Côte d’Ivoire

**key figures**
- Land area, thousands of km²: 322
- Population, thousands (2005): 18,154
- GDP per capita, $ PPP valuation (2005): 1,503
- Illiteracy rate (2005): 46.3

Côte d’Ivoire

All tables and graphs in this section are available in Excel format at:
http://dx.doi.org/10.1787/264758300201
Thanks to its relative economic prosperity, observed until recently in steadily positive growth rates, Côte d’Ivoire was for a long time the main development hub of the subregion. For several years now, however, the country has been in deep crisis, and this has distinctly affected its economy and social cohesion. At the root of the crisis lie several causes, including poorly controlled immigration, the absence of a real policy to manage land assets and the fragility of the country's institutional and democratic governance systems. For the past three years, Côte d’Ivoire has been divided in two as a result of a civil war that began in September 2002. The south is under government control, and the north is in the hands of the Forces Nouvelles, as the armed rebellion has called itself. Though a number of agreements aimed at resolving the situation have been signed by both sides, today each party is entrenched in its position and the country is at a political impasse.

In 2003 and 2004, Côte d’Ivoire recorded negative growth of respectively -1.6 per cent and -1.7 per cent. In November 2004, increased tensions led many economic operators, particularly French ones, to leave the country and resulted in the closure or relocation of a large number of companies. This had a disastrous effect on the economy. In 2005, the mediation of the President of South Africa, Thabo Mbeki, widely supported by the international community, marked a turning point. Mbeki reinvigorated the reconciliation process initiated in 2003 in Linas-Marcoussis (France); this led to the signing of agreements, which all sides are finding it difficult to respect. The South African mediation notably allowed several roadblocks to be lifted: the time chart defined in the National Disarmament, Demobilisation and Reintegration Plan (PNDDR) was ratified, the presidential election initially scheduled for 30 October 2005 was postponed, and Laurent Gbagbo’s tenure as president of the republic was extended for a one-year transition period in accordance with the African Union decisions of October 2005. During the interim period, the president was to co-operate with a prime minister who was granted enlarged powers. According to the road map of the new head of government, reconstruction of the country was to begin.

The economic outlook is poor due to military and political tensions.

Figure 1 - Real GDP Growth and Per Capita GDP ($ PPP at current prices)

Source: IMF and Institut national de la statistique (INS) data; estimates (e) and projections (p) based on authors’ calculations.
in 2006, following expected disarmament and reunification. Uncertainty, however, continued to hover over the country. Indeed, the intentions of the political players of the peace process were not always clear from their behaviour.

At the end of the 2005 financial year, the economic outlook remained fairly discouraging. Political instability and the suspension of external financing hampered the government’s growth objectives. As a result, the projected 1 per cent growth was unattainable, and GDP growth was expected to be -1.2 per cent in 2005. Development of the economy in 2006 hinges on the resolution of the political issues. If the climate improves, the country could rebound to positive 0.4 per cent growth.

**Recent Economic Developments**

The economy of Côte d'Ivoire is primarily dependent on its agriculture: traditional export crops, particularly cocoa and coffee, other export crops such as palm oil, hevea, pineapple, sugar cane, cotton, bananas, etc. and food crops such as plantains, yams, and cassava, among others.

Some estimates suggest that the coffee-cocoa sector was less profitable in 2005 than in the previous year, when the two crops accounted for a significant proportion of export revenue (40 per cent in 2004). The 2004/05 cocoa harvest yielded 1.3 million tonnes, compared with 1.4 million in 2003/04. Concentrated in the south and south-east of the country, cocoa production suffered less from the crisis. Overall, cocoa held up well in the 2003/04 and 2004/05 seasons. This can be explained by the measures taken to protect the transport corridors between the production zones and the country’s ports (Abidjan and San Pedro), permitting exports to continue. Despite the crisis, Côte d’Ivoire has remained the world’s leading cocoa producer. The sector comprises almost 620,000 holdings and indirectly or directly provides a livelihood for nearly 6 million people. According to interim data for coffee, during the five principal harvesting months, production was 10,325 tonnes for the 2004/05 season, as compared with 58,948 tonnes for the same period of the previous season.

The relative decline in production in the coffee-cocoa sector is attributable to somewhat less satisfactory climate conditions, compounded by crisis-related factors and institutional factors. The events of November 2004 generated a mass exodus of migrant workers from the cocoa belt. The numerous roadblocks (allegedly for self-defence) and police road stops considerably lengthened the transport time for goods conveyed by road. Among the institutional constraints that hampered the sector were disagreements between traders and the regulator of the sector, the deterioration of port storage facilities and problems in providing services for expanding plantations. Another impediment was the Droit unique de sortie (DUS) export tax levied by the state of Côte d’Ivoire, which provides the latter with a significant source of revenue. Taxes on cocoa, the bulwark of the Ivorian economy, are currently nearly 40 per cent of the export price. Through the DUS, 20 per cent of these go to the state, and 20 per cent to the various managing bodies of the sector (the coffee and cocoa regulation authority, Autorité de régulation du café et du cacao [ARCC]; the coffee and cocoa exchange, Bourse du café et du cacao [BCC], the regulatory fund, Fonds de régulation et de contrôle [FRC]; the coffee and cocoa producers’ development fund, Fonds de développement des activités des producteurs de café et cacao [FDPCC], bagging, etc.). This high level of taxes has a negative effect on the grower price of cocoa, which would require revising the current DUS. The tax burden also explains why a large part of cocoa production is smuggled out of the country to neighbouring Ghana, which gives planters higher prices.

