

Côte d'Ivoire



key figures

- Land area, thousands of km² 322
- Population, thousands (2002) 16 365
- GDP per capita, \$ (2002) 715
- Life expectancy (2000-2005) 41.0
- Illiteracy rate (2002) 49.4

THE POLITICAL, ECONOMIC AND SOCIAL crisis resulting from the attempted coup of 19 September 2002 is still causing macroeconomic damage. Côte d'Ivoire is the motor of the West African Economic and Monetary Union (UEMOA) accounting for 40 per cent of its wealth, and in 2003 the country had negative growth (2.3 per cent) for the second year running.

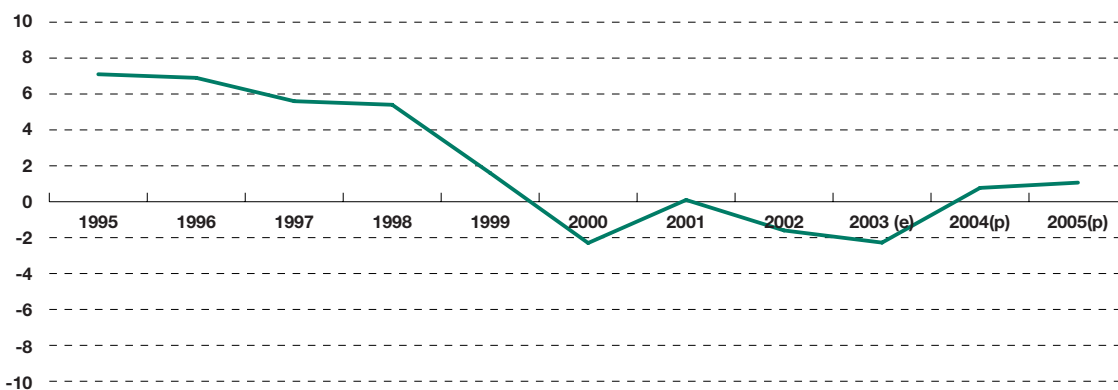
Hopes of moving forward again rested on crude oil and cocoa, whose volume exports increased 67.9 and 15.3 per cent respectively during the year. Despite the ongoing civil war, businesses and producers maintained operations in both the north and south of the country, helping to contain the negative effects of the conflict. However, uncertainty and lawlessness weakened the prospect of growth resuming.

If the political situation normalises in 2004 and the government's reconstruction efforts bear fruit, economic growth should return and the year could be characterised by peace, economic recovery, general public relief and resumption of infrastructure projects and external funding.

The political, economic and social crisis continues to cause macroeconomic damage.

The economic downturn has led to deterioration in the jobs situation, public finances and the capital account in the balance of payments. Implementation of many reforms and investment programmes has been postponed. This is especially unfortunate since in peaceful circumstances, growth prospects would have been good. The humanitarian and social consequences of the war are disastrous and all health, education and

Figure 1 - Real GDP Growth



Source: Domestic authorities' data; projections based on authors' calculations.

poverty indicators are likely to decline. Nearly all infrastructure in the war zone has been destroyed.

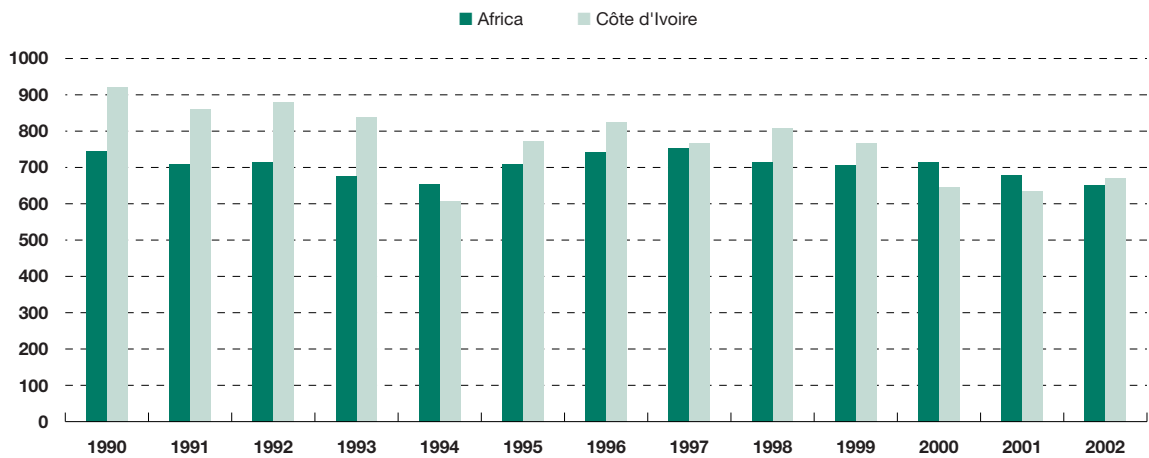
Recent Economic Developments

With the political crisis continuing, GDP shrank further in 2003, by an estimated 2.3 per cent (-1.6 per cent in 2002). Economic recovery is difficult without signals

to restore private sector confidence. New commitment by economic operators to the national reconstruction programme, for which the government has sought external funding, could reverse the trend and see growth of 0.8 per cent in 2004 and 1.1 per cent in 2005.

