

# BTI 2008 | Côte d'Ivoire Country Report

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This report is part of the Bertelsmann Transformation Index (BTI) 2008. The BTI is a global ranking of transition processes in which the state of democracy and market economic systems as well as the quality of political management in 125 transformation and developing countries are evaluated.

The BTI is a joint project of the Bertelsmann Stiftung and the Center for Applied Policy Research (C•A•P) at Munich University.

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Please cite as follows: Bertelsmann Stiftung, *BTI 2008 – Côte d'Ivoire Country Report*. Gütersloh: Bertelsmann Stiftung, 2007.

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## Key Indicators

Population	mn.	18.2	HDI	0.42	GDP p.c.	\$	1,466
Pop. growth <sup>1</sup>	% p.a.	1.6	HDI rank of 177	164	Gini Index		44.6
Life expectancy	years	46	UN Education Index	0.46	Poverty <sup>3</sup>	%	48.8
Urban population	%	45.0	Gender equality <sup>2</sup>	-	Aid per capita	\$	6.6

Sources: UNDP, Human Development Report 2006 | The World Bank, World Development Indicators 2007 | OECD Development Assistance Committee 2006. Footnotes: (1) Average annual growth rate 1990-2005. (2) Gender Empowerment Measure (GEM). (3) Percentage of population living on less than \$2 a day.

## Executive Summary

Although it may come as a surprise given Côte d'Ivoire's turbulent history, the state of political and economic transformation in January 2007 is very much the same as two years before. Côte d'Ivoire is still a divided country, with the north controlled and administered by the leadership of the military rebellion of September 2002, and the south under the control of President Gbagbo and his administration, with a combined UN and French military presence separating the two sides. The government of national unity, led since October 2005 by former banker Charles Konan Banny, has failed so far to remove the main obstacles for a political settlement and enable the effective reunification of the country. There is still a de facto clash of legitimacy between President Gbagbo, who sees himself as the elected head of government (although his term expired in October 2005) and claims to direct all government actions (but whose effective authority is restricted to the south), and the National Unity government of Konan Banny, who has an international mandate to rule the whole country and implement the crucial steps toward a durable political settlement (but which has little authority on both sides of the buffer zone). Any meaningful political transformation presupposes a reunification of the country, a preliminary agreement on citizenship and voter rights, and a transparent presidential and parliamentary election. But as of January 2007, the prospects for all of this to happen in the near future are bleak. The economy has recovered slightly from the civil war, and thus benefited from the stability brought in by the UN and French forces. Some economic transactions have started to take place even across the cease-fire line. Economic policy has focused on extracting sufficient domestic revenue to pay civil servants' wages and sustain off-budget military expenditures. Although still grappling with many problems, the cocoa sector has continued to serve as the backbone of the national economy, with oil earnings in 2006 – 2007 likely exceeding cocoa exports for the first time. If the Ivorian economy has transformed at all during the period under review, it has been seen in a slow change toward increasingly informal economic transactions, predominantly in the northern part of the country.

## History and Characteristics of Transformation

The political and the economic transformation in Côte d'Ivoire have followed different paths. After independence in August 1960, the country's first president, Félix Houphouët-Boigny, came to dominate the country's political life and economic decision-making, and in the 1960s and 1970s he presided over Côte d'Ivoire's emergence as one of Africa's few stable and economically successful countries. A broadly liberal economic system with active integration into the world market was combined with a basically authoritarian mode of political regulation, manifest in the Parti démocratique de la Côte d'Ivoire – Rassemblement démocratique africain (PDCI-RDA) as a single party. Côte d'Ivoire's success as an exporter of cocoa (first producer worldwide) and coffee was a major factor in its stability as these exports quickly enabled the country to achieve an enviable level of prosperity and social development. There was both an increased presence of French nationals working in the administration and business, and a large influx of immigrant workers from the neighboring Sahel countries of Burkina Faso, Mali and Guinea, who immigrated mainly for seasonal work on the cocoa and coffee plantations.

When commodity prices fell in the 1980s, Côte d'Ivoire began to face serious economic and social problems. The established model of political and economic regulation, which denied political participation but guaranteed social advancement for elites and fixed producer prices for planters, had become unsustainable. Popular dissent increased, and by the beginning of the 1990s, multiparty rule was introduced. Along with political liberalization came an attempt at economic reform headed by a technocratic team under Prime Minister Alassane Ouattara. He conducted an economic reform program in the face of significant resistance within the ruling party, particularly from the president of the National Assembly, Henri Konan Bedié. After Houphouët-Boigny's death in December 1993, both Ouattara and Bedié vied for the succession, which Bedié eventually won by invoking a constitutional provision that allowed for the transfer of interim power to the president of parliament in the event of the president's death. Bedié subsequently consolidated his own power, sidelining those sympathetic to Ouattara. A pro-Ouattara party, the Rassemblement des républicains (RDR), broke away from the PDCI-RDA. The 1995 presidential elections saw the victory of Bedié, with both the RDR and the other "historical" opposition party, the Front populaire Ivoirien (FPI), boycotting the polls on the grounds that the electoral code excluded Ouattara from standing due to his "dubious" Ivorian nationality. In the parliamentary elections, the PDCI-RDA retained an overwhelming majority in parliament.