The liberalisation reforms introduced in the coffee-cocoa sector in October 2002 had three goals: to end direct government intervention and all direct or indirect financial support of the cocoa trade; to obtain adequacy between world prices and producer prices and; to secure the efficiency of competition. The current organisation of the cocoa sector, however, lacks clarity, due notably to the overlapping of the various competent institutions. In addition, producer co-operatives suffer from both
lack of resources and the inability to obtain a larger share of the market, the minimum price having become a mere guiding price.

In the coffee sector, although in January 2005 the BCC had fixed the producer price at the same level as in 2004 (225 CFA francs/kg), it climbed from 230 CFA francs/kg at the start of the commercial year to 360 CFA francs/kg in April 2005. This increase, however, had no significant effect on either the efforts made in plantations or on the planters’ return. Some, believing this improvement to be temporary, remained reluctant to return to their fields.

Cotton-fibre production in the 2004/05 season amounted to 344 000 tonnes, up from 300 000 tonnes in 2003/04. The cotton sector, which up to the eve of the crisis had contributed significantly to Côte d'Ivoire’s

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**Figure 2 - GDP by Sector in 2004 (percentage)**

![GDP by Sector](chart)

**Source:** Authors’ estimates based on INS data.

**Figure 3 - Sectoral Contribution to GDP Growth in 2004 (percentage)**

![Sectoral Contribution](chart)

**Source:** Authors’ estimates based on INS data.
export revenue, is now in a complex and difficult situation. While production is overwhelmingly located in the north of the country, under the control of the Forces Nouvelles, processing and transformation activities, in addition to export routes, are in the government zone. Other factors disrupting the sector include: problems in the supply of plant-protection products, bank closures in the production zones, the fragile financial state of the main processing companies, increased transaction costs arising from transport difficulties and road levies imposed by the rebels, etc. To these must be added the massive flight of Ivorian cotton to neighbouring Burkina Faso and Mali, both large producers of “white gold”, where it is better paid. Sector professionals estimate that 220 000 tonnes, or 55 per cent of national production were diverted to these two countries in 2004. Planters state that they can get 210 CFA francs/kg in Burkina Faso, compared with 160 to 180 CFA francs/kg on the national market. Prior to the war, cotton producers sold their harvest directly to ginning factories, including the Compagnie Ivoirienne de Développement du Textile (CIDT) and Ivoire Coton. The war economy and the absence of banks in the north, however, brought about the emergence of new middlemen who buy cotton from small farmers for 120 CFA francs/kg and sell it for 220 CFA francs/kg in Mali or Burkina Faso. Currently, only Ivoire Coton is paying producers. Other ginning companies, having accumulated arrears, give the new middlemen an advantage as, though they pay very low prices, they pay cash. To end these earning shortfalls, it is urgently imperative to reorganise the cotton sector. The Ivorian economy could benefit greatly from this rehabilitation. In this regard, the Ministry of Agriculture recently undertook a mission to Korhogo, in the north, to assess the trading conditions in the sector and to deal with the problem of outstanding payments to growers. Again, however, the obstacles linked to the division of the country, particularly the absence of government in the north, may impede effective reorganisation of the sector. Only the end of the political crisis in the country will effectively enable the rehabilitation of cotton.

Mining-sector activity remained steady in 2004 thanks to the continued expansion of oil extraction (8 124 billion barrels, 8.2 per cent more than in 2003) and to increases in gas production. Although the Ity mine, which had been closed in 2002, was reopened, gold production (1 219 kg) was no greater than the previous year. No figures relating to diamond production are available due to its location in the regions controlled by the Forces Nouvelles.

As political turmoil built up in late 2004, the secondary sector as a whole paid a high price for the crisis. Growth is likely to stagnate in 2006. The textile sector should be mentioned among the affected activities: its main production units, which are in the rebel stronghold region of Bouaké, are closed. In the south, the few factories of the sector have to cope with unfair competition from illegal imports, such as for example that of cheap sugar from Asia entering the country via Burkina Faso. The Société Ivoirienne de Raffinerie (SIR), the national oil refinery, lost 100 000 tonnes of its annual market share in oil refining in the north of the country to the benefit of Malian and Burkinabe suppliers.

The tertiary sector has been by far the worst hit by the crisis. In 2004, it contracted by 0.5 to 1 per cent, with a 5 per cent drop in the overall activity of service companies. It is paying not only for direct and indirect war damages, but also for the policy of closing or relocating certain companies in the subregion. Every branch of the sector recorded significant decreases. Retail sales, for example, fell by 0.6 per cent overall in the course of 2004. This drop was due to the lower income of households affected by the closure of factories, technological unemployment and the departure of expatriates. The Central Bank of West African States (BCEAO) trade index was estimated at 1 per cent for 2004. Hotels and restaurants are in deep trouble due to the departure of expatriates and the absence of tourists, as are both the insurance and construction sectors. In this context, even employers are encouraging the companies still operating to take advantage of opportunities in the informal economy. The tertiary sector is likely to suffer the longest from the crisis.

Private investment stagnated in 2004 compared with 2003, and it contracted in 2005. This situation
will probably continue in 2006 and 2007 as a result of the uncertainty of the electoral process. Despite the events of 2004, private consumption rose in 2004 and 2005 and should be stable in 2006 and 2007. The increase in the fiscal deficit as a percentage of GDP in 2004 stimulated growth, but the decrease in the surplus in the balance of payments on goods and services weakened growth. The fiscal deficit increased further in 2005, and the balance of payments also improved. All of these factors were thus positive for GDP growth in 2005.

Owing to the uncertainty related to the mobilisation of the foreign resources essential for financing investments, and given the deadlock in resolving the political conflict, final public consumption was expected to fall in 2005. It could, nevertheless, rise slightly in 2006 if the nomination of the prime minister and the formation of his government, as well as the October 2006 elections, bring about the expected stability. Final public consumption was expected to fall from 14.2 per cent of GDP in 2004 to 13.9 per cent in 2005, before rising slightly in 2006 to reach its 2004 level. Final private consumption should also rise marginally in 2004 and 2005 and could become stable in 2006.

