Côte d'Ivoire

key figures

• Land area, thousands of km^2	322
• Population, thousands (2004)	16 897
• GDP per capita, $ (2003)	845
• Life expectancy (2000-2005)	41.0
• Illiteracy rate (2004)	47.3

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Côte d'Ivoire

Côte d'Ivoire, long a model of stability, with an open economy, social redistribution and ethnic peace, has been torn by a political crisis since a failed coup in September 2002 that split the country into two parts. Lawlessness worsened in 2004 and further violence occurred, notably in March, after the government banned opposition demonstrations, and in November, when clashes with French forces resulted in many civilian casualties (57 dead and over 2 000 wounded). Some 7 000 French citizens were evacuated to France. This caused an economic slump at the end of the year, with many jobs lost and serious revenue shortfalls for the government.

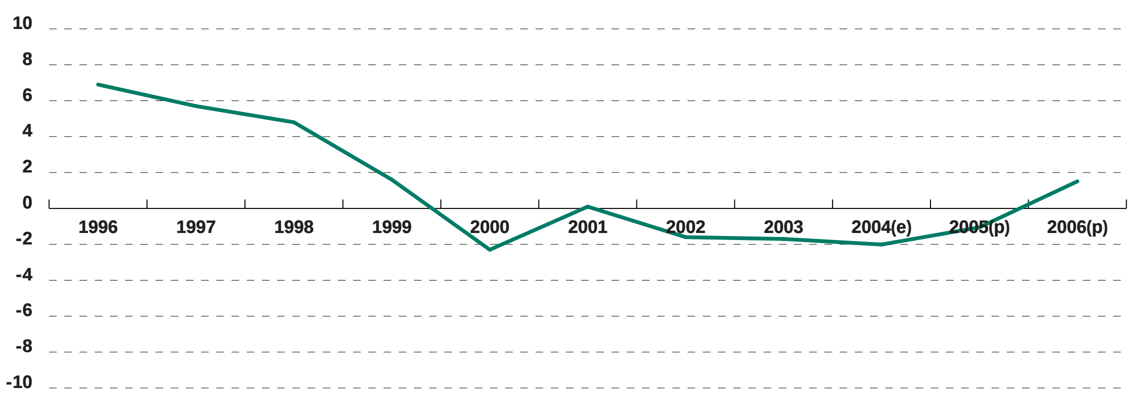
Economic and financial programmes with development partners have been suspended. World Bank disbursements were halted in June 2004 after the government stopped debt repayments, and the country received no external budget aid in 2004.

A worsening security situation has sent the economy plunging back into recession.

Repeated delays and postponements in the disarmament, demobilisation and reintegration (DDR) programme and in national reconstruction continue to affect all economic and social indicators. The growth estimate for 2004 has been revised downwards, and the economy was in recession for the third year running. The only remaining economic pillar is cocoa, since all other sectors have been severely hit by the crisis.

Social indicators have significantly worsened. The ongoing crisis, violence and abuses are still forcing the inhabitants of the rebel-held north of the country to flee to the south, while other Ivorians are leaving the country altogether. Emergency situations have proliferated, with worsening humanitarian crises in the west, centre and north of the country.

Figure 1 - Real GDP Growth



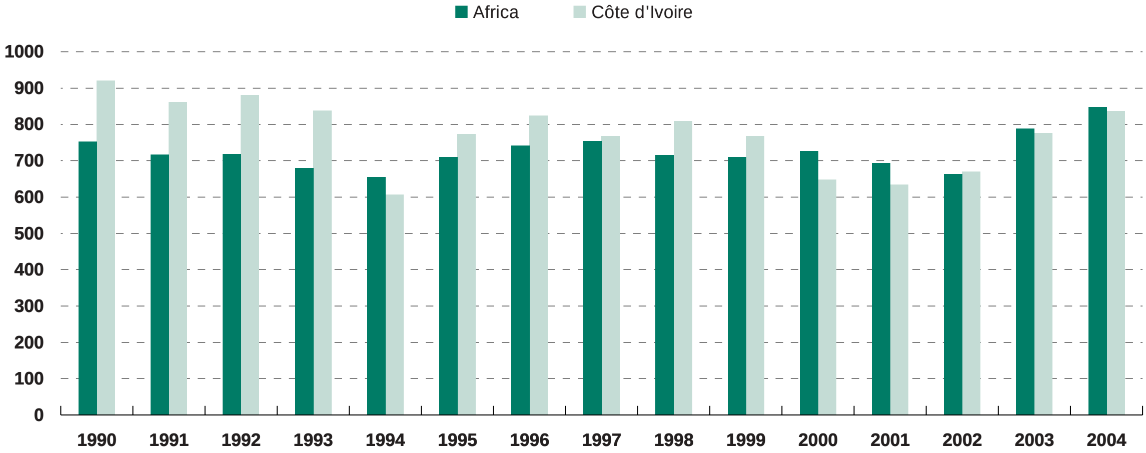
Source: BCEAO and IMF data; estimates (e) and projections (p) based on authors' calculations.