Support for President Bedié, who initially benefited from the positive effects of CFA franc devaluation in January 1994, has waned rapidly since 1998 due to a worsening economic recession and lack of structural reforms, and because of a radical political

nationalism intended to systematically disenfranchise Ouattara and his northern supporters. President Bedié was eventually overthrown in a bloodless coup in December 1999, which was generally greeted with relief by the population, and less openly by international donors who had blocked financial support for the government due to growing concerns about fraud and corruption. Initial hopes for more thorough political democratization were soon disappointed when it became clear that the coup leader, General Robert Guei, would stand in the 2000 elections, and the “eternal” opposition party, FPI, joined the PDCI in their nationalist policy stance, leading to the renewed exclusion of Ouattara. A popular uprising thwarted the rigged election of October 2000, and General Guei, after losing the support of the army, was forced into hiding. Mr. Gbagbo was declared the winner against the protests of the RDR supporters. Clashes between RDR militants and FPI supporters turned violent, with many civilian northerners (i.e., pro-RDR) as victims. Despite substantial misgivings, France and the international community eventually endorsed Gbagbo’s election. When Ouattara was again disqualified from the ensuing parliamentary elections, the RDR boycotted the election. The PDCI-RDA and FPI shared thus nearly all seats. Developments in 2001 and 2002 seemed to presage an easing of tension starting with local elections and a forum of national reconciliation held in Abidjan between the four main leaders (Gbagbo, Bedié, Ouattara, and Guei) in late 2001. A government of national unity, including the RDR, was established in August 2002.

The September 2002 coup attempt and the ensuing descent into civil war thus took the country by surprise. The mutineers swiftly took control of the entire northern half of the country, a development often welcomed by the local population, who felt marginalized by the nationalist policies of the Guei and Gbagbo administrations. In response to the growing prospect of a civil war, the French government stepped up its military presence in Côte d’Ivoire, agreeing to police the cease-fire line, following the agreement of a truce on 19 October 2002. The main political parties and rebel groups reached a political settlement during negotiations in Marcoussis (France) in January 2003. In March 2003, a national reconciliation government took office, which included both the parties of the governing coalition, the RDR and representatives of the armed rebel groups, known as the ‘New Forces.’ Ongoing political conflicts have hampered the government’s ability to function and led component parties to withdraw for periods of time. Implementation of the peace accords, including disarmament, territorial reintegration and a list of significant political reforms, has stalled. Since 2002 the country has been effectively divided into two, with one-half under rebel control.

## Transformation Status

### I. Democracy

Côte d'Ivoire does not meet the minimum criteria for democracy. Civil war and the subsequent division of the country have effectively turned back the limited progress made during the 1990s in terms of political participation and establishing the rule of law. Since there is no longer any clarity about the contours of the Ivorian political community, political and social integration has reached a historic low.

#### 1 | Stateness

The failed military coup of September 2002 has led to a de facto division of the country, with the northern part governed by the New Forces, who continue to use the symbols of the state of Côte d'Ivoire, including its flag and national anthem, and who deny accusations that they intend to secede. The state's monopoly on the use of force is thus established only in the southern part of Côte d'Ivoire, but neither the government of Prime Minister Banny nor the presidency can claim effective control over the various security forces. Paramilitary groups, which unleash violence on the population in the west and south of the country, are supported and apparently also controlled by the regime's hard-liners. Light weapons are abundant throughout the whole country, with the border zone to Liberia remaining the most fragile area with skirmishes and acts of interethnic violence occurring fairly regularly.

Monopoly on the use of force

Citizenship rights are among the root causes of the current political-military conflict. Significant aspects of citizenship (if not citizenship tout court) are denied to northerners as well as to migrant workers who have lived in Côte d'Ivoire for decades. The nationalistic concept of Ivoirité, originally developed by President Bedié (1993 - 1999) and used since then as a political platform by all governments (Guei, Gbagbo), claims that Ivorian citizenship should be restricted and protected from the influx of foreign immigrants. It is estimated that up to one-third of the total population consists of first- and second-generation immigrants from the Sahel countries. Often exploited by politicians, the concept of Ivoirité encourages southerners, who are, in the main, Christian or animist, to regard themselves as "true Ivorians," and has whipped up xenophobic sentiments

State identity

and actions against Muslim northerners (whether they were of Ivorian nationality or not). In many cases, police officers have destroyed citizenship documents. The Marcoussis Agreement addressed Ivoirité on several fronts, namely eligibility, immigration and citizenship policy, and underlying land ownership issues. However, progress in implementing the accord has been minimal, mainly because of the delay tactics of the Gbagbo government and his supporters. The main political conflict between the opposition and Gbagbo remains whether fresh elections should be held under the existing electoral roll (probably disenfranchising up to 3 million northern voters), or preceded by an identification exercise (forensic audits) by mobile legal teams that would properly establish citizenship rights. Following the pilot phase in July 2006, the identification exercise was stopped after youth militia loyal to the president had intimidated the population.

The separation of church and state is guaranteed by the French-style secular constitution, and religious extremists command little political influence. Conflicts among the different ethnic groups and immigrant groups have taken on religious overtones lately (the president and his politically influential wife being born-again Christians). However, political discrimination and violence in the country is related to ethno-cultural stereotypes and linguistic cleavages, and it targets all northerners, regardless of their religious affiliation, although most Muslims live in the northern part of Côte d'Ivoire.

