

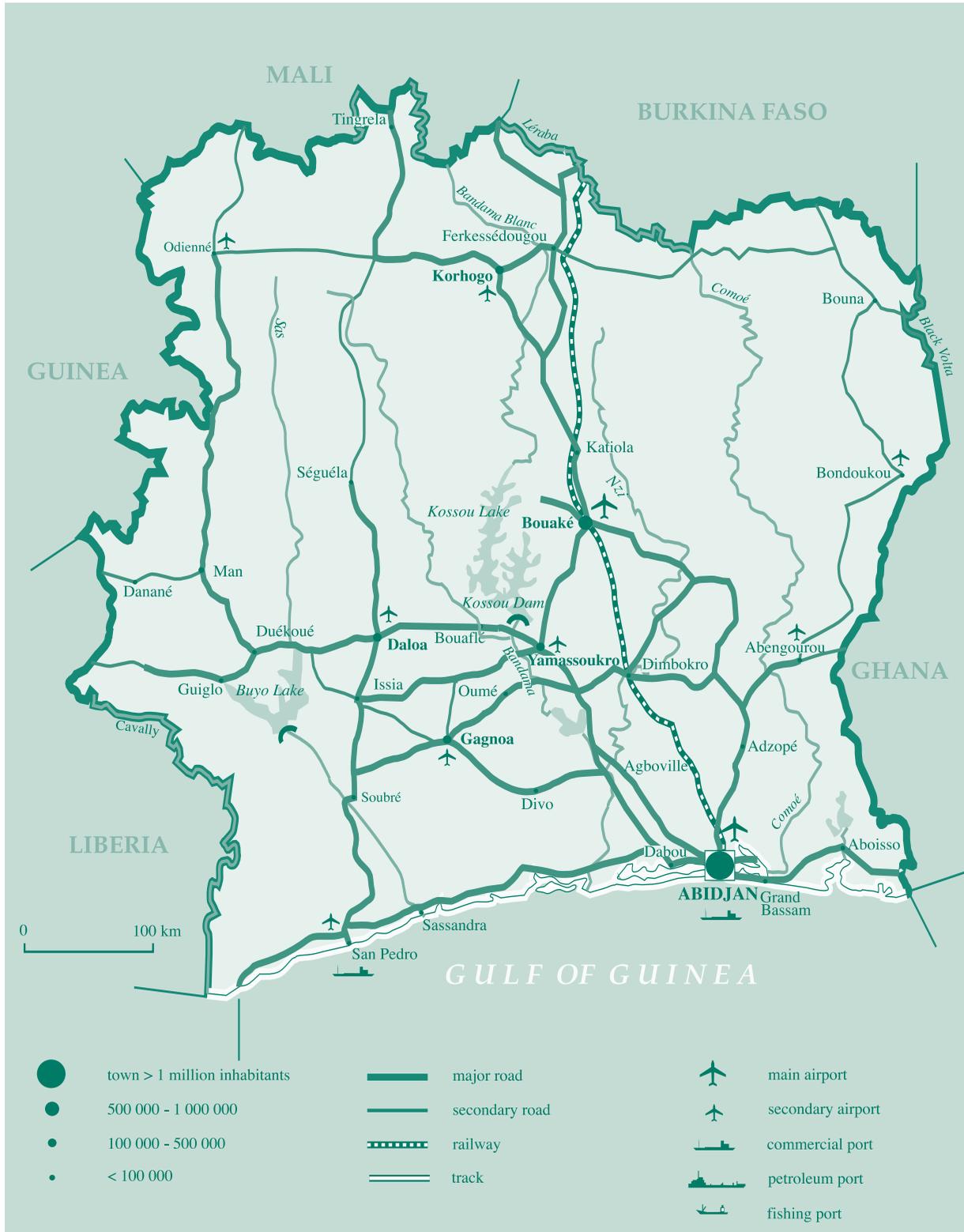
Côte d'Ivoire



key figures

• Land area, thousands of km ²	322
• Population, thousands (2006)	18 454
• GDP per capita, \$ PPP valuation (2006)	1 393
• Life expectancy (2006)	46.2
• Illiteracy rate (2006)	51.3

