This report is part of the Bertelsmann Stiftung’s Transformation Index (BTI) 2016. It covers the period from 1 February 2013 to 31 January 2015. 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](http://www.bti-project.org).


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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 in the country remain fragile. The presidential elections in October 2010 did not represent the founding moment of a democratic transition, instead the country first plunged into even deeper chaos as the election’s loser (Laurent Gbagbo) clung to power and the international community officially recognized an elected government that had to be protected by United Nations peacekeepers. The winner of the election had to resort to violence to claim his office and the election’s losers eventually went into exile (or prison in The Hague) instead of contributing to a more stable national political configuration. Gbagbo’s clan has lost the ability to endanger the government directly, but their continued boycott of the Ouattara government harms the still-unconsolidated new polity and 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 the main challenge for a 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 to 2010 period. In part because Ouattara is a former IMF official, macroeconomic reforms have been prioritized under the new administration. Overall, macroeconomic performance continued to strongly improve during the period under review. This was due to domestic reforms in public administration and key economic sectors as well as to considerable public investments in infrastructure, education and health, but also to favorable conditions, including high global prices for cash crops and significant debt forgiveness following the completion of the World Bank and IMF’s Heavily Indebted Poor Countries (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 implementation of adequate anti-corruption policies. While all objective indicators reveal a country with extremely low levels of human development – a whole generation of young people were involved in militias rather than enrolled in schools or universities – the
country’s economic and political elite already discuss the prospects of Côte d’Ivoire figuring among the world’s “emergent” economies by 2020.

However, many observers remain skeptical as to the general trajectory of political transformation. The president runs a one-man-show and a group of elder statesmen continues to dominate politics without significant elite rejuvenation. Key structural reforms, such as land distribution and access as well as a more professionalized security sector (i.e., disbanding or integrating thousands of informal militias and traditional hunters), have been only partially tackled and the underlying issues remain unsolved.

Côte d’Ivoire has survived a nightmare and has come out on the other side with a sound economic foundation and potential that needs to be protected and used. The African Development Bank’s 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 fundamentals, but also to instill a more consensual style of policy-making 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 Houphouet-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 Bédie.
Upon Houphouet-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.

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), who had cut off financial support for the government following growing concerns over corruption. Initial hopes for a more thorough political democratization were soon dashed 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. Union activist Laurent Gbagbo was declared the winner over the protests of the RDR supporters.

The September 2002 coup attempt and the ensuing descent into civil war 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 previous administrations. France eventually 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 first political settlement during negotiations in Marcoussis (France) in January 2003, but 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 for presidential elections held in October and November 2010. However, hopes that this election would represent a first but decisive step toward solving the conflict were soon frustrated. The results of the elections were contested, with both Gbagbo and Ouattara declaring themselves to be the winner. Following a major political stalemate, the conflict was eventually solved by the military victory of the Forces Républicaines de Côte d’Ivoire (FRCI), composed mainly of 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

The elections of 2010 and the ousting of Gbagbo’s government in April 2011 marked the definite end to the country’s territorial division into an official government zone in the south and a rebel-held zone in the north. Since 2011, President Ouattara and his government have strived for normalization and the extension of state authority throughout the territory, which was largely completed in 2013. Sporadic clashes between the government and supporters of Gbagbo still occurred in 2014; as did raids by militant groups, for example in the Bas-Sassandra district, and attacks on UNOCI forces. Further problems remain in the form of the still incomplete cantonment of several thousand former combatants and the continuing weak territorial control in two provinces that border Liberia (where returning refugees and militias represent a threat to the state’s monopoly). Isolated military attacks by Gbagbo loyalists which still occurred in 2013 have now stopped.

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 worshippers of the traditional African religion (“Animism”) to regard themselves as true Ivorians, while Muslim northerners (whether of Ivorian nationality or not) were made the target of xenophobic sentiments and harassment. 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 fully addressed. A new law enacted in 2014 allowed several thousand first generation immigrants to claim citizenship.

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.
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 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 and 2011, substantial progress has been achieved in restoring state administration throughout the country. There is probably a difference between the south and the north, formerly occupied by the rebels (who are now in power).

Civil servants (particularly teachers, health care workers and judges) have now been redeployed throughout the territory (with considerable state effort in the form of public investments) and most state agencies are functioning (although with limited effectiveness).