Investment, both public and private, should shrink, given the difficulties of foreign financing and the hesitancy in the private sector. Normalisation of the social and political situation is key to restoring confidence among economic players, notably among foreign investors. If the elections take place as expected, there could be a gradual recovery of private investment in 2006 and 2007 (see Table 1).

### Macroeconomic Policies

#### Fiscal Policy

The 2005 budget, approved by parliament in April 2005, provides for a drop in both receipts and expenditure. Its priorities remained the same as in 2004: disarmament, reunification of the country and the organisation of elections as guarantees for national reconstruction and economic recovery. Exceptional expenditure connected to the “peace effort” was budgeted. As much as 6 billion CFA francs was earmarked for restructuring public administration and 1.2 billion CFA francs for implementing the Linas-Marcoussis Agreement. In addition, significant expenses were planned for the “cost of the crisis”, including bonus wages for front-line soldiers (30 million CFA francs). Funds were also provided for organisation of the presidential election: to identify the population, prepare consultation of the electorate and finance the political parties. Based on a 1 per cent growth assumption, the 2005 budget is presented as almost balanced at 1 735 billion CFA francs. Internal resources (82 per cent of the budget) are estimated at 1 420 billion CFA francs, including 1 258 billion in tax receipts (compared to 1 263 billion CFA francs voted in 2004 and respected on the whole 25 billion in grants), 122 billion in non-tax revenue and 40 billion from borrowing on the financial market. Tax receipts and grants continued practically at their 2004 level, that is, 18.5 per cent of GDP. They should remain stable at that level throughout 2006 and 2007, assuming that the political situation is maintained.

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### Table 1 - Demand Composition (percentage of GDP)

<table>
<thead>
<tr>
<th></th>
<th>1997</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005(e)</th>
<th>2006(p)</th>
<th>2007(p)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Gross capital formation</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Public</td>
<td>14.7</td>
<td>11.0</td>
<td>9.8</td>
<td>9.4</td>
<td>8.7</td>
<td>8.9</td>
<td>9.1</td>
</tr>
<tr>
<td>Private</td>
<td>5.5</td>
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<td>2.7</td>
<td>2.3</td>
<td>2.0</td>
<td>2.1</td>
<td>2.3</td>
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<td><strong>Consumption</strong></td>
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<td></td>
<td></td>
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<tr>
<td>Public</td>
<td>76.2</td>
<td>69.7</td>
<td>75.6</td>
<td>81.0</td>
<td>87.1</td>
<td>87.2</td>
<td>86.7</td>
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<tr>
<td>Private</td>
<td>65.2</td>
<td>57.4</td>
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<td>66.8</td>
<td>73.2</td>
<td>73.1</td>
<td>72.7</td>
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<td><strong>External sector</strong></td>
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<td></td>
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<td></td>
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<td>Exports</td>
<td>9.1</td>
<td>19.3</td>
<td>14.7</td>
<td>9.6</td>
<td>4.2</td>
<td>4.0</td>
<td>4.3</td>
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<td>Imports</td>
<td>29.3</td>
<td>27.1</td>
<td>28.6</td>
<td>36.1</td>
<td>39.8</td>
<td>40.5</td>
<td>39.4</td>
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</tbody>
</table>

**Source:** INS data; estimates (e) and projections (p) based on authors’ calculations.
Recurrent expenditure recorded a slight drop, from 1,006 billion CFA francs in 2004 to 990 billion in 2005. It was supposed to be essentially devoted to paying the wages of civil servants and to the remaining administrative costs, including exceptional costs related to the crisis. This decline should continue in 2006 and 2007 (see Table 2). Investment expenditure came in at 177 billion CFA francs, compared with 270 billion scheduled in the 2004 budget, 168 billion of which were realised. Of this amount, 94.9 billion were allotted to the national reconstruction programme, 21.3 billion to decentralised management, and 4 billion to revising the electoral register and the population-identification plan. The sector breakdown of budgetary allocations shows that seven departments take up more than 85 per cent of the budget, excluding debt servicing. These are public education (28.2 per cent of the total), the economy and finances (17.7 per cent), defence (13.1 per cent), health (7.4 per cent), higher education (7 per cent), economic infrastructure (6.1 per cent) and security (6 per cent). The incompressible expenditure intended for the return of peace will limit the investment capacities of technical ministries all the more. The defence budget amounts to 38.5 billion CFA francs.

Table 2 - Public Finances (percentage of GDP)

<table>
<thead>
<tr>
<th></th>
<th>1997</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005(e)</th>
<th>2006(p)</th>
<th>2007(p)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total revenue and grants</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total revenue</td>
<td>20.2</td>
<td>18.4</td>
<td>17.6</td>
<td>18.5</td>
<td>18.5</td>
<td>18.4</td>
<td>18.2</td>
</tr>
<tr>
<td>Tax revenue</td>
<td>16.4</td>
<td>15.9</td>
<td>15.0</td>
<td>15.2</td>
<td>15.6</td>
<td>15.6</td>
<td>15.3</td>
</tr>
<tr>
<td>Grants</td>
<td>0.6</td>
<td>0.4</td>
<td>0.5</td>
<td>0.9</td>
<td>0.5</td>
<td>0.3</td>
<td>0.5</td>
</tr>
<tr>
<td><strong>Total expenditure and net lending</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current expenditure</td>
<td>16.5</td>
<td>16.5</td>
<td>17.4</td>
<td>17.7</td>
<td>17.0</td>
<td>16.8</td>
<td>16.8</td>
</tr>
<tr>
<td>Excluding interest</td>
<td>12.0</td>
<td>13.2</td>
<td>14.7</td>
<td>15.4</td>
<td>15.1</td>
<td>15.3</td>
<td>15.2</td>
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<tr>
<td>Wages and salaries</td>
<td>6.0</td>
<td>6.5</td>
<td>6.8</td>
<td>6.7</td>
<td>6.6</td>
<td>6.4</td>
<td>6.2</td>
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<tr>
<td>Interest</td>
<td>4.5</td>
<td>3.3</td>
<td>2.7</td>
<td>2.3</td>
<td>1.9</td>
<td>1.6</td>
<td>1.6</td>
</tr>
<tr>
<td>Capital expenditure</td>
<td>5.5</td>
<td>3.2</td>
<td>2.7</td>
<td>2.6</td>
<td>2.2</td>
<td>2.4</td>
<td>2.5</td>
</tr>
<tr>
<td><strong>Primary balance</strong></td>
<td>2.7</td>
<td>1.8</td>
<td>0.1</td>
<td>0.4</td>
<td>1.2</td>
<td>0.6</td>
<td>0.4</td>
</tr>
<tr>
<td><strong>Overall balance</strong></td>
<td>1.8</td>
<td>1.5</td>
<td>2.6</td>
<td>1.8</td>
<td>0.7</td>
<td>0.9</td>
<td>1.2</td>
</tr>
</tbody>
</table>

