

# BTI 2014 | Côte d'Ivoire Country Report

<b>Status Index</b>	1-10	<b>4.53</b>	# 95 of 129	
Political Transformation	1-10	4.88	# 78 of 129	↑
Economic Transformation	1-10	4.18	# 102 of 129	↗
<b>Management Index</b>	1-10	<b>4.41</b>	# 84 of 129	
	scale	score	rank	trend

This report is part of the Bertelsmann Stiftung's Transformation Index (BTI) 2014. It covers the period from 31 January 2011 to 31 January 2013. The BTI assesses the transformation toward democracy and a market economy as well as the quality of political management in 129 countries. More on the BTI at <http://www.bti-project.org>.

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**Key Indicators**

Population	M	19.8	HDI	0.432	GDP p.c.	\$	2039.2
Pop. growth <sup>1</sup>	% p.a.	2.3	HDI rank of 187	168	Gini Index		41.5
Life expectancy	years	50.0	UN Education Index	0.347	Poverty <sup>3</sup>	%	46.3
Urban population	%	52.0	Gender inequality <sup>2</sup>	0.632	Aid per capita	\$	42.4

Sources: The World Bank, World Development Indicators 2013 | UNDP, Human Development Report 2013. Footnotes: (1) Average annual growth rate. (2) Gender Inequality Index (GII). (3) Percentage of population living on less than \$2 a day.

## Executive Summary

In May 2011, Alassane Ouattara was inaugurated as Côte d'Ivoire's president. Although much has changed with Ouattara's accession to the presidency, democratic institutions remain fragile in Côte d'Ivoire and the government lacks the capacity to extend its power fully across the national territory. The presidential elections in October 2010 did not represent the founding moment of a democratic transition, but instead first plunged the country into even deeper chaos with the election's loser clinging to power and the international community acknowledging an elected government that had to be protected by U.N. peacekeepers. The winner of the election had to resort to violence to claim his office effectively, and the election losers eventually went into exile (or prison in The Hague) instead of contributing to a more stable national political configuration. They have today lost the ability to endanger the government directly, but are powerful enough to do harm to a still-unconsolidated new polity and to the rebuilding of trust among communities. As the contours of political community and citizenship remain contested, achieving political and social integration within Côte d'Ivoire is still a major challenge for peaceful transformation.

Some essentials of a market-friendly economic order were maintained even in the unstable and violent environment that characterized Côte d'Ivoire during the 2002 – 2010 period. In part because Ouattara is a former IMF official, macroeconomic reforms have been prioritized under the new administration. Overall macroeconomic performance improved strongly in the period under review here, mainly due to the performance of the cocoa sector and a significant cancellation of debt following the completion of the Highly Indebted Poor Country (HIPC) process. Much remains to be done in terms of poverty reduction, the modernization of physical infrastructure (especially roads and energy), the creation of a sound financial sector, and the institution of adequate anti-corruption policies. While all objective indicators reveal a country with extreme low levels human development, and a whole generation of young people has been involved in militias rather than enrolled in school or university, the country's political elites believe their country will feature among the world's "emergent" economies by 2020.

However, many observers remain skeptical as to the capacities of the new government and administration. The president runs a one-man-show, and with his past as a top IMF official and the last prime minister under former President Félix Houphouët-Boigny, he represents the living linkage between the country, its donor environment and a not-so-distant past characterized by political stability and economic success. In many key noneconomic reform areas such as the security sector or reconciliation, the president either does not want to act or is hindered by veto players from developing or implementing a more coherent and effective strategy.

Côte d'Ivoire has survived a nightmare, and has come out the other side with a sound economic foundation and considerable human resources and potential that need to be protected and used. The African Development Bank's decision to return to Abidjan is a strong symbol of the growing international trust in Côte d'Ivoire's stability. However, the country will need good managers not only to ensure macroeconomic essentials, but also to instill a more consensual style of policymaking and a more serious commitment to democratization and constitutional reform.

## History and Characteristics of Transformation

Political and economic transformation in Côte d'Ivoire have followed different paths: 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, and in the 1960s and 1970s presided over Côte d'Ivoire's emergence as one of Africa's few stable and economically successful countries. A broadly liberal economic system that was actively integrated into the world market was combined with a basically authoritarian mode of political regulation. Côte d'Ivoire's success as an exporter of cocoa (the top producer world-wide) and coffee was a major factor in its stability, as these exports quickly enabled the country to achieve an enviable level of prosperity and social development. There was both an increased presence of French citizens working in the administration and business, and a large influx of immigrant workers from neighboring Sahel countries including Burkina Faso, Mali and Guinea, mainly for seasonal work on the cocoa and coffee plantations.

When commodity prices fell in the 1980s, Côte d'Ivoire began to face serious economic and social problems. 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. Levels of popular dissent increased, and by the beginning of the 1990s, multiparty rule was introduced. Along with political liberalization came an attempt at economic reform headed by a technocratic team under then-Prime Minister Alassane Ouattara. He conducted an economic reform program in the face of significant resistance from within the ruling party, the Parti Démocratique de la Côte d'Ivoire (PDCI), 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 the succession; however, Bedié eventually won by invoking a constitutional provision transferring interim power to the president of parliament in the event of the president's death. Bedié subsequently consolidated his own power, sidelining those sympathetic to Ouattara. A pro-Ouattara party, the Rassemblement des Républicains (RDR), broke away from the PDCI. The 1995 presidential elections saw the victory of Bedié with both RDR and the other traditional opposition party, the Front Populaire Ivoirien (FPI), boycotting the polls on the grounds that the electoral code excluded Ouattara from candidacy due to his "dubious" Ivorian nationality.