Côte d'Ivoire

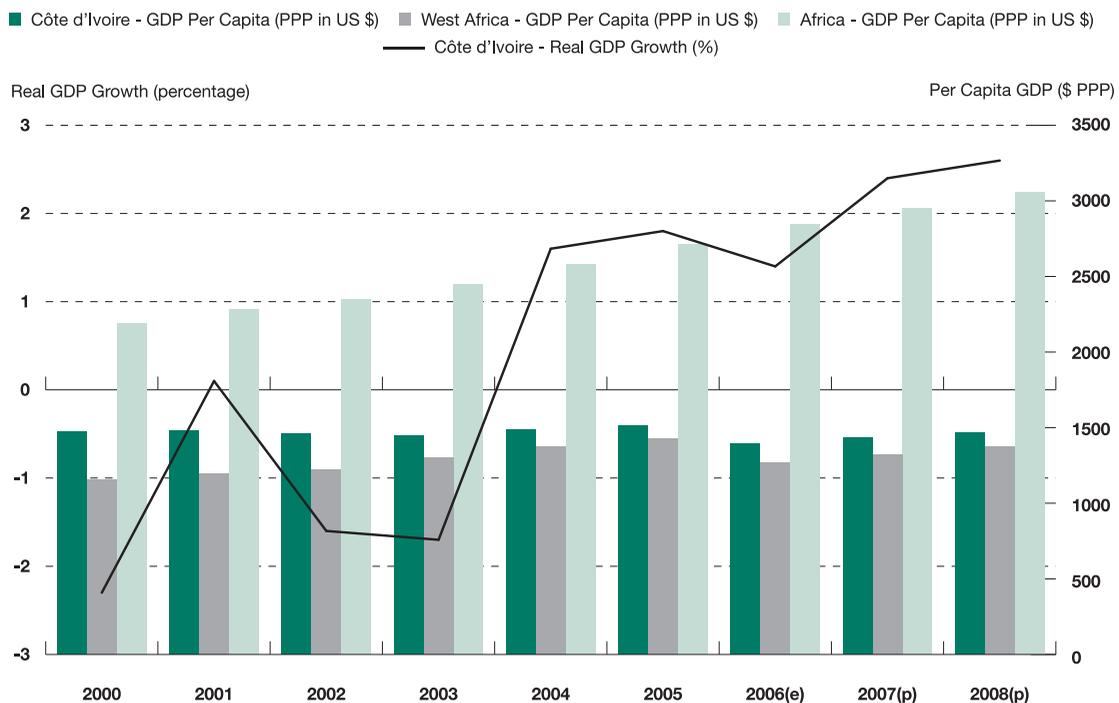


DESPITE THE POLITICAL CRISIS THAT HAS been ongoing since 2002, Côte d'Ivoire's economy nonetheless registered growth estimated at 1.2 per cent in 2006, following a 1.8 per cent increase in 2005. In 2005 growth was stimulated by the start of construction of new oil wells and the arrival of new telecommunication operators on the market. The slowdown observed in 2006 resulted from delays in the start of reconstruction works, themselves incurred by delays in the peace process and an ongoing climate of insecurity.

At the political level, 2006 was marked by the collapse of UN resolution 1633, which meant that elections could not take place; it was also marked by the voting of a new resolution 1721 prolonging the mandate of the president of the republic for one year and maintaining the prime minister in power. The year was equally marked by the toxic waste scandal, which led to the resignation of the government for the first time in the history of the country.

Growth has been positive since 2005, thanks to new oil wells and the arrival of new telecommunications operators.

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



Source: National Statistics Office data.

<http://dx.doi.org/10.1787/125480464137>

Recent Economic Developments

In 2006, preliminary results for the first nine months of the year indicated a 2.4 per cent growth in food production over the 2006/07 agricultural campaign against 2.8 per cent in 2005/06, owing to favourable climactic conditions. With regard to production of principal export crops, the cotton harvest increased by 11.3 per cent year on year, reaching 256 000 tonnes. Since the 2002 crisis, cotton production, which is mostly based in the north of the country, has encountered considerable difficulties in terms of supply (phytosanitary products and fuel), financing and transport. Nevertheless, the corrective measures taken by producers to remedy the input supply difficulties seem to have borne fruit. Coffee production increased by 2.7 per cent to reach 115 000 tonnes, while cocoa production is estimated at 1 350 000 tonnes, 3.6 per cent more than in 2005/06. The coffee-cocoa sector is comprised of around 600 000 farms and provides a living, directly or indirectly, for nearly 6 million people. Thanks to its geographical location (in the southern and south-eastern part of the country) production suffered comparatively less from the effects of the crisis.

Cocoa production also benefited from the securing of the transport corridors between production zones and the ports, notably that of San Pedro. All the same, the sector has been weakened by the crisis, in particular because of cocoa smuggling to Ghana and Burkina Faso, and is suffering from the significant impact of institutional factors. Effectively, high taxes on cocoa exports tend to unbalance the distribution of profits, to the detriment of producers. The export tax (*Droit Unique de Sortie* - DUS) and various other taxes are estimated at more than 300 CFA francs per kilogramme for a factory purchase price of around 350 to 380 CFA francs per kilogramme. This level of taxation weighs equally on the price competitiveness of the sector. Against this background the national association of coffee and cocoa producers (*Association Nationale des Producteurs de Café-cacao de Côte d'Ivoire* - ANAPROCI) that unites the majority of the 600 000 planters in the country, has denounced the new purchase price for beans set by the coffee and cocoa

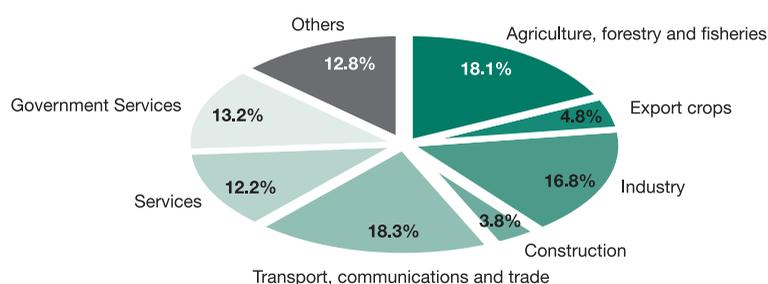
exchange (target/indicative purchase price margin *Bourse du Café et du Cacao* - BCC) which was fixed at 400 CFA francs per kilogramme. The planters had called for 600 CFA francs per kilogramme, deeming the price of 400 CFA francs low given the high taxes, and furthermore called for a reduction of 100 CFA francs per kilogramme of the DUS, which is currently 220 CFA francs per kilogramme.

It would appear that productivity in the coffee-cocoa sector has registered a general decrease, probably linked both to ageing of the production fields and to fewer phytosanitary treatments. Indeed, without a guaranteed minimum price and with producer prices so low, the latter are finding it difficult to apply effective treatments, which also have an impact on the quality of the beans produced. To this end, since December 2006 the European Union has financed a coffee-cocoa quality improvement programme worth 1.2 million CFA francs, to be executed by the Ministry of Agriculture, with the help of the United Nations Industrial Development Organization (UNIDO). The programme's aim is to prevent the contamination of coffee and cocoa beans with Ochratoxin A, a toxin produced by micro fungi.

In the mining sector, activity was highly dynamic in 2005, due to the combined effect of a net expansion in oil extraction and an increase of gold and gas production. Following the activation of the Baobab oilfield in August 2005, oil production has registered strong growth (more than 83.2 per cent) for the fourth consecutive year since 2002, with record production of 14.5 million barrels (almost 2 million tonnes). Gold production reached 1 637.7 kilogrammes, which represents growth of 28.7 per cent over 2004, coinciding with the implementation of security measures and the relative calm observed in production zones. After having increased by 10 per cent in 2005 to reach 1 742.3 million m³, gas production fell in 2006 as a result of the silting up of wells. Because of its location in the northern zone, no statistics regarding diamond production exist.