a. Only major items are reported.

Source: Central Bank data; estimates (e) and projections (p) based on authors’ calculations.

To the extent that the government is still facing financial difficulties that restrict its ability to honour these commitments, implementing this budget will be complex.

The collapse of some sectors of the economy and the closure of many small and medium-sized companies (SMEs) have damaged the domestic tax base, forcing the government to depend primarily on the tax levies on cocoa. During the first months of 2005, however, an attempt was made by the government to increase taxes on several goods and services, for example in the sector of transport in urban areas and in that of poultry imports. This had little effect on public finances and, in addition, led to threats of strikes in the affected sectors. Other factors have been obstacles to increases in the domestic revenue. Several SMEs practice tax evasion, which is on the rise; they perceive this as a way of remaining in business during the crisis. As for exporters, they will be able to benefit from a VAT reduction on goods and services. For pineapple producers, the rate of the withholding tax on sales profits has been reduced from 2.5 per cent to 1 per cent. The Société des Transports Abidjanais (SOTRA), finally, has been exempted from VAT and customs duties on its acquisition of goods until December 2007.

On the whole, the situation of companies has worsened. In its fiscal policy, the government has thus provided for a range of measures aimed at rebuilding trust and stimulating business. It has established a classification system distinguishing totally or partially damaged companies from those indirectly affected (whose turnover dropped by at least 50 per cent in the last quarter of 2004). Depending on the classification,
specific tax regimes (often including exemptions) are applied, in particular to fixed taxes and profit taxes, and to employers’ contributions of end-2004 and 2005.

**Monetary Policy**

Monetary policy is conducted regionally by the BCEAO. Its primary objectives are to maintain parity between the CFA franc and the euro and to control inflation in the zone. The policies implemented by the BCEAO track those of the European Central Bank (ECB). The few divergences observed in BCEAO and ECB rates occur because for its members, the BCEAO takes into account their economic situation, the inflation rate and the liquidity of the banking sector. The inter-bank rate in 2005 was estimated to be unchanged, at 4.88 per cent, reflecting the stability of the quarterly inter-bank rate in the euro zone (2.1 per cent). In 2006, interest rates could increase if euro-zone interest rates rise to 2.2 per cent.

Despite the major disruptions to the economy, inflation was controlled, going from an average of 1.4 per cent in 2004 to 2 per cent in 2005. This was due to several factors: first was the good supply of food to the market and a rigorous monetary policy conducted by the BCEAO. In addition, consumers adapted their behaviour to the crisis by reducing their spending and buying more local products. Trade in basic foodstuffs was sustained, and no food shortages were noted. The slight rise in inflation was primarily due to increased electricity prices and transport costs. The rise in international oil prices affected the inflation rate both directly and indirectly in 2005, but inflation should remain within the limits of the West African Economic and Monetary Union (WAEMU) convergence criteria, that is, 3 per cent annually. In 2006, inflation could be around an annual average of 3 per cent.

**External Position**

The economy of Côte d’Ivoire, which relies largely on its agricultural exports, is characterised by a positive trade balance, but which has been declining since 2002. Control of the cocoa production in the midst of the crisis constituted a considerable benefit in the structure of the balance of trade. In 2005, exports recovered slightly compared with 2004.

Cocoa accounted for one-third of all exports in 2004 with 1,061,000 tonnes of bulk cocoa and 276,000 tonnes of processed cocoa, equal to 345,000 tonnes of beans. Bulk cocoa accounted for three-fourths of the country’s agricultural exports, while processed cocoa accounted for two-thirds of processed-food exports. Oil exports are rising. Refined oil increased particularly in 2004, following the resumption of oil-refining activities in the country. They increased by 38 per cent in volume and 64 per cent in value. Oil-product exports (including crude oil) thus recovered, in both volume and value, their 2000 level, totalling almost 15 per cent of exports, or 640,357 million CFA francs. Jet oil, gas oil and crude oil made up three-fourths of all Ivorian oil exports. The primary destinations for the refined products were Nigeria and the United States, which respectively accounted for 35 per cent and 14 per cent of the total volume. Côte d’Ivoire thus reassured its industrial and export power, and its role in regional energy supply.

Imports to Côte d’Ivoire rose in 2005 compared with 2004. Automobile imports increased by approximately 65 per cent in value. This rise was of greater benefit to used-car imports, which accounted for two-thirds of registered vehicles. Medicine was the third largest import item according to the integrated tariff of the European Communities (TARIC) ten-digit system, after oil and rice. It increased by 14 per cent to 79,873 million CFA francs. Crude oil (with 20 per cent of total imports) remains the leading import item of the country. The 14 per cent rise in volume and the jump in oil prices raised the bill by 76 per cent. These imports were met by Nigerian production.