Support for President Bedié, who initially benefited from the positive effects of CFA franc devaluation in January 1994, waned rapidly after 1998 due to an increasingly severe economic recession and a lack of structural reforms, as well as the growth of a radical political nationalism intended to disenfranchise Ouattara and his northern supporters. Bedié was eventually overthrown in a bloodless coup in December 1999, an event generally greeted with relief by the population, as well as by international donors (if less openly so) that had cut off financial support for the government following growing concerns over corruption. Initial hopes for a more thorough political democratization were soon disappointed when it became clear that coup leader General Robert Guei would stand in the 2000 elections and that opposition party FPI had joined the PDCI in a nationalist policy stance, leading again to the exclusion of Ouattara. A popular uprising thwarted the rigged election of October 2000, and General Guei was forced into hiding after losing the support of the army. Historian and union activist Laurent Gbagbo was declared the winner over the protests of the RDR supporters. Clashes between RDR militants and FPI supporters turned violent, with many civilian northerners (i.e., pro-RDR) as victims. Despite substantial misgivings, France and the international community eventually endorsed Gbagbo's election.

Developments in 2001 seemed to presage an easing of tension, starting with local elections and a national reconciliation forum held between the four main leaders Gbagbo, Bedié, Ouattara and Guei in Abidjan late in the year. A government of national unity that included the RDR was established in August 2002. The September 2002 coup attempt and the ensuing descent into civil war thus took the country by surprise. The mutineers swiftly took control of the entire northern half of the country, often welcomed by a local population that had felt marginalized by the nationalist policies of the Guei and Gbagbo administrations. In response to the growing prospect of civil war, the French government stepped up its military presence in Côte d'Ivoire, agreeing to police the ceasefire line following a truce agreement on 19 October 2002. The main 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 the parties of the governing coalition, the RDR and representatives of the armed rebel groups known as the New Forces (Forces Nouvelles). However, ongoing political conflicts hampered this government's ability to function, and led constituent parties to withdraw for periods of time. Implementation of the terms of the peace accords, including disarmament, territorial reintegration and a menu of significant political reforms, was halting. A new peace agreement brokered by Burkina Faso President Blaise Compaoré in early 2007 allowed for a power-sharing government with rebel leader Guillaume Soro as prime minister. This government eventually made the formal

reunification of the country possible and cleared the way to presidential elections held in October – November 2010. However, hopes that this election would represent a first but decisive step toward solving the conflict were dashed. The results of the elections were contested, and both Gbagbo and Ouattara declared themselves to be the winner. Following a major political stalemate, the conflict was eventually solved by the military victory of the rebel forces in conjunction with international (mainly French) troops over loyalist forces. Ouattara finally took effective power in May 2011.

The BTI combines text analysis and numerical assessments. The score for each question is provided below its respective title. The scale ranges from 1 (worst) to 10 (best).

## Transformation Status

### I. Political Transformation

#### 1 | Stateness

Question

Score

The presidential elections of October – November 2010 were intended to bring an end to the country's territorial division into an official government zone in the south and a rebel-held zone in the north. However, the contested elections initially led to further escalation and a complete breakdown of order. The definite installation of new President Ouattara and his government in 2011 allowed for normalization and the extension of state authority throughout the whole territory. Problems remain in the form of the incomplete cantonment of former combatants loyal to Ouattara and weak control of territory along the border with Liberia. Demobilization of combatants and their integration into the national army has been terribly slow.

Monopoly on the use of force

6

Citizenship rights are among the root causes of the ongoing conflict. For many years significant aspects of citizenship (if not citizenship itself) have been withheld from the "northerners" as well as from migrant workers who have lived for decades in Côte d'Ivoire. Fuelled by politicians, the nationalistic concept of Ivoirité encouraged southerners who were primarily Christian or Animist (a traditional African religion) to regard themselves as true Ivorians, while Muslim northerners (whether of Ivorian nationality or not) were made the target of xenophobic sentiments and actions. The electoral victory of a northerner has not solved the problem outright, as the underlying constitutional and legal questions of citizenship rights have not yet been addressed. The FPI's boycott of recent elections indicates an unwillingness to accept the current political dispensation or to accord full citizenship rights to all segments of the population.

State identity

4

The separation of religion and state is guaranteed by the secular constitution, and religious extremists command little political influence. Conflicts between the various ethnic groups and immigrant groups have gained religious overtones over the course of the last decade. However, political discrimination (and violence) is related to ethno-cultural stereotypes and linguistic cleavages, and targets all northerners regardless of religious affiliation (although most Muslims live in the northern part of

No interference of religious dogmas

9

Côte d'Ivoire). While the Gbagbo administration unsuccessfully tried to portray northern rebels as Islamist extremists in the early 2000s, theological disputes were never a dominant feature of the north-south divide.

From 2002 onward, the civil war resulted in a de facto partition of the country and the establishment of parallel structures in the rebel-held areas in the north. Since the elections in October 2010, except for the brief violent interlude in 2010 – 2011, substantial progress has been achieved in restoring state administration throughout the country. Civil servants have been redeployed to the north, and most state agencies are today functioning (although with limited effectiveness).

Basic  
administration  
6

## 2 | Political Participation

Universal suffrage, the right to campaign for office and the right to elections are in principle assured. Although the conduct of the October 2010 elections was quite remarkable by regional standards, complaints about electoral irregularities caused a major political and violent escalation, with two candidates claiming to be the true election winner and both eventually sworn in after the polls. Substantial logistical support from United Nations bodies allowed these presidential elections to be organized, but the heavy international influence in poll management led to political interference of unknown dimensions when the United Nations made its decision as to interpretation of the electoral results was legitimate. The legislative elections of December 2011 were boycotted by the opposition FPI, but the quality of electoral governance was not a major issue in this decision and it is fair to argue that the country is now governed by elected representatives. It seems very likely that Côte d'Ivoire will now return to holding regular elections (with regional and local elections scheduled for 2013), and that all political actors today accept elections as the main mechanism for access to political office. However, it remains to be seen whether elections will be wholly fair and free in the absence of significant oversight by regional and international policymakers.