Activity in the secondary sector, which had suffered more than the primary sector from the intensification

Figure 2 - GDP by Sector in 2005 (percentage)



Source: Authors' estimates based on Ministry of Economy and Finance data.

<http://dx.doi.org/10.1787/844744475874>

of political troubles at the end of 2004, recorded an upturn in 2005, with the industrial production index growing by 3.7 per cent compared to 3.2 per cent in 2004. The textile-shoes and wood sectors also suffered the effects of the political crisis, production again showing a strong decrease compared with 2004. Over the first seven months of 2006, industrial production grew by 10.6 per cent, an evolution essentially due to the strong increase in the index of the extraction industries, with oil and gas production practically doubling. On the other hand, manufacturing industries declined by 0.9 per cent as a result of the 4.5 per cent decrease in agro alimentary production and the 22 per cent decrease in textile industry production, their sub-indicators decreasing by 4.5 per cent and 22 per cent respectively. The electricity, gas and water sectors for their part have fallen by 1.7 per cent.

The tertiary sector has suffered most from the economic impact of the political troubles. In 2005, almost all branches of the sector recorded a slowdown. Overall maritime traffic (18.6 million tonnes) only increased by 5 per cent in 2005 compared with 17.7 per cent in 2004. Air transport posted mediocre results, with the overall number of passengers decreasing in 2005. Retail sales, measured by the sales index, remained stable (up 0.6 per cent) in 2005. Over the first nine months of 2006, the retail sales index declined by 0.9 per cent due to the effect of the downturn in sales of oil products, cars, motorcycles and parts. The distribution sector fell victim to the negative effects of the toxic waste scandal.

On the demand side, growth was fed by the resumption of external demand and a light recovery in

Table 1 - Demand Composition (percentage of GDP)

	1998	2005	2006(e)	2007(p)	2008(p)
	Percentage of GDP (current prices)		Percentage changes, volume		
Gross capital formation	16.0	9.3	-4.3	2.1	6.4
Public	6.0	2.7	-10.0	5.0	10.0
Private	10.0	6.6	-2.0	1.0	5.0
Consumption	76.2	84.2	2.4	2.7	2.7
Public	10.0	13.9	4.0	3.5	4.1
Private	66.2	70.3	2.1	2.5	2.5
External sector	7.8	6.5			
Exports	36.9	50.6	2.1	1.8	2.2
Imports	-29.1	-44.1	3.3	2.5	3.5

Source: National Statistics Office data; estimates (e) and projections (p) based on authors' calculations.

<http://dx.doi.org/10.1787/686577802785>

domestic consumption. It is estimated that final consumption increased by 2.4 per cent in 2006. However, investments decreased by 4.3 per cent, mainly due to the fall in public investment (down 10.2 per cent) and, less obviously, a slump in private investment (down 2.0 per cent). A light recovery is forecast for 2007 and 2008.

Macroeconomic Policy

Fiscal Policy

In 2005, the ongoing crisis continued to weaken the fiscal policy implemented by the Côte d'Ivoire government. Revenues were 1 251.2 billion CFA francs, an increase of only 0.7 per cent compared to 2004, which can be explained by the closure of numerous small and medium-sized enterprises (SME), which reduced the tax base and intensified the dependence of the budget on coffee and cocoa taxes. Unfortunately, the coffee and cocoa sector has also experienced a number of difficulties, including smuggling of part of production to neighbouring countries, and malfunctions in the customs services, which have weighed on revenues. The revenue losses recorded on the DUS export tax have been offset by better performance by the *Direction Générale des Impôts* (Inland Revenue), notably in tax-collection on profits. Public spending, valued at 1 704.6 billion CFA francs in 2005, increased by 2.3 per cent over 2004, due to a more than 7.7 per cent rise in current expenditure, which accounted for 80 per cent of total public spending in 2005. Interest payments on public debt have decreased consistently since 2001. The fiscal deficit (commitment basis, including grants) was valued at 138.8 billion CFA francs, or 1.7 per cent of GDP for 2005. In 2006, the situation was reversed; the *Direction Générale des Douanes* (Customs) posted higher revenue than expected, while the *Direction Générale des Impôts* (Inland Revenue) posted less.

Adopted over a year late by the Council of Ministers on 14 June 2006, the 2006 budget rests on the assumption of an emergence from the crisis, with a prudent but positive macroeconomic forecast. It is balanced at 1 965.3 billion CFA francs, an increase of 13.3 per cent compared with 2005, and is aimed at

financing government priority actions related to a return to peace (demobilisation, disarmament and reinsertion, identification, organisation of elections). State resources for 2006 are calculated at 1 965.3 billion CFA francs, of which 1 535.9 billion CFA francs are from domestic resources, or 78 per cent of the total, external resources representing the more modest amount of 429.4 billion CFA francs. The main multilateral and bilateral stakeholders financing programmes to emerge from the crisis through scheduled donations, calculated at 93.6 billion CFA francs, are the World Bank, the International Monetary Fund (IMF), the UN Development Programme, the European Union, France, Belgium and Denmark. State expenditure for Côte d'Ivoire reached 1 965.3 billion CFA francs in 2006, which represents an increase of 13 per cent, principally due to efforts devoted to building peace. Recurrent expenditure represents 1 091.5 billion CFA francs, or 55.5 per cent of the total, and is allocated as follows: personnel (586.3 billion CFA francs), subscriptions/supplies (35 billion CFA francs) and operations (470.2 billion CFA francs). Debt servicing is assessed at 576.4 billion CFA francs, or more than 29 per cent of the total budget (84 per cent of the amount executed in 2005) covering all current instalments.

Under the fiscal annex of the 2006 Finance Act, the reforms undertaken by the state since 2001 have been continued. This authorises a certain number of measures, of which the most important is the lowering of the commercial tax rate, from 35 per cent to 27 per cent on industrial and commercial profits (*benefices industriels et commerciaux* - BIC) and on commercial agricultural profits. The 25 per cent tax rate applicable to new information technologies and to small and medium-sized industries (SMI) has been extended to all SMEs. This measure is the result of negotiation between the private sector, notably the Côte d'Ivoire employers, and the Minister of Economy and Finance. The following measures should also be noted: *i*) cancellation of some tax arrears that were due on 31 December 2004; *ii*) improvement of procedures and reimbursement of VAT tax credits; and, *iii*) implementation of state control. The intended aim is to simplify the VAT reimbursement procedure for corporations.

