 2002 by a collaboration of cocoa industry, US and several West African governments, and ILO revealed Cote d’Ivoire had the highest number of child laborers among West African cocoa producing nations.

The majority of child workers are Ivorians and are employed by their families or those with family ties. The nature of cocoa farming is labor-intensive. And with the continuous fall out of world cocoa prices and increasing cost of education (see II. 2), farmers have been pushed to use their own children or those supplied by traffickers.

Immigrants from neighboring countries also make up many of the child laborers. While some have come willingly to look for an income, others are tricked into slavery. In “Understanding Children’s Work”, a collective study by ILO, UNICEF, and the World Bank, there are 38.2% Ghanaian, 24.5% Burkinable, 25.8% Malian, and 17.3% other Africans children

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<sup>18</sup> T’Sas, Vincent. *Ivorian Market Liberalisation Confuses Farmers* (visited May 15, 2002) <<http://www.expressindia.com/fe/daily/19990222/fec220088.html>>.

<sup>19</sup> T’Sas, Vincent.

<sup>20</sup> The US Department of State. *Cote d’Ivoire: Country Reports on Human Rights Practices 2001*.

<sup>21</sup> International Institute of Tropical Agriculture. *Child Labor in the Cocoa Sector of West Africa: Synthesis of Findings in Cameroon, Cote d’Ivoire, Ghana, and Nigeria*. Sustainable Tree Crops Program. August 2002.

engaged in work in Cote d'Ivoire.<sup>22</sup> The study shows majority of these children are believed to be engaged in agricultural work.

The inflow of laborers into Cote d'Ivoire is due to demand on cocoa farms for cheap labor. As prices fall for cocoa in the world market, farmers, who were fervently encouraged by the World Bank to produce and export the basic commodity to bring in foreign exchange, were left at a loss. The result has been the widespread use of cheap child labor.

#### **D. Reduction in Government Expenditures.**

The Cote d'Ivoirian government was forced to reduce national spending in order to correct the government budget deficit. Reduction in government expenditures took a toll on social wellbeing of the people, as user fees were introduced into the national health system, and education budgets were cut. In addition, increased debt burden tied down the Cote d'Ivoirian government and repayment came in the form of more government cuts in health and education budgets.

#### **E. Health**

Per capita spending in health declined between 1990 and 1995. In addition, "user fees" were introduced into the public health care system in 1991 at the demands of the World Bank and IMF. The cost of user fees made health services more inaccessible to the poor.

#### **F. Education**

Reduction in public expenditures also took a toll on the education sector. Teachers' wage salaries were reduced in accordance with the structural reforms. A law implemented in 1991 cut starting salaries of primary, secondary, and university teachers to half the amounts of those hired previously.<sup>23</sup> This naturally led to an automatic decline in the quality of education. Data from a UNICEF study on Cote d'Ivoire shows a consistent decline in per capita spending on education from 1990 to 1995 from CFA 20,000 per year to approximately CFA 13,000.<sup>24</sup>

When public services fail to meet the needs of the poor, the vicious cycle of poverty is perpetuated. In the case of child labor, a study found eighty-eight percent of the child workers surveyed in Cote d'Ivoire had never attended school.<sup>25</sup> Improving education services and outreach would have significant impact on reducing child labor.

#### **G. Debt Burden**

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<sup>22</sup> Francesca Francavilla and Scott Lyon. *Child Work in Cote d'Ivoire: An Overview*. Understanding Children's Work Project. March 2002.

<sup>23</sup> The US Department of State. *Cote d'Ivoire: Country Reports on Human Rights Practices 2001*.

<sup>24</sup> UNICEF. *Financement des Secteurs Sociaux de Base: Suivi de l'initiative 20-20 en Cote d'Ivoire*. August 1997.

<sup>25</sup> International Institute of Tropical Agriculture, *Child Labor in the Cocoa Sector of West Africa: A Synthesis of findings in Cameroon, Cote d'Ivoire, Ghana and Nigeria*. August 2002.



Cote d'Ivoire suffers from a crippling debt burden with an external debt that grew from \$7.4 billion to \$17.7 billion from 1980-1990.<sup>26</sup> Total debt rose from 73.3% of (GDP) in 1980 to 164.3% in 1990.<sup>27</sup> Cote d'Ivoire has become one of the most indebted countries in the world qualifying them under the IMF Heavily Indebted Poor Countries (HIPC). Increasing debt burden has negative social consequences as repayment comes at the expense of public spending.

## **H. Currency Devaluation**

Cote d'Ivoire's currency was devalued by fifty percent in 1994 at the urging of the World Bank and IMF to make its exports cheaper in the world market. This significantly affected the poor as their savings and purchasing power dwindled overnight.

The standard of living in the rural areas significantly declined as health and education services became more inaccessible. Cote d'Ivoire's debt burden was further enhanced with the devaluation of the local currency.

## **V. Conclusion**

For two decades after independence, Cote d'Ivoire boasted an image of prosperity and stability. However, Cote d'Ivoire made the mistake of following the advice of the World Bank and IMF. Liberalization of the cocoa industry, a key commodity sector, produced disastrous results at a time when world commodity prices were falling. Adjustments with fiscal policies did not help the situation, particularly when public expenditures such as education and health budgets were cut. Currency devaluation further worsened the living standards of the poor. These ill-advised policies have altogether fueled the abusive practice of child labor on cocoa farms in Cote d'Ivoire.

The World Bank defends that the failure of policies in their donor countries is due to the donor governments' failure to implement the policies to the full extent. It is interesting that Cote d'Ivoire's neighbor has in place a marketing board system in its cocoa industry where the state has a role in protecting farmers from the crush of world cocoa prices. Coincidentally, Ghana does not have the child labor problem to the extent of Cote d'Ivoire.

The World Bank and IMF have yet to prove that they are genuinely concerned about lifting third world countries out of poverty. They need to reassess their ill-advised policies that are producing negative consequences in their donor countries. As long as poor nations are complying with the dictates of the World Bank and IMF who, in return, are catering to the interests of the powerful industrialized nations and multinational corporations, the world will always be divided into have and have-nots.

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<sup>26</sup> *Cote d'Ivoire at a Glance.*

<sup>27</sup> *Ibid.*