Political stability and national reconciliation are essential for economic recovery. The success of the elections scheduled for 2005 will be a key test, but the delays and damage caused by years of civil war will continue to plague the country.

Recent Economic Developments

Strong economic growth stopped after the 1999 coup, and in 2000 the economy fell into recession,

Figure 2 - GDP Per Capita in Côte d'Ivoire and in Africa (current $)



Source: IMF.

shrinking by 2.3 per cent. Stabilisation efforts, resumption of budget aid under a new IMF programme in 2001 and adoption of an interim poverty reduction strategy paper (PRSP) in April 2002 began a recovery that was cut short by a further political crisis in September 2002. The virtually zero growth in 2001 was followed by a return to negative growth in 2002 (-1.6 per cent) and in 2003 (-1.7 per cent). The events of March 2004 and three days of looting in November 2004 damaged all economic sectors, and the GDP growth rate in 2004 was again negative (-2 per cent). Taking population growth into account, real per capita GDP fell 5.2 per cent in 2004. In 2005, real GDP is projected to fall by 1.1 per cent owing to the consequences of the crisis, particularly the departure of businesses from the country. It may be positive again in 2006 (+1.5 per cent), but this projection assumes a return to political peace.

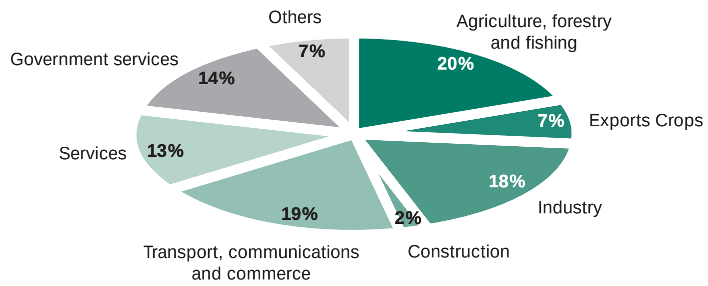
The Ivorian economy is traditionally dominated by agriculture, which may be divided into export crops (mainly cocoa and coffee) and food crops such as maize, rice, sorghum and groundnuts. Farming's contribution to GDP rose in 2004, largely because value added fell in other sectors.

The coffee and cocoa sector brought in about 40 per cent of export revenue in 2004, had 600 000 growers and provided jobs for many immigrant workers. Despite reforms backed by development partners, the sector still has major institutional weaknesses. Farmers complain that producer prices are too low, and co-operatives are still badly run. The coffee and cocoa exchange (BCC) set the cocoa price at 390 CFA francs/kg for the 2004/05 season, whereas the farmers' unions demanded at least 500 CFA francs. A strike by farmers at the start of the season, in October 2004, and the political crisis the following month pushed up cocoa prices on the New York market, where they reached $1 810 a tonne (990 CFA francs/kg) on 9 November, the highest price since May 2003, before dropping back to around $1 600 (875 CFA francs/kg) at the end of November.

Cocoa and coffee provide substantial revenue for the government via an export tax on these products. The levy of 220 CFA francs/kg for cocoa is estimated to have raised about 258.5 billion CFA francs in 2004. International organisations have called for total cocoa taxes to be capped at no more than 30 per cent of the export price so that farmers can get a better return.