Table 2 - Public Finances (percentage of GDP)

	1998	2003	2004	2005	2006(e)	2007(p)	2008(p)
Total revenue and grants	19.1	17.6	18.5	18.2	17.9	17.7	17.6
Tax revenue	15.1	15.0	15.2	14.5	15.0	14.6	14.5
Grants	0.7	0.5	0.9	1.1	0.3	0.5	0.5
Consolidated expenditure	20.7	20.2	20.4	19.9	19.9	19.8	20.0
Current expenditure	14.7	17.4	17.1	16.9	17.3	17.2	17.3
<i>Excluding interest</i>	<i>10.9</i>	<i>14.7</i>	<i>14.8</i>	<i>14.9</i>	<i>15.7</i>	<i>15.6</i>	<i>15.7</i>
Wages and salaries	5.5	6.8	6.7	6.5	6.8	6.9	6.9
Interest	3.8	2.7	2.3	2.1	1.6	1.6	1.5
Capital expenditure	6.0	2.7	3.2	2.7	2.5	2.5	2.6
Primary balance	2.1	0.1	0.4	0.3	-0.4	-0.5	-0.8
Overall balance	-1.6	-2.6	-1.8	-1.7	-2.0	-2.1	-2.3

Source: National Statistics Office data; estimates (e) and projections (p) based on authors' calculations.

<http://dx.doi.org/10.1787/073771368836>

The overall balance (commitment basis, excluding grants) is still changing, but is coming out positive at 94.9 billion CFA francs at the end of June 2006 against 70 billion CFA francs during the same period in 2005. This improvement is due to an increase in total revenue greater than that of spending and net loans. The rise in current expenditure was limited to 4 per cent. Capital expenditure remained relatively weak because of financial constraints experienced by the country due to lack of external financial support. According to the Central Bank of West African States (BCEAO), public finances deteriorated in 2006. The financial operations of the state resulted in an overall deficit (commitment basis, excluding grants) of 0.4 per cent of GDP, linked to the rise in public administration expenditure on stipends and salaries. Thus, in terms of macroeconomic convergence and of the first order criteria, the negative budgetary balance (-0.4 per cent of GDP), fails to fulfil the community norm.

Financial Policy

Financial and credit policy are implemented at regional level by the BCEAO, whose main mission is to preserve parity between the franc CFA and the euro and to control inflation. Monetary policy in the zone is thus rigorous, following the example of the European Central Bank (ECB), with a tailored level of foreign exchange reserves. The only difference is that in its monetary policy, the BCEAO takes into account the economic situation of its member countries. Effectively,

it remains attentive to the evolution of their economic and financial situations, in particular the impact of oil prices on domestic prices, the conduct of agricultural campaigns, trends in credits to the economy and liquidity. In 2005, the monetary authorities adopted a prudent monetary policy while creating favourable conditions for financing to the economy. Net external credit progressed from 9.8 per cent compared with 2004 to reach 704.5 billion CFA francs. Private sector credits reached 1 189.3 billion CFA francs, an increase of 1.3 per cent. Money supply increased by 7.4 per cent to reach 2 081.2 billion CFA francs. On an annual basis, credits to the economy contracted by 3.7 billion CFA francs or 0.3 per cent. Money supply, up by 0.6 billion CFA francs, stabilised at 2 047.9 billion CFA francs at the end of June 2006. Compared with June 2005, aggregate liquidity rose by 8.2 per cent.

As regards inflation, responses for the first five months of 2006 attest to a 2.4 per cent grow in the consumption price index as against 4.1 per cent over the same period in 2005, and over the entire year, inflation reached 2.5 per cent under the effect of a rise in the price of fish products, oil products and transport services.

External Position

The recovery of external trade was confirmed in 2005, even if still marked by the effects of the crisis. Generally, external trade increased by 3.3 per cent in volume, owing to the simultaneous growth of imports

(2.5 per cent) and exports (3.9 per cent). In value, imports rose by 18.5 per cent and exports by 8 per cent. The deterioration of the trade balance observed since 2002 was confirmed in 2005, when it reached 14.5 per cent of GDP. This downturn apparently continued with a trade balance of 12.9 per cent of GDP in 2006 because of a drop in cocoa exports and a rise in imports of equipment goods. The weakness of the international cocoa markets and the rise in imports could not be totally offset by the increase in the oil surplus resulting from the strong rise in the international price of energy. The current account balance was for the first time in

deficit by 6.6 billion CFA francs (approximately 0.3 per cent of GDP), an evolution that can mainly be attributed to the deterioration of the trade balance. Raw cocoa exports have been decreasing regularly since 2002 (a cumulative decrease of 30 per cent in four years): they accounted for 27 per cent of exports in 2005 as against 40 per cent in 2002. At the end of November 2006, 200 000 tonnes of cocoa were ready for export, as against 300 000 tonnes for the same period in 2005, which constitutes a significant loss to recoup, as much for exporters as for the state, which loses substantial tax revenue in this way, notably on the DUS export tax.

Table 3 - Current Account (percentage of GDP)

	1998	2003	2004	2005	2006(e)	2007(p)	2008(p)
Trade balance	13.1	18.5	16.6	14.5	12.9	13.5	12.9
Exports of goods (f.o.b.)	34.6	40.9	43.3	44.3	45.1	43.7	42.9
Imports of goods (f.o.b.)	21.6	22.4	26.7	29.9	32.1	30.2	29.9
Services	-7.1	-8.1	-8.2	-7.9	-8.3	-8.1	-8.2
Factor income	-5.5	-4.8	-4.2	-4.0	-3.9	-6.0	-5.8
Current transfers	-3.1	-3.5	-3.0	-2.8	-2.8	-1.0	-1.0
Current account balance	-2.7	2.0	1.2	-0.3	-2.1	-1.6	-2.0

Source: Source: National Statistics Office data; estimates (e) and projections (p) based on authors' calculations.