No interference  
of religious  
dogmas

Government offices in the north and west of the country were shut down in September 2002, and with few exceptions they still do not operate properly, pending the oft-delayed implementation of the disarmament agreement. The rebels have made attempts to establish their own administrative structures, including a fiscal entity that levies fees on transport and trade, and maintains public safety. The rebels admit, however, that there is neither a centralized administrative apparatus nor central control over the activities of the 10 regional military commanders. Many public services such as schools and clinics have not shut down altogether, but are run with minimal staff and on an improvised basis. Civil servants are supposed to travel to Abidjan to collect their salaries. In 2005, schools organized proper exams in the north for the first time. Delegations from the central ministries in Abidjan visit many locations in the north, and in early 2007 there were many signs of a more complete resumption of administrative and financial services. Only the southern part of the country has a functioning administrative system. Even there, public administration is much slower and less efficient than it was before 2002, but continues to operate efficiently in the vital cacao-producing sector (maintenance of crucial roads, port facilities, tax collection).

Basic  
administration

## 2 | Political Participation

Universal suffrage, the right to campaign for office and democratic elections are assured in principle, but not de facto. The administration of the October 2000 elections that installed the current Gbagbo-FPI government was marred by irregularities. No elections have been held since then, and the various governments since early 2003 have been established by international agreements. Although Gbagbo's constitutional term as president ended in October 2005, he claims that his rule and the legitimacy of other institutions loyal to him such as the parliament and the Constitutional Court, are based on popular vote, in contrast to the international and UN-granted legitimacy of Prime Minister Banny's government.

Free and fair elections

The crucial question in discussing this point is what is considered as government. The UN-mandated government of Prime Minister Banny has only limited power to govern. In principle, it is supported by all political forces in the north and south of the country, and Banny has consolidated key ministerial portfolios under his personal control. In practice, Banny's government has little authority over the northern zone, and, in the south, President Gbagbo remains the head of state and has much more effective power to govern, inter alia by a parallel administration run from the presidency. The international community directly governs the buffer zone between north and south, and has de facto veto powers over the electoral process.

Effective power to govern

The freedom of civil society groups and opposition parties to operate has been largely constrained since the 2002 coup attempt, both due to repressive policy measures (prohibition of public demonstrations for extended periods) and the unhindered activities of youth activist groups (Young Patriots) in the south, and due to a general lack of rule of law in the north. Union activity has, on the contrary, continued unabated. Cocoa and coffee sector unions put occasional pressure on the government. Many sections of the public administration go on brief strikes regularly.

Association / assembly rights

The political instability and division of the country has made access to balanced information very difficult, and the national and international media remain subject to massive threats and pressures from both the government and the rebel forces. The constitutional provisions for freedom of expression are thus rarely respected in practice, and journalists remain vulnerable to physical and other abuse by police. The control of the state-run broadcasting system has been a major bone of contention between the different parties ever since 2002 and the Marcoussis Agreement in 2003. Dozens of independent newspapers have survived, most of them linked to political parties, and they criticize the government. There is also liberal access to the Internet. The situation of press

Freedom of expression

freedom in the rebel-controlled zones has much improved since 2003. Côte d'Ivoire ranks 141st out of 194 countries ("not free," value 65) in the Global Press Freedom Survey 2006 by Freedom House.

### 3 | Rule of Law

Côte d'Ivoire is a country with a long history of complete presidential control of the political process. Political liberalization during the 1990s did not lead to any meaningful political empowerment of parliament, where all PDCI presidents (until 1999) have enjoyed strong majorities. The arrival of a former opposition party in power has not significantly modified the power balance, because the president has shifted his decision-making process to a narrow group of consultants including his own wife, Simone. Even the ministers from opposition parties, who entered the various governments of national unity since 2003, exercise no control over the senior civil servants and heads of state agencies, most of whom they inherited from their predecessors or were appointed by the president against the new minister's wishes. The international establishment of a government of national unity has weakened presidential omnipotence, but did not create any separation of powers. The structural annihilation of parliamentary oversight is justified officially by the emergency situation in which the Ivorian state has been since 2002.

Separation of powers

Formally, the judiciary is institutionally distinct, but its decisions and doctrine have always been subordinated to the government of the day. Both the constitutional and the other branches of the judiciary are vulnerable to executive intervention, lack adequate resources (especially outside Abidjan) and are riddled with corruption. Prior to the civil war, a series of major judicial reforms were announced (installation of a Council of State, a Supreme Court of Appeal and of an Audit Office) but have yet to be implemented.

Independent judiciary

Financial malpractices plagued previous administrations, and the current government, encouraged by the absence of auditing, has been implicated in a number of new scandals. In the current context, corrupt officeholders do not face any adverse publicity from civil society, the media and opposition parties, nor do they have to worry about prosecution under the law. In the wake of the 2006 toxic waste scandal that killed 15 people and left thousands injured, Prime Minister Banny suspended various top public officials that had apparently been implicated. President Gbagbo, however, overruled the decision and reinstated the sacked officials in their positions.