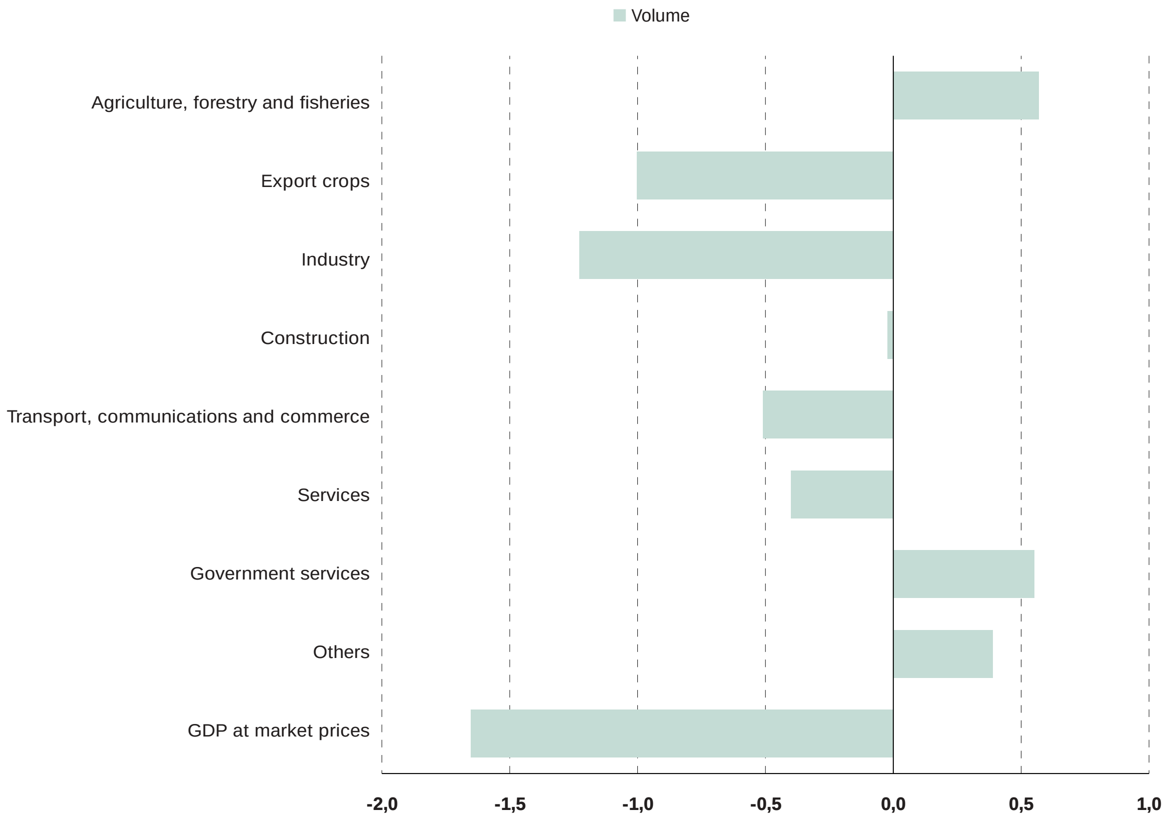
Despite its troubles, Côte d'Ivoire was still the world's biggest cocoa producer in 2004, ahead of Ghana and Indonesia, as the harvest was already in when violence erupted in early November. Most of the cocoa crop was exported without difficulty except during the disturbances, when ship owners did not risk sending their vessels near the country's coast. The official figure for 2004 production was 1.45 million tonnes (45 per cent of the world market of 3.1 million tonnes), but

Figure 3 - GDP by Sector in 2003 (percentage)



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

Figure 4 - Sectoral Contribution to GDP Growth in 2003 (percentage)



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

the authorities complained that some cocoa was being smuggled into neighbouring countries, probably Ghana, where prices to the farmer were better.

Côte d'Ivoire also produces cotton (142 700 tonnes in 2004), palm oil (254 000 tonnes in 2004), rubber and fruit. Output of all was steady in 2004 year-on-year, although it was affected by the drop in world prices and the fact that most of it was grown in the rebel-held north, meaning that distribution and marketing channels were disrupted. Some of the cotton and cashew harvest passed through the country's northern neighbours, Burkina Faso and Mali.

Food crop production grew in step with the population, about 3 per cent in 2004. New varieties of cassava and yams, with triple the yield of traditional ones, are available from the national agronomic research centre and could boost production in coming years.

The mining sector expanded strongly (29 per cent) in 2004 owing to production from new oil deposits. Daily oil output is nearly 20 000 barrels but may soon reach 50 000 as new fields come on stream. The three offshore fields alone would make the country self-sufficient for the next decade. Proven reserves are 100 million barrels of oil and 1 100 billion cubic metres of natural gas.

Côte d'Ivoire also has reserves of gold, iron (1.5 billion tonnes), nickel (439 million) and manganese (35 million). The closure of the Angovia mine in the central part of the country has sharply reduced gold output, from 3 500 kg in 2002 to 1 300 kg in 2003. Diamond production is also thought to have fallen considerably in 2003 and 2004. The crisis has unfortunately brought looting of natural resources such as timber and minerals that is hard to quantify.

The manufacturing sector is well-diversified, and the agro-food industry has traditionally benefited from the government's insistence that items such as coffee, sugar, cotton, milk, tobacco and beverages be processed in Côte d'Ivoire. The sector has been badly hit by the crisis, however, and in the first nine months of 2004 grew only 1 per cent, compared with drops of 10.5 per cent in 2003 and 5.8 per cent in 2002. The November 2004 riots in Abidjan destroyed 81 businesses, a major blow for the sector.