<http://dx.doi.org/10.1787/385820705017>

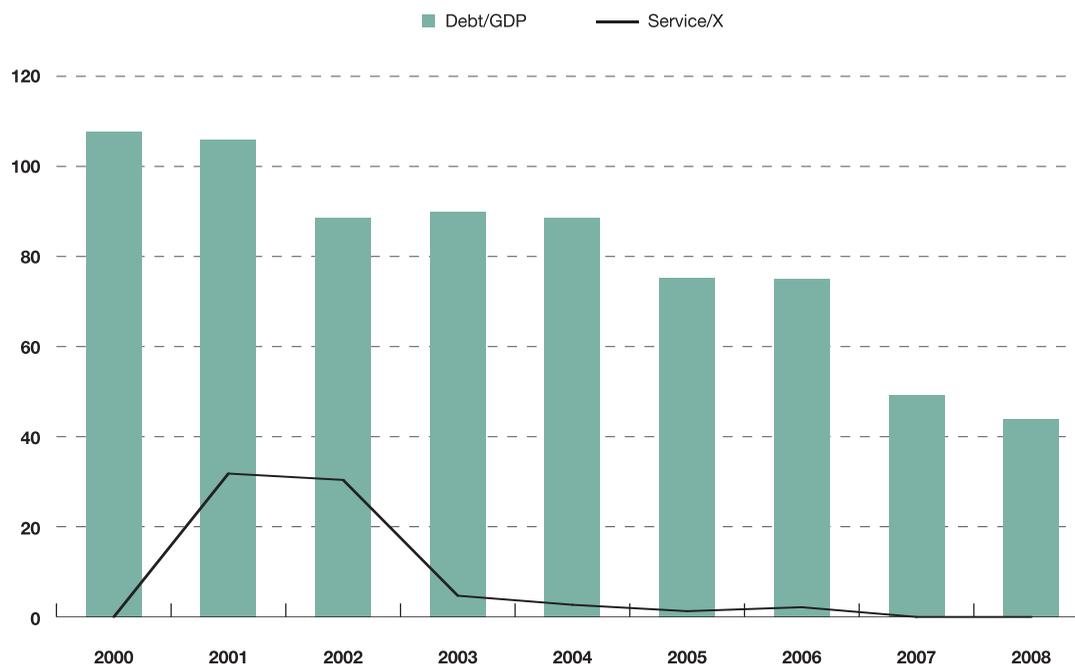
Although the country has exported oil since 2002, the increase in imports was primarily the result of the rise in oil prices. Imports went from 576.5 billion CFA francs in 2004 to 867.8 billion CFA francs in 2005. Imports of equipment goods (spare parts or new equipment such as machines, engines and utility vehicles) reached 1 077.4 billion CFA francs in 2005, as against 838.9 billion CFA francs in 2004, owing to the positive development of most industrial branches. Furthermore, imports of consumables grew overall. Purchases of medicines, which are third in rank in imports after oil and rice, grew by 14 per cent. In 2006 exports showed a stronger performance linked to the rise in exports of oil products but imports increased as well. Thus the current account balance, excluding transfers, showed a surplus equivalent to 0.7 per cent of GDP, as against 2.5 per cent in 2005.

In terms of international agreements, Côte d'Ivoire is a member of the *Conseil de l'Entente* between Benin, Burkina Faso and Niger, of the West African Economic

and Monetary Union (WAEMU) and of the Economic Community of West African States (ECOWAS). The resumption of financial assistance from the Bretton Woods Institutions and the restarting of the debt reduction process within the framework of the Heavily Indebted Poor Countries (HIPC) Initiative, from which Côte d'Ivoire began benefiting in 1998, are urgent priorities. They are still nonetheless secondary to the normalisation of the political situation. In 2005 and 2006, the government instigated discussions with the IMF for a post-conflict aid programme, which became active on signature of a letter of intent by the prime minister. In tandem with the World Bank, \$100 million of support for the National Disarmament, Demobilisation and Reintegration Plan (PNDDR) was negotiated in June 2006. These programmes nonetheless remain linked to the discharge of arrears owed to the World Bank, which reached a total of 200 billion CFA francs.

The last reduction of its public debt from which Côte d'Ivoire was able to benefit was agreed in April

Figure 3 - Stock of Total External Debt (percentage of GDP)
and Debt Service (percentage of exports of goods and services)



Source: IMF.

<http://dx.doi.org/10.1787/406813772163>

229

2002. This relief, which corresponded with a preliminary agreement to the strengthened HIPC Initiative, marked the resumption of financial co-operation between Côte d'Ivoire and its foreign partners. It translated into debt cancellation of \$911 million and the reduction of debt servicing from \$2.26 billion to \$750 million between 1 April 2002 (the date of the agreement with the Paris Club creditors) and 31 December 2004. The relief granted by foreign creditors assumed that Côte d'Ivoire would respect the terms of the three-year agreement concluded with the IMF under the Poverty Reduction and Growth Facility (PRGF), and it would have allowed further relief once the HIPC Initiative decision point had been reached. This process was interrupted however by the crisis. The overall public debt of Côte d'Ivoire was estimated at 5 524.7 billion CFA francs at end 2005, which is 64.1 per cent of GDP and 128.8 per cent of goods and services exports. This amount includes 4 746.3 billion CFA francs of foreign debt (55.1 per cent of GDP and 109.9 per cent of goods and services exports) and 778.4 billion CFA francs of domestic debt (9 per cent of GDP). Compared with 2004, there has been a 2 per cent reduction of 97.4 billion CFA

francs. Outstanding external debt is broken down primarily between multilateral creditors (1 593.8 billion CFA francs), members of the Paris Club (1 991.5 billion CFA francs), and the London Club (1 123.5 billion CFA francs).

Structural Issues

Recent Developments

The unfavourable situation created by the socio-political crisis does not prevent the government from continuing to take measures to lighten the negative effects of the crisis. Notable advances took place in 2005.