Prosecution of office abuse

Since 1999, most civil liberties have existed on paper only, not only because of the lack of a nationwide monopoly on the use of force, but also because of the lack of political will and judicial control. Although the indiscriminate killings by

Civil rights



security forces, allied militia, and by the rebels in their territories that marked the period between 2002 and 2004 have ended, massive human rights abuses continue throughout the country. The Young Patriots have served as a de facto militant wing for Mr. Gbagbo's hard-line supporters and have fomented strikes and demonstrations, including violent attacks, against French business interests, immigrants and suspected opposition sympathizers, with impunity. Perpetrators of mass murder and serious violations of human rights since the first coup in 1999 have not been brought to justice. The UN Security Council enacted formal sanctions against three individuals (two militia leaders from the south, and one from the north) in February 2006.

#### 4 | Stability of Democratic Institutions

Democratic institutions in Côte d'Ivoire have certainly not been capable of performing. First of all, as a way out of the political-military impasse, the Marcoussis Agreement provided for a power-sharing agreement and a series of governments of national unity, which were not democratically legitimized. While there is not even the pretense of democratic rule in the north, the remaining institutions in the south have lost their democratic legitimacy since the end of the constitutional term in October 2005.

Performance of  
democratic  
institutions

The commitment to democracy is questionable at best, especially because of the country's history. The political opposition to Gbagbo, united under the slogan of "post-Houphouëtisme," claims to guarantee a return to democratic rule, but neither Bedié nor Ouattara have ever showed a particular respect for democracy while actually ruling the country. The FPI and Gbagbo have defended a narrow and legalistic interpretation of democratic rule that may have actually brought democracy into thorough discredit with large segments of the population. The northern military officers who took up arms against Gbagbo's elected government in 2002 can hardly be considered supportive of democratic institutions, however willing one is to accept their moral case for a more fair treatment of northern populations.

Commitment to  
democratic  
institutions

#### 5 | Political and Social Integration

Three political parties have dominated political life since the mid-1990s: the FPI, the RDR, and the PDCI. Since there have never been any regular and fair democratic elections with all three parties participating, it is difficult to assess the relationship between parties and voters. At various moments of crisis in recent years, all three parties have participated in governments of national unity, indicating some capacity and willingness to cooperation. Both the FPI and the PDCI have a long tradition of political participation and used to be strongly

Party system

rooted in society. Although the New Forces participate in government, they have not actually transformed into political parties, and it remains to be seen how they will relate to the main political party of the north, the RDR, in any future election. The highly polarized and violent political competition since 2002 has given formal political party structures little room to maneuver. Consequently, they have not had any meaningful role in aggregating and moderating social interests.

Although there are still many interest groups in Côte d'Ivoire, such as the powerful cocoa planters' associations or the student unions, they seldom cooperate with each other – numerous additional planters' associations have emerged since 2005 –, and they have exercised either no influence or a negative influence on political processes. Important social interests remain under-represented as the activities of religious groups and other groups that cut across ethnic lines have waned since the first half of the 1990s.

Interest groups

No reliable survey data exist, but consent to democracy has always been moderate. The relatively benign authoritarian rule of the 1970s and 1980s allowed for limited political competition within the single party and the introduction of multiparty rule was generally welcomed. Majority rule has been thoroughly abused since Bedié's first constitutional reforms in 1995, and most Ivorians have become cynical about democracy. Among the Young Patriots (who are not representative of the population at large), but in parts of the FPI leadership as well, there is a growing tendency to openly refute basic democratic principles in order to defend the interest of "true Ivorians."

Consent to democratic norms

The lack of trust among the ethnically mixed neighborhoods in many parts of the country, which has pitted indigenous and migrant populations against each other, has been identified since the 1990s as a major social root cause of conflict. However, no policy action has been taken. Many communities show a strong bonding of social capital, especially among the marginalized northern groups that reside in selected suburbs of Abidjan.

Associational activities

## II. Market Economy

Some essentials of a market-friendly economic order have been maintained even in the unstable and violent context of Côte d'Ivoire. Overall macroeconomic performance has deteriorated considerably in recent years, although the cocoa sector and oil exploration have helped the government to maintain modest overall economic growth. The division of the country has led to increasingly informal economic structures in both parts of the country.

## 6 | Level of Socioeconomic Development

As one of the world's least developed countries (ranked 164th out of 177 on the Human Development Index 2006), Côte d'Ivoire exhibits social marginalization that is quantitatively and qualitatively extensive and structurally ingrained. Almost all relevant indicators point to severe problems. In 2004, Côte d'Ivoire ranked 82nd out of 102 in the Human Poverty Index for developing countries. In spite of the conventional wisdom that considers Côte d'Ivoire the "elephant of Africa" and a subtly non-catastrophic per-capita income (\$1551 PPP in 2005), Côte d'Ivoire in 2007 lacks the socioeconomic prerequisites for an adequate freedom of choice. Water and electricity supply in the north, as well as a functioning mobile network, depend on the goodwill of the administration in Abidjan, which began issuing bills and collecting payments in major northern towns in 2006.