The Ivorian economy is still focused on agriculture, which employs about 60 per cent of the workforce and provides 27 per cent of GDP and 60 per cent of export

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



Source: IMF.

earnings. Farming is still dominated by the state, which has begun to withdraw with the start of an adjustment programme in 1989 and abolition of the stabilisation fund in 1999.

The country has two large agricultural areas. The forested area in the south includes plantations of mainly export crops such as cocoa, coffee, palm oil, rubber, coconuts, bananas and pineapple and food crops such as manioc. The savannah in the north mostly produces food (maize, rice, millet/sorghum and peanuts) but also cotton and sugar. Disruption of farming in the occupied parts of the north and west has now been limited to a few buffer zones.

The primary sector showed increased activity in 2003 thanks to 3 per cent growth in food crops but export items fell 2.3 per cent owing to a 1.3 per cent drop in cocoa production. This is expected to fall further in 2004 as harvesting was difficult in the cocoa-growing area in the west, though the government took steps to protect transport of the crop and also made up for the lack of traditional harvest credits by banks.

More than a third of the population lives off cocoa and coffee farming. Côte d'Ivoire is the world's biggest producer of cocoa (more than 40 per cent of the market) and exports of it are the country's main source of foreign exchange. The price farmers receive has been market-driven since the sector was opened up in August 1999,

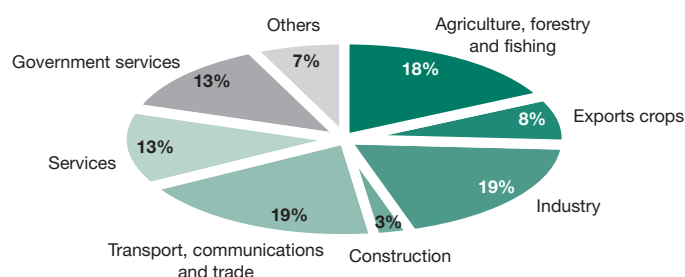
but since the 2001/02 harvest, new regulatory structures have been put in place. These are the Coffee and Cocoa Regulation Authority and the Coffee and Cocoa Exchange, which guarantees a minimum price for producers.

World cocoa prices rose in 2002, so farmers got fairly good prices for the 2002/03 harvest. However, the guaranteed minimum price was reduced in July 2003 from 625 to 365 CFA francs per kilo. Farmers' earnings depend on world prices, which have fallen since February 2003, but the sector is also hampered by a parafiscal tax on exports equivalent to 10 per cent of the CIF price. The drop in prices in 2003 will not help recovery of production, which has been falling since 2001. The government has banned exports of low-grade cocoa since March 2000 in an effort to keep prices up.

Coffee production fell 39.9 per cent in the first nine months of 2003 year-on-year. The sector is to be reorganised and is hindered by a profusion of management units, unpredictable rules and policies and a high level of taxes.

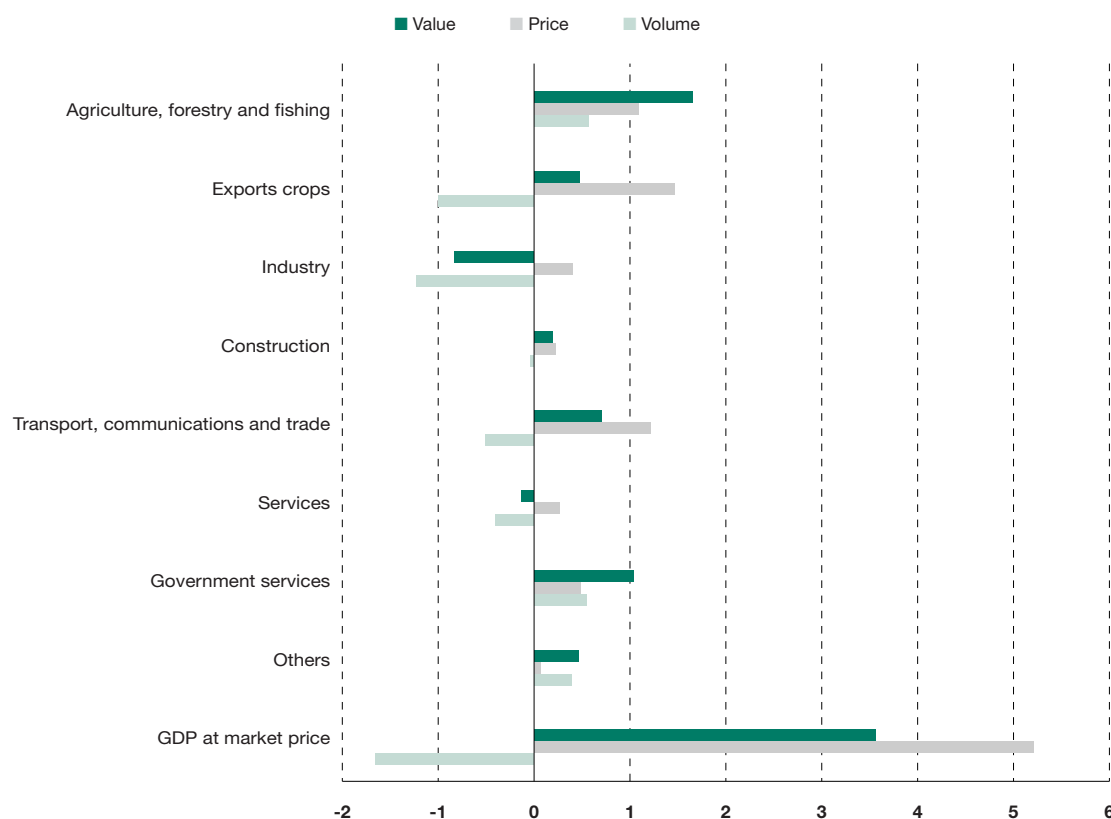
Côte d'Ivoire is also one of sub-Saharan Africa's main producers of cottonseed. The national crisis has seriously disrupted the local and regional cotton economy because the crop is grown in the conflict-ridden regions of the north. The 2003 harvest had looked very promising