Aggregate trade with the 25 member countries of the European Union (EU-25) reached 2,275 billion CFA francs. The EU-25 accounted for 42 per cent of supplies to Côte d’Ivoire. The Economic Community of West African States (ECOWAS), on its part, accounted for 25 per cent of aggregate trade, or 1,308 billion CFA francs, with a trade surplus of 236 billion CFA francs for Côte d’Ivoire. France
remained the leading trade partner. It was its second supplier, overtaken slightly by Nigeria. In 2005, Ivorian imports rose slightly, going from 25.8 per cent to 29.3 per cent of GDP. This trend should continue in 2006. In terms of exports, there was a slight fall in 2005, from 43.3 per cent of GDP in 2004 to 41.6 per cent. Still, if all parties adhere to the peace process, exports should improve in 2006 (Table 3).

In 2005, economic operators in Côte d’Ivoire adopted an attitude of caution waiting for the presidential election. In November 2004, they had already seen the upheaval wipe out most of the gains from that year’s recovery of industrial activity. Consumption thus slowed in 2005. If the peace process unfolds well, 2006 should be an improvement over 2005. Nonetheless, the institutional and organisational problems faced by the cocoa sector and the low remuneration of farmers (due to weak world prices) have imperilled the 2004/05 harvest. This latter has proved to be less prosperous than previous years, compounding the decline in cocoa revenues. The persistent smuggling of cocoa to Ghana in response to the sustained pressure on grower prices only makes these problems worse. Provided that oil prices remain very high, the rise in oil exports should, however, compensate the state for the reduction of cocoa revenues and could account for a significant share of the country’s revenue. Thus, export

### Table 3 - Current Account (percentage of GDP)

<table>
<thead>
<tr>
<th>Year</th>
<th>Trade balance</th>
<th>Exports of goods (f.o.b.)</th>
<th>Imports of goods (f.o.b.)</th>
<th>Services</th>
<th>Factor income</th>
<th>Current transfers</th>
<th>Current account balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>1997</td>
<td>11.4</td>
<td>35.0</td>
<td>-23.6</td>
<td>5.5</td>
<td>7.0</td>
<td>3.2</td>
<td>4.2</td>
</tr>
<tr>
<td>2002</td>
<td>24.1</td>
<td>44.5</td>
<td>-20.4</td>
<td>8.4</td>
<td>5.5</td>
<td>4.0</td>
<td>6.2</td>
</tr>
<tr>
<td>2003</td>
<td>18.5</td>
<td>40.9</td>
<td>-22.4</td>
<td>8.1</td>
<td>4.8</td>
<td>3.5</td>
<td>2.0</td>
</tr>
<tr>
<td>2004</td>
<td>17.5</td>
<td>43.3</td>
<td>-25.8</td>
<td>8.2</td>
<td>4.5</td>
<td>3.0</td>
<td>1.8</td>
</tr>
<tr>
<td>2005(e)</td>
<td>12.3</td>
<td>41.6</td>
<td>-29.3</td>
<td>8.2</td>
<td>4.5</td>
<td>3.0</td>
<td>1.8</td>
</tr>
<tr>
<td>2006(p)</td>
<td>12.1</td>
<td>42.0</td>
<td>-29.9</td>
<td>8.2</td>
<td>4.5</td>
<td>3.0</td>
<td>1.8</td>
</tr>
<tr>
<td>2007(p)</td>
<td>12.3</td>
<td>41.3</td>
<td>-28.9</td>
<td>8.2</td>
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</tr>
</tbody>
</table>

**Source:** Central Bank data; estimates (e) and projections (p) based on authors’ calculations.

### Figure 4 - Stock of Total External Debt (percentage of GNI) and Debt Service (percentage of exports of goods and services)

![Chart showing stock of total external debt and debt service](chart.png)

**Source:** IMF and World Bank.
revenue is expected to rise in 2005 to 6 billion dollars. Finally, the surplus in the Ivorian trade balance should improve if the country is reunified.

Côte d’Ivoire means to attract international investment by improving the business environment. It is planning to reinforce public-private partnerships and to implement an investment code that will guarantee legal security and the security of goods and people. In 2002, according to the United Nations Conference on Trade and Development (UNCTAD), the country was not among the African states most affected by the overall regression of foreign direct investment (FDI). Ranking 78th in the list of countries receiving the most FDI in the world, it is in 4th place among sub-Saharan African countries, behind South Africa, Angola and Nigeria. The economy shows signs of vitality and offers many diversification opportunities. These include private-sector projects supported by multiple partners, such as the construction of the Chinese embassy and the inauguration of that of the United States in August 2005. The country thus means to diversify its partners while continuing to rely on France, its historical partner.

The deterioration of the country’s external financial position runs the danger of casting doubt on the financial aid of the Bretton Woods institutions and of jeopardizing the reactivation of the debt-reduction process under the Heavily Indebted Poor Countries (HIPC) Initiative. This deterioration is characterised by an accumulation of arrears of payment due to the failure of meeting obligations to public and private creditors. The latest relief granted to Côte d’Ivoire goes back to April 2002. Marking the resumption of financial co-operation with its external partners, $911 million of debt were cancelled and debt servicing was reduced from $2.26 billion to $750 million between 1 April 2002 (date of the agreement with the Paris Club partners) and 31 December 2004. The debt reduction granted by foreign creditors required Côte d’Ivoire to comply with the three-year Poverty Reduction and Growth Facility (PRGF) Arrangement negotiated with the International Monetary Fund (IMF). This should have enabled further relief once the decision point of the HIPC Initiative had been reached. The process was, however, put on hold because of the crisis. At the end of 2003, the external debt of Côte d’Ivoire amounted to $12.2 billion, including $733 million in arrears of payment accumulated between 2002 and 2003. Multilateral debt accounted for approximately one-third of this total, more than 60 per cent of which was held by the World Bank. Members of the Paris Club held about two-thirds of bilateral debt, and the commercial banks in the London Club held the balance. In 2004, foreign debt equalled about 80 per cent of GDP, and debt servicing about 7.8 per cent of goods and services exports. Once again, the resumption of financial co-operation with Côte d’Ivoire remains dependent on the normalisation of the political situation and the agreement of all creditors concerned.