Free and fair  
elections  
6

The effective capacity of the Ouattara government to govern is no longer limited by external actors, as they strongly support most of his policies. The strongest veto players come from within the security apparatus, where former rebel commanders and militia members who played a major role in the military victory over Gbagbo have resisted demobilization and civilian control over the military. The effective power wielded by these veto players can also be seen in the stalling of the reconciliation agenda and in the lack of judicial procedures against war crimes committed by loyalist security personnel.

Effective power to  
govern  
6

The freedom of civil society groups and opposition parties to operate was largely constrained between the 2002 coup attempt and the 2010 – 2011 civil war, due to repressive policy measures (including prohibitions on public demonstrations for

Association /  
assembly rights  
7

extended periods) and the activities of youth activist groups (“young patriots”) in the south, as well as a general absence of the rule of law in the north. Since 2011, things have improved considerably, with problems remaining in the Liberia border region where independent societal activities are hampered by a lack of security. Union activity has continued to be strong throughout.

The many years of political instability and territorial division have made access to balanced information very difficult. Although the situation changed after the installation of the Ouattara government, opposition media remain subject to threats and pressures from both the government and former rebel forces. The constitutional provisions for freedom of expression are thus only partially respected in practice, and journalists remain vulnerable to physical and other abuse by police. In 2012, there was an increase in the incidence of reports of harassment and violence, in the context of a highly politicized press and violent attacks by Gbagbo loyalists against security agents in the country. The public media remains firmly under the control of the incumbent government. Côte d'Ivoire was ranked 159th out of 179 countries in the Reporters without Borders 2012 Press Freedom Index, and was categorized as “not free” (with a score of 70) in Freedom House’s Global Press Freedom Index 2012.

Freedom of  
expression

5

### 3 | Rule of Law

Côte d'Ivoire has 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 the parliament. The defeat of incumbents in presidential elections in 2000 and 2010 did not significantly change the power balance, as presidents Gbagbo and Ouattara both shifted decision-making processes to a narrow group of collaborators, marginalizing ministers from allied parties such as the PDCI.

Separation of  
powers

4

It remains to be seen whether the most recent parliamentary elections (December 2011 – March 2012) can reverse the structural annihilation of parliamentary oversight, a state initially justified by the emergency situation in which the Ivorian state found itself in the post-2002 period, as well as by the presence of legislators whose mandates had long since expired. With these elections, the separation of powers again became fully operative on paper, and the president has repeatedly claimed that he wants to establish an accountable government. The biggest effective check on government remains the extraconstitutional veto players in the security apparatus.

The FPI’s boycott of the parliamentary elections reduced the possibility that parliament will become an effective institution of governmental oversight.

Formally, the judiciary is institutionally distinct, but its decisions and doctrine have always been subordinated to the government of the day. Both the constitutional and the regular branch are vulnerable to executive intervention, lack adequate resources (especially outside Abidjan) and are riddled with corruption. Prior to the civil war, a series of major judicial reforms were announced (installation of a Council of State, a Supreme Court of Appeal and of an Audit Office), but these have yet to be implemented.

Independent  
judiciary  
3

The independence of the Constitutional Court was decisively compromised by the behavior of its president in the electoral crisis of November 2010. This figure, a personal appointee of President Gbagbo named Paul Yao N'Dré, helped escalate the election crisis by overruling the decision of the electoral commission without asking for additional empirical evidence, declaring thousands of votes to be invalid and Gbagbo to be the winner of the election. While the Constitutional Court did have the right to validate the electoral commission's findings and thus declare the winner of the elections, Article 64 of the Electoral Law required new elections to be held if the Constitutional Court modified electoral results through the annulment of votes.

The judiciary's lack independence has been confirmed by the legal treatment of war crimes. While several hundred cases were opened against pro-Gbagbo elements by the end of 2012, not a single procedure was initiated which accused former pro-Ouattara militias, although their involvement in criminal acts was demonstrated by a U.N.-funded expert mission in 2011.

Previous administrations have been plagued by financial malpractices, and the transitional government, encouraged by the absence of auditing, was implicated in a number of new scandals.

Prosecution of  
office abuse  
3

In May 2012, cabinet minister for regional integration Adama Bictogo was sacked over his role in the disappearance of millions of dollars meant for victims of the pollution caused by the so-called Trafigura scandal (2006). Though many of the 6,000 victims had not yet received any financial compensation, the minister was allegedly awarded \$1.2 million for his role as government mediator.

The fight against corruption has not been the main priority of the government that took power in April 2011. In the current environment, corrupt officeholders face no significant adverse publicity from civil society, the media or opposition parties, and are not subject to legal prosecution.

After the outbreak of civil war in 2002, most civil liberties existed only in theory, in part because of the prolonged lack of a nationwide monopoly on the use of force, but also because of the lack of political will and judicial control. In the run-up to the presidential elections and in the unrest following the second round of polling, more than 3,000 persons were killed by security forces or militia groups. Although the situation has been normalized since May 2011, the lack of control over the security

Civil rights  
4

sector still leads to numerous human rights abuses in all parts of the country, including gender-specific rights violations.

In September 2012, the government introduced a law to strengthen the national Human Rights Commission (CNDH-CI), providing especially for representation by civil society organizations. However, with few exceptions, the perpetrators of mass murder and serious violations of human rights committed since the first coup in 1999 have not yet been brought to justice. The U.N. Security Council enacted formal sanctions against three individuals (two militia leaders from the south and one from the north) in February 2006; these remain in force today.

#### 4 | Stability of Democratic Institutions

With the 2010 presidential elections and the 2011 – 2012 parliamentary ballots, the country has a democratically elected government in place. Local and regional elections are due in April 2013.

Performance of  
democratic  
institutions

5

The constitution provides for a democratic regime, and no serious elite actor questions the legitimacy of democratic institutions. The extent to which the behavior of elites is primarily shaped by these institutions can nevertheless be questioned. Given the dominance of the presidency, relatively little friction exists; however, this reduces the functional quality of other institutions such as parliament.

