

Côte d'Ivoire

Status Index (Democracy: 2.85 / Market economy: 3.43) 3.14		Management Index 1.83	
HDI	0.420	Population	17.6 mn
GDP per capita (\$, PPP)	1,476	Population growth¹	3.5 %
Unemployment rate	-	Women in Parliament	8.5 %
UN Education Index	0.46	Poverty²	10.8 %
		Gini Index	44.6 (2002)
Source: UNDP: Human Development Report 2005. Figures for 2003 unless otherwise indicated. ¹ Annual growth between 1975 and 2003. ² People living below \$ 1 a day (1990- 2003).			

A. Executive summary

Political order in Côte d'Ivoire began collapsing in 1999 and degenerated into civil war by September 2002. Some years ago, few observers, both domestic and international, would have predicted the decline of the economic hegemon and French stronghold in West Africa. The roots of the current crisis reach back to the failed transformation of the political and economic system in the 1980s and 1990s.

Global economic change with fluctuating prices for the main export crops and domestic social change with a fast-growing young population with high expectations created the need for sound management of these political and economic challenges. The senile President Houphouët-Boigny first resisted any change. In the wake of his death in 1993, his successors used all their energy and national resources to battle for political domination. The Côte d'Ivoire has paid a high price for this mismanagement: ethnic polarization and violence, the decay of public institutions and constitutional manipulation, the lack of government legitimacy and consequent erosion of trust in government. The 1999 coup led to the country's militarization and eventually to its division into two parts with U.N. forces separating the military forces and guaranteeing the territorial integrity of Côte d'Ivoire. The prospects for regime democratization and the meaningful participation of the population and civil society are slim.

The success and failure of economic transformation has been dictated by political considerations. While international donor organizations have exerted great pressure on the government to pursue structural reforms, these have been blocked by vested political interests and the dominant view that export rents are to the direct benefit of rulers. The population has suffered from these developments. Social indicators point to deteriorating effects on par with that of least developed

countries. During the period under review, French dominance in the economic system has been challenged.

Although the need for radical transformation of both the political and the economic system is obvious, the urgent management challenge consists in maintaining the territorial integrity of the country and guaranteeing the physical survival of its inhabitants. There are some doubts whether the current de facto duality of governments in the north and south are capable and willing to take up this challenge. The international and regional community must acknowledge their responsibility in managing a peaceful resolution.

B. History and characteristics of transformation

Political and economic transformation in Côte d'Ivoire has been uneven. After independence in August 1960, the country's first President, Félix Houphouët-Boigny, came to dominate the country's political life and economic decision-making. During the 1960s and 1970s, Houphouët-Boigny led Côte d'Ivoire's emergence as one of Africa's few stable and economically successful countries. A broadly liberal economic system actively integrated within the world market was combined with an essentially authoritarian mode of political regulation. The Parti démocratique du Côte d'Ivoire-Rassemblement démocratique africain (PDCI-RDA) was the country's single party. The Côte d'Ivoire's success as an exporter of cacao (first worldwide producer) and coffee was a major factor in its stability. These exports quickly enabled the country to achieve an enviable level of prosperity and social development. There was both an increased presence of the French working in the administration and business, and a large influx of immigrant workers from the neighboring Sahel countries Burkina Faso, Mali and Guinea, primarily for seasonal work on the cacao and coffee plantations.

When commodity prices fell in the 1980s, Côte d'Ivoire began to face serious economic and social challenges. The established model of political and economic regulation, which denied political participation but guaranteed social advancement for elites, and fixed producer prices for planters, had become unsustainable. Popular dissent increased and multiparty rule was introduced in the early 1990s. Along with political liberalization came an attempt at economic reform headed by a technocratic team under Prime Minister Alassane Ouattara. He conducted an economic reform program in the face of significant resistance within the ruling party, particularly from the president of the National Assembly, Henri Konan Bedié.

Upon Houphouët-Boigny's death in December 1993, both Ouattara and Bedié vied for power. Bedié eventually won by invoking a constitutional provision transferring interim power to the speaker of parliament in the event of the

president's death. Bedié subsequently consolidated his own power by sidelining those sympathetic to Ouattara. A pro-Ouattara party, the RDR, broke away from the PDCI-RDA. Bedié won the 1995 elections; both the RDR and the other "historical" opposition party FPI boycotted the election citing the electoral code excluding Ouattara from running because of the "dubious" status of his Ivorian nationality. The PDCI-RDA retained an overwhelming majority in parliament through parliamentary elections.

Support for President Bedié, who initially benefited from the positive effects of the devaluation of the CFA franc in January 1994, waned rapidly after 1998 as the economy went into recession and Bedié failed to institute structural reforms. A radical political nationalism intended to systematically disenfranchise Ouattara and his northern supporters also contributed to Bedié's waning popularity. President Bedié was eventually overthrown in a bloodless coup in December 1999; this was generally greeted with relief by the population, and less openly so by international donors that had stopped financial support, owing to growing concerns about fraud and corruption. Initial hopes for a rigorous democratization process were soon deflated; the coup leader, General Robert Guei, announced his candidacy in the 2000 elections and the "eternal" opposition party FPI joined the PDCI in their nationalist platform, which led once again to Ouattara's exclusion.