Figure 3 - GDP by Sector in 2002



Source: Authors' estimates based on domestic authorities' data.

Figure 4 - Sectoral Contribution to GDP Growth in 2002



109

Source: Authors' estimates based on domestic authorities' data.

in terms of both quantity and quality, but suffered from major problems of getting it to the ginneries and then to ports for shipping. Production thus fell 2.3 per cent in 2003. However, the government managed to negotiate corridors along which the crop could pass. Beyond these problems, there is a shortage of seeds for future harvests.

Production of crude oil and gas rose sharply by 85.7 per cent in 2003 with the opening of new oil fields. Diamonds were smuggled out of the country to neighbouring Guinea and Mali. Gold production was confined to the Aboisso region since the other mines were in the war zone and not operating, cutting total production 62.3 per cent in 2003.

Nearly all secondary sector components were sharply affected by the crisis and subsequently declined in 2003. Processing of food and raw materials such as coffee, cocoa, wheat, fruit and vegetable oils, fell to 17 per cent of GDP in 2003 from 20 per cent in 2001. Textiles and rubber are also important in the manufacturing sector and the country has a wide range of industry, including plastics, packaging, chemicals, pharmaceuticals, tobacco, timber, construction and building materials.

Food processing declined 13 per cent in 2003 because of loss of parts of internal and external markets. Construction activity fell 11.5 per cent owing to delays in the national reconstruction programme but is expected to rise 3.6 per cent if there is a general recovery in 2004. The entire industrial sector shrank 9.7 per cent in 2003 after a fall of 5.8 per cent in 2002.

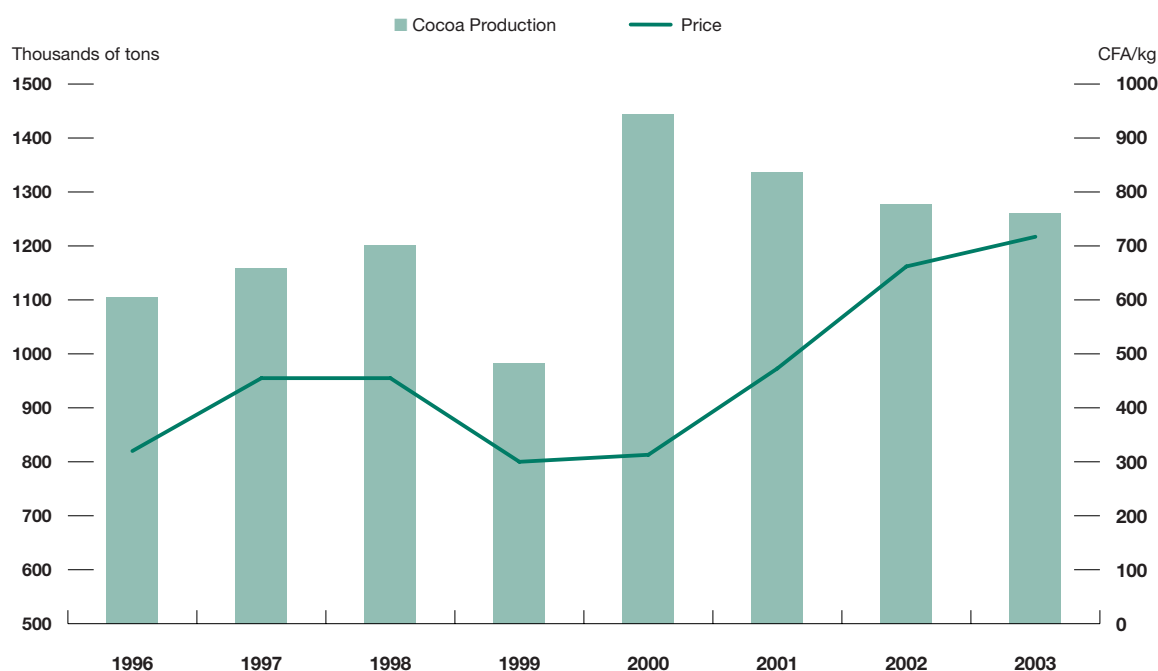
The poor business climate and transport problems again damaged the services sector, which fell back