**Structural Issues**

**Recent Developments**

Côte d’Ivoire has always built infrastructure in compliance with international standards. Telecommunications services are good and include a public data network. New Information and Communication Technologies (NICTs) are indisputably part of the country, with a SAT-3 landing point in 2005, Internet access and several long-distance communication centres. Land-line telephony has been liberalised. Mobile telephony is growing strongly, with two large competitors – Orange and Telecel – sharing the market. In 2005, MTN, a South African telephone provider, entered the country and should become a serious competitor in the coming years. In 2004, this sector counted 1.5 million consumers. A new telecommunications code was promulgated in 2005. Infrastructure development has transformed Côte d’Ivoire, both commercially and industrially, into a modern state. The economic capital, Abidjan, however, which was considered the business centre of West Africa, has lost its place due to the crisis. Trade in the subregion now takes place via Senegal, Togo and Ghana.

The Ivorian education system, which complies with regional standards, includes international institutions with programmes based on those of excellent American
and French schools. However, many have had to close since November 2004. The recent economic and political problems have also delayed scheduled public investments. The project to set up a biotechnology and NICT free zone has not yet been started up, despite the fact that it would open non-negligible investment opportunities. Even though the government had made rural electrification a priority — seeking to connect 200 villages to the national network each year — a great many are still not equipped. Currently, approximately 25 per cent of the rural population has access to electricity, compared with 77 per cent in urban areas and 88 per cent in Abidjan. Here again, for infrastructure development to resume and Côte d’Ivoire to fulfil its potential of leading economy in the subregion, the return of political stability is absolutely essential.

The November 2004 hostilities were a background for looting that resulted in the destruction or closure of more than 150 SMEs, mostly held by the French community. A good number of Ivorians lost their jobs in the process. According to the Côte d’Ivoire Chamber of Commerce, some 30 000 jobs were lost in the space of a week. Even prior to these events, unemployment figures were not encouraging. Statistics from the national social welfare fund, the Caisse nationale de prévoyance sociale (CNPS), show that the 41 000 companies registered in the country employed only 478 000 of the 18 million Ivorians. Almost 64 per cent of the population is under 24 years old, and many young people are unemployed. To assist companies that were partly or totally destroyed, the state adopted special tax measures. These include, among others, employer contribution exemptions for the entire 2005 business year for all affected companies, VAT exemption on fixed assets that were destroyed, exemptions to fixed taxes as well as on profits and on employer taxes of end-2004 and 2005. These reforms should allow many economic operators to stabilise their finances.

The institutional and financial system for SMEs is maintained by several organisations: the Ivorian business institute, Institut Ivoirien de l’Entreprise, (INIE); the management centre, Centre de Gestion Agrée (CGA); and the Ivorian national business development fund, Fonds Ivoirien pour le Développement de l’Entreprise Nationale (FIDEN). Financial services for SMEs are mostly provided by an SME guarantee fund, the Fonds de garantie aux PME (FGPME). It is active in the sphere of all economic activities and offers a guarantee to financial institutions of 70 per cent of the project cost to a limit of 150 million CFA francs. Credit lines in secondary banks exist as an alternative to financing from international institutions. Access to banking services remains difficult, however. Financial institutions are also increasingly reluctant, given the high commercial risk associated with the political turmoil and the asymmetry of information.

In Côte d’Ivoire, the financial sector is in an oligopolistic situation. The large banks and new players (for example, the Bank of Africa) are attempting to expand to ensure access to banking services. The low rate of access to the banking sector in the country remains a major problem, however. The banking system includes 18 credit institutions (against 22 in 2003), 16 of which are banks (10 in 2003) and 2 financial institutions (5 in 2003). This fall in the number of banks is the result of the opening of the agricultural finance bank, the Banque pour le Financement de l’Agriculture, and mergers and acquisitions between the Société Générale de Financement et de Participation en Côte d’Ivoire and the Société Générale de Financement par Crédit-Bail. The disappearance of three credit institutions since 2003 is due to the withdrawal of the authorisation of the Fonds de Garantie des Crédits aux PME and to the merger-acquisition of Afribail-Côte d’Ivoire and the Compagnie Financière de la Côte d’Ivoire by the Société Générale de Banque en Côte d’Ivoire (SGBCI). Among the banks are eleven credit and general-banking institutions, one housing bank, two institutions specialised in SME financing, one bank specialised in agricultural financing and one national investment bank (formerly the Caisse Autonome d’Amortissement [CAA], which managed the public debt). The majority of financial institutions are focused on plant and property leasing.

The Ivorian banking sector is quite concentrated: the four main institutions account for approximately three-fourths of the total net assets (excluding the Banque nationale d’investissement [BNI]). Ivorian
credit institutions account for 31.3 per cent of all WAEMU bank balances, a share significantly lower than that of the Ivorian GDP in the regional economy (37 per cent). In 2005, the spotlight was to be on microfinance. Prior to the outbreak of the crisis, the development prospects of this sector were significant. In 2000, for example, the country counted 16 microfinance institutions, offering a total of 287 points of service (for about 331 000 customers), compared with 154 bank branches. The Bourse des Valeurs Mobilières Régionales (BVRM), located in Abidjan, offers alternative regional financing by enlarging the financial and banking market. This organisation suffered enormously from the crisis, however, due to the prevalence of Ivorian companies on its books.