At public administration level, the national steering committee for the reorganisation of the administration (*Comité National de Pilotage du Redéploiement de l'Administration* - CNPRA) implemented a pilot project to return state agents to the western region (3 756 civil servants in total) and to rehabilitate public buildings,

roads and water services, with the aim of facilitating the return of populations to the occupied zones. After execution of this pilot phase in the west, the CNPRA then carried out a census of displaced civil servants. Around 15 000 agents were waiting to reclaim their posts. The crisis strongly deteriorated transport and administrative infrastructures.

In the agricultural sector, measures were taken in the coffee-cocoa sector in order to reduce indirect taxes, brought from 54.26 CFA francs per kilogramme to 53.15 CFA francs per kilogramme. These measures followed the rationale of decree n° 420 of 21 October 2005 fixing of the level of taxes and dues for 2005/06 agricultural campaign. In addition, the authorities strengthened the monitoring and control of financial movements by putting in place a reliable information system for levies and allocations. In the medium term, the steering committee report must be published so that the reforms can be strengthened and the second phase of the financial audit of the sector must be finalised. The first phase of audit took place in July 2003.

In the energy sector, the leasing contract with the electricity company, *Compagnie Ivoirienne d'Electricité* (CIE) was extended in September 2005. This extension was accompanied however by major provisions including, notably: (i) regular monitoring of contract execution; (ii) setting up a fund equipped with a management committee; and, (iii) the possibility or revising the contract every five years. These provisions, which enable the institutional framework to be improved, will contribute to stabilising the financial situation of the sector (given the implementation of recommendations from the tariff study of the sector). It should however be noted that the electricity sector is widely stricken and there are not inconsiderable risks of disturbance in the medium term, despite the increase in the level of rural electrification.

In 2005, the banking system was comprised of 19 credit establishments, of which 17 were banks (16 in 2004) and 2 were financial establishments. These developments were due to authorisations granted to the *Banque Régionale de Solidarité Côte d'Ivoire* (BRS-Côte d'Ivoire) and to Citibank Côte d'Ivoire, and to the

withdrawal of the authorisation of the Citibank NA-Abidjan branch. The financial institutions are characterised by activity mainly oriented towards lease-purchasing of property and goods. The *Caisse Nationale des Caisses d'Epargne* (CNCE), formerly the *Caisse d'Epargne et des Chèques Postaux* (CECP), was set up as a banking establishment by decree n° 2004-565 of 14 October 2004, bringing an increase in capital and transforming the CNCE into a bank. This new structure has delayed implementing the reforms recommended under the framework of the restructuring, which has brought about a new accumulation of arrears with the state. With the perspective of absorbing these, through decree n°2005-306 of 29 September 2005 for the financial restructuring of CNCE, the government accepted the discharge of the cumulative losses covering the 1999-2003 period and the capital conversion of a part owed to the Treasury. The lifting of these constraints enabled the transformation of CNCE into a bank.

Following devaluation of the CFA franc in 1994, a labour consultation commission was put in place in Côte d'Ivoire in order to consider a new standard salary grill for the different sectors of the economy. The work of this commission resulted in the signing of agreements between the state, the three central unions and Côte d'Ivoire employers, and in an official salaries scale for Côte d'Ivoire. This document establishes a minimum professional wage (SMIG) and a minimum agricultural wage (SMAG) set at: 211 CFA francs per hour, or 36 607 CFA francs per month for industry; at 333 CFA francs per day for the agricultural sector; and, at 581 CFA francs per day for the forestry sector. Executive salaries are fixed by negotiation between employer and employee.

The telecommunications sector has developed appreciably despite the crisis. Introduced in Côte d'Ivoire in 1996, GSM (global system for mobile) cellular mobile telephony is today operated by three licensed enterprises: Orange Côte d'Ivoire, MTN-Côte d'Ivoire and Atlantique Télécom, which launched its activities in June 2006 under the brand name of "Moov". The US enterprise, Comstar Cellular, which also held an operating license, ceased activity three years previously. The mobile telephony market is constantly

moving, with operators competing in ingenuity to offer the best solutions to their clients at the most competitive prices. However, Orange Côte d'Ivoire, a subsidiary of the France Télécom group, is predominant in the market by number of subscribers. Where geographical coverage is concerned, the most recent arrival (Moov) is the least well represented nationally, while Orange Côte d'Ivoire and MTN Côte d'Ivoire cover more than half the country. Around seven companies provide Internet access in Côte d'Ivoire. This relatively young market is rapidly developing thanks to the lowering of connection charges. Clients are mostly from the professional sector, as access costs are still high for the average individual. These latter prefer Internet cafés that offer cheaper rates, with one hour of connection often costing just 250 CFA francs. According to the figures published by the Côte d'Ivoire telecommunications agency, in terms of subscriber numbers the market is dominated by Aviso, a subsidiary of Côte d'Ivoire Télécom, followed by Africa Online and Afnet. Internet service suppliers offer solutions graded according to client category and their needs. In 2003, Côte d'Ivoire Télécom launched an ADSL product, which enables the high-speed transmission of multimedia data via the telephone network.

Access to Potable Water and Sanitation

In Côte d'Ivoire, the population is supplied with potable water in three ways: urban water systems, village water systems and improved village water systems.

In urban areas, the institutional arrangement for managing potable water services centres on a private operator, SODECI, (*Société de Distribution d'Eau de Côte d'Ivoire*), which operates the national potable water supply system under a 20-year leasing contract (1987-2007). With the support of the World Bank, in 1987 the government of Côte d'Ivoire introduced a reform formalised through several decrees, notably decree n°87-1471 of 17 December 1987, which approved the concession agreement signed between the state and SODECI for the public water distribution service. SODECI is a subsidiary of the French urban and rural planning enterprise, Saur (*Société d'Aménagement Urbain et Rural*). Within this

framework, SODECI is responsible for routine operation of the service in terms of treatment, distribution and billing of potable water in the country's towns and cities. The state of Côte d'Ivoire however, which owns the installations, decides on which investments to make to extend the network. To this end, the water management department, the *Direction de l'Eau*, which became the *Direction de l'Hydraulique Humaine* (DHH) (Department for Potable Water), represents the government in the management and operation of the conceded service. The DHH, which reports to the Ministry of Economic Infrastructure, is in charge of monitoring the exploitation of state holdings, that is to say, the creation of national policy for water resource programmes and implementing research, assessment, protection and mobilisation programmes for potable water consumption. It is also charged with organising and monitoring construction and maintenance of facilities related to the production and public distribution of potable water.