Socioeconomic  
barriers

Economic indicators		2002	2003	2004	2005
GDP	\$ mn.	11,487	13,737	15,481	<b>16,344</b>
Growth of GDP	%	-1.4	-1.6	1.8	<b>1.8</b>
Inflation (CPI)	%	3.1	3.3	1.4	<b>3.9</b>
Unemployment	%	-	-	-	-
Foreign direct investment	% of GDP	1.9	1.2	1.8	<b>1.6</b>
Export growth	%	4.6	-4.5	17.3	<b>1.5</b>
Import growth	%	-1.9	-9	23	<b>7.3</b>
Current account balance	\$ mn.	768.2	294.2	240.9	<b>-12.4</b>
Public debt	\$ mn.	9,110.3	9,700.5	9,827.6	<b>9,006.8</b>
External debt	\$ mn.	11,791.4	12,186.7	11,739.4	<b>10,734.8</b>
External debt service	% of GNI	7.7	4.4	3.7	<b>3</b>
Cash surplus or deficit	% of GDP	1.7	-2.5	-1.7	<b>-1.5</b>
Tax Revenue	% of GDP	15.7	14.9	15.2	<b>14.5</b>
Government consumption	% of GDP	7.8	8.2	8.3	<b>8.3</b>
Public expnd. on edu.	% of GDP	-	-	-	-
Public expnd. on health	% of GDP	1.2	1.1	0.9	-

		2002	2003	2004	2005
R&D expenditure	% of GDP	-	-	-	-
Military expenditure	% of GDP	-	1.5	-	-

Sources: The World Bank, World Development Indicators 2007 | UNESCO Institute for Statistics | Stockholm International Peace Research Institute (SIPRI), Yearbook: Armaments, Disarmament and International Security

## 7 | Organization of the Market and Competition

Although the country used to be hailed as a capitalist model in Africa, the institutional setting for free markets and competition has never been sufficient, especially in the vital cocoa sector, where uncertainty over economic fundamentals and their management, as well as regulatory institutions persists seven years after the disbanding of the central agricultural marketing board and its marketing monopoly. Côte d'Ivoire ranks 105th out of 154 countries ("mostly unfree") on the 2007 Index of Economic Freedom. Since 2002, the Ivorian business community has become increasingly frustrated with the political process, and it has publicly complained about the government's private sector policies, such as heavy tax regimes or roadblocks. In the context of military and political conflict, the informal sector has gained in importance as smuggling and other illicit activities continue to grow.

Market-based competition

The formation of monopolies and oligopolies is not regulated consistently, and it is not a policy issue of major importance. In several infrastructure service sectors, such as electricity, water, fixed-line telephones and transport, French-owned companies hold de facto monopolies.

Anti-monopoly policy

Military conflict has seriously affected the free circulation of goods and services. Regional trade, which was once lucrative, has decreased dramatically, at least in the formal sector. Foreign trade follows non-discrimination principles (as provided for in the West African regional scheme), but numerous rules, barriers and informal intervention by officeholders constrain the actual liberalization of the foreign trade regime. Cocoa and coffee trade is to a large extent run by multinational companies. Liberalization of foreign trade has advanced in terms of removing barriers to the flow of capital and external investments, especially since foreign investment has largely dried up since 2002.

Liberalization of foreign trade

An IMF review in August 2002 expressed grave concerns about the financial sector in Côte d'Ivoire, particularly the quality of its loan portfolio. Some private banks have been hard hit by the crisis, with up to 50% of loans classified as non-performing. The largest commercial banks, however, all have a foreign ownership

Banking system

stake. Banks were not operating in the zones of the country held by the New Forces until 2005 (when the first bank opened in Bouaké), and local residents have alleviated the cash shortage by a variety of courier services, wire transfers to neighboring countries, and personal trips to the government zone. There is a legal framework for the banking system and capital market. The regional stock exchange (BRVM) is located in Abidjan, with 45 companies listed. The crisis has reduced Côte d'Ivoire's domination of the stock exchange (from 73% of market capitalization in 2001 to 59% in 2002).

## 8 | Currency and Price Stability

As a member of the CFA franc monetary union, Côte d'Ivoire cannot pursue an independent policy on currency and foreign exchange rates. The currency is pegged to the euro (formerly pegged to the French franc), and the Central Bank of the West African States (BCEAO) is fully independent. With some exceptions, such as a spurt of inflation after the CFA franc was devalued in 1994, this has led to relatively low inflation, and despite the political unrest, there has been no discernible increase in the inflation rate since 2002.

Anti-inflation /  
forex policy

As a result of the pegged exchange rate regime, the government has to rely on fiscal policy as its main instrument to achieve financial stabilization. Because the country has tended to quickly accumulate both domestic and external payment arrears, fiscal policy has been the main source of disagreement with the IMF. Programs have been negotiated, suspended and resumed since 1999, and a PRGF was supposed to run from 2002 to 2005. Since 2002, the country has lapsed in its performance commitments and the programs suspended with the outbreak of civil war in September 2002 have not been resumed. Various World Bank reports have raised concerns about the quality of the government's financial planning. Many of the key assumptions underlying the budget are unrealistic, and by the end of 2006, the state of public finances remained unclear.

Macrostability

## 9 | Private Property

Property rights are adequately defined but cannot be considered satisfactorily safeguarded by law – certainly not in the north. The main problem with property rights is land tenure, especially the rights of immigrants to secure property rights on the land they farm.