In the services sector, tourism has collapsed and trade has become mostly informal as an extensive parallel economy has developed in the rebel-held areas.

On the demand side, overall investment fell from 9.6 per cent of GDP in 2003 to 8.5 per cent in 2004 because of tighter budgeting and because the government does not control all of the country. The recent rise in Côte d'Ivoire's country risk rating will also discourage private investment, both local and foreign. Investment is expected to fall further in 2005 and 2006, to about 6.6 per cent of GDP.

Table 1 - Demand Composition (percentage of GDP)

	1996	2001	2002	2003	2004(e)	2005(p)	2006(p)
Gross capital formation	**9.6**	**10.9**	**8.9**	**9.6**	**8.5**	**6.6**	**6.6**
Public	3.7	1.7	2.4	2.3	2.1	1.8	1.8
Private	5.9	9.2	6.6	7.3	6.4	4.8	4.7
Consumption	**81.1**	**80.6**	**71.4**	**75.6**	**78.2**	**79.3**	**78.6**
Public	16.0	13.7	15.6	15.4	17.1	18.2	18.7
Private	65.1	66.9	55.8	60.2	61.0	61.0	59.9
External sector	**9.3**	**8.5**	**19.7**	**14.9**	**13.3**	**14.1**	**14.8**
Exports	41.0	40.2	46.1	42.8	41.9	42.5	42.6
Imports	-31.7	-31.7	-26.4	-27.9	-28.5	-28.4	-27.8

Source: Ministry of Economy and Finance data; estimates (e) and projections (p) based on authors' calculations.

Macroeconomic Policies

Public finances have deteriorated since 2002 because of the continuing political crisis, and budget deficits have mainly been funded by mounting domestic and external debt. Government liquidity problems have thus been frequent in recent months. The balance of payments also took an unfavourable turn in 2004 as cocoa exports fell and new foreign capital dwindled.

Côte d'Ivoire did not comply with any of the convergence criteria of the West African Economic and Monetary Union (WAEMU/UEMOA) in 2004.

Fiscal and Monetary Policy

The budget situation has been worsening since 2002. Despite good tax collection and expenditure cuts to offset the lack of foreign funding, the budget deficit, which was 1.5 per cent of GDP in 2002, swelled to 2.9 per cent in 2003 and 3.9 per cent in 2004. To fund the deficit, government debt to the banking system rose from 31 billion CFA francs in 2003 to 47 billion in the first nine months of 2004. The authorities also sought to borrow on the financial market by issuing Treasury bills and other debt instruments, but managed to raise only 62.5 billion CFA francs of a hoped-for 85 billion in 2004. In the end, the government continued to accumulate domestic and external arrears, and the budget deficit is expected to be 4.7 per cent of GDP in 2005 and 5.3 per cent in 2006.

Tax collection was remarkably good considering that the various exemptions granted to firms cut into revenue and that non-tax revenue, payments by companies and privatisation proceeds all declined. Tax revenue will be hit in 2005 by the closing of many French firms in November 2004.

The increased spending called for in the 2004 budget was aimed at helping the country emerge from the crisis and restore public services, especially health and education. But without budget aid, investment spending had to be cut. The government launched major projects such as free education, universal health care, a fund to boost youth employment and enhanced security. The employment fund was set up in 2004 with 10 million CFA francs in guarantee funds, but the health insurance scheme is still being drafted. The security forces have expressed their grievances by throwing up street barricades that hinder traffic.

Budget cuts mainly affected investment, which should further contract in 2005. Only the wage bill increased significantly, from 6.6 to 7.1 per cent of GDP between 2003 and 2004, due to a pay-scale revision and substantial hiring in the police and military forces.

The Central Bank of West African States (BCEAO) keeps the CFA franc pegged to the euro and tries to control inflation in the region. Money market interest rates have been steady for several years, at 4.95 per cent, but discount rates and the inter-bank rate have fallen slightly, with the latter down from 5.5 per cent in December 2003 to 4.88 per cent in September 2004.

Banks in the rebel-held areas are closed and people have to travel to government-controlled areas or neighbouring countries to get cash. They can also use various facilities set up to cope with the problem. The BCEAO introduced new banknotes in its eight member states in mid-September 2004. The regional stock exchange (BRVM), set up in 1998 to serve all WAEMU members, has been badly hit by the crisis and its activity has slowed.