Most elite Ivorian actors have shown little interest in reviving democracy over the last decade. This was certainly the case for former President Gbagbo and his party, which blocked the holding of elections for many years and tried by all means possible to avoid relinquishing power. In the course of this process, they defended a narrow and legalistic interpretation of democratic rule that may in fact have discredited democracy in the eyes of large segments of the population. After Ouattara's victory, Gbagbo's allies decided to boycott the parliamentary elections. The newly elected President Ouattara has no record of being a committed democrat, and the northern military officers who took arms against Gbagbo's elected government in 2002 can hardly be considered to be supportive of democratic institutions, however willing one might be to accept their moral case for a fairer treatment of northern populations.

Commitment to  
democratic  
institutions

5

Whether elite actors truly accept democratic institutions will thus become clearer only at the end of the current presidential term.

#### 5 | Political and Social Integration

Three political parties have dominated Ivorian political life since the mid-1990s: the FPI, the RDR and the PDCI. Their party leaders continued to dominate political life through 2011, although the FPI has been paralyzed by the removal of its leader

Party system

5

Gbagbo, who now faces charges at the International Court of Justice in The Hague. From its position in exile, the remainder of the FPI party leadership has to decide whether to participate in politics or rely on violent struggle. One potentially likely scenario might encompass a split of the FPI between a moderate and a radical wing.

Both the FPI and the PDCI have a very long tradition of political participation, and used to be strongly rooted in society. To an extent, violent conflict has frozen the party system, hindering new parties from emerging. Although the New Forces rebel movement today participates in government, and former rebel leader Soro became Ouattara's prime minister following the 2010 elections (later becoming speaker of parliament), the movement has not yet transformed itself into a political party. In the highly polarized and violent political competition that characterized the country after 2002, formal political party structures had little space to organize, and consequently had no meaningful role in aggregating and moderating social interests.

Many interest groups, from cocoa planters' associations to student unions, continued to exist even throughout the last decade of violent conflict. However, they cooperate only rarely (numerous additional planters' associations have emerged since 2005), and have no or even a negative influence on political processes. Important social interests remain underrepresented, especially in the case of religious and ethnically cross-cutting interest groups that were much more active in the 1990s. The creation of the loosely coordinated Civil Society Convention of Côte d'Ivoire (Convention de la Société Civile Ivoirienne, CSCI) in 2005 was highly welcomed by external actors but did not bolster civil society's capacity to influence the management of the elections crises or militia demobilization exercise, or to strengthen the reconciliation process.

No reliable survey data exist, but consent to democracy has always been moderate in Côte d'Ivoire. Traditions of benign authoritarian rule (houphouetisme) or exclusionary varieties of nationalism (as exemplified by the FPI and Gbagbo) are more characteristic of Ivorian political culture.

On the other hand, the voter turnout rate was very high in the 2010 elections (over 80%). This should not be taken as a conclusive sign of approval of democratic elections per se, but rather as a sign of the elections' de facto political relevance and the extent of political mobilization. The turnout rate in the legislative elections of December 2011 (boycotted by the FPI) was 37%.

The lack of trust within the ethnically mixed neighborhoods in many parts of the country (which also pits indigenous and migrant populations against each other) has been identified since the 1990s as a major root cause of social conflict. Civil war and mass evictions of migrant workers have aggravated the problem. Violent clashes continued to occur in the cocoa belt through 2011, both between migrant workers from Mali or Burkina Faso and some ethnic groups and between Baoule and Bete

Interest groups  
3

Approval of  
democracy  
n/a

Social capital  
3

groups, as well as more recently in the western part of the country between various ethnic groups. Although many local peace-building activities have been implemented, often with the help of external funding, there is little indication of generalized social capital (i.e., beyond bonding) that cuts across ethnic and other identity groups within the Ivorian social fabric.

## II. Economic Transformation

### 6 | Level of Socioeconomic Development

As one of the world's least developed countries (ranked 170th of 187 countries on the Human Development Index 2012), Côte d'Ivoire exhibits social marginalization that is quantitatively and qualitatively extensive and is clearly structurally ingrained. Almost all relevant indicators point to severe problems, although violent conflict has made collection of valid data difficult or impossible over the last decade. For instance, data on income inequality (producing a Gini coefficient of 0.41) refer to 2008. According to World Bank data, the percentage of people living under the poverty line of \$2 per day has increased to 56% of the population (as of 2011). Gender inequality is a severe problem, and country has the world's 11th worst rating in the United Nations' 2011 Gender Inequality Index.

The civil war has led to a growing informalization of economic activities as well as to growing socioeconomic disparities between north and south. Although some socioeconomic problems have clearly been linked to the violent conflict and its consequences (i.e., the lack of administrative structures in the north), many barriers, especially in the education sector, are structurally ingrained.

Question  
Score

Socioeconomic  
barriers

2

Economic indicators		2009	2010	2011	2012
GDP	\$ M	23041.6	22920.8	24073.8	<b>24680.4</b>
GDP growth	%	3.7	2.4	-4.7	<b>9.5</b>
Inflation (CPI)	%	1.0	1.7	4.9	<b>1.3</b>
Unemployment	%	-	-	-	-

Economic indicators		2009	2010	2011	2012
Foreign direct investment	% of GDP	1.7	1.6	1.4	-
Export growth	%	-	-	-	-
Import growth	%	-	-	-	-
Current account balance	\$ M	1617.6	464.5	-	-
Public debt	% of GDP	66.5	66.4	94.9	<b>49.1</b>
External debt	\$ M	13921.8	10794.4	12012.2	-
Total debt service	\$ M	1108.5	607.7	544.8	-
Cash surplus or deficit	% of GDP	-	-	-	-
Tax revenue	% of GDP	-	-	-	-
Government consumption	% of GDP	-	-	-	-
Public expnd. on edu.	% of GDP	-	-	-	-
Public expnd. on health	% of GDP	1.5	1.5	1.8	-
R&D expenditure	% of GDP	-	-	-	-
Military expenditure	% of GDP	1.8	1.7	1.5	<b>1.7</b>

Sources: The World Bank, World Development Indicators 2013 | International Monetary Fund (IMF), World Economic Outlook 2013 | Stockholm International Peace Research Institute (SIPRI), Military Expenditure Database 2013.