Property rights

Private companies represent the backbone of the economy, but there are still some important state companies and strong market concentrations. Several privatization schemes have been on the agenda since the 1990s, for example the state oil refinery SIR. The establishment of a privately run price stabilization

Private  
enterprise

system for the cocoa sector in the wake of the government's 1999 liberalization of prices has led to unsatisfactory results. When prices on the world market dropped in 2002 and 2003, the Fonds du regulation du café-cacao (FRC) proved unable to make support payments to farmers, despite its high intake of funds while prices were high. The suspicion that funds had been diverted for off-budget government spending led to splits among the planters. Now there are several different marketing organizations with overlapping responsibilities, all of which are under the control of powerful cocoa planters with ties to the government.

## 10 | Welfare Regime

The government has committed itself to poverty alleviation, but this has been undermined by political instability and the outbreak of civil war. The devastation of the small business sector has led to job losses which are not compensated for by increased activity in the oil sector. Negotiations concerning the PRSP, originally expected in 2002, have been suspended. Social services have deteriorated due to a lack of funding, which is confirmed by the latest UNDP indices for education (48.7% literacy) and life expectancy (45.9 years). The Bedié administration had launched an ambitious health care development program in 1996, but many of the benefits have been lost. Similar new initiatives and targets under the HPIC initiative cannot be set until progress has been made with the post-conflict reconstruction program. The large informal sector contributes to poverty reduction, albeit to an unknown extent.

Social safety nets

Before 2002, the quality of teaching had already deteriorated, leading to low completion and pass rates. The impact of HIV/AIDS on the education system is alarming. Women lack adequate access to public office and to educational institutions, as shown by the low percentage of women in parliament and a poor GDI rating. Côte d'Ivoire ranked 164th out of 177 countries in the Gender Development Index 2006, and at 164 out of 177 countries on the UN Education Index 2006. Since the mid-1990s, people from the north are discriminated against in the education system and the job market.

Equal opportunity

## 11 | Economic Performance

The severe political-military in effect since 1999, along with the civil war and division of the country since 2002, has plunged the country into severe economic troubles. It must be stressed that the economy has not collapsed, despite disruptions in infrastructure and the business environment. But several formerly important sectors are deeply damaged, corruption is growing, and modest macroeconomic growth only comes from the cocoa-growing areas of the country and the oil exploration in the Gulf of Guinea, which have been largely untouched

Output strength

by the conflict. Employment has gone down in both parts of the country and outstanding debts have grown.

## 12 | Sustainability

Ecologically compatible growth receives only sporadic consideration and has only a rudimentary framework. The country depends more than ever on commodity exports, but the fiscal squeeze being passed on to producers is leading them to use extensive cultivation methods. The stock of virgin forest has been completely destroyed, despite strict regulations restricting commercial logging and agricultural encroachment that have been in place since the 1990s. The lax and irresponsible handling of ecological issues was revealed by the toxic waste disaster in late August 2006, when a number of administrative failures (if not criminal behavior) had allowed a local company – without adequate license – to unload without proper precautions toxic waste from a Greek-owned tanker and to dump it in several places around the capital city Abidjan. This led to 15 deaths, tens of thousands seriously ill, and more than 100,000 seeking medical treatment.

Environmental  
policy

In terms of educational infrastructure, Côte d'Ivoire has a poor record. Since achieving independence, the country has put more emphasis on the import of skilled people than on developing its own training capacities.

Education policy  
/ R&D

# Transformation Management

## I. Level of Difficulty

It has become impossible to distinguish between structural and man-made constraints that result from the current political leadership's actions. The Government of National Unity (GNU) inherited an already impoverished country with a highly polarized political process and violent social conflicts. The division of the country is a terrific obstacle to governance, especially since the main trading route to the Sahel countries passes through the northern part of the country. Côte d'Ivoire had the most developed economic infrastructure in West Africa, and the fact that production in the cocoa sector could be increased in comparison to pre-2002 times shows that the country continues to benefit from favorable climatic, geographical and structural conditions. Increasing poverty and a growing HIV/AIDS rate, especially in the rebel-held areas where only basic health services are offered, as well as the lack of maintenance in the physical infrastructure since 1999 (especially roads), represent important structural constraints for any future governmental action.

Structural  
constraints

Traditions of civil society are almost nonexistent. The landscape of voluntary organizations is concentrated in the economic sector, where independent planter associations have existed since colonial times. These activities lack, however, a component of civic or public engagement. The climate of intimidation and the militarization of public life since the coup d'état of 1999 have crushed the potential for civic participation in public life. Although survey data are not available, trust in institutions and social trust is low.

Civil society  
traditions

There are more than 50 different ethnic groups in Côte d'Ivoire. After years of social harmony and the late President Houphouët-Boigny's promotion of migrant work from the neighboring countries, the successor governments have fully exploited ethnic resentments for their own narrow political advantage. The country plunged into a violent conflict along overt ethnic lines. Although the open military conflict has not erupted since late 2004, and the cease-fire is respected and enforced by the international interposition force, inter-communal violence continues, especially in the villages of the western cocoa belt.