Inflation is under control but prices vary greatly between the north, rural areas and Abidjan. Despite higher pump prices for petrol and price hikes for bread

Table 2 - Public Finances (percentage of GDP)

	1996	2001	2002	2003	2004(e)	2005(p)	2006(p)
Total revenue and grants[a]	**20.6**	**17.5**	**18.0**	**16.9**	**17.3**	**17.3**	**17.2**
Tax revenue	16.8	14.8	15.5	14.6	14.9	14.8	14.5
Grants	0.7	0.5	0.5	0.3	0.5	0.5	0.7
Total expenditure and net lending[a]	**22.4**	**16.6**	**19.5**	**19.7**	**21.3**	**22.0**	**22.5**
Current expenditure	17.5	14.7	16.2	17.0	18.7	19.8	20.3
Excluding interest	*12.3*	*11.4*	*13.0*	*14.3*	*16.0*	*17.1*	*17.6*
Wages and salaries	6.3	6.2	6.4	6.6	7.1	7.3	7.3
Interest	5.2	3.3	3.3	2.7	2.8	2.8	2.7
Capital expenditure	4.9	1.8	3.2	2.6	2.4	2.1	2.1
Primary balance	**3.4**	**4.2**	**1.8**	**-0.2**	**-1.1**	**-1.9**	**-2.6**
Overall balance	**-1.8**	**0.9**	**-1.5**	**-2.9**	**-3.9**	**-4.7**	**-5.3**

a. Only major items are reported.
Source: BCEAO data; estimates (e) and projections (p) based on authors' calculations.

and transport, inflation fell from 3.5 per cent in 2003 to 1.9 per cent in 2004 and should stay very low, at around 1.5 per cent, in 2005 and 2006.

External Position

Côte d'Ivoire signed the Cotonou Agreement in June 2000 for a 20-year period, giving it preferential relations with its main trading partner, the European Union, for official development aid as well as trade. The country was also accepted in December 2003 as a beneficiary of the US African Growth and Opportunity Act (AGOA), which gave it preferential access to the US market for textile and clothing exports, but a year later, on 22 December 2004, it was withdrawn from the list of beneficiary countries with no reason given.

Côte d'Ivoire belongs to the Economic Community of West African States (ECOWAS) and WAEMU, whose members have had a common external tariff since January 2000. Despite its relatively advanced infrastructure and manufacturing sector, the country has benefited very little from membership of these regional bodies since the political crisis split it in two. Its neighbours were badly hit by the Ivorian upheaval in 2002, owing in particular to transport problems, but recovered in 2003 and 2004. If these problems persist, however, they may slow sub-regional growth and integration.

Côte d'Ivoire depends heavily on its agricultural exports. Cocoa accounts for a third of total exports, with coffee, cotton, wood and oil also important. The country has a structural trade surplus and exports have amounted to more than 40 per cent of GDP since 2002.

The surplus has fallen since 2002, however, from 21.8 per cent of GDP to 18.2 per cent in 2003 and 16.5 per cent in 2004. Exports declined 7.7 per cent in 2003 year-on-year in volume terms, as all components performed poorly except for crude oil (+56.4 per cent), cotton (+5 per cent) and rubber (+4 per cent). It was mainly the decline in exports of processed coffee and

Table 3 - Current Account (percentage of GDP)

	1996	2001	2002	2003	2004(e)	2005(p)	2006(p)
Trade balance	12.6	13.7	21.8	18.2	16.5	17.1	17.7
Exports of goods (f.o.b.)	35.5	35.2	42.8	41.2	40.2	40.8	40.8
Imports of goods (f.o.b.)	-22.9	-21.5	-21.0	-23.0	-23.7	-23.6	-23.1
Services	-7.2	-6.4	-8.2	-7.3			
Factor income	-6.4	-5.5	-5.4	-4.9			
Current transfers	-2.8	-2.9	-4.0	-3.4			
Current account balance	**-3.9**	**-1.1**	**6.6**	**2.5**			