## 7 | Organization of the Market and Competition

Although the country 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 cocoa sector, where uncertainty over economic fundamentals and regulation persists a decade after the disbanding of the central agricultural marketing board that once held a marketing monopoly. Côte d'Ivoire was ranked 126th out of 177 countries ("mostly unfree") on the Heritage Foundation's 2013 Index of Economic Freedom. Throughout the period dominated by military and political conflict, the informal sector gained increasing importance, with the incidence of smuggling and other illicit activities rising. Despite sluggish progress, donors have invested considerable effort in creating a more welcoming environment for small and medium-size enterprises.

The formation of monopolies and oligopolies is neither regulated consistently nor a policy issue of major importance. This has been particularly true since 2002. In

Market-based  
competition

4

Anti-monopoly  
policy

2

several infrastructure service sectors including electricity, water and transport, foreign-owned companies hold de facto monopolies.

Military conflict has seriously affected the free circulation of goods and services over the last decade, and the reestablishment of a national customs service was finally completed by the end of 2012. Côte d'Ivoire used to be a regional hub, and will presumably again attract considerable trade (and investment) once political stability has been reestablished. Foreign trade follows nondiscriminatory principles (as provided for in the West African Economic and Monetary Union (UEMOA) and Economic Community of West African States (ECOWAS) regional programs), but numerous rules, barriers and informal interventions by officeholders constrain the liberalization of the foreign trade regime in practice. Since 1995, no WTO trade policy review has been conducted.

Liberalization of  
foreign trade  
5

Cocoa and coffee trade is to a large extent run by multinational companies. As it is still the world's biggest producer of cocoa, the country's economy is against all odds strongly integrated into the world economy.

The banking sector survived the politico-military conflict relatively well, but suffered from the increase in government arrears owed to the private sector (which were cleared in mid-2011) and the temporary closure of banks in the north and west. With only 10% of the population holding a bank account, there is huge potential for growth in the financial system.

Banking system  
6

A legal framework for the banking system and capital market is in place. The West African Regional Stock Exchange (BRVM) is located in Abidjan with 37 listed companies as of 2012, having continued operations throughout the crisis. In October 2012, the management of the African Development Bank announced it would return its headquarters to Abidjan from Tunis, where it moved in 2003. According to the Heritage Foundation, the modernization and restructuring of the financial sector conducted before the 2011 crisis remains insufficient; state interference continues to reduce the capacity to sustain more vibrant private-sector activity.

## 8 | Currency and Price Stability

As a member of the CFA franc monetary zone, Côte d'Ivoire cannot pursue an independent policy regarding currency and foreign-exchange rates. The currency is pegged to the euro (formerly the French franc), and the Central Bank of West African States (Banque Centrale des Etats de l'Afrique de l'Ouest, BCEAO) is fully independent with priority given to targeting inflation. With some exceptions, such as a spurt of inflation after the CFA franc was devalued in 1994 (and a temporary peak of 6.3% in 2008 due to the surge in international food prices), this has led to relatively low inflation rates (between 1.0% and 5% throughout the last decade). Even the

Anti-inflation /  
forex policy  
8

political unrest produced no discernible increase in the inflation rate. However, in 2011, consumer price index (CPI) values rose by 4.9%. According to an African Economic Outlook forecast, CPI index growth was expected to fall to 3.6% in 2012 (and further to 3.1% in 2013).

As the country tended in the past to fall quickly into domestic and external payment arrears, fiscal policy used to be the main source of disagreement with the IMF. Programs were negotiated, suspended and resumed after 1999. After 2002, the country lapsed in its performance commitments, and programs suspended with the outbreak of civil war in September 2002 were resumed only in 2009. Despite some ongoing fiscal slippage and extrabudgetary expenditure, the IMF awarded the country a poverty reduction and growth facility (PRGF) in March 2009, and was quite optimistic about future prospects.

After the arrival of former top IMF official Alassane Ouattara at the helm of the state in April 2011, relations with the Bretton Woods institutions improved. The government completed its responsibilities under the Highly Indebted Poor Countries (HIPC) initiative in July 2012, allowing it to write off large amounts of multilateral and bilateral debt.

The Bretton Woods institutions have thus been quite optimistic concerning public financial management and the consolidation of sound macroeconomic policies, a fact reflected in the relevant indicators.

## 9 | Private Property

Property rights in Côte d'Ivoire are adequately defined but cannot be considered satisfactorily safeguarded by law. According to the Heritage Foundation, the protection of property rights remains fragile. The Ouattara government introduced a law in 2011 that aims to reform the cadastre and facilitates the registration and protection of land titles.

The main actual problem with property rights is land tenure, especially the ability of immigrants to secure property rights to the land they farm.

Private companies represent the backbone of the economy (accounting for 85% of GNP). However, the civil war in 2011 led to the temporary closure of many companies, especially in the industrial sector. Among the 10 biggest private companies of West Africa (and the 100 biggest in Africa), there is only one from Côte d'Ivoire, the Société Ivoirienne de Raffinage (SIR). Beyond safety concerns, entrepreneur associations have complained about high domestic production costs, especially related to electricity, poor transportation infrastructure and the banking sector.

Macrostability  
7

Property rights  
5

Private enterprise  
6

The IMF has over the years repeatedly expressed concern about the poor business operating environment, but the country has slightly improved its previously miserable standing in the World Bank's Doing Business Index. As noted in the latest edition of this report, however, starting a business still requires an average of 32 days and 10 procedures.

The establishment of a privately run price-stabilization system for the cocoa sector in the wake of the liberalization of prices by the government in 1999 has led to unsatisfactory results. In November 2011, the democratically elected government created a new state-controlled cocoa marketing mechanism, which entered into force during the 2012 – 2013 cocoa harvest.