In the past three years, non-tax receipts – privatisation earnings – grew from 4.3 billion CFA francs in 2003 to 9.3 billion in 2004. Since 2002, these have involved only marginal public holdings, with the exception in 2004 of shares in the country’s two largest banks, which were already subsidiaries of French banks (Société Générale and BNP-Paribas). During these three years, the difference between projected and actual privatisation earnings amounted to 26.5 billion CFA francs, or more than 50 per cent on average for the period. This reflects the incompatibility of the privatisation processes with the troubled period. The Ivorian state is still planning to withdraw from seven more companies in the coming years. These include: the SICOGI (construction and land management company), the SOTRA (Abidjan transport company), the COTIVO (Ivorian cotton company), HEVEGO (hevea company in Go), the SIB (a banking organisation), a 51 per cent subsidiary of the Crédit Lyonnais, the SIVAC (Ivorian slaughter and meat processing company) and the SIPEF (international palm plantation and finance company). Missing from this list of companies to be privatised is the SIR (the oil refining company), which is the last truly attractive public holding remaining. It is in fact the leading Ivorian company in terms of its turnover, $803 million in 2003. Yet its sale was considered crucial by the World Bank for rebuilding the Ivorian energy sector. An initial attempt at privatising the SIR was abandoned in 1999 (it had been awarded to the French company, Total, then cancelled by a court judgement). In 2003 and 2004, the company benefited from new market conditions in oil and was able to realise highly profitable margins. Freed from pressure from international organisations (which suspended operations in Côte d’Ivoire due to the crisis), the local authorities no longer intend to privatise the SIR, nor in fact Petroci, a company regrouping public holdings in oil and gas fields.

**Transport Infrastructure**

The inter-city road network in Côte d’Ivoire comprises more than 80 000 km of roads, including 6 500 km of paved roads. Urban roads account for about 10 per cent of the inter-city network, or around 7 000 km. The present value of this network is estimated at more than 4 000 billion CFA francs. The dirt-road network counts 20 000 km of extremely deteriorated roads and 150 000 km of impassable roads, which are interrupted at 523 points in 220 sections. The service of the network is generally very poor. The residual road surface and the width of the roads are so reduced that the average speed hovers around 35 km/hour. The road surface of the network, which was designed theoretically to last 15 years, is also seriously damaged. About 63 per cent of the network (4 100 km of paved road) are between 15 and 32 years old and need to be rehabilitated or reinforced. These repairs, estimated at 410 billion CFA francs based on an average current cost of 100 million CFA francs per kilometre, have become very urgent.

The country has a single railway line, which links Abidjan to Ouagadougou in Burkina Faso. It stretches over 1 156 km in Côte d’Ivoire and 518 km in Burkina Faso and is marked off with 35 stations and 18 stops. The network is managed by the Société d’exploitation des chemins de fer (Sitarail). A rail investment fund, the Fif, was set up with resources from the states and Sitarail to ensure future financing.

Côte d’Ivoire has two deep-water ports, Abidjan and San Pedro. The port of Abidjan (for its harbour zone) extends over 770 hectares and shelters 60 per cent of the country’s industries. It is the largest tuna port in
Africa. It has 33 berths on approximately 6 km of quay, with a capacity to handle 60 commercial boats with a number of specialised berths, a container terminal with four berths and three heavy gantry cranes for containers. The total quay level surface area is 407,568 square metres, for 143,507 square metres of warehouses and hangars. A port expansion project was developed but could not be launched because of the crisis. The port of San Pedro is equipped with two quays totalling 736 metres. The 155-metre south quay has a 4,000-square-metre warehouse dock at the rear. The 581-metre west quay is equipped with two warehouse docks of 4,800 and 5,000 square metres, a 250 tonnes/hour subterranean pipe for pumping palm oil into the ships, a 150 tonnes/hour grain conveyor for unloading wheat, a total of 9 hectares of quay level surface and a cement berth. An extension of the San Pedro port is also planned to the north of the current port to enable it to bolster its industrial role.

Prior to the crisis, Côte d’Ivoire had 3 international airports (Abidjan, Bouaké and Yamoussoukro), 14 regional airports (the main ones being Daloa, Korhogo, Man Odienné and San Pedro) and 27 airfields. All the airports were management by a public organisation, the Agence nationale de l’aviation civile et de la météorologie (ANAM), except for the activities carried out by the Agence pour la sécurité de la navigation aérienne en Afrique et à Madagascar (ASECNA) security agency. The Abidjan airport carries 90 per cent of the traffic and accounts for more than 95 per cent of the revenue of the sector. It is privately managed, following the signing of a contract with AERIA, a company set up in association with the Chamber of Commerce of Marseilles. Since 2002, air traffic has declined noticeably, and, with the exception of Abidjan, the airports have undergone extreme deterioration.