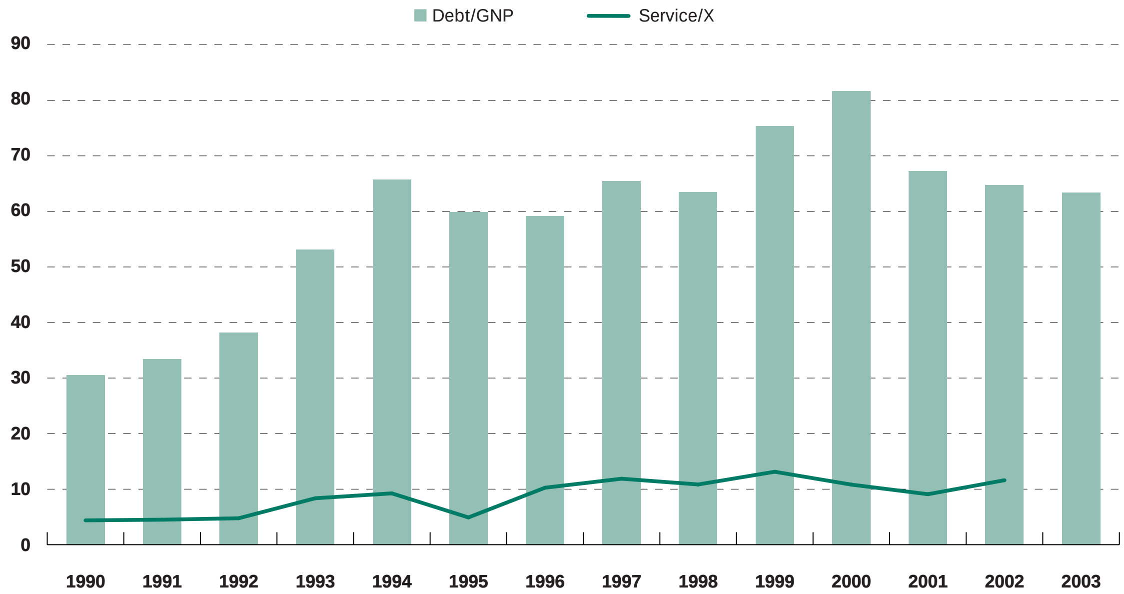
Source: BCEAO data; estimates (e) and projections (p) based on authors' calculations.

fresh pineapples that drove the share of exports in GDP lower in 2004. Imports have fallen in volume terms over the past three years and should continue to drop in 2005 and 2006, when they are expected to amount to 17.1 and 17.7 per cent of GDP respectively.

The government stopped servicing its debts to the World Bank in 2004, and Côte d'Ivoire was classed in June as a bad-debt country. This could complicate implementation of the peace agreement, since it was to be substantially funded by the Bank. Arrears due to the World Bank's subsidiary, the International Bank for Reconstruction and Development (IBRD), reached $64.2 million in September 2004 and those to another, the International Development Association (IDA), $16.7 million.

Côte d'Ivoire has also been in arrears since February 2003 to the African Development Bank (ADB) and now owes it about $253 million. The country's external arrears topped $524 million at the end of December 2004. It has not reached decision point under the Heavily Indebted Poor Countries (HIPC) Initiative. External debt was 70.3 per cent of GDP in 2004, and debt service amounted to 17.5 per cent of the value of the country's total exports.

Figure 5 - Stock of Total External Debt (percentage of GNP) and Debt Service (percentage of exports)



Source: World Bank.

Structural Issues

One of Côte d'Ivoire's big advantages was its extensive, well-maintained infrastructure: 6 500 km of paved roads, a railway, airports and deep-water ports such the one in Abidjan. These still exist but are starting to deteriorate for lack of maintenance. Regional trade no longer goes through Abidjan but via Senegal, Togo or Ghana.

An 87 km motorway is planned between Singrobo and Yamoussoukro, as well as a railway link to Mali and Niger, but the political crisis has prevented a start on them. A national decentralisation plan has also been halted by the civil war. The number of provinces has been cut from 58 to 56, but plans to reduce the number of regions are on the back burner. In contrast, the number of municipalities is to be increased from 198 to 666, with most of the increase in rural areas, and 400 villages are to be created, with decision-making powers devolved to them.

Côte d'Ivoire will need to restart its infrastructure and reform projects and its much-delayed privatisation programme as soon as the political crisis ends. Priorities include divesting the national refinery company SIR and restoring financial order to the state-owned water and postal services.

Institutional and organisational weaknesses in the cocoa and coffee sectors also need to be tackled. An audit has exposed corruption, insider trading and other irregularities in the BCC, and confirmed the ineffectiveness of the bodies set up in 2001/02 to stabilise prices.

Water and rural electrification are also neglected priorities. Groundwater is expected to be tapped out by 2010 and is already highly polluted by rapid urbanisation. The failure to maintain plant and equipment in the water system is putting both supply and public health at serious risk. Gas-powered generators make Côte d'Ivoire a net exporter of energy: it produced 4 867 GWh in 2002, of which an estimated 3 047 GWh were consumed locally. Many villages still have no electricity, however, despite the government's declared intention of connecting 200 a year to the national grid. Just under a quarter of the rural population has access to electricity, compared with 77 per cent in towns and 88 per cent in Abidjan.

Until the war, Côte d'Ivoire was regarded as the most computerised country in the region, with more than 40 companies in the information technology sector. The telecommunications sector was also booming since the privatisation of Côte d'Ivoire Telecom and the sale of the first GSM licence in 1997. Two mobile phone operators share the market, led by Orange, which had 520 000 subscribers at the end of 2002.