## 10 | Welfare Regime

The government has committed itself to poverty alleviation, but this has been undermined by political instability and the de facto division of the country after 2002. Negotiations concerning the poverty reduction strategy paper (PRSP), originally expected in 2002, were suspended for many years, but a PRGF was eventually concluded in 2009. In October 2010, the World Bank presented a new interim poverty reduction strategy paper, whose execution was however linked to the successful outcome of the elections. Social services have deteriorated owing to a lack of funding, a fact confirmed by the latest data on life expectancy, which have fallen to a historic low of 54.7 years. The large informal sector contributes to poverty reduction, albeit to an unknown extent. Public expenditure for health stood at 1.1% of GDP, the second-lowest such value in sub-Saharan Africa.

Social safety nets  
2

Women lack adequate access to public office and to educational institutions, as shown by the low percentage of women in parliament and a significantly lower female literacy rate of 44.3% (in contrast to 64.2% for men). Female enrollment in the educational system is among the lowest world-wide (the ratio of female to male enrollment at the primary level is 83.3%, and 55.4% at the secondary level). While equality of opportunity is protected by the constitution and other legal norms, people from the north have faced discrimination in the education system and the job market since the mid-1990s. With a northerner now holding the presidency, this may be subject to change in the near future.

Equal opportunity  
2

## 11 | Economic Performance

The severe politico-military crisis ongoing since 1999, the civil war and the division of the country after 2002 plunged Côte d'Ivoire into a severe economic crisis with negative growth rates. However, it has to be stressed that a sound structural base prevented the economy from collapsing altogether despite the disruption to

Output strength  
5

infrastructure and the business environment. High cocoa prices and oil exploration in the Gulf of Guinea, sectors which remained largely untouched by the conflict, triggered economic growth even during the Gbagbo era. The year 2009 saw real growth in per capita income for the first time since 1998, and following negative growth in the civil-war-torn year of 2011, most macroeconomic indicators today show very positive prospects. According to the African Economic Outlook, the country's growth rate was estimated at 8.6% in 2012 (with a rate of 5.5% projected for 2013).

The debt situation has been relaxed, as a significant amount of public debt was written off following the completion of the HIPC program. Employment rates have gone down in both parts of the country.

Overall potential for further economic growth is perceived to be strong but heavily dependent on the Ouattara government's ability to establish a condition of political stability.

## 12 | Sustainability

Ecologically compatible growth receives only sporadic consideration, and the country has only a rudimentary framework for environmental policy. The country was ranked 67th out of 132 countries on the Environmental Performance Index 2012, with a score of 53.6. The country depends more than ever on commodity exports, but the fiscal squeeze being passed on to producers has led them to use extensive cultivation methods, and the stock of virgin forest has been completely destroyed despite the existence of strict regulations restricting commercial logging and agricultural encroachment since the 1990s. The lax and irresponsible handling of ecological issues was revealed by a serious toxic waste disaster in late August 2006. In the northern part of the country, environmental regulations were not enforced between 2002 and 2011.

Environmental  
policy  
3

In terms of educational infrastructure, Côte d'Ivoire has a very poor record. Since independence, the country has put more emphasis on importing skilled people than on developing its own training capacities. Expenditure on education averaged about 4.6% of GDP over the last decade (as well as in 2008, the last year for which data are available). The quality of education seems rather poor, as shown by a low enrollment rate (88.0%) and a very low overall literacy rate of 55.3% (both figures drawn from 2012 data). For over six years, students in the northern part of the country have lacked proper school teaching, with probably catastrophic consequences in the medium and long term.

Education policy /  
R&D  
3

## Transformation Management

### I. Level of Difficulty

It is quite difficult to distinguish between constraints that are structural and those that are man-made and result from the current political leadership's actions. The current government inherited an already impoverished country with low human development, a highly polarized political process and violent social conflicts. The division of the country has created a terrifically difficult governance legacy. At the same time, Côte d'Ivoire had the most developed economic infrastructure in West Africa before the civil war, and the fact that production in the cocoa sector has been increased in comparison to the pre-2002 period shows that the country is still benefiting from favorable climatic, geographical and structural conditions. The country also holds additional unexploited mineral resources such as oil and gas.

Structural  
constraints

7

Traditions of civil society hardly exist, and have weakened further over the course of the protracted civil conflict. The landscape of voluntary organizations is concentrated within the economic sector, in which independent planter associations have existed since colonial times. However, these activities lack any component of civic or public engagement. The climate of intimidation and the militarization of public life following the 1999 coup d'état effectively crushed the potential for civic participation in public life. Elements of civil society such as student unions themselves became drivers of polarization and confrontation. The persistence of violent attacks by Gbagbo followers has not helped to overcome the climate of mistrust and repression.

Civil society  
traditions

8

There are more than 50 different ethnic groups in Côte d'Ivoire. After years of social harmony and the promotion of migrant work by citizens of neighboring countries on the part of late President Houphouët-Boigny, successor governments have exploited ethnic resentments to their narrow political advantage. Ultimately, the country plunged into a violent conflict with an overt ethnic dimension. Although open military conflict was halted in late 2004, violence between communities continued to occur, especially in the villages of the western cocoa belt.

Conflict intensity

7

Following the electoral crisis and the establishment of two parallel governments in December 2010, the country entered a new phase of violence that ended only with

the military occupation of Abidjan in April 2011. Renewed military attacks by FPI loyalists in the second half of 2012 proved that the conflict is far from being settled.

## II. Management Performance

### 14 | Steering Capability

Question  
Score

The new government that resulted from the 2010 elections has yet to implement the agenda agreed upon in the 2003 peace agreements. Particularly salient elements of these agreements include the demobilization of the various armed forces and professionalization of the security apparatus, constitutional reforms in the field of land reform and the institution of a reconciliation process. However, the government has sought to assure the execution of the PRGF, and has moved to put the economy back on track.

Prioritization  
6

While demobilization and constitutional reforms have been postponed (due to powerful veto actors within the executive), the government has been quite active in building up relations with the donor community. Although the government has developed a coherent agenda (with reform of the cocoa, energy and financial sectors as main priorities) the impact of governmental action on economic growth remains as yet unclear.