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 into office. 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 which interpretation of the electoral results was legitimate. The legislative elections of December 2011 were boycotted by the opposition FPI, as were the regional and local elections in 2013, but the quality of electoral governance was not a major issue in these decisions 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 continue to hold regular elections (with the next presidential elections scheduled for October 2015) 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 actors.
The effective capacity of the Ouattara government to govern is no longer limited by external actors, as they strongly support most of his policies. Business elites and other economic actors have not shown themselves to be veto players. The strongest veto players continue to 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. Over the last years, President Ouattara has started to marginalize some of the former rebel commanders, but the effective power wielded by these veto players can be seen in the stalled reconciliation agenda and in the lack of judicial procedures to address the war crimes committed by loyalist security personnel. In November 2014, army units blocked streets in several towns to enforce the reinstallation of a former rebel commander as General in the National Army.

The freedom of assembly as well as of association is guaranteed in principle. The right of civil society groups and opposition parties to operate was largely constrained between the 2002 coup attempt and the 2010 to 2011 civil war, due to repressive policy measures (including prohibitions on public demonstrations for 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, and throughout the period under investigation, things have continued to strongly improve, with a few problems remaining in the Liberian 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. The public media remains firmly under the control of the incumbent government. At the end of 2014, the United Nations reported increasing hate speech in the electoral campaigns of the candidates running in the 2015 presidential elections. Côte d’Ivoire was ranked 101st out of 179 countries in the Reporters without Borders 2014 Press Freedom Index and was categorized as “partly free” (with a score of 55) in Freedom House’s Global Press Freedom Index 2014.
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 victory of opposition candidates in both the presidential elections in 2000 and 2010 did not significantly change the logic of governance, 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.

The most recent parliamentary elections (December 2011 to March 2012) have not reversed the structural annihilation of parliamentary oversight, a situation 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 the 2011 to 2012 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 FPI’s boycott of the parliamentary elections, however, reduced the possibility that parliament will become an effective institution of governmental oversight within the current legislative term.

The chief effective check on government remains the extra-constitutional veto players in the country’s security apparatus.

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.

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 of independence has been confirmed by the legal treatment of war crimes. While several hundred cases were opened by the end of 2014 against pro-
Gbagbo elements, not a single procedure was initiated against former pro-Ouattara forces, although their involvement in criminal acts was demonstrated by a United Nations-funded expert mission in 2011.

There is a long tradition of financial malpractices in the country, encouraged by the absence of auditing, with each new government implicated in a number of scandals. The fight against corruption has not been the main priority of the government that took power in April 2011, although two new initiatives were launched since 2014 which might enable the government and the judicial authorities to take more decisive action (cf. 15.3). These new initiatives are, at the same time, an admission by the government that previous regulations were ineffective in combating the country’s pervasive corruption.

So far, there has been a notable lack of action against former rebel leaders, who accumulated wealth during the military occupation of the north. Corrupt officeholders do not face any significant adverse publicity from civil society, the media or opposition parties, and are generally 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, to a considerable extent on ethnic and/or religious grounds. Although the situation has been normalized since May 2011, the lack of control over the security sector still leads to numerous human rights abuses in all parts of the country, including gender-specific rights violations (such as rape).

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, and generally excluding those now sitting in government, the perpetrators of mass murder and serious violations of human rights since the first coup in 1999 have not been brought to justice.
4 | Stability of Democratic Institutions

With the 2010 presidential elections, the 2011 to 2012 parliamentary ballots, and the local and regional elections in 2013, the country has a democratically-elected government at all tiers of government.

The constitution provides for a democratic regime, and no elite actor questions the legitimacy of democratic institutions per se. 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 (and, partially, the judiciary).

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.

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 2014, although the FPI has been paralyzed by the removal of its leader Gbagbo, who now faces charges at the International Court of Justice in The Hague. The decision of FPI cadres to engage with President Ouattara at the end of 2014 and return to the political process led to a split between FPI moderates and its radical wing. Due to FPI’s uncertain future, the whole party system remains quite polarized.

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 (Soro is now speaker of
parliament), the movement did not transform itself into a political party. Many former rebels have run for parliamentary, regional and local elections under the RDR-umbrella.

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. By and large, this has not changed since 2011.