The business climate has greatly deteriorated since September 2002, and the events of November 2004 made the environment still worse for the private sector. In mid-November 2004, the national chamber of commerce and industry (CCI) reckoned 10 000 direct jobs had been lost as a result and 100 businesses closed. Of 147 subsidiaries of major French firms, 135 were merely marking time after the flight of three-quarters of their expatriate employees. The damage is especially serious since each Ivorian employee supports 10 to 20 other people.

Small and medium-sized enterprises and industries (SME/SMI) have been the main victims of the crisis. The violence and looting in Abidjan severely damaged the 600 small businesses owned by the French expatriate community, and many entrepreneurs left the country for good. The destruction of SMEs left many Ivorians without jobs and will also mean less tax revenue for the government. Some firms that survived may move to more stable countries in the region such as Senegal, Togo and Benin.

Before the crisis, more than three-quarters of the country's businesses were SMEs, which accounted for about 12 per cent of domestic investment, 17 per cent of GDP and 20 per cent of jobs. A 1999 CCI survey of a representative sample of 506 firms showed that 26 per cent were medium-sized businesses (21-50 employees), 36 per cent small ones (6-20 employees) and 8 per cent micro-enterprises (fewer than 5 employees), with 5 per cent not saying how many people they employed as they were almost certainly using illegal immigrants.

The national tax authorities estimate that the informal sector has at least 45 450 businesses, 2 per cent of them large firms, 20 per cent SME/SMIs, 22 per cent sole proprietorships and 56 per cent micro-enterprises. The latter are mostly in the services and commerce sector and have organisational problems that keep them out of the formal sector.

The government has increased tax breaks for private firms, especially those destroyed or affected by the war. It also wants to raise money for reconstruction through a 1.5-2.5 per cent tax on salaries and a 2 per cent tax on firms' overheads.

The government has also given firms tax relief to help them recover from damage and losses during the violence of 6-7 November 2004. This includes exemption from employers' contributions for November and December of that year or for all of 2005 in the case of businesses that were physically damaged, exemption from trading licence fees and property taxes, exemption from VAT on destroyed fixed assets, tax-free loans and reduction of the guarantee required for the import collection credit from 200 million to 50 million CFA francs.

The port of Abidjan also exempted firms from warehouse charges between 7 and 21 November, and the government promised to increase security in some business zones. French business owners set up an organisation (ADESCI) to win compensation, a freeze on bank loan repayments and a guarantee they could wind up their firms without having to pay redundancy allowances or taxes.

Ivorian SMEs are mostly run in a modern manner, with regular accounts, and are also innovative, especially in consultancy, communication and advertising, though they suffer from a lack of technical skills and access to funding.

Two-thirds of SMEs are started up with the founder's own capital, and the rest use supplier credit or borrow from relatives, friends or the informal financial sector.

Several international bodies are funding development and reconstruction projects in Côte d'Ivoire, and the government has often arranged (by ministerial decree) institutional, technical and financial support for SMEs through the Institut Ivoirien de l'Entreprise, the Centre de Gestion Agréé and the Fonds Ivoirien de Développement de l'Entreprise Nationale. Where financial support is concerned, the SME guarantee fund (FGPME) is the main operator in the sector, covering all economic activities and offering guarantees to financial institutions for 70 per cent of a project's value, with a ceiling of 150 million CFA francs.

International financial institutions have also tried to help SMEs through credit lines to commercial banks, but the banks are reluctant to bear the exchange rate risk in addition to the commercial risks. Before the crisis, the regional stock exchange (BRVM) in Abidjan was planning to open a third department exclusively for SMEs.

The country had 16 micro-credit institutions in 2000, with 287 offices and about 331 000 customers, whereas the regular banking system had only 154 branches. The national federation of savings and credit co-operatives (Fenacoopec), which has 68 per cent of the country's micro-credit market (152 offices, 291 000 members and 7.8 billion CFA francs in funds), has seen its proportion of bad debts rise from 6 per cent in 1999 to 36 per cent in 2001.

Generally speaking, these facilities are of doubtful effectiveness. They do not finance start-ups, which means that small operations seeking to leave the informal sector are excluded. In many cases, the institutions involved also lack material and financial resources as well as the premises they need to operate properly. Lastly, disbursement of funds is a long and complicated process unsuited to the urgent financial needs of SMEs.

Political and Social Context

National reconciliation is going very slowly, and the commitments made under the July 2004 Accra III agreement are far from being fulfilled. The country is cut in two, with the north in rebel hands and the south under government control.