The government has tried to implement its reform agenda, tackling reorganization of the cocoa and coffee marketing structures and making investments in road and electricity infrastructure. Other, more structurally oriented reforms in the fields of education or judicial reform have not taken a high priority.

Implementation  
5

Due to cabinet reshuffles, it has not been easy to clearly identify reform drivers and status quo defenders within the executive. The broader economic reform agenda has no clear opponents within the cabinet.

Reconciliation policies, on the contrary, have been poorly implemented, but resistance has not come from within the cabinet or administration.

The very notion of policy learning assumes a minimum coherence to policymaking, a condition which generally seems to have been restricted to the management of macroeconomic policies. However, in this area, the finance minister has established good relations with international financial institutions, particularly through the improvement of national fiscal management. The reform of the cocoa sector, which has been ongoing since the end of 2011, is perhaps a more direct example of policy learning, as evaluation of prior reforms has led to a reassessment of the state's role in managing the cocoa market.

Policy learning  
4

Governmental action has been more a matter of seamanship than of navigation – that is, of staying afloat rather than going somewhere, to use terms coined by Jackson and Rosberg. The state still lacks institutionalized mechanisms for facilitating innovation in policymaking.

## 15 | Resource Efficiency

It is difficult to assess the issue of asset-use efficiency in the current political context of Côte d'Ivoire. The efficiency of resource use has improved, and budget information seems to be quite reliable. There are no independent audits of the cocoa and oil sector, although the government has expressed an intention to fully participate in the Extractive Industries Transparency Initiative (EITI) process.

Efficient use of  
assets

4

Valid data on recruitment procedures and appointments of public servants are lacking, but the reshuffling of the cabinet in 2012 was largely politically motivated.

Decentralization is not a priority of the current government, but the country has a very weak tradition of decentralized governance. The establishment of universal and national rules and policies will be of higher importance given the many years of violent conflict and de facto territorial partition.

There is no basis for assuming that the government has been able to coordinate conflicting objectives and interests. The biggest trade-offs are between reforms of the security apparatus and reconciliation, and economic recovery. Recovery will require political stability, but a lack of security-sector reform and of reconciliation will keep the country in a condition of instability. Successful coordination of these conflicts would require the government to establish autonomy from the military, a situation that does not yet seem to be the case.

Policy  
coordination

3

The severe economic downturn following the eruption of military conflict in 2002 seems to have led to higher levels of generalized corruption and venality at all levels of public administration in the south, especially in the case of judicial proceedings, contract awards, and customs and tax issues. The highly publicized arrest of 23 top managers within the cocoa sector did not result from any systematic anti-corruption policies. It is telling that the state was unable to present sufficient evidence, and the managers were temporarily released in January 2011 after more than two years in prison without being charged.

Anti-corruption  
policy

2

Similarly, ongoing judicial procedures against top FPI officials are unrelated to corruption charges.

The fight against corruption does not feature among the top priorities of the new government, and there is a notable lack of action against former rebel leaders who accumulated wealth during the military occupation of the north.

## 16 | Consensus-Building

The current political leadership aims at democratic and economic transformation, but this agenda does not reflect a broad political consensus. The Gbagbo government was certainly neither anti-democratic in its ideology nor anti-market in its policies; however, much of the Ivoirité (nationalism) debate started from the conflict between different notions of democracy – that is, a narrow and exclusionary notion based on descent, the rights of autochthonous Ivorians and the majoritarian principle, versus a more tolerant and inclusionary notion of citizenship. The fight by Gbagbo loyalists is still based on this narrow understanding, driven by the idea that Ouattara is not Ivorian and the state has thus been captured by foreigners.

Consensus on goals  
5

The Ouattara government is considered to be a staunch defender of a liberal economy, but its actions thus far have been quite mainstream and have strengthened state intervention, as for example in the cocoa sector.

There are plenty of anti-democratic actors in Cote d'Ivoire, though mostly outside the government. Military actors seek to perpetuate a state of insecurity so as to avoid a loss of power and demobilization. They might still have direct access to economic resources, or be supported by external actors in neighboring countries.

Anti-democratic actors  
4

The main FPI opposition party has established itself as a veto actor acting mostly from Ghana. It has boycotted elections, and is relying partly on violent attacks to destabilize the democratic process and undermine stability in Côte d'Ivoire.

Both the former Gbagbo government and the present Ouattara government have done little to depolarize existing cleavages. Côte d'Ivoire comes close to a textbook example of the violent politicization of ethnicity. Between 2001 and 2006, people were harassed or killed due to ethnic and linguistic affiliation by death squads that were tolerated or even surreptitiously promoted and armed by the government. The subsequent drop in the incidence of killings and ethnic violence was primarily related to the massive international military presence in the country, rather than to any change in the character of political management by Ivorian actors. The post-electoral crisis of late 2010 and early 2011 saw a new wave of ethnically motivated killings, with both sides (and their allied militias) involved.

Cleavage / conflict management  
4

Currently, following the end of the violence and the victory of Ouattara, the administration cannot be accused of systematically fueling ethnic tensions. However, it has done little if anything to depolarize cleavages. Ethnic cleavages remain salient in most parts of the country, and there are still internally displaced refugees. The politico-military division of the country, although formally ended in late 2008, was a physical manifestation of sociocultural cleavages.

The already quite limited participation by civil society in the political process was weakened by the many years of political polarization, territorial partition and violent warfare.

Civil society participation  
4

Civil society actors did become more strongly involved in the electoral process, especially in the function of electoral observation. However, they have been unable to fight the growing political polarization, and the current government, if not directly pushed from outside (as in the case of the national Human Rights Commission), does not proactively involve civil society actors.

Economic associations still try to influence policymaking in the cocoa sector, but do not have any meaningful impact.

The establishment of a stable political dispensation was a necessary condition in order to restart the process of reconciliation originally initiated between 2000 and 2002, which had been interrupted by the outbreak of civil war.

