



**Bank Information Center**  
**IFIs in Africa News Briefing**  
**August 18, 2006**

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**Ivorian Prime Minister admits failure of Bank/IMF cocoa sector reforms**

August 11 - According to a recent Reuters article, Ivorian Prime Minister, Charles Konan Banny, has publicly acknowledged that the privatization in 1999 of the country's state-run cocoa stabilization fund, CAISTAB, at the behest of the World Bank and IMF, has been a failure and the situation for many of Cote d'Ivoire's small farmers has worsened.

CAISTAB served to protect farmers from market shocks by setting an official price for cocoa, insulated from price fluctuations in the international cocoa market. Despite Bank and Fund promises of the benefits of a free market system, when the fund was dismantled, Ivorian farmers were exposed to a serious decline in world cocoa prices without the possibility of government intervention or assistance. The resulting economic instability in Cote d'Ivoire's cocoa-dependent economy has contributed to a rise in child labor in the country's cocoa fields, according to the International Labor Rights Fund.

At a recent press conference, Prime Minister Banny remarked that "poorly studied reforms, especially for liberalisation, lead to situations which have the opposite effects of those being sought. That is what we're seeing."

Read the Reuters article at:

[http://za.today.reuters.com/news/newsArticle.aspx?type=businessNews&storyID=2006-08-11T092619Z\\_01\\_BAN133959\\_RTRIDST\\_0\\_OZABS-FOOD-IVORYCOAST-COCOA-REFORM-20060811.XML](http://za.today.reuters.com/news/newsArticle.aspx?type=businessNews&storyID=2006-08-11T092619Z_01_BAN133959_RTRIDST_0_OZABS-FOOD-IVORYCOAST-COCOA-REFORM-20060811.XML)

Read an analysis by Prof. Kwabia Boateng on the effects of cocoa sector reform in Ghana at: [http://www.ghanaweb.com/public\\_agenda/article.php?ID=1621](http://www.ghanaweb.com/public_agenda/article.php?ID=1621)

## **Africa to lose voting shares in IMF?**

August 7 – A meeting of African Ministers of Finance was held in Maputo, Mozambique concerning the revision of voting powers at the IMF scheduled to take place during the upcoming annual meetings of the IMF and World Bank in Singapore this September. The shares of Korea, China and Mexico are expected to increase, reflecting the growth of their economies over the last five years, while the share of Africa's collective voting power reportedly may decline from 5 percent to only 2.1 percent. According to a recent article from the *Daily Trust* (Nigeria), the ministers resolved to seek greater power within the IMF and the World Bank at the upcoming September meetings by advocating for an increase in seats at the institutions from the two currently allocated to sub-Saharan Africa's 47 countries, to four. While not opposed to the increased voting power of other emerging economies, the participants felt that it should not come at Africa's expense; Africa, they argued, should have a larger voice, particularly considering the extent of Bank and Fund activities on the continent. According to the article, it was agreed that African governments would also pursue this agenda within the African Union. The IMF Board of Directors is expected to convene prior to the annual meetings in Singapore to discuss the issue of adjusting quotas and voting shares at the institution.

Read the *Daily Trust* article at: <http://allafrica.com/stories/200608080251.html>

## **Southern African leaders meet to discuss economic integration**

August 17 – Southern African heads of state are meeting in Lesotho's capital Maseru on the 17<sup>th</sup> and 18<sup>th</sup> of August to discuss regional integration within the Southern African Development Community (SADC) under a regional initiative launched in 2000 with the aim of removing tariffs on 85 percent of goods and establishing a free trade zone by 2008. The implementation of the agreement is intended to facilitate the movement of goods and people across borders in this large bloc of 14 countries, which include South Africa, Lesotho, Swaziland, Namibia, Botswana, Mozambique, Zimbabwe, Zambia, Malawi, Angola, Madagascar, Mauritius, Democratic Republic of Congo, and Tanzania. According to South Africa's *Mail and Guardian*, the agenda for the Lesotho meeting heads of state will reportedly focus on scaling up regional integration in terms of "political stability, trade liberalisation, infrastructure development, food security and HIV/AIDS." Following the establishment of the free trade zone in 2008, the SADC plans to form a customs union by 2010 and a monetary union by 2016, in which the countries would share a single currency.