Violence erupted several times in 2004. Opposition demonstrations were banned in March and brutally crushed. The disarmament of the former rebels was supposed to take effect on 15 October 2004, beginning in the northeast zone, but the rebels did not meet the deadline. In response, government troops broke the ceasefire implemented in July 2003. Rebel-held areas in the north were bombed, and the attack also killed nine soldiers of the French Unicorn Force helping to keep the peace along with UN troops. France immediately retaliated by destroying the Ivorian air force, which was followed by riots, looting and other violence in Abidjan, directed against Europeans and the French in particular. At one point, French troops opened fire on the crowd, and the incident left 2 226 wounded (291 of them with bullet wounds) and 57 dead. More than 7,000 French citizens were evacuated.

The UN Security Council immediately imposed a 13-month arms embargo on the country, froze the government's assets and banned travel by anyone obstructing implementation of the peace agreement. The decision was approved by the African peacekeeping commission. The African Union also decided to get more deeply involved and named as mediator South African President Thabo Mbeki, who proposed a "road map" to government and rebels on 6 December after visiting Abidjan.

Of 16 peace measures that were to be passed before the end of October 2004 under the Marcoussis peace agreement, Parliament adopted only seven on schedule, but the two most sensitive measures – on nationality and amending Article 35 of the national constitution, which concerns presidential eligibility – were finally passed in December. A conflicting interpretation of the constitution resulted in one side proposing a referendum and the other urging President Laurent Gbagbo to promulgate the new Article 35 on the grounds that the physical division of the country made a referendum impossible.

Elections have been much delayed, and those due in October 2005 may be compromised because of disagreement about how to implement the new Article 35 and because disarmament, a necessary preliminary to national reunification, has not yet begun. The reconciliation pledged by the politicians is going very slowly. The independent electoral commission responsible for organising the elections was not yet operational as of early 2005. The elections may well be postponed to avoid the risk of a constitutional crisis, as Gbagbo's term expires in October and that of parliament in November. Restoration of government services, which also depends on disarmament, has so far been restricted to a test area in the western buffer zone.

The United Nations Operation in Côte d'Ivoire (UNOCI) has been reduced in size but continues to investigate human rights abuses, which are all too frequent. The UN Human Rights Commission has put out a report on the violations by both sides since September 2002.

Côte d'Ivoire ranked 161st out of 175 countries in the 2003 *Human Development Report* of the UN Development Programme (UNDP), with 38.5 per cent of households living below the poverty line of $1 a day, up from 36 per cent in 1998. Per capita GDP, in current CFA francs, is falling steadily, from 469 500 in 2002 to 455 200 in 2003 and 453 400 in 2004.

Health and education indicators have plummeted as a direct result of the war, though the physical division of the country has prevented data collection in the north. Overall life expectancy is falling and infant mortality rising. The number of tuberculosis cases has increased by an average of 10 per cent a year since 1997. The cost of treatment is high and the disease's resistance to standard treatment is hampering the fight against it.

Côte d'Ivoire has nine doctors for every 100 000 people and only 0.8 of a hospital bed for every 1 000 people. Drinking water is polluted and causes disease. Some regions have become cut off, as the war has badly degraded the country's roads.

Spending to fight HIV/AIDS has been sharply reduced, and Côte d'Ivoire is the country worst-hit by the disease in West Africa. Some 770 000 adults (9.7 per cent of those in the 15-49 age group) and 84 000 children under 15 are infected. About 420 000 children had lost at least one parent to AIDS by 2001. In 2002, an estimated 9.5 per cent of pregnant women in urban areas were infected and 5.6 per cent in the countryside. A drop in life expectancy is predicted in 2005 because of increased adult mortality, mainly due to AIDS.

Only 49.7 per cent of Ivorians were literate in 2001 (60.3 per cent of men and 38.4 per cent of women), but these figures should fall considerably because of the dearth of teachers in rebel-held areas. Some 4 500 volunteers have over the past two years replaced teachers who have fled the rebel areas to live in government-controlled towns and cities, but they have no teacher training or other relevant training.

Education levels therefore vary widely throughout the country. Some children have not been to school since the crisis began in September 2002. The government, helped by the World Food Programme and the UNDP, wants to reopen nearly 1 250 canteens in former rebel areas and set up new ones so that all primary schools can provide meals (costing a mere 25 CFA francs).

If the crisis ends in 2005, Côte d'Ivoire could negotiate a post-war economic programme and then, with the resumption of budget aid and completion of a poverty reduction strategy paper (PRSP), obtain a poverty reduction and growth facility (PRGF) with its development partners. The country must hope to recover its legendary political stability and its status as sub-regional leader ensuring balance in this part of Africa.