Reconciliation  
4

Soon after his accession to power, President Ouattara government created a National Reconciliation Commission chaired by former PDCI Prime Minister Charles Konan Banny. However, this commission has lacked an autonomous budget and sufficient resources to accomplish its role; moreover, it lacks independence, as all decisions and sanctions ultimately have to be made by the president of the republic.

Reconciliation at the national level was not helped by the transfer of former President Laurent Gbagbo to the International Court of Justice in The Hague just a few weeks before legislative elections were held.

While many FPI cadres have been accused of war crimes, and have been prosecuted and imprisoned, not a single former rebel leader has faced legal action. Whatever the Banny commission's intention, it seems clear that the Ouattara side lacks serious commitment, and that the idea of national reconciliation has thus already been severely compromised.

## 17 | International Cooperation

Côte d'Ivoire's political crisis remains internationalized, with the presence of French military forces (Operation Licorne) and the deployment of the U.N. peacekeeping mission (UNOCI) both covered by Security Council mandates. Relations with donors have been strained since the late 1990s, but Ouattara's election might represent the end of these problems.

Effective use of support  
6

In the past, donor funds have been suspended for prolonged periods of time owing to concerns about corruption, and donors proved unwilling to offer substantial support until a political agreement seemed well established. However, a few months after

Ouattara's accession to power, relations with international financial institutions were formally resumed, and the country's HIPC program was completed in 2012.

The current president is well aware that international assistance was essential in securing his access to office, and that the country's stability will depend on the government's capacity to regain international trust and reputation.

President Ouattara is mostly considered a credible and reliable partner by the international community, but the same is not necessarily true for all members of his government and administration.

Credibility

6

The country's relationship with France has gone through various stages. The former colonial power remains Côte d'Ivoire's main trading partner, foreign investor and bilateral donor, and maintains a permanent military base in Abidjan. The French community has shrunk from more than 20,000 to around 8,000 people, but French-controlled business still accounts for a considerable share of the country's tax base. At various times since 2002, President Gbagbo threatened French residents directly or indirectly, and the French government has declared it would pull out its troops if asked to do so. French businesses cannot be certain of the government's capacity to protect their interests.

The UEMOA and ECOWAS environments play a very prominent role in Ivorian politics. Both regional organizations were quite influential in bringing the Gbagbo government down, and Gbagbo's nationalist policies had worried leaders in the Sahel countries with large immigrant communities in Côte d'Ivoire (though his anti-French stance won him friends in neighboring Ghana). Relations have been most strained with Burkina Faso, whose government was openly accused of meddling in domestic affairs and fomenting the violent rebellion of the New Forces. It came rather as a surprise when Burkina President Compaoré successfully brokered the peace deal between rebel leader Soro and Gbagbo in early 2007, thus reestablishing himself as a key regional mediator.

Regional  
cooperation

7

After the 2010 elections, regional actors were heavily involved in helping to find a solution to the election and succession crisis. ECOWAS and the African Union both suspended Côte d'Ivoire's membership, seeking to put pressure on Gbagbo. The then-incumbent president also saw his government stripped of its drawing rights in the BCEAO. While ECOWAS had little military leverage, its diplomatic action against Gbagbo decisively legitimated the international military action against his government.

It is thus no surprise that ECOWAS welcomed Ouattara's victory, even naming him ECOWAS chairman in his first year of office. Since that time, Ouattara has tried to play an active role in regional politics and to have good relationships with all neighboring countries (although relations with Ghana remain a bit strained due to the massive and apparently tolerated presence of many FPI top officials in that country).

## Strategic Outlook

Prospects for a peaceful transformation toward democracy and a functioning market economy in Côte d'Ivoire have slightly improved over the last two years. However, the main elite actors remain unchanged – thus, a cast of figures who have shown little sympathy toward the de-escalation of conflicts or a development-oriented mode of governance over more than a decade. The elections alone certainly have not changed this constellation. External actors have imposed a political solution which might have reflected the majority of preferences within the country, but this was achieved only by force and through the assistance of outsiders.

The new government has earned some credibility within the international community, but lacks the domestic legitimacy needed to initiate more sustainable management of the country's various structural conflicts. The economic outlook remains overly dependent on the resilience of the cocoa and petroleum sectors. Societal actors have not been able to propose alternative means of conflict transformation, and civil society has been a victim of the prevailing political polarization.

The positive momentum should be used by the international community to strengthen reform constituencies in the country further. At the political level, FPI moderates should be encouraged to return to national politics (although the splinter party led by Mamadou Koulibaly was not rewarded in the legislative polls) and former rebel leaders should be further marginalized in the political process. Instituting local and regional elections would be an ideal first step to renormalize party competition. Without a strong national opposition party, further democratization will be stalled, and the concentration of power in the presidency will persist.

In the absence of a real process of demobilization and the establishment of credible and capable police forces, political stability will not return. The Ghanaian government should thus be equally encouraged to put pressure on FPI cadres living in their country not to use Ghana as a base for military action against the Ouattara government. The return of full-blown civil war is not very likely, but there is no doubt that a large quantity of small arms continues to circulate, or that many FPI supporters radicalized over the last 10 years remain unwilling to compromise, and have fled to neighboring countries to wait for another chance to return to government.

The visible attempts of the government to create a more transparent and enlightened form of governance should be supported. It will take time and require lasting stability to reverse the clientelistic tendencies in the economy, especially in the export sector. Significant amounts of state income have been channeled into parallel budgets and have financed militias, both under Gbagbo and in the rebel-held zones in the north. A functioning market economy will not emerge overnight, but the country is certainly better managed than in the first decade of the 2000s. Côte d'Ivoire had no experience with democratic institutions, and the contested elections of 2010 and post-electoral violence will not help in transforming the country's citizens into committed democrats. Paul Collier has cited Côte d'Ivoire as a prime example of how democratization will fail in such unfavorable circumstances. Recent developments might yet prove him wrong, but the final verdict remains very much open.