A popular uprising thwarted the rigged election of October 2000. General Guei, after losing the support of the army, was then forced into hiding. Mr. Gbagbo was declared winner against the protests of the RDR supporters. Clashes between RDR militants and FPI supporters turned violent and resulted in several civilian victims, primarily northerners (i.e. pro-RDR citizens). Despite substantial misgivings, France and the international community eventually endorsed Gbagbo's election. When Ouattara was again disqualified from the ensuing parliamentary elections, the RDR boycotted the contest. Consequently, the PDCI-RDA and FPI took nearly all the seats.

Developments in 2001 seemed to presage an easing of tensions. Local elections and a forum of national reconciliation held in Abidjan between the four main leaders Gbagbo, Bedié, Ouattara, and Guei in late 2001 gave rise to optimism. The forum's non-binding recommendations offered a consensual framework that included inter alia modifications of the constitution, new immigration and land ownership laws and the awarding of a nationality certificate to Ouattara. Increases in world cacao prices, indicating economic revival, contributed to a sense of optimism. A government of national unity including the RDR was established in August 2002.

The September 2002 coup attempt and the descent into civil war thus took the country by surprise. Rebels swiftly took control of the entire northern half of the country. They were often welcomed by the local population marginalized by the

nationalist policies of the Guei and Gbagbo administrations. In response to the growing prospect of a civil war, the French government stepped up its military presence in Côte d'Ivoire, agreeing to police the cease-fire line established by an agreement made on October 19, 2002. Key political parties and rebel groups reached a political settlement during negotiations in Marcoussis, France in January 2003. In March 2003, a national reconciliation government took office, which included both the parties of the governing coalition, the RDR and representatives of the armed rebel groups, known as the "New Forces." Ongoing political conflicts have hampered the government's ability to function and led to the periodic withdrawal of component parties. Implementation of the peace accords, including disarmament, territorial reintegration and a menu of significant political reforms, has been halting. The country is essentially split with one-half under rebel control.

C. Assessment

1. Democracy

Côte d'Ivoire does not meet the minimum criteria for democracy. Civil war has reversed the limited progress made during the 1990s with regard to political participation and the establishment of rule of law. There is no longer clarity about the contours of the Ivorian political community, and political and social integration has reached a historic low.

1.1. Stateness

The failed military coup of September 2002 led to a de facto division of the country. The northern part of the country is under the supervision of the New Forces, who maintain the symbols of the state of Côte d'Ivoire, including its flag and national anthem, and deny preparing for secession but can be characterized as essentially self-governing. Therefore, the state's monopoly on the use of force exists only in the southern part of the country. Even in this southern region, paramilitary groups supported by hardliners in the regime are no longer under the control of formal security forces. The de facto administration of the rebels is providing for basic security in the northern part of the country, but tensions within the New Forces leadership have led to several assassinations. Light weapons are abundant throughout the country. Armed gangs in the 'wild west' (where Liberian militia fight along with their Ivorian ethnic cousins in all factions) have abused civilians under the guise of the civil war.

Disagreements over citizenship rights are among the root causes of the current political-military conflict. Significant aspects of citizenship (if not citizenship tout

court) are withheld from northerners as well as from migrant workers who have lived in Côte d'Ivoire for many years. The nationalistic concept of *ivoirité* originally developed by President Bedié has since been used as a political platform by all governments (Guei, Gbagbo), who claim that Ivorian citizenship should be restricted and protected from the influx of immigrants. It is estimated that up to one-third of the total population consists of first- and second-generation immigrants from the Sahel countries. Fuelled by politicians, the concept of *ivoirité* encouraged southerners, most of whom are Christian or animist, to regard themselves as 'true Ivorians' and whipped up xenophobic sentiments and actions against Muslim northerners, whether they were of Ivorian nationality or not.

The Marcoussis Agreement addressed *ivoirité* on several fronts, including eligibility, immigration and citizenship policy, and land ownership. However, progress in implementing the accord has been minimal, primarily due to the delay tactics of the Gbagbo government and its supporters. In February 2004, the FPI minister in charge of labor publicized a new government plan to require employers to 'ivorianise' jobs. However, he was forced to clarify that this policy contravened practice within other member states of the Economic Community of West African States (ECOWAS), where there is free circulation of labor.

The separation of church and state is guaranteed by the French-style secular constitution, and religious extremists command little political influence. Conflicts among the different ethnic and immigrant groups have gained religious overtones lately. However, political discrimination and violence has primarily related to ethno-cultural stereotypes and linguistic cleavages, targeting all northerners independent of their religious affiliation (although most Muslims live in the northern part of Côte d'Ivoire).

Government offices in the north and west of the country have been closed since September 2002; most have not begun operating again, awaiting the oft-delayed implementation of the disarmament agreement. The rebels have established a basic administration that levies fees on transport and trade and maintains public safety. Many public services, such as schools and clinics, have not shut down altogether, but are operating with minimal staff on an improvisational basis. Civil servants are supposed to travel to Abidjan to collect their salaries.