**Political and Social Context**

For more than three years, Côte d’Ivoire has been divided into the southern region, controlled by the government, and the northern region, held by the rebels. Despite some progress made in the national reconciliation process in 2005, the country remains at a political deadlock. The President of South Africa, Thabo Mbeki, the most recent international mediator to date, is attempting to advance the peace process. Among the notable changes to his credit is President Laurent Gbagbo’s new stance with regard to Alassane Ouattara, the leader of the opposition Rassemblement des Républicains de Côte d’Ivoire (RDR). The president conceded to use his special powers to allow Ouattara to be a presidential candidate, in contrast to the previous election in 2000. Ouattara returned from his voluntary exile in February 2006. The Security Council resolution 1633 of 21 October 2005, which ratified the African Union (AU) decision of 6 October 2005, decided to maintain Laurent Gbagbo as head of state for a period of twelve months. It imposes upon him a prime minister with enlarged powers, who is to lead the transition. His government has the priority goals of disarmament, reunification of the country and preparing the presidential election of October 2006. Disarmament, which has been postponed several times, should affect some 42,000 soldiers. The new government will not have an easy task. The rebels could first insist on the disarmament of the pro-government militia before disarming themselves, while the G7, a coalition of four opposition parties, is seeking to contest the national statistics institute, Institut national de la statistique (INS) in its constitution of the electoral register. According to the G7, this responsibility belongs to the independent electoral commission, the Commission électorale indépendante (CEI). Another prerequisite for presidential elections is the restoration of public administration in the regions under the control of the Forces Nouvelles. This is far from being achieved: despite the return of a few public servants (doctors, nurses and teachers for the most part) to the rebel zone, the resumption of administrative services is restricted to a few towns close to the ceasefire line. The Pretoria Agreement of April 2005 recommended to the AU and to the United Nations (UN) Security Council to impose appropriate sanctions on all parties that block the peace process. Resolution 1572 of the Security Council of 15 November 2004 had already authorised travel ban and asset freezing of any individual that might hinder the peace process. A confidential list of those who could be subject to these sanctions was
even compiled by the UN. However, it was not followed through. South African mediation, largely supported by the international community, was extended in October 2005 (during the Addis Ababa summit, not attended by the President of Côte d’Ivoire) by the AU Security Council. On the front line, tension rose in the west after the massacres near Duékoué in June 2005. The region was subsequently placed under military control. The town of Agboville was also the site of an attack, which followed an assault on the Anyama police squad and police station, during which nine people were killed by the assailants. Large stocks of arms were stolen. The January 2006 attack on two military camps in Akouédo caused tensions in Abidjan to increase and cast doubt on the possibility of gradual pacification and return to peace.

The UN decided to deploy 850 additional peacekeeping soldiers to reinforce the UNOCI (United Nations Operation in Côte d’Ivoire) contingent of 6 000 already in place. It also raised the possibility of calling on peacekeeping forces currently in Liberia and Sierra Leone, and authorised the deployment of 375 additional civil police (the contingent currently counts 725 police). UNOCI’s peacekeeping mandate was extended to 24 January 2006. Among those enforcing the mandate are 4 000 French soldiers from the Force Licorne.

Health and education have suffered greatly from the crisis. Since September 2002, hospitals and clinics in the north have received no government funding. The majority of labourers in this region have migrated south. According to the UN Population Fund, life expectancy at birth for the 2000-05 period was 46 years. Infant mortality was 118.3 per 1 000. The World Bank puts the mortality rate for children under five years at 191 per 1 000.

The social items of the government programme have been mostly frozen by the crisis. These include, in particular, free school books for children, and access to drinking water and health care for all. Plans for universal health insurance and to distribute antiretroviral medicines to those affected by HIV/AIDS have also been put on hold.

According to the Global Fund to Fight AIDS, Tuberculosis and Malaria, the crisis has resulted in the displacement of around 800 000 people, bringing about sexual promiscuity that could result in a strong rise in HIV/AIDS. Côte d’Ivoire is one of the countries most affected by the pandemic in West Africa, with 7 per cent of its 16 million inhabitants carrying the virus in 2003, according to UNAIDS. The infection rate today is stated to have reached 9.5 per cent of the population, but health workers estimate that this figure does not reflect what is a much more serious reality. To assess the true dimension of the phenomenon, it would be necessary to perform an new assessment of the disease. At the end of 2003, 570 000 people (children and adults) were living with the virus, among which there were 300 000 women from 15 to 49 years of age and 40 000 children under the age of 15. The number of deaths was estimated at 47 000 in the same year, while 310 000 children had lost at least one of their parents to AIDS. In September 2004, the government announced the first nationwide survey on HIV/AIDS, but this project has remained in limbo. Again, the crisis is responsible for the delay and is also a major obstacle in the campaign. The goal of treating 63 000 HIV-positive patients by end-2005 has become unrealistic. Several care units in the west have been destroyed, and a number of health facilities have been closed in the north, where medical workers remain reluctant to go.

The crisis also paralysed national education, which has still not found its bearings. In 2005, success rates in schools and universities were low. Several schools were closed in the rebel-controlled zones. The few institutions thatstrived to remain open did not function properly and had to call on volunteers (about 4 500 in two years) to replace public teachers who had fled to the south. The University of Bouaké, totally sacked at the start of the crisis, opened a temporary campus in Abidjan. While 12 000 students managed to flee the north, those remaining in Bouaké are deprived of schooling. The Ministry of Higher Education asked UNOCI and the government of Japan to underwrite the reconstruction of the University of Bouaké, estimated at 7 billion CFA francs. The launch of this project stands in contrast to the political stalemate.
Resuming economic and social activity after the conflict is proving difficult. In-depth evaluations to assess specific needs are necessary in order to implement appropriate programmes. The social priorities for 2006 and 2007 should target food security, health, water and hygiene, protection, and education, with urgent aid for the vulnerable. Efforts should also be made to redeploy teaching and medical staff in the north, and to encourage the return of displaced persons. This cannot take place without protection measures for these persons. The government will also have to make a priority of rebuilding health centres and schools, and of supplying them with medicine and teaching material. The development of agricultural activity, particularly the reconstitution of herds, should also be a key element in stabilising the living conditions of the most vulnerable parts of the population. Finally, the state will also have to tackle rebuilding national cohesion and reducing inter-community and inter-ethnic tensions in a country that was actually accustomed to cultural diversity. All Ivorians will have to learn to live with each other again, for they are linked together by a common historical destiny. Promoting cultural diversity is most likely to give rise to a strong civil society that will be able to build a society free of ethnocentrism and religious tension.