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 Ivorienne, 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, the disbanding of militias, or to strengthen the reconciliation process.

Results of the first Afrobarometer Round held in Côte d’Ivoire were published in late 2013. They produced an overall positive assessment of democracy as the preferred regime type (83%) and strong support for free and fair elections (85%) as well as strong support for multi-party rule (79%). No data on the actual performance of democratic institutions or trust in the government was collected.

These results, however, have to be interpreted within a tradition of benign authoritarian rule (houphouetisme) or exclusionary varieties of nationalism (as exemplified by the FPI and Gbagbo) which seem to be more characteristic of Ivorian political culture.

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 evictions of migrant workers have aggravated the problem. Violent clashes have stopped since 2011, both between migrant workers from Mali or Burkina Faso and some ethnic groups and between Baoule and Bete 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, and many reports indicate stronger capacities for peace within local communities, 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 171st of 187 counties on the Human Development Index 2014), Côte d’Ivoire exhibits quantitatively and qualitatively immense social marginalization that 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 0.43) still refer to 2008. According to World Bank data, the percentage of people living under the poverty line ($2 per day) has increased to 59% of the population. Gender inequality is a severe problem and the country has the world’s 9th worst rating in the United Nations’ 2014 Gender Inequality Index. The country also currently has one of the lowest literacy rates worldwide (41%).

The civil war 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 over a couple of years), many barriers, especially in the education sector, are structurally ingrained.

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<tr>
<td>Inflation (CPI)</td>
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<td>2.6</td>
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<tr>
<td>Unemployment</td>
<td>%</td>
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### Economic indicators

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<th>2005</th>
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<td><strong>Foreign direct investment</strong></td>
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<tr>
<td><strong>Import growth</strong></td>
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<td><strong>Current account balance</strong></td>
<td>$ M</td>
<td>39.7</td>
<td>464.5</td>
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<tr>
<td><strong>Public debt</strong></td>
<td>% of GDP</td>
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<td>63.0</td>
<td>39.9</td>
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<td><strong>Total debt service</strong></td>
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<td><strong>Cash surplus or deficit</strong></td>
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<td><strong>Tax revenue</strong></td>
<td>% of GDP</td>
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<tr>
<td><strong>Government consumption</strong></td>
<td>% of GDP</td>
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<td><strong>Public expnd. on education</strong></td>
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<td><strong>Public expnd. on health</strong></td>
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<tr>
<td><strong>R&amp;D expenditure</strong></td>
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<td>-</td>
<td>-</td>
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<td><strong>Military expenditure</strong></td>
<td>% of GDP</td>
<td>1.5</td>
<td>1.6</td>
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Sources (as of October 2015): The World Bank, World Development Indicators 2015 | International Monetary Fund (IMF), World Economic Outlook, October 2015 | Stockholm International Peace Research Institute (SIPRI), Military Expenditure Database 2015.

### 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 sufficiently developed. This is particularly true in the vital cocoa sector, where uncertainty over economic fundamentals and regulation has persisted until recently. During the last years, however, Côte d’Ivoire has made progress in various areas, such as price regulation in the cocoa sector. The harmonization and more transparent regulation of private investments earned the country a much better score on the Heritage Foundation’s 2013 Index of Economic Freedom. Although it is still considered “mostly unfree,” Cote d’Ivoire improved by 20 positions and is now ranked 107th out of 178 countries.

Throughout the decade dominated by military and political conflict, the informal sector gained increasing importance, with the incidence of smuggling and other illicit activities rising. With the joint efforts of the government and donor community this trend could be stopped.
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 several infrastructure service sectors including electricity, water and transport, foreign-owned companies hold de facto monopolies.

Huge state contracts for French-owned businesses (e.g., the new toll bridge in Abidjan and the university in Cocody) remain controversial issues, but the main challenge remains both foreign and domestic investor uncertainty about existing market regulation and corruption within the judicial system.

Military conflict 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 has now again started to attract considerable trade (and investment). The cocoa and coffee trades are, to a large extent, run by multinational companies. As it remains the world’s biggest producer of cocoa, the country’s economy is, against the odds, strongly integrated into the world economy.