A functional administrative system only exists in the southern part of the country, and even there, public administration is slow and inefficient. The state infrastructure is decaying rapidly with regard to public administration, judicial system and taxation, but is still operating efficiently in the vital cacao-producing sector (maintenance of roads, port, customs).

1.2. Political participation

Universal suffrage, the right to campaign for office and democratic elections are assured de jure but not de facto. The current transition government does not reflect the outcome of the last election, but was installed as a form of power-sharing following the military stalemate. The October 2000 elections that installed the current Gbagbo-FPI government were marred by irregularities. No elections were held between 2003 and 2004, but preparations for the forthcoming elections in October 2005 indicate serious violations of the principles of free and fair elections with regard to the reconstitution of voter rolls, the composition of the electoral commission, and especially eligibility provisions.

The Gbagbo government has the effective power to govern in all regions except those controlled by the rebel groups. The presence of rebel leaders in the Government of National Unity that was made possible by the Marcoussis Agreement of January 2003 did not automatically extend governmental control to the northern regions. The armed forces have gained enormous importance since the military coup in 1999, and it might be plausibly argued that implementation of the provisions of the Marcoussis Agreement as well as effective policy oversight by the prime minister concerning security and home affairs has been and remains blocked by the military.

Freedom of political organization and association was guaranteed throughout the 1990s. De facto public operations of civil society groups and opposition parties have been constrained since the 2002 coup attempt, due to repressive policy measures such as the prohibition of public demonstrations for three months as well as the unchecked activity of youth activist groups ('young patriots') and militias. In contrast, union activity has remained steadfast, with cacao, coffee and cotton sector unions putting occasional pressure on the government. Many sections of public administration regularly go on strike, including magistrates, prison wards and health workers. Even during the civil war, a number of civil-service segments, such as doctors and nurses, initiated strikes. Clashes between the powerful student organizations and the police are frequent; both Guillaume Soro, the leader of the New Forces, and Charles Blé Goudé, the main militia leader on the government side, were former student union leaders.

The political instability and division of the country has made access to balanced information very difficult, and national and international media remain subject to threats and pressure from both the government and the rebel forces. The constitutional provisions for freedom of expression are not always respected in practice. Control of the state-run broadcasting system has been a major cause of disagreement between the different parties to the Marcoussis Agreement. Growing tendencies toward 'hate media' within the pro-government media have not been

countered by the appointment of rebel leader Soro as Minister for Telecommunication, as he has been unable to exercise any impact on this reporting. Dozens of independent newspapers survive, most of them linked to political parties, and criticize the government; there is also widespread access to the Internet. No free media exists within the rebel-controlled zones. Both national and foreign journalists have been killed since 2003. Côte d'Ivoire ranked 140th of 193 countries, with a value of 65 or "not free," in the Global Press Freedom Survey 2004 by Freedom House.

1.3. Rule of law

Côte d'Ivoire is a country with a long history of complete presidential control of the political process. Political liberalization during the 1990s did not lead to any meaningful political empowerment of parliament, where all PDCI-Presidents until 1999 enjoyed strong majorities. The rise of a former opposition party to power has not significantly modified this power balance, as the president has shifted his decision-making process to favor a limited group of advisors that includes his own wife Simone. Many ministers from opposition parties who entered the Government of National Unity in 2003 lack control over the senior civil servants and heads of state agencies in their remit, most of whom were selected by predecessors or appointed by the President against the new ministers' wishes. The structural annulment of parliamentary oversight has been officially justified because of the emergency affecting the Ivorian state since 2002.

Formally, the judiciary is institutionally distinct, but its decisions and tenets have always been circumscribed by the current government. Both the constitutional and the regular branches of the judiciary are vulnerable to executive intervention, lack adequate resources (especially outside Abidjan) and are riddled with corruption. A series of major judicial reforms, which provided for the installation of a Council of State, a Supreme Court of Appeals and an Audit Office, were announced before the civil war, but have yet to be implemented.

Financial malpractice plagued previous administrations, and the current government, encouraged by the absence of auditing, has been implicated in a number of new scandals. Corrupt officeholders currently do not seem to face any adverse opprobrium from civil society, the media, or opposition parties, nor are they subject to prosecution under the law. Embezzlement of public funds is still considered a politically and culturally permissible behavior. This is particularly true with regard to the management and supervision of the cacao export, which remains the primary cash crop, as well as the allocation of public funds in the service sector (*les travaux publics*).

Since 1999, most civil liberties have existed only de jure, due to the absence of a nationwide monopoly on the use of force and the lack of political will and judicial control. Massive human rights abuses and indiscriminate killings by security forces and allied militia (and by the rebels in their territories) were confirmed in a United Nations investigation in April 2004. The ‘young patriots’ have served as a de facto militant wing for Mr. Gbagbo’s hard-line supporters and have fomented strikes and demonstrations, including violent attacks, against French business interests, immigrants and suspected opposition sympathizers. The perpetrators of mass murder and serious violations of human rights committed since the first coup in 1999 have not been brought to justice, although the police sergeant who killed a correspondent of RFI in October 2003 was eventually sentenced in January 2004 to seventeen years in prison. However, no links were established between his actions and the president’s supporters.