The 1987 institutional reform also structured village water resources. This made the DHH the main actor in village water resources and thus gave it control of the national policy for both urban and village potable water. However, in rural areas, follow-up of execution of projects is undertaken by the *Direction Nationale de l'Hydraulique Villageoise* (DNHV) (national department of rural water systems). Provision of potable water to rural communities was realised through the *Programme National d'Hydraulique Villageoise* (PNHV) (national programme for rural water systems) that was set up in 1973 in order to exploit underground water resources via wells and boreholes to supply potable water to the rural population. However, difficulties appeared in the strategy to supply rural groups, notably, the high cost of operations and the lack of adequate equipment in semi-modernised villages, as well as the virtual absence of technical assistance related to the completion of works. To remedy these problems, an improved village water system (*système d'hydraulique villageoise améliorée* - HVA) was introduced in 1990. In rural areas, the population is responsible for its exploitation and maintenance within the framework of the DHH. To benefit from the allocation and realisation of an HVA system, the locality must fulfil certain criteria, notably: *i*) have a population of between

1 000 and 4 000 inhabitants; *ii*) agree to contribute 10 per cent to financing; *iii*) be divided into plots and have undergone electrification; *iv*) have a borehole capacity of more than 3 m³/hour; and, *v*) establish a management committee.

To finance the requirements of this sector and contribute to new investments, the state has put in place a water rates system divided in five consumption categories: social (0-18 m³/quarter), domestic (19-90 m³/quarter), normal (91-300 m³/quarter), industrial (more than 300 m³/quarter) and administrative (special rate). The water rate comprises three elements: *i*) the farmer's part (remuneration of the concession holder) allowing operation costs to be met; *ii*) a surcharge for the water development fund (*Fonds de Développement de l'Eau* - FDE) to finance the extension and renewal works authorised by the DHH; and finally, *iii*) a special water tax (*taxe spéciale de l'eau* - TSE) given to the national water fund (*Fonds National de l'Eau* - FNE) to service state debt from the sector. The price scale, which is identical throughout Côte d'Ivoire, varies according to consumption level. The social, domestic and normal consumption bands are respectively billed at 184 CFA francs, 286 CFA francs and 464 CFA francs per m³. For the industrial band, the cost per m³ of water is fixed at 532 CFA francs and a single rate of 360 CFA francs is applied for the administration. Subsidised connections accounted for more than 3 billion CFA francs before 2001. In 2002, the government decided to restrict the criteria for attribution of subsidised connections in order to limit the envelope to 1 billion CFA francs. Over the 1997-2002 period, subsidised connections accounted for nearly 15 billion CFA francs financed by the FDE.

With regard to urban water resources, more than half of the urban population is connected to the potable water system, either via individual connections, or via standpipes. This system allows the production of 110 million m³ of potable water per year and ensures a coverage rate of 75 per cent. The rest of the population consumes water from private wells, illegal water-sellers, rivers or other non-hygienic sources of water. The coverage rate of potable water for Abidjan is 82 per cent and 75 per cent nationally.

At village water resource level, efforts to improve water supply to rural areas have encountered two major problems. Effectively, 37 per cent of infrastructure requirements have yet to be met, which represents a need for almost 8 000 further water supply points. As regards maintenance, many population centres lack potable water because of a high breakdown rate. This stands at 60 per cent over the whole country and is caused by the socio-political crisis in Côte d'Ivoire.

In terms of the improved village water system (HVA), groups are provided with potable water via standpipes. Since 1990, when they were established, 118 localities have been equipped with a total of 1 470 standpipes. The cost of extending coverage to all these localities is estimated at around 110 billion CFA francs.

The political crisis has had an effect on the entire Côte d'Ivoire water sector. The European Union has remained one of the chief supporters for resolving water issues during the crisis period. It had already agreed to an emergency programme, named PUR 1, which has been fully carried out. A second emergency programme (PUR 2) is currently being carried out. PUR 1 consisted, among other things, of buying treatment products to sterilise water and of creating boreholes in the north. PUR 2 is concerned with the sinking of boreholes in Korhogo, cleaning reservoirs, replacing water channels in this city and, carrying out works in Man and Bouake, etc. The chaotic shantytowns that have sprung up in Abidjan, due to population displacement following the crisis, are threatening the water table that supplies the capital with potable water. This is also the case for the lagoon that serves as a reservoir. Frequent dredging of the banks is reducing the thickness of the protective layer against contamination by saltwater.

After the initial large works to improve sanitation and drainage in Abidjan in 1975, the economic capital was equipped with at least 1 040 kilometres of water drainage network. This allowed the construction of infrastructure necessary for equipping constructible land and the curbing of flooding problems. Since then however, nothing further has been done. Consequently,

less than 49 per cent of households have access to appropriate sanitary installations. This is even more serious throughout the country. Only seven cities (Bouake, Yamoussoukro, Daoukro, Daloa, Gagnoa and San Pedro) have a real sanitation plan. That said, they are collapsing under the weight of problems with waste- and rainwater disposal.

The national sanitation policy was revised in 1973 to focus on several major guidelines. From 1983 to 1995, taking these guidelines into account the government prepared and executed a programme to improve environmental protection and to manage investments in the sanitation sector rationally. Further to this, in August 1999 SODECI obtained a 12-year concession contract (1999-2011) to manage covered waste- and rainwater channels, theoretically disposed of in a sea outfall passing through the Vridi canal. This service is billed to the client in the form of a fee payment, the amount charged depending on potable water consumption. To these institutions must be added the national technical research and development department (*Bureau National d'Etudes Techniques et de Développement - BNETD*), a state company under the president of the republic, which ensures the conception, monitoring and management of outfitting and construction projects. Two of its departments are linked to the water sector, natural resources and the environment, and agriculture. It is this company that issues authorisations to the research departments.