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 domestic rules, administrative barriers and informal interventions by officeholders still in practice constrain liberalization of the foreign trade regime. In 2012, the first WTO trade policy in 17 years was conducted. Côte d’Ivoire also signed an Interim Economic Partnership Agreement (EPA) with the EU in 2008 and in 2011 became (again) eligible for the African Growth and Opportunity Act (AGOA) initiative of the United States government.

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 13% of the population holding a bank account, there is huge potential for growth in the financial system.

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 38 listed companies as of 2014 (the bulk of which are Ivorian), having continued operations throughout the crisis. In 2014, the African Development Bank returned its headquarters to Abidjan from Tunis, where it had moved in 2003. The modernization and restructuring of the financial sector remains one of the top priorities of the government. In the absence of strong legal regulation of the financial sector, 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 political unrest produced no discernible increase in the inflation rate.

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 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 continue to be quite optimistic concerning public financial management (which was hailed in the last two annual IMF reviews) and the consolidation of sound macroeconomic policies, a fact reflected in the relevant indicators (such as public debt of 39.9% of GDP in 2013). Notwithstanding the ambitious education and health policies, government consumption has remained modest from a comparative perspective (at 8.4% of GDP) and the share of government expenditures for public sector salaries could be stabilized even in the context of increased employment in the education sector and the integration of rebels into the national army.

9 | Private Property

Property rights in Côte d’Ivoire are adequately defined but cannot be considered satisfactorily safeguarded by law. According to the World Bank, the country has made enormous progress with regard to the protection of property rights and the acquisition of property. Côte d’Ivoire made the strongest progress in the Doing Business Report 2015. This is partly due to the implementation of a 2011 law which reformed the cadastre and facilitates the registration and protection of land titles.
The biggest problem with property rights remains land tenure, especially the ability of (second-generation) immigrants to secure property rights to the land they farm.

Private companies represent the backbone of the economy (accounting for 85% of GNP). Among the 25 biggest private companies of West Africa (and the 100 biggest in Africa), there are only two from Côte d’Ivoire. Entrepreneur associations continue to complain about high domestic production costs, especially related to electricity, poor transportation infrastructure and the banking sector.

Private enterprises constitute a relatively important part of the economy, at least by African standards, especially in the cacao industry. Over the years, the IMF repeatedly expressed concern about the poor operating environment for business, but the country has recently strongly improved its previously miserable standing in the World Bank’s Doing Business Index. Starting a business no longer requires an average of 32 days and 10 procedures (as in the previous BTI report) but only 7 days and 4 procedures. This is due to a streamlining of administrative procedures, a new investment code and a concentration of competencies in one single authority (Guichet unique de formalité d’entreprises).

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-regulated cocoa and cashew marketing mechanism, which entered into force during the 2012 to 2013 cocoa harvest and is considered to have contributed to the record harvest of the last two seasons.

10 | Welfare Regime

The government has committed itself to poverty alleviation, but the country still suffers from years of political instability. The last PRGF was concluded in 2009, but the IMF and the World Bank have continued to support the National Development Plan (PND, 2012-2015).

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 1.8% of GDP in 2012, but the government has invested a lot in free public education and the public health system over the last years, including unlimited free health services to pregnant women and children up to the age of 5.

In December 2014, the government launched the Couverture Maladie Universelle, a fee-based public-supported health insurance scheme.
Women lack adequate access to public office and to educational institutions, as shown by the low percentage of women in parliament (11%) and a significantly lower female literacy rate of 30.5% (in contrast to 51.6% for men). Female enrollment in the educational system is among the lowest worldwide (the ratio of female to male enrollment at the primary level is 85%, 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 since 2011, this discrimination has stopped but the effects of previous marginalization are still felt.

11 | Economic Performance

The severe political-military crisis of the last fifteen years, 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, a sound structural base prevented the economy from collapsing altogether despite the disruption to 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 era of President Gbagbo. 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 stood at 8.7% in 2013 (with an estimated rate of 7.9% for 2014).

The debt situation has been relaxed, as a significant amount of external public debt was written off following the completion of the HIPC program (from 55.1% of GNP in 2011 to 27.7% GNP in 2013). The government announced their successful effort to bring down unemployment to 9.7% by the end of 2013.