Table 1 - Demand Composition (percentage of GDP)

	1995	2000	2001	2002	2003(e)	2004(p)	2005(p)
Gross capital formation	15.0	10.5	10.9	8.9	9.1	8.7	8.9
Public	4.2	2.6	1.7	2.4	2.3	2.4	2.6
Private	10.8	7.9	9.2	6.6	6.8	6.4	6.3
Consumption	79.6	81.2	80.6	78.5	77.9	77.4	77.3
Public	11.9	13.7	13.7	15.6	15.2	15.1	15.6
Private	67.7	67.5	66.9	62.9	62.7	62.3	61.7
External sector	5.4	8.3	8.5	12.6	13.0	13.8	13.8
Exports	41.1	39.9	40.2	42.3	40.6	40.6	40.3
Imports	-35.7	31.6	-31.7	-29.7	-27.6	-26.8	-26.5

Source: Ministry of Economy and Finance data; projections based on authors' calculations.

Figure 5 - Cocoa Production and Prices in Côte d'Ivoire



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

0.6 per cent in 2003 (-1.6 per cent in 2002). Its components were variously affected by the war. While internal trade, transport and sales of new vehicles were badly hit, commerce and telecommunications did not suffer as much. The port of Abidjan, West Africa's main sea outlet, saw a 9.5 per cent drop in the number of ships and a 17.3 per cent global drop in activity in the first nine months of 2003.

The share of consumption in GDP fell to 77.9 per cent in 2003 (from 81.2 per cent in 2000), mainly because of smaller farm income, increasing uncertainty and fewer private-sector jobs. An estimated 1.5 million people were displaced and changed their consumption habits as a result of the uncertainty. Investment also shrank due to the crisis and its weakness endangered future growth. Public investment fell 3.6 per cent in 2003 because of the division of the country, and the private sector was further destabilised by increased delays in payments by the government and reduced credit from banks.

Macroeconomic Policy

Fiscal and Monetary Policy

Since the UEMOA convergence, stability, growth and solidarity agreement came into effect in December 1999, Côte d'Ivoire's macroeconomic policy has aimed to comply with the convergence criteria to prepare for economic integration in 2005. However, with the political crisis of the past few years, the country has not made any progress in advancing towards this goal. The country only managed to comply with two of the eight UEMOA convergence criteria in 2003: budgetary balance and current external balance excluding grants.

Public finances continue to show an overall deficit, estimated in 2003 at 1.3 per cent of GDP (1.5 per cent in 2002). Revenue contracted because of sluggish economic activity but expenditure fell by even more. The 2003 budget was under great pressure in the absence of disbursements of external budgetary support.

The 2003 budget (adopted by parliament only in July 2003) was 7.1 per cent smaller than the previous year and totalled 1 478.2 billion CFA francs (\$2.5 billion). Revenue was projected as 2.1 per cent lower than 2002 mainly because of tax breaks granted to the private sector. VAT was cut from 20 to 18 per cent on 1 August 2003, automatic deduction of taxes at source was abolished, the deposit required in tax disputes was reduced and material and machinery were no longer under patent.

Direct tax revenue also fell 8 per cent due to poor business results. However, non-tax revenue included 40 billion CFA francs (\$68.2 million) from oil and gas – compared with 20 billion (\$28.6 million) in 2002 – due to new discoveries, as well as 21 billion CFA francs (\$35.8 million) from the sale of mobile phone licences and 10 billion CFA francs (\$17 million) from the proceeds of privatisation.

Current expenditure was 921.5 billion CFA francs (\$1.5 billion) in 2003, about the same as in 2002. The cost of wages and salaries was a high 61 per cent of the total (37 per cent of all spending). It took account of the need to reinforce the military as well as to increase health and education ministry staff. However, other expenditure fell, as did capital spending. The 2004 budget included a major drive to improve health, education, rural electrification and roads, but funding for the programmes seemed very doubtful since it was optimistically based on 2.4 per cent growth and a large increase in public development aid by foreign funding sources.

Treasury problems meant that only 222.1 billion CFA francs (\$379.1 million) was available for debt servicing in 2003, sharply down from 463.3 billion (\$664.7 million) in 2002. Of this, interest payments were 217.6 billion CFA francs (\$371.4 million) in 2003, as against 265.6 billion CFA francs (\$381 million) in 2002.

Internal public debt was estimated at 757.3 billion CFA francs (\$1 292 million) in 2003, down from 861.1 billion (\$1 235 million) at the end of 2002. The government planned to issue 60 billion CFA francs (\$102 million) worth of short-term treasury bonds to raise money in 2004.