Human water resource needs are estimated at almost 700 billion CFA francs for the 2002-25 period. Despite investments already agreed by the state, the requirements to ensure the supply of potable water to around 95 per cent of the population by 2025 (Millennium Development Goal) remain significant.

The government has taken measures to avoid the pollution of fresh water resources in the region of the capital of Abidjan by outlining a protective border of the water table and by subjecting every borehole to authorisation. To ensure efficient management of water resources, an institutional reform must be put in place through the creation of reservoir agencies that will manage water resources by catchment area. This

regrouping will be carried out around three delegations of water regions taking on the three main geographic water reservoirs (Comoé-Agneby, Bandama-Boubo, Cavally-Sassandra).

The programme for the treatment and disposal of wastewater remains crucial and must be implemented rapidly, at least in the industrial sector, which dumps effluent in the lagoon and sea all too often. For village water systems, the fund for development and the promotion of coffee-cocoa activity (*Fonds de Développement et de Promotion des Activités du Café-Cacao - FDPCC*) and the drilling company Forexi signed an agreement at the beginning of 2004 to construct 2 000 wells in 48 country regions. Valued at EUR 15 million, the follow-up of work on this project is carried out in concert with the DNHV and the FDPCC.

Many projects are financed by international funding agencies, notably the African Development Bank (ADB), the Agence Française de Développement (AFD), the West African Development Bank and KfW (*Kreditanstalt für Wiederaufbau*). The political situation of the last few years has prevented the state from carrying out water sector programmes. The sponsors of these programmes have suspended all disbursements and the resumption of financing is strongly dependent on the normalisation of socio-political life in the country.

As regards sanitation, a rigorous awareness-raising and financing programme that is monitored by the authorities must be put in place. Financial resources, notably the specific surcharges on water consumption and the sanitation tax, that were initially allocated to the financing of sanitation and drainage, are not available, since they are not transferred to the FNE (the organism created to monitor works) when they are collected (for example the drainage tax included in land tax). The leasing contract with SODECI will no longer be sufficient to meet demand. The state is seeking funding of 200 billion CFA francs (of which 30 billion CFA francs alone will be for the city of Abidjan) to finance the sanitation and drainage of the main cities of the country.

Political Context and Human Resources Development

After a plethora of summits, meetings and mediation at national and international level to find a solution to the crisis in Côte d'Ivoire, the country has still not managed to re-establish peace. The "neither war nor peace" situation experienced by the population of Côte d'Ivoire remains frozen and the country is still divided in two, with the north remaining under the control of rebel forces, as well as a strong presence of neutral forces, of which 3 500 are French soldiers and 7 000 are UN troops. The UN Security Council has extended, beyond the initial one-year period, the mandate for President Laurent Gbagbo, and Prime Minister Charles Konan Banny. The resolution 1721 which frames this new transition in Côte d'Ivoire reprises the decision of the Peace and Security Council of the African Union on its principal points, one of which is the allocation of expanded powers to the prime minister. Among other things it involves decision-making by decree or decree-acts in the council of ministers or government, and authority over defence and security forces. The prime minister must implement all the elements of the roadmap established by the International Working Group working towards the organisation of free and transparent elections, which must take place by 31 October 2007 at the latest. However, the effectiveness of this new resolution on the ground remains doubtful, and other questions also remain, arising from many unresolved points between the constitution and this last resolution.

This last United Nations resolution was much criticised, above all by the president of the republic who proposed a direct dialogue with the rebels, given that according to him, UN resolutions had not resolved the problems of Côte d'Ivoire and could not resolve them. Recent diplomatic developments (African Union Summit in Addis Ababa in January 2007) have demonstrated that the international community is ready to support this direct dialogue even if its outline is not very clear. On 4 March 2007, under the mediation of the President of Burkina Faso, Blaise Compaoré, this willingness of both parties to engage in a dialogue resulted in the signature of the Ouagadougou Agreement

between President Gbagbo and the rebel chief, Guillaume Soro. This agreement sets out a detailed set of measures that should lead to political stability and, as a result, appears to represent a concrete first step towards the resolution of the crisis.

The activities of the independent electoral commission have begun and new ones from the PNDDR and the CNPRA are in operation. The IMF, following a mission conducted between 2-16 May 2006, gave its agreement in principle to support the efforts of Côte d'Ivoire to re-establish stable economic growth and improve the quality of life of the population. However, there still exist many disturbances that disrupt social life and that further destabilise the economy.

At the end of 2005, the prevalence of HIV/AIDS among adults (15-49 years) was 7.1 per cent, and 750 000 people of all ages were living with HIV in 2005. According to a report produced by the ministry of the fight against AIDS, the national infection rate went from 7 per cent in 1991 to 4.7 per cent in 2006. Despite the current crisis, the US has scheduled to provide an additional 10 billion CFA francs for the 2006/07 budget for the fight against HIV/AIDS in Côte d'Ivoire. A US emergency plan of 12 billion CFA francs in 2004 and 22 billion CFA francs in 2005 has already been deployed to prevent new infections. This new plan will contribute to the prevention of 200 000 infections by treating 77 000 Côte d'Ivoire inhabitants already infected with the illness. Infection rates in the scholastic population are estimated at 4 per cent according to this same report. The Côte d'Ivoire government has made AIDS in the scholastic population a new priority. Faced with the risks of a proliferation of infections and numerous cases of unwanted pregnancies in the school population, the government has decided to strengthen its teaching programme for combating AIDS in schools throughout the country. Thus, a new programme comprised of preventative education modules based on strengthening knowledge and psychosocial skills about AIDS has been adopted and will be implemented during the 2006/07 school year.

The budget allocated to health has remained relatively weak. On domestic financing, health

expenditure represented 6.2 per cent of the total budget in 2004, 6.1 per cent in 2005 and 9.2 per cent at the end of September 2006. That said, health represented 0.9 per cent of GDP in 2004, 0.8 per cent in 2005 and 0.4 per cent at the end of September 2006. However,

the part of the budget dedicated to education is growing. On domestic financing, education spending as a proportion of the total budget grew from 29 per cent in 2004 to 32 per cent in 2005, to reach 51.6 per cent in September 2006.