Overall potential for further economic growth is perceived to be strong (not least by the government, which strives for Côte d’Ivoire to be an “emerging” economy by 2020). The economic prospects, however, heavily depend on the Ouattara government’s ability to further guarantee 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 129th out 178 countries on the Environmental Performance Index 2014, with a score of 39.7. The country depends more than ever on commodity exports, but the fiscal squeeze which has been passed onto producers for decades has led them to use extensive cultivation methods. The stock of virgin forest has been completely destroyed despite the existence of strict regulations since the 1990s restricting commercial logging and agricultural encroachment. The government in place since 2011 has slowly started to develop its own strategy. A first framework law on sustainable development was promulgated in July 2014. Its main objective is to create a context for Local Agenda 21 projects to be established in the country. While the law alludes to the implementation of a comprehensive set of policy instruments, nothing has materialized yet.

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. Although the government has made basic education one of its top priorities since 2012, the quality of education continues to be rather poor, as shown by an enrollment rate of 94% (up from 80% in 2011) but a very low overall literacy rate of 41% (both figures drawn from 2014 data). In 2012, only 59% of students completed primary education. Gross enrollment in the tertiary sector stood at only 4% in 2014. The state does not invest in research and development.
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 political leadership’s actions.

The current government inherited an already impoverished country with low human development, a shrinking educated labor force, a highly polarized political process and violent social conflicts. The division of the country, which lasted over eight years, 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 benefitting from favorable climatic, geographical and structural conditions. The country has also only started to exploit its mineral resources, such as oil and gas.

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 generally lack a 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 militias in the western part of Côte d’Ivoire, along the border with Liberia, has not helped to overcome the climate of mistrust and repression.

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 Houphouet-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. 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 by rebels and international military
forces. Renewed military attacks by FPI loyalists (mainly in 2012 and, in a more sporadic fashion, early to mid-2013) proved that the conflict is far from settled.

While open violence has mostly stopped, Côte d’Ivoire remains a divided country. One segment of the population tried to use its political dominance to establish a populist-nationalistic regime based on an idea of citizenship restricted to southerners and Christians. When Gbagbo’s regime was defeated, his party and supporters were imprisoned or fled to neighboring countries. Many have returned and have been partially readmitted into the political process, but they are prevented from holding political power. At the population level, ethnic and religious conflicts are perceived to have slightly lessened.

II. Management Performance

14 | Steering Capability

The Ouattara government has concentrated on economic reforms and social policies. This includes a broader strategy promoting private investment and tackling the reorganization of key sectors as well as addressing, the long-neglected, education system and basic health services. Overall, the government has developed a quite coherent agenda which has been hailed by donor agencies.

With regard to the long-standing issues which caused political polarization and violent conflict – citizenship and land – two laws were drafted and approved in 2013. This allowed several thousand second-generation immigrants to gain citizenship.

The government has, however, failed to make any significant progress in the security sector. The restructuring and modernization of the security apparatus, initiated by external actors, has been taken over by a national agency, but without much success. Reconciliation has not gotten sufficient impetus from above.

The government has managed to implement most of its reform agenda, tackling the reorganization of key sectors and setting a priority on large infrastructure projects (roads, electricity) as well as education and health. Other, more structurally-oriented, reforms relating to the reorganization of the security apparatus, judicial reform and decentralization have been much less thoroughly implemented, both due to the technical complexity of these issues but also because of political resistance from key actors (including the president himself).

With the exception of key political themes, such as security reform and reconciliation, it would be difficult to clearly identify reform drivers and status quo defenders within the executive. The broader economic reform agenda has no clear opponents within the cabinet.
The very notion of policy learning assumes a relatively strong coherence to policy-making, 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, cotton, and cashew sectors, which has been ongoing since 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 and price regulation.

In other sectors, governmental action continues to be 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 policy-making.

**15 | Resource Efficiency**

It is difficult to assess the efficiency of resource use, partly because the availability of human resources has deteriorated over the last decade and the government faces problems in identifying qualified personnel. The government conducted a general census of public servants in 2012 and initiated a new and more comprehensive management system for the public service (including new recruitment mechanisms).

Budget policies have further improved, as highlighted by the IMF, and there is more transparency. There are no independent audits of the cocoa and oil sectors. In 2013, the government was admitted into the Extractive Industries Transparency Initiative (EITI) process, but was lagging behind at the end of 2014 with fulfilling the reporting requirements.

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.

Looking at the various administrative reforms which ended