1.4. Stability of democratic institutions

Democratic institutions are currently unable to function. The Marcoussis Agreement provided a way out of the political-military impasse through a power-sharing agreement that was not democratically legitimate, but was intended to pave the way for democratic elections by the end of 2005. Even this formula, with an elder statesman as consensus prime minister, has not worked. There is no pretense of democratic rule in the north, and in the south all decision-making is done by an increasingly narrow shadow-cabinet.

Support of democratic institutions by many actors is highly questionable, and limited at best. The potential veto actors of the so-called G7 (all Marcoussis parties save except the FPI) have either taken refuge in Abidjan or abroad (Ouattara is still in Paris) or have installed themselves in the north (the New Forces). It is unclear to what extent President Gbagbo still commands control of the army and the militia and whether he is actually the driving force behind the growing radicalization of the regime or is being pushed by other factions.

1.5. Political and social integration

Three parties have dominated political life since the mid-1990s: the FPI, the RDR, and the PDCI. It is difficult to assess the relationship between parties and voters because there has never been a fair and regular democratic election with all three parties participating. At various crisis points during past years, all three parties have participated in governments of national unity, indicating some capacity and willingness for cooperation. Both the FPI and the PDCI have a long tradition of political participation, and used to be strongly rooted in society. It remains to be

seen whether the New Forces will convert to political parties and how they will interact with the main political party of the north, the RDR, in the future.

Many interest groups still exist, such as the powerful cacao planters' associations and the student unions, but they rarely cooperate and have little (or even negative) impact on political processes. Important social interests remain underrepresented, especially those represented by interest groups that cut across religious and ethnic divisions and were far more active in the first half of the 1990s.

While no reliable survey data exist, consent to democracy has always been moderate. The relatively benign authoritarian rule of the 1970s and 1980s allowed for limited political competition within a single party, and the introduction of multi-party rule was generally welcomed. 'Majority rule' has been so thoroughly abused since Bedié's first constitutional reforms in 1995; however, most Ivoirians have become cynical about democracy. Among the young patriots (fortunately not representative of the population at large), there is a growing tendency to openly refute basic democratic principles in order to defend the perceived interests of 'true Ivoirians.'

Although lack of trust between residents of ethnically mixed neighborhoods in many parts of the country has been identified as a major cause of social conflict since the 1990s, no policy action has been taken to increase social cohesion. Social capital is strong, particularly among the marginalized groups of northerners who reside in certain suburbs of Abidjan.

2. Market economy

Some essentials of a market-friendly economic order have been maintained in Côte d'Ivoire, even during periods of instability and violence, but overall macroeconomic performance has deteriorated considerably during recent years. Except for currency policy, which is beyond the control of government, all items covered in this section have shown a net decline during 2003-2004.

2.1. Level of socioeconomic development

As one of the world's least developed countries (ranked 163rd of 177 in the Human Development Index), Côte d'Ivoire exhibits social marginalization that is both quantitatively and qualitatively extensive and structurally ingrained. Almost all relevant indicators point to severe problems. Between 1990 and 2001, 37% of the population lived below the national poverty line. In 2002, Côte d'Ivoire ranked 79th of 95 in the Human Poverty Index for developing countries. Despite conventional wisdom and a per-capita income that is not catastrophic (\$716 in

2002), in 2005 Côte d'Ivoire still lacks the socioeconomic prerequisites for adequate freedom of choice.

2.2. Organization of the market and competition

Although Côte d'Ivoire used to be hailed as capitalist model in Africa, the institutional setting for free markets and competition has never been sufficient. This is particularly true in the vital cacao sector, where uncertainty over both economic fundamentals and the institutions of management and regulation persist five years after the dissolution of the marketing monopoly held by the Central Agricultural Marketing Board.

Côte d'Ivoire ranks 92nd of 151 countries ("mostly unfree") on the 2005 Index of Economic Freedom. It was not ranked in the World Economic Forum's Growth Competitiveness Index (CGI). The informal sector has gained importance in the environment of military and political conflict.

The formation of monopolies and oligopolies is not consistently regulated, nor is it considered a policy issue of major importance. French-owned companies hold de facto monopolies within several infrastructure service sectors, such as electricity, water, fixed-line telecommunications, and transport.

Foreign trade complies with the non-discrimination principles outlined in the West African regional scheme, but numerous rules, barriers and informal interventions by officeholders constrain any actual liberalization of the foreign trade regime. The cacao and coffee trades are largely run by multinational companies. Liberalization of foreign trade has advanced in terms of removing barriers to the flow of capital and external investment, particularly after foreign investment completely dried up in 2002.

An IMF review in August 2002 expressed concerns about the financial sector in Côte d'Ivoire, particularly with regards to the quality of its loan portfolio. Some private banks have been heavily impacted by the crisis, with up to 50% of loans classified as non-performing. The largest commercial banks, however, all have a foreign ownership stake. Banks have been closed since the start of the civil war in regions of the country held by the New Forces, and local residents have alleviated cash shortages with wire transfers to neighboring countries and personal trips to the government zone.