Conflict intensity



## II. Management Performance

Following the relapse into violent conflict and the establishment of two partly competing, partly overlapping de facto regimes in the territory (or three, if one adds the international administration), political elites have struggled to maintain the basic stability of their rule and to guarantee the running of the cocoa and oil sectors. Under these circumstances, structural economic reform is neither a realistic prospect nor a priority of any government. The main challenge is to reunite the country by organizing transparent and credible elections. In assessing the management of political leadership, one should always bear in mind that the Côte d'Ivoire has three governments: first, the official government of Charles Konan Banny, established by international order; second, the presidency, which de facto controls the security apparatus, the parastatals, and the regional and local administration; and third, the "rebel" government in the north.

### 14 | Steering Capability

The Marcoussis agreement (January 2003) set clear priorities for the period until the October 2005 elections: reforming the constitution and related laws, demobilization of various armed forces, restarting cooperation with donors, assuring the execution of the PRGF, and putting the economy back on track. Because all actors accepted these objectives as a normative reference for further action, the assessment thereof is disastrous. Since October 2005, the African Union and the United Nations have twice extended the transition period, without any significant progress being made in the implementation of any of the policies agreed upon in Marcoussis, although modest economic growth has occurred since 2005. Both the Gbagbo government and the rebels have shown an impressive talent for doing everything to avoid smooth transformation, and it would thus be incorrect to deny them a recognizable prioritization of policies. Gbagbo has made it very clear to the public that he intends to stay in power until elections have been held according to his rules, and he has been successful in enforcing this objective. There is much speculation about the presidency spending considerable sums off-budget (especially from cocoa and oil) to equip and train the army. The rebels have resisted effective demobilization over years and maintained their grip on the northern part of the country without any international recognition or formalized economic system.

Prioritization

Only the Banny government is clearly committed to the reform agenda as agreed in January 2003, but it lacks the resources to implement it. Economic policy has focused simply on keeping the main functions of government operating and on

Implementation

raising sufficient revenue to pay civil service wages. The government has tried to boost revenue by all means available (squeezing the cocoa producers), thereby neglecting all structural and qualitative reforms such as judicial reform, privatization, reorganization of the cocoa and coffee market structures, and investment on basic health, primary education, roads and rural electrification, in accordance with the PRSP.

The political leadership (in both parts of the country) insists on obviously mistaken and harmful policies, mainly to stay in power and further the individual economic interests of those in power. This negative statement does not apply to the official government of Konan Banny established in October 2005.

Policy learning

## 15 | Resource Efficiency

It is difficult to answer this question in the current political-military context of Côte d'Ivoire. We lack reliable information on how resources are spent, due to an unrealistic and non-transparent budget and the absence of independent audits of the cocoa and oil sectors. There are few doubts that the elites (both in the north and the south) consume most state resources themselves.

Efficient use of assets

There is no indication that the government is able to seriously coordinate conflicting objectives and interests. The toxic waste scandal revealed both the chaotic state of affairs and the lack of a coherent policy response. In the end, it was the president who insisted both on re-installing the top civil servants fired by the prime minister, and who agreed on a dubious compensation payment by the incriminated British-Greek company, without consulting the government and the civil parties who were seeking legal compensation.

Policy coordination

The severe economic downturn related to the military conflict that erupted in 2002 seems to have led to higher levels of generalized corruption and venality at all levels of public administration in the south, especially with regard to judicial proceedings, contract awards, customs and tax issues. As there is no rule of law in the north, an informal taxation system has evolved where corruption cannot be assessed. According to the 2006 CPI of Transparency International, Côte d'Ivoire ranks 151st out of 163 countries, with a near-bottom value of 2.1 (in sub-Saharan Africa, only Chad, Congo DR, Sudan and Guinea score lower). Corruption is increasing and rampant at all levels.

Anti-corruption policy

## 16 | Consensus-Building

The political leadership is not currently working towards democratic and economic transformation. Except for a core team of reformers around Konan Banny, the main political actors fail to implement the broad consensus on

Consensus on goals

reforms reached at Marcoussis. There is no fundamental conflict among most relevant actors regarding the goal of a market-based economy; the political and military crisis since 1999 has, however, made state survival the top priority. The official commitments of both the New Forces and the Gbagbo government to a democratic and peaceful transformation have become increasingly hollow. The longer the current state of affairs goes on, the more people will have an interest in maintaining the violent status quo and the de facto division of the country.

The reformers have been sidelined by the veto actors, although it remains to be seen whether the enhanced competencies of the Banny government since November 2006 will make a difference in practice. A broad review of the period from 2005 to 2007 indicates that reform attempts have completely foundered.

Anti-democratic veto actors

Both the Gbagbo government and the northern New Forces have done little to depolarize existing cleavages. Côte d'Ivoire comes close to a textbook example of the violent politicization of ethnicity. Between 2001 and well into 2005, people were harassed or killed, due to ethnic and linguistic affiliation, by death squads that have been tolerated or even surreptitiously promoted and armed by government circles. The apparent drop in killings and ethnic violence has to do with the massive international military presence in the country, and not with any change in political management by Ivorian actors. The Banny government's attempt to start forensic audits in the countryside, which would have allowed an objective evaluation of citizenship rights, has been stopped with violence by the Young Patriots militia close to the presidency. There are large numbers of internally displaced refugees, and the political-military division of the country is the physical manifestation of sociocultural cleavages.

Cleavage / conflict management

There is no participation of civil society in the political process, neither in the northern rebel-controlled zones nor in the south. Economic associations still try to influence policy-making in the cocoa-sector, but without any meaningful impact.