Table 2 - **Public Finances** (percentage of GDP)

	1995	2000	2001	2002	2003(e)	2004(p)	2005(p)
Total revenue and grants^a	22.8	16.8	17.5	18.0	17.1	17.2	17.0
Tax revenue	18.0	14.3	14.8	15.4	14.7	14.6	14.4
Grants	0.7	0.4	0.5	0.5	0.3	0.5	0.5
Total expenditure and net lending^a	26.5	18.0	16.6	19.5	18.4	18.5	19.1
Current expenditure	20.9	15.1	14.7	16.2	15.3	15.2	15.5
<i>Excluding interest</i>	14.0	11.2	11.4	13.0	12.6	12.5	12.9
Wages and salaries	6.9	6.0	6.2	6.4	6.8	6.9	7.0
Interest	6.9	3.9	3.3	3.3	2.7	2.7	2.6
Capital expenditure	5.6	2.8	1.8	3.2	3.1	3.2	3.5
Primary balance	3.2	2.7	4.2	1.8	1.4	1.4	0.5
Overall balance	-3.7	-1.2	0.9	-1.5	-1.3	-1.3	-2.1

a. Only major items are reported.

Source: Ministry of Economy and Finance data; projections based on authors' calculations.

Net external assets rose 17.6 per cent in 2003 but domestic credit fell 246.9 billion CFA francs (\$421.4 million) and the money supply shrank 3.2 per cent. There were fewer credits to the economy because banks have understandably become extremely cautious in the uncertain climate. Non-performing loans rose to 24.3 per cent of bank assets, though with great variations from bank to bank. Prudential ratios, especially risk spread, were not respected either. Access to credit is a major concern for the government and economic operators and microfinance institutions are facing higher risks.

Short-term credit to the economy was 74.7 per cent, medium-term 22.5 per cent and long-term 2.8 per cent of the total in August 2003 and went mostly to manufacturing (31.2 per cent), commerce (26.1 per cent) and services (23.5 per cent), much the same as in 2002. However, it contrasted with pre-crisis figures in 2001, when long-term credit had a larger share (5.2 per cent) and commerce received more than 40 per cent of credits. The government is still receiving a better interest rate (4.95 per cent in September 2003) than the inter-bank rate of 5 per cent and a rediscount rate of 5.5 per cent.

Average annual inflation was about 3 per cent in 2003 and was aggravated by supply problems due to the crisis. The most important price increases were 5.9 per cent for food, drink and tobacco and 6.9 per cent for housing, water, electricity, gas and other fuel. To keep

things in check, the government renewed its price controls of key consumer items (excluding food), in March 2003. Prices should stabilise in 2004, increasing only one per cent.

External Position

Côte d'Ivoire's membership of UEMOA gives it access to a regional customs union, which should benefit the country because, prior to the current crisis, the country was the region's chief trading partner. However, more than half of all Côte d'Ivoire's trade (both exports and imports) is with the European Union and trade with West Africa was only 10 per cent of imports and 16 per cent of exports in 2003.

The current account showed a positive foreign trade balance of 2.5 per cent of GDP in 2003, sharply down from the 6 per cent of the previous year. The structure of trade has also been affected by the crisis and in 2003 foreign demand for manufactured goods fell while that for raw materials increased. Total exports fell 5 per cent following a strong 2002 performance of manufactured goods, raw and processed cocoa (due to better prices) and crude oil.

Exports were badly hit by the sharp fall in cocoa prices and other raw materials from the end of first-quarter 2003 and the rise of the euro against the dollar. Because the CFA franc is pegged to the euro inside the franc zone, the real exchange rate rose 2.7 per cent and

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

	1995	2000	2001	2002	2003(e)	2004(p)	2005(p)
Trade balance	13.5	13.5	13.7	16.0	16.3	16.3	16.1
Exports of goods (f.o.b.)	38.2	35.2	35.2	37.0	35.4	35.2	34.8
Imports of goods (f.o.b.)	-24.8	-21.6	-21.5	-21.0	-19.1	-18.9	-18.7
Services	-5.6	-7.0	-6.4	-8.2			
Factor income	-9.9	-6.2	-5.5	-5.4			
Current transfers	-4.0	-3.1	-2.9	-4.0			
Current account balance	-6.0	-2.8	-1.1	-1.5			

Source: Domestic authorities' data; projections based on authors' calculations.

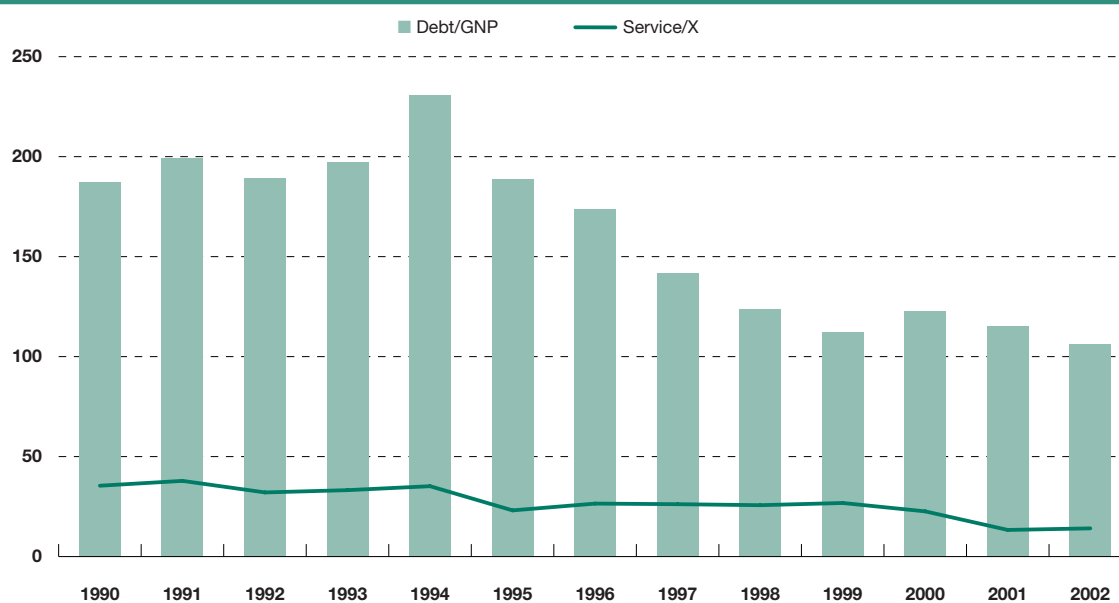
exports became less competitive. Exports are expected to decline in 2004 and 2005 to about 35.2 per cent of GDP (37 per cent in 2002).