A legal framework for the banking system and capital market exists. The regional stock exchange (BRVM) is located in Abidjan, as the crisis reduced Côte d'Ivoire's domination of the stock exchange from 73% of market capitalization in 2001 to 59% in 2002.

2.3. Currency and price stability

As a member of the CFA franc monetary union, Côte d'Ivoire cannot pursue an independent policy on currency and foreign exchange rates. The currency is pegged to the euro, and the Central Bank of the West African States (Banque Centrale des Etats de l'Afrique de l'ouest, BCEAO) is fully independent. This has led to relatively low inflation, with occasional exceptions such as the brief period of inflation that followed the CFA franc devaluation in 1994. Despite political unrest, no discernible increase in the inflation rate has occurred since 2002.

Because of the pegged exchange rate regime, the government must rely on fiscal policy as its main instrument for achieving financial stabilization. As the government has tended to quickly accumulate both domestic and external payment arrears, fiscal policy has been the main source of disagreement between Côte d'Ivoire and the IMF. Programs have been negotiated, suspended and resumed since 1999. A PRGF was supposed to run from 2002 to 2005, but because the country has lapsed in its performance commitments since 2002, the suspended programs have not been resumed.

A World Bank Report in late 2003 raised concerns about the quality of the government's financial planning. Many of the key assumptions underlying budgetary planning were unrealistic, and by the end of 2004, actual revenue and spending had little relation to these numbers. Although widely acknowledged, the extent to which the 2004 budget accounted for substantial off-budget expenditure via parastatals and the cacao sector as well as payments of arrears to the private sector remains unclear.

2.4. Private property

Property rights are adequately defined but cannot be considered satisfactorily safeguarded by law. The key problem within the area of property rights is land tenure, particularly the right of immigrants to secure property rights to the land they farm.

Private companies represent the backbone of the economy, but some state companies still exist as well as strong market concentrations that constitute oligopolies. Since 2003, the government has pursued a controversial privatization

initiative that would result in a long-term management concession of the Vridi container terminal at the port of Abidjan to the French group Bolloré, which already controls the railroad and several other infrastructure assets. This concession would take place without a bidding process, since the World Bank-supervised bidding procedure was interrupted by the war in 2002. The Minister for Economic Infrastructure Achi (PDCI) declared the deal 'null and void' in March 2004 and re-initiated the privatization process. He was supported by a World Bank evaluation that argued that the government ceded the concession for a fraction of its value, and that under the contract terms Bolloré could now charge for a wide range of costs beyond the government's control. President Gbagbo subsequently dismissed Achi from government in May 2004 and the arrangement is apparently being executed as *fait accompli*. The timing of the announcement made in January raised speculations that the government was seeking to reward French firms as part of an appeasement policy in the wake of the murder of a French journalist.

2.5. Welfare regime

While the government has committed itself to poverty alleviation, this has been undermined by political instability and the outbreak of civil war in 2002. The Poverty Reduction Strategy Paper (PRSP) expected in 2002 has not been published yet.

Social services have deteriorated due to a lack of funding. This has been confirmed by the latest UNDP indices for education, with literacy rates at 49.7% of men and 38.4% of women. Life expectancy is only 41 years. The Bedié administration launched an ambitious healthcare development program in 1996 (\$157 million), but many of the benefits have been lost. Similar new initiatives and targets under the HPIC initiative cannot be set until progress has been made in the post-conflict reconstruction program. The extent to which the large informal sector has contributed to poverty reduction has not been quantified.

The education system has practically collapsed. Before 2002, the quality of teaching had already deteriorated, resulting in low completion and pass rates. The impact of HIV/AIDS on the education system has been alarming.

Women lack adequate access to public office and to educational institutions, as indicated by the low percentage of women in parliament and a poor Gender Development Index (GDI) rating. Côte d'Ivoire ranked 163rd of 177 in the 2004 GDI and 163rd of 177 in the 2004 United Nations Education Index. Since the mid-1990s, people from the north have been discriminated against in both the education system and the job market.

2.6. Economic performance

The severe political-military crisis since 1999, and the civil war and division of the country since 2002, have plunged the country into a severe economic crisis. Because the cacao growing areas of the country have been largely untouched by the conflict the damage could be limited, but indicators point to negative growth of -1.8 in 2002 and -3.0 in 2003. Employment has decreased in both parts of the country and outstanding debts have grown. By mid-2004, the government could no longer pay its arrears to the World Bank.

2.7. Sustainability

Ecologically compatible growth receives only sporadic consideration, and is supported by a rudimentary framework. The country increasingly depends on commodity exports, but the fiscal squeeze being passed on to producers is leading them to use extensive cultivation methods, and the entire virgin forest has been completely destroyed.

Côte d'Ivoire has a poor record in terms of educational infrastructure. Schools and universities have been paralyzed since the mid-1990s by strikes and "années blanches" (an academic year which is annulled due to extended loss of teaching hours, so that no exams are held). Since independence, Côte d'Ivoire has focused on importing skilled people rather than on developing its own training capacities. As relevant indicators such as the United Nations Education Index illustrate, even lower level institutions for education, training, research and development work inadequately.