Read the *Mail and Guardian* article at:

[http://www.mg.co.za/articlePage.aspx?articleid=280977&area=/breaking\\_news/breaking\\_news\\_business/](http://www.mg.co.za/articlePage.aspx?articleid=280977&area=/breaking_news/breaking_news_business/)

## **Feasibility studies to get underway for southern Africa power project**

August 16 –Western Power Corridor (Westcor) project officer Thomas Lokala has announced plans to develop three hydroelectric power plants in southern Africa to meet the region’s increasing energy demand. According to an article in Engineering News, Westcor will approach the African Development Bank for the estimated \$10 million needed to finance feasibility studies in each of the five countries involved: Botswana, Angola, South Africa, Namibia and the Democratic Republic of Congo. The crux of the Westcor project involves the development of the proposed Inga 3 hydroelectric dam on the Congo River in DR Congo, as well as two other hydropower stations in Angola and Namibia. Westcor, a joint venture company owned by the five countries’ national power companies, would require an estimated \$7 billion to finance the project.

The proposed project raises significant concerns, particularly since it would increase reliance on hydropower at a time when Africa is becoming increasingly susceptible to climate change-induced drought. There are also considerable risks involved in the development of another major hydro station in the DR Congo, given the country’s turbulent history and ongoing instability, as well as the government’s poor track record regarding project oversight, infrastructure maintenance and revenue management – all of which have contributed to tension and resentment among the country’s more than 60 million residents. How will these citizens, most of whom have no access to electricity themselves, react when the country scales up its energy exports to its southern African neighbors? Risks to local communities and ecosystems affected by the large dams should also be considered; the use of smaller-scale and other local renewable energy sources could avoid potential harms to people and the environment.

Read the Engineering News article at <http://www.engineeringnews.co.za/eng/news/today/?show=91981>.

### **Chad severs ties with Taiwan and opts for China**

August 7 – Chad, one of the few African countries to recognize Taiwan, last week revoked its recognition in favor of reestablishing diplomatic ties with China. As reported in *Business in Africa*, this decision is widely seen as a power play on Chad’s part to gain support from China, one of the world’s largest investors in Africa, reversing its recognition of Taiwan granted in 1997. Analysts propose that Chad dropped Taiwan, which has supported the landlocked African country with technical assistance and infrastructure development, in anticipation of greater support from Beijing. They suggest that oil also played a major factor in China’s courting of Chad, which joined the ranks of Africa’s oil producers in 2003. To date, China has not engaged directly in oil production in Chad, but is expected to begin exploration following the resumption of ties between the two countries. Some speculate that, in the longer term, China may extend the pipeline it constructed in Sudan to tap Chad’s oil reserves. According to *Business in Africa*, a Chadian diplomat asserted that the decision would also give Chad more leverage in its dealings with the World Bank, which have been rocky in recent months. Earlier this year, the Bank withheld lending and froze the bank accounts holding Chad’s oil revenue after the government reneged on its agreement to direct the majority of oil revenues to

spending on poverty reduction and save a portion of the earnings for future generations. Although the two parties have since reconciled and lending has resumed, Chad now has an alternative donor in China, in the event of a future dispute with the Bank.

Read the *Business in Africa* article at:

[http://www.businessinafrica.net/news/central\\_africa/507923.htm](http://www.businessinafrica.net/news/central_africa/507923.htm)

Read a Global Insight article on Chad's turn to China:

<http://www.uofaweb.ualberta.ca/chinainstitute/nav03.cfm?nav03=48872&nav02=43782&nav01=43092>

Read more about the dispute between Chad and the World Bank at:

[http://www.bicusa.org/bicusa/issues/chadcameroon\\_oil\\_pipeline\\_project/index.php](http://www.bicusa.org/bicusa/issues/chadcameroon_oil_pipeline_project/index.php)

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