Imports were 19.1 per cent of GDP in 2003 (down from 21 per cent in 2002) and purchases of food and equipment rose. Owing to less industrial activity, imports of intermediate goods, raw materials and semi-finished goods fell.

The capital account and financial operations showed a deficit of 315.1 billion CFA francs (\$537.8 million) in 2003, after a surplus of 43.1 billion (\$61.8 million) in 2002. The political crisis meant little public or

private external funding was forthcoming and capital flight totalled 414.7 billion CFA francs (\$707.9 million) in 2003 (under the heading of "other investments").

External aid was 156.3 billion CFA francs (\$266.8 million) in 2003, down 62.4 per cent on 2002 due to suspension of projects because of arrears in payments to the French Development Agency (AFD) and the African Development Bank (ADB). The government expects this trend to reverse in 2004 and external funding to reach about 520 billion CFA francs (\$887.6 million), but it must first clear its AFD and ADB debt arrears before it can restore relations with external funding sources.

Figure 6 - **Stock of Total External Debt** (percentage of GNP) and **Debt Service** (percentage of exports of goods and services)

Source: World Bank.

The public external debt was estimated as 5 844.5 billion CFA francs (\$9.9 billion) at the end of 2003 and debt service at 249.6 billion CFA francs (\$426 million), putting Côte d'Ivoire into the HIPC category. Good implementation of a 2002-04 IMF economic and financial programme in the first eight months of 2002 raised hopes that decision point for HIPC debt relief would be reached between September and December that year. However, the September 2002 political crisis and its negative effect on debt recovery and execution of the programme threw into doubt all achievements on this score.

Structural Issues

Before the political crisis first erupted in December 1999, Côte d'Ivoire had begun a structural reform programme to open up the economy, but implementation has been curtailed or slowed down by the crisis. In agriculture (the backbone of the economy), complete privatisation of the cocoa and coffee sectors from 1999 was partly reversed by creation of a regulatory fund and (opening in July 2001) a trading exchange for the two commodities. The aim was to help set a minimum price for growers, though this remains a problem because the fund's reserves are not sufficient to deal with a fall in world prices.

The government's development plan since 1995 had made Côte d'Ivoire's mining, energy and industrial sectors into "the second leg" of "the elephant of Africa", as the country is known. Now major offshore gas finds have raised the prospect of national self-sufficiency in

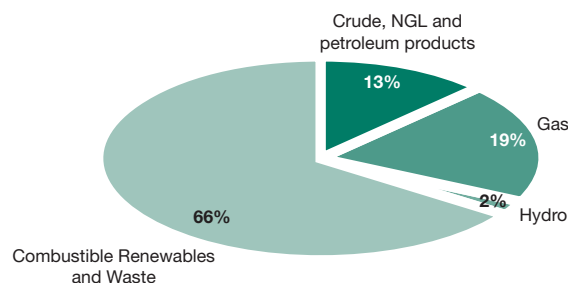
energy. The government also wants to supply electricity, refined oil and butane gas to the sub-region and to make the Ivorian economy more competitive by reducing energy costs with the new gas reserves. The country has a key strategic position in the sub-region, with its port facilities, good refined oil products and fuel distribution network, and the potential of its oil and gas reserves.

Most Ivorians use firewood for energy. Excessive felling of mangroves for cooking, building materials and drying salt has damaged natural habitats. Firewood is still plentiful in the south and the crisis has not directly affected the environment, but in the north, farmers are selling wood as an alternative source of income. Deforestation linked to use of firewood and traditional methods of making charcoal is already a major national problem, which may worsen in the north.

Oil reserves are estimated at about 100 million barrels. The Ivorian sedimentary basin is divided into 25 offshore and four onshore blocks. More than \$1 billion is currently invested in the offshore sector. The national refinery company, SIR is linked by pipeline to the Le Lion oilfield, but it also receives crude from Nigeria. SIR can refine 65 200 barrels a day (3.1 million tonnes of refined products a year) and its offshoot, the Société Multinationale de Bitume, an additional 10 000 barrels a day (140 000 tonnes of bitumen a year).