3. Management

Transformation toward a democratic regime and social market economy has come to a standstill. By the end of 2004, some key ministries and services close to the president were spending and allocating resources exclusively with political considerations in mind. Under these circumstances, economic and political reform is neither a realistic prospect nor a government priority.

3.1. Level of difficulty

It has become impossible to distinguish between constraints that are structural and those that are man-made and result from the current political leadership's actions. The government inherited an already-impooverished country characterized by a general mood of deprivation among Ivoirians, a highly polarized political process

and violent social conflicts. Côte d'Ivoire had the most developed economic infrastructure in West Africa but underinvestment since the 1980s has left it in a poor state. With little maintenance work undertaken since 1999, some infrastructure has collapsed, such as roads in particular. The civil war in neighboring Liberia and the ready availability of light arms in the sub-region partially account for both the dynamics of domestic warfare and the internationalization of Ivorian governance problems.

Traditions of civil society hardly exist. The landscape of voluntary organizations is concentrated on the economic sector, where independent planter associations have existed since colonial times, but these activities lack any component of civic or public engagement. Although survey data are not available, trust in institutions and social trust are both low. There is no civic culture of participation in public life.

There are more than 50 different ethnic groups in Côte d'Ivoire, and the country is divided along religious lines. After years of social harmony and the promotion of migrant work from neighboring countries by the late President Houphouët-Boigny, successive governments have fully exploited ethnic and religious resentments to their own political advantage. Although the PDCI could still be considered a national party, other parties represent ethnic constituencies. The violent conflict into which Côte d'Ivoire plunged was primarily ethnic and less overtly religious in nature. Although the cease-fire has been respected and enforced by international forces, spontaneous inter-communal violence occurs on a regular basis in the villages of the cacao belt. Militia regularly surface in the bigger towns targeting immigrants and northerners. Ethnic conflict is partly exacerbated by social conflicts regarding land rights and the meagre benefits of the cacao farmers.

Profile of the Political System

Regime type:	<i>Autocracy</i>	Constraints to executive authority:	1
		Latest parliamentary election:	10.12.2000
		Effective number of parties:	2.6
1. Head of State:	<i>Laurent Gbagbo</i>	Cabinet duration:	10/2000-2/2003
Head of Government:	<i>Pascal Affi N'Guessan</i>	Parties in government:	3
2. Head of Government:	<i>Seydou Elimane Diarra</i>	Cabinet duration:	02.2003-present
Type of government:	<i>oversized coalition</i>	Parties in government:	5
		Number of ministries:	41
<p>Source: BTI team, based upon information by country analysts, situation in July 2005. Constraints to executive authority (1-6 max.) measures the institutional constraints posed by a federal or decentralized state, a second parliamentary chamber, referenda, constitutional and judicial review and the rigidity of the constitution. Effective number of parties denotes the number of parties represented in the legislature, taking into consideration their relative weight (Laakso/Taagepera index) = $1 / (\sum p_i^2)$; p_i is the share of parliamentary mandates controlled by party i. Number of ministries/ ministers denotes the situation on 1 January 2005.</p>			

3.2. Steering capability

The Marcoussis Agreement of January 2003 set clear priorities for the period preceding October 2005 elections: reforming of the constitution and related law, demobilizing various armed forces, reinitiating cooperation with donors with a focus on assuring the execution of the PRGF, and putting the economy back on track.

The resulting assessment was disastrous. The Gbagbo government had no apparent will to implement any of the policies established in the Marcoussis Agreement. It has sabotaged the consensus government it had assented to earlier. Not to be forgotten: the rebels' initial bargaining position did not recognize Gbagbo's presidency. The Gbagbo government has also made consensus on constitutional reforms impossible by unilaterally changing the terms of reference. Demobilization was repeatedly delayed by both parties to the conflict. A cynic could argue the Gbagbo government was efficient in prioritizing its survival needs and has proven its strategic capacity to avoid a smooth transformation under the Marcoussis Agreement at all costs.

Economic policy has simply focused on keeping the main functions of government operating. The government prioritizes the most urgent and politically sensitive obligations – paying the World Bank, the IMF, and the civil service wage bill – with all other matters taking secondary priority. Solid cacao-seasons are essential for near-term prospects, but clearly do not substitute for the fundamental imperative of finding a long-term solution to the political and economic crisis. There is evidence that during 2003 the government spent considerable extra-budgetary sums to equip and train the army.

The government has no reform policy and is not even committed to the reform agenda agreed in January 2003. Focused on political (and perhaps physical) survival, the government attempts to boost revenue by any means possible, neglecting any structural or qualitative reforms such as judicial reform, privatization, or reorganization of the cacao and coffee marketing structures. Also disregarded is investment in basic health, primary education, and roads and rural electrification in accordance with the PRSP.

The political leadership insists on a clearly misguided and harmful policy primarily to stay in power and further the individual economic interests of those in control. The government is only rhetorically giving in to overwhelming external pressure by both the international community and its African peers, revealing a loss of steering capacity due to infighting among the politico-military elite and a complete lack of commitment to peaceful transformation of the political and social conflicts of the country.