Civil society participation

During the period under investigation, both parties to the conflict have committed acts of injustice and killings. Establishing a stable political dispensation is necessary to re-initiate the process of reconciliation, which had started between 2000 and 2002 when the civil war broke out. There has been considerable polemic about the visit International Criminal Court investigators, which the government had invited but whose visit has apparently delayed by the presidency.

Reconciliation

## 17 | International Cooperation

Côte d'Ivoire's political crisis remains internationalized with the presence of French military forces (Operation Licorne) and the deployment of the UN peacekeeping mission (UNOCI), both covered by mandates from the Security Council. In November 2004, the UN Security Council imposed an immediate arms embargo and threatened to implement other measures such as travel bans and financial sanctions, followed by personal sanctions against three militia leaders in January 2006. Relations with donors have been strained since the late 1990s, but particularly so since 2002. Both the IMF and the World Bank have repeatedly stressed their willingness to resume lending under the condition that the country's payment arrears to the World Bank (since June 2004) are cleared. The emergency post-conflict assistance (EPCA) envisaged by the IMF managing director in April 2006 cannot be approved without progress on disarmament and the establishment of a clear economic policy program. Given the past history of relations between donors and Côte d'Ivoire, which has seen funds suspended for prolonged periods of time due to concerns about corruption, the unwillingness of donors to offer substantial support until a political agreement seems well established is understandable. The limited support that is currently available comes mainly in the form of emergency humanitarian relief.

Effective use of support

The Gbagbo presidency has completely lost its international reputation as a credible partner among international organizations, bilateral donors and regional partners. The African Development Bank moved its headquarters from Abidjan to Tunis in early 2003. The UN and the African Union have grown weary of the apparent lack of willingness to implement the Marcoussis Accord, and the international community has rapidly been losing patience with Mr. Gbagbo's government, especially since the renewed attacks of November 2004. It was the AU (together with France), under the leadership of Nigerian President Obasanjo, who urged the UN to impose sanctions immediately. The appointment of former West African Central Bank Governor Konan Banny was a clever move, since his personal credibility has already helped re-establish channels of communication to the Bretton Woods institutions in April 2006. The relationship with France has gone through various stages. The former colonial power remains the country's main trading partner, foreign investor and bilateral donor, and France maintains a permanent military base in Abidjan. The French community still numbers about 16,000 people, and French-controlled businesses account for more than 50% of the country's tax base. At various times since 2002, President Gbagbo has threatened French residents directly or indirectly, and the French government has declared it will pull out its troops if asked to do so. French business cannot rely any longer on the capacity of the government to protect its interests.

Credibility

The Gbagbo government has had some difficulty building trust with its neighbors. The endorsement of the nationalist Ivoirité policy has worried leaders of the Sahel countries that have large immigrant communities in Côte d'Ivoire. Relations have been most strained with Burkina Faso, whose government was openly accused of meddling in domestic affairs and fomenting the violent rebellion of the New Forces. Likewise, regional attempts at conflict management failed, and it took the involvement of France and several influential African heads of state to bring the Ivorian parties to a round table in Marcoussis in early 2003. Gbagbo has repeatedly boycotted summits of both the AU and the Community of West African States, ECOWAS. By the end of 2006, the Ivorian government was increasingly isolated, even within the African international community, with some notable exceptions, such as Angola or Equatorial Guinea.

Regional cooperation

## Strategic Outlook

In November 2006, the United Nations extended the transition period established in October 2005 for a further year, until October 2007. Although the terms of reference for the transition government have changed slightly, there is little chance that this will be sufficient to create a breakthrough in the political impasse. The chances for political and economic transformation remain very slim indeed; the window of opportunity for a territorial reintegration may have already closed. More than four years after the breakup at both sides of the demarcation line, new political dispensations and economic circuits have created vested interests that defend this apparent political and economic normality, and lower the incentives for any radical change. Although the bulk of the Ivorian population, civil society, and small and medium enterprises in particular, are the losers in this situation, many individuals have exploited the partitioning of the country to accumulate power and wealth.

Among the more likely scenarios is the continuation of the status quo, although it depends on the continued presence of a UN military force in the buffer zone. The international community is certainly keen to prevent the country from collapsing back into war, but will have to increase pressure in order to change the situation on the ground through disarmament and elections. At the beginning of 2007, further military coups or internal splits seem unlikely, so any change in the current balance of forces and vested interests will have to come from outside. President Gbagbo is apparently hoping to use increasing income from oil to bolster his security apparatus, despite the UN arms embargo. In the unlikely event of a pullout of international forces, a return to full-scale civil war is probable, with devastating consequences for the economy.

The virtual cessation of external funding has constrained policy-making, but the main contours of economic policy are unlikely to change. The interim government will struggle to keep the economy afloat in the run-up to elections, and it will restore fiscal discipline in order to normalize relationships with donors, leaving the problems of overdue structural reforms of various economic sectors to later governments. The economic outlook remains precarious and overly dependent on the resilience of the cocoa and petroleum sectors. For the time being, donor organizations have to hope and wait until political and military pressure has created more enabling conditions for targeted assistance and support. Conflict transformation by international and regional bodies has to be strengthened and supported financially.