Gestoci, the national storage company, near SIR in Abidjan, stocks and handles oil products for national consumption and for export to the region (Mali, Burkina Faso, Niger and Chad). A double gas and oil products pipeline is planned between Abidjan and Bouake to

Figure 7 - Structure of Domestic Energy Supply in 2001



Source: International Energy Agency.

replace the present road and rail transport. A total 1.5 million tonnes of fuel oil was distributed in 1999 to three groups of Ivorian customers: the public through service stations (801 000 tonnes), industrial and road haulage firms (510 000 tonnes) and international customers such as airlines and shipping companies (378 000 tonnes).

The country has one of the best networks of service stations in sub-Saharan Africa with 458 stations and all major international competitors present in the market. Domestic fuel prices are controlled and a litre of top-grade at the pump was around 543 CFA francs in January 2004, but taxes (VAT and a special levy, the TSPP) accounted for nearly half that. Oil product taxes provide about 7 per cent of the government's total tax revenue. Distributors sold a quarter less volume of fuel oil in the first half of 2003 year-on-year.

Natural gas was first discovered in the 1980s but extraction did not begin until later. Three gas blocks are now in production and guaranteed to meet the country's needs for more than ten years ahead. Reserves are estimated at about 1.1 billion cubic feet. Since 1998, the plant at Vridi has been able to process 75 million cubic feet a day and produces 25 000 tonnes a year of a mix of butane (86 per cent) and propane (14 per cent) for industry.

The economic crisis has sharply reduced the electricity sector's need for gas and starting production in other blocks depends on demand and pipeline projects to supply gas to Ghana, Mali and Burkina Faso. The government predicts consumption will increase 50 per cent over the next four years. About 60 000 tonnes of butane was sold in the country in 2000, but two thirds of it was imported.

Electricity is thermally and hydro-generated with a total installed capacity of 1 265.5 MW. Hydropower can reach 607.5 MW from six dams. Thermal power (from three plants) was 67.4 per cent of total production in 2002 (63.2 per cent in the two previous years). However, if the Soubre dam is completed (2006/07 at the earliest), it will balance energy supply between hydro and thermal, avoiding excessive dependence on gas.

Electricity output steadily increased from 1995 to 2002, from 2 489 GWh to 5 277 GWh. National consumption rose much more slowly and took 86 per cent of national production in 1995 and 55 per cent in 2002, allowing exports to Ghana, Benin, Burkina Faso and Togo. Other supply lines are planned to Mali, Guinea and Liberia and a regional connection arrangement, the West Africa Power Pool (WAPP), has been launched to standardise the network. In April 2002, UEMOA energy ministers announced that \$10 billion was needed over 15 years to set up this project. Much of the money is expected to be raised through the New Partnership for African Development (NEPAD).

The Ivorian grid comprises 4 300 km of high-tension and 25 000 km of medium- and low-tension lines. The country is one of the better electrified in Africa, with coverage increasing from 27 per cent in 1997 to 33 per cent in 2000. There are more than 700 000 customers and 60 per cent of electricity consumed is in greater Abidjan. An ambitious rural electrification programme was launched in 1995 to hook up 7 000 towns and villages at the rate of between 200 and 250 a year. The first phase of the project, involving 355 places, is nearly complete but the second phase remains to be set up.

Ivorian electricity is among the regions least costly. The cheapest low-tension current (no more than 5 amps) carries a reduced VAT of 11.11 per cent and the government subsidises consumption of less than 80 kWh over two months, which works out at a rate of 34.83 CFA francs/kWh. Beyond this level, VAT rises to 18 per cent and the kWh price doubles, but this is still cheap. Despite the September 2002 crisis, output and exports continue to increase.

The electricity company CIE, privatised in 1990, still supplies the north despite the fighting and the political crisis, as does the water company SODECI, which is privately owned. Production in 2002 was 5 276.2 GW (up 8.4 per cent on 2001), 29.7 per cent of which was exported (23.7 per cent the previous year). Nevertheless, medium-tension consumption fell more than 10 per cent in the first half of 2003 year-on-year

due to slower industrial activity. About 15 per cent of CIE customer bills remain unpaid because of the crisis – surprisingly low in view of the problems experienced – and this has put the firm in the red for the first time since it was privatised.

The privatisation programme launched in April 1990 envisaged liberalising about 60 state-owned firms (then about three quarters of the public sector in terms of turnover, jobs and value added). They included transport, food processing, telecommunications, energy, banks, publishing, tourism, public works and mining companies. The pace of disposal quickened in 1994 after devaluation, which made the country's products more competitive, but the last privatisation was in May 2002.

Côte d'Ivoire Telecom, privatised in 1997, has modernised its infrastructure but only about 340 000 people had a fixed line in 2003, while four times as many (1 400 000) used mobile phones, 95 per cent of them with pre-paid cards. After the September 2002 crisis, communications were cut between the north and south of the country. Fixed lines were restored in November 2002 and GSM connections in April 2003. Côte d'Ivoire is also considered the most computerised country in the region.