3.3. Resource efficiency

It is difficult to address issues of resource efficiency in the current politico-military context of the Côte d'Ivoire. We lack reliable information on how resources are spent within a budget that is unrealistic and lacks transparency. A general conviction exists that the government is financing its war effort with substantial extra-budgetary expenditure via parastatals and the cacao sector, and few doubt that the elites consume most of the state resources themselves.

There is no evidence that the government tries seriously to coordinate conflicting objectives and interests. The cabinet has been sidelined and public agencies have been staffed with loyal supporters.

The severe economic downturn since the military conflict erupted in 2002 seems to have led to higher levels of general corruption and venality at all levels of public administration. According to Transparency International's latest Corruption Perception Index, Côte d'Ivoire ranks 133rd of 146, with a near-bottom value of 2.0; in Sub-Saharan Africa only Chad and Nigeria score lower. Corruption is thus increasing and rampant at all levels.

3.4. Consensus-building

The political leadership is not currently aiming for democratic and economic transformation. It has failed to implement the reforms established with broad consensus in the Marcoussis Agreement and confirmed in the Accra-III Agreement in July 2004. While there is no fundamental conflict among most relevant actors regarding the desirability of a market-based economy, political and military crisis since 1999 has made state survival the top priority. The commitment of both the New Forces and the Gbagbo government to a democratic and peaceful transformation has become increasingly hollow. The longer the war goes on, the more people will have an interest in maintaining a violent status quo that nevertheless allows cacao production and marketing. Reformers have been sidelined or removed by the veto actors, and reform attempts have completely foundered.

It would be inaccurate to argue that management of political and social cleavages has been poor; on the contrary, the government has implemented an increasingly radicalized and xenophobic policy to legitimize its hold on power. Côte d'Ivoire comes close to a textbook example of violent politicization of ethnicity. People are harassed and killed due to ethnic and linguistic affiliation by death squads, which are tolerated or even clandestinely promoted and armed by government circles. There are large numbers of internally displaced refugees, and the political-

military division of the country is the physical manifestation of socio-cultural cleavages.

War times always destroy existing social networks. Insofar as the government has done nothing to avoid the war, it is also responsible for the destruction of social capital.

There is no participation of civil society in the political process in the northern rebel-controlled zones or in the south. Economic associations still try to influence policy-making in the cacao-sector, but have no effect since the government pursues only its own agendas.

In the period under investigation, acts of injustice and killings continued to be committed by both parties to the conflict. The establishment of a stable political order is a necessary condition for initiating a process of reconciliation. Processes of reconciliation that began before the outbreak of hostilities in 2002, largely driven by the international community, have been suspended.

3.5. International cooperation

Côte d'Ivoire's political crisis has become internationalized, with the presence of French military forces (Operation Licorne) and the deployment of the United Nations Peacekeeping Mission (UNOCI). In November 2004 the United Nations Security Council imposed an immediate arms embargo on Côte d'Ivoire and threatened to implement other measures such as travel bans and financial sanctions.

Relations with donors have been strained since the late 1990s, and have worsened since 2002. The finance minister used to spend considerable time trying to win IMF and World Bank support in 2003-2004. Additional funds committed at the Marcoussis peace talks in January 2003 have yet to be released, pending the return of more normal political conditions. Given the history of relations between Côte d'Ivoire and its donors, during which funds have been suspended for prolonged periods because of concerns about corruption, the unwillingness of donors to offer substantial support until political agreement is established is understandable.

The government has completely lost its international reputation as credible partner for international organizations, bilateral donors, and regional partners. The African Development Bank moved its headquarters from Abidjan to Tunis in early 2003. The United Nations and the African Union have grown weary of the government's apparent unwillingness to implement the Marcoussis Accord. The international community has rapidly been losing patience with Mr. Gbagbo's government, especially since the renewed attacks of November 2004. It was the

African Union, under the leadership of Nigerian President Obasanjo, which urged the United Nations to impose sanctions on Côte d'Ivoire immediately.

Côte d'Ivoire's relationship with France has gone through various stages, but the former colonial power remains its primary trading partner, foreign investor and bilateral donor. The French community in Côte d'Ivoire consists of approximately 16,000 people, and French-controlled businesses account for more than 50% of the country's tax base. However, France's brokering of the Marcoussis Accord spurred resentment in the Gbagbo administration and led to violent demonstrations against French businesses during several periods since January 2003. The government has proven incapable or unwilling to protect French interests any longer, and France finally took the lead in pushing for sanctions at the United Nations in November 2004.

While remaining current in payments to the IMF and World Bank has been a policy priority, mounting arrears to other lenders are leading to additional strains and a loss of government credibility.

The Gbagbo government has encountered some difficulty in building trust with its neighbors. The endorsement of the nationalist *ivoirité* policy worried leaders of the Sahel countries with large immigrant communities in Côte d'Ivoire. Relations have been most strained with Burkina Faso, whose government was openly accused of meddling in domestic Ivorian affairs and fomenting the violent rebellion of the New Forces. Likewise, regional attempts at conflict management have failed, and the involvement of France and several influential African heads of State were required to bring the Ivorian parties to the discussion table in Marcoussis in early 2003. By the end of 2004, the Ivorian government was increasingly isolated, even within the African international community.

4. Trend of development

In the period covered by this study, Côte d'Ivoire has regressed substantially in terms of democratic and economic transformation.

4.1. Democratic development

The political system in Côte d'Ivoire does not meet the minimum requirements for a democracy under the rule of law, nor does it seem to be moving in that direction. The lack of substantial reforms is primarily due to the protracted political and military conflict that has divided the country, but the government itself is a major obstacle to peaceful and democratic conflict management.

Stateness, political participation and the rule of law have deteriorated sharply over the last four years. De facto division and the establishment of a parallel administration in the north threaten territorial integrity; the few democratic gains made since the 1990s have been thoroughly compromised during the last three years. Some areas of the north and the west have become lawless, and civil society is no longer able to perform its role in the democratic process.

Because Côte d'Ivoire does not qualify as a democracy, any comment on the consolidation of democracy has been omitted.

4.2. Market economy development

The military conflict has suspended a great deal of economic activity. In the absence of regular administration in the northern areas, financial transactions, infrastructure maintenance and trade have been seriously restricted. The positive economic developments of the late 1990s have been destroyed.

Côte d'Ivoire's development level has deteriorated further in the past five years. The HDI ranking changed by -0.008 from 0.410 in 1995 to 0.402 in 2000, and decreased by another 0.003 to 0.399 in 2002, a rank of 163rd. It should not be forgotten that in the late 1970s Côte d'Ivoire aspired to be admitted to the Newly Industrialized Countries and by the mid-1990s was still considered one of the top-performers in structural adjustment of Sub-Saharan Africa.

Côte d'Ivoire's institutional framework has deteriorated severely, but this is less attributable to poor economic policy than to the disturbance of economic policy generally by military conflict and roadblocks. In the absence of donor supervision the management of privatization and cacao market regulation has not met international standards.

Overall, economic development has also been negative for most of the period of observation, with economic growth negative. The sustainability of cacao production, the main cash crop of Côte d'Ivoire, has been compromised by mismanagement of the whole sector; the future of cotton production, the main export of the north, is uncertain. Côte d'Ivoire is losing its economic predominance among the Francophone countries of West Africa.

Table: Development of macroeconomic fundamentals (2000–04)

	2000 ^a	2001 ^a	2002 ^a	2003 ^b	2004 ^b
Growth of GDP in %	-2.5	0.3	-1.8	-3.0	-1.0
Exports of goods fob (\$ millions)	3888	3946	5275	5844 ^a	5336
Imports of goods fob (\$ millions)	-2402	-2418	-2456	-3320 ^a	-3556
Inflation in % (CPI)	2.5	4.3	3.1	3.3 ^a	1.6
Investment in % of GDP	n/a	n/a	n/a	11.5	N/a
Government revenue in % of GDP (excluding grants) ^c	16.4	17.0	17.5	n/a	N/a
Unemployment in %	n/a	n/a	n/a	n/a	N/a
Government balance as % of GDP	n/a	n/a	-1.5	-2.5	-2.1
Current account balance, in \$ millions	-241	-61	768	353 ^a	-250

Source: EIU Country Report December 2004; EIU Country Profile 2004; a. actual; b. estimates; c. African Development Indicators 2004.

D. Strategic perspective

The prospects for political and economic transformation in Côte d'Ivoire are slim. Although all political strategies are directed at general elections scheduled for the end of 2005, it remains unclear who will be allowed and willing to campaign. Constitutional, legal and organizational reforms agreed upon at Marcoussis have yet to be implemented and free and fair elections are impossible under the current rules. The so-called G-7 parties have begun coordinating their activities. However, they will certainly boycott the elections if Ouattara is again barred from candidature. Unless the United Nations oversees poll preparation and organization, it is unlikely that elections will take place as scheduled. True demilitarization has yet to begin and open political activities or electoral campaigns are dangerous under the present circumstances. As long as the current stalemate over the peace settlement continues, the risk of political unrest will remain high. Although the international community has grown increasingly exasperated, it cannot disengage from the situation: the Côte d'Ivoire remains central to the West African economy and has a large migrant population.

The power base of the Gbagbo government has shrunk over the last year, and Gbagbo himself has lost much of his remaining international support. The attempt to solve the conflict militarily ended in November 2004 with a humiliating defeat and earned the government sanctions by the U.N. Security Council. Another military coup attempt is possible. The New Forces' power base, debilitated a year ago by the unforeseen length of military occupation and weakened by the lack of

administrative experience, now appears to have strengthened. New economic networks have been established, although water and electricity supply as well as a functioning mobile communications network depend on the good will of the administration in Abidjan.

Political stability and territorial re-integration are prerequisites to establishing the foundation for a sound economic policy. The virtual cessation of external funding and continued collapse of the domestic economy have constrained policy-making. Post-war reconstruction and the restoration of fiscal discipline will be the first priorities of any future government. Structural reforms such as further privatization, will be delayed further and relations with donors are likely to remain delicate.

For the time being, donor organizations must hope and wait until political and military pressure has created conditions conducive to targeted assistance and support. Conflict resolution by international and regional bodies must be strengthened and financially supported.