Privatisation of CIE, based on the experience of SODECI (which has always been in private hands), has been a success and others are planned, including the refinery company SIR and national oil company, Petroci. Private operators and Build Operate Own and Transfer (BOOT) arrangements have proliferated in electricity generation and supply of natural gas to thermal plants. However, though privatised, CIE will keep a government franchise to transport and distribute electricity at least until 2005.

Petroci was reorganised in 1998 into four parts. Petroci Holding, entirely state-owned, is in charge of sector policy and the three subsidiaries. Petroci Exploration-Production is responsible for upstream activity such as supply, research, prospection and production. Petroci Gaz handles distribution and sale of gas and by-products and Petroci Industries-Services takes care of all the sector's other activities, including wharfage

and production and sale of oil-related products. Only 49 per cent of the three subsidiaries are privately held but complete privatisation will take place when the market is favourable. To ensure complete opening-up of the oil sector and the key activity of storage, Gestoci's privatisation will have to be co-ordinated with that of SIR.

With the goal of becoming the "Elephant of Africa", in 1996 Côte d'Ivoire began a wide range of major infrastructure projects to be funded, run and carried out by private firms under BOOT arrangements. They included building private universities, student dormitories, bridges, housing, markets, motorways, bus stations and car parks, as well as regional integration projects such as an Abidjan-Niamey-Ferke-Bamako-Dakar railway line. However, these projects were badly delayed and after September 2002 were all curtailed. Several problems of infrastructure maintenance and payment arrears have since arisen.

The banking scene was revolutionised by the 1991 structural adjustment of the financial sector and the 1994 devaluation. Credit houses have become more solvent and improved their liquidity. The country has 15 banks with 159 branches nationwide and seven financial firms. However all banks in the north have been closed since the political crisis began.

The regional stock exchange (BRVM) is part of UEMOA, with a branch in each of the eight member countries. Of the 38 companies quoted on it in October 2003, all but one (the Société Nationale de Télécommunication du Sénégal) were Ivorian and values have continued to slide. The composite share index dropped by 4 per cent, the index of ten leading shares by 1.2 per cent and the total share value by 8.7 per cent between December 2002 and December 2003.

Political and Social Context

The events of September 2002 cut the country in half and closed routes from the capital to the north and to the landlocked countries beyond. However, the authorities recently stressed their desire to normalise

the situation, in an effort to present an optimistic view of an end to the conflict.

Most of the agreements required under the Marcoussis peace accords have been drawn up and some adopted by the government. Only those concerning rural property law and naturalisation are subject to approval by referendum. The president and the prime minister (in power since January 2003) have been working well together since November 2003. However, the Ivorian public, all economic players and the international community are waiting for the October 2005 presidential elections before assuming stability, thus dragging out the present uncertainty.

The peace process should be completed when United Nations troops arrive in April 2004, enabling restoration and repair of roads, water, electricity, TV and radio and social services. An initial phase of demobilisation, disarmament and social reintegration was set for the end of March 2004 in Bouake, Yamoussoukro and Daoukro. Front-line heavy weaponry was withdrawn in December 2003 but 230 000 fighters remain in the north. The soldiers are supposed to return to barracks with their weapons and civilian fighters are to be demobilised.

The second phase is returning the displaced population and then rebuilding and restarting the economy. Restoring government services involves more than 24 000 civil servants who have been particularly targeted and threatened by the rebels and who will be paid indemnities of between 300 000 and 1 million CFA francs to get them to return to their posts.

International organisations such as the World Bank and the IMF have a key part to play in resolving the conflict by funding reconstruction. The Bank has approved \$11 million for education and \$29 million for health. A new three-year PRGF programme may be agreed in 2004. Money from funding agencies will initially just go to restoring infrastructure.

The fighting has brought the spread of disease, abuses and destruction of property in the war zones, increased human suffering and created many humanitarian

problems all over the country, though the damage to social indicators cannot yet be accurately measured. Latest World Bank estimates are that the proportion of people living below the poverty line of earning \$1 a day – which increased from 33 to 38 per cent between 1998 and 2002 – is expected to have risen further in 2003 to between 42 and 44 per cent. In 2001, 11 per cent of the population were living in extreme poverty, defined in 1998 as an annual income of 95 700 CFA francs.

The percentage of underweight children under five in 2001 was 21.2 per cent, but 171.3 in 1 000 did not live to that age. Maternal mortality was 597 in every 100 000 live births and only 47.7 per cent of births were professionally assisted. An anti-HIV/AIDS programme was launched in 1987 but the disease's spread has cancelled out efforts to fight it. About 10.4 per cent of adults are infected, with the highest death rate from it in the 30-49 age group. Some 10.5 per cent of pregnant women were found to be infected in 2001 and 600 000 children were HIV/AIDS orphans.

Net primary school enrolment was 59.9 per cent in 2001 but gender disparity was very marked at both primary and secondary levels, with only 53.1 girls to every 100 boys in secondary school. More than half of all adults were literate (60 per cent of men and 38 per cent of women). Since then, the education situation has worsened and become disastrous in the war zones, where many schools have been destroyed and nearly 340 000 children have been out of school for more than a year. Classes and exams should resume gradually and be back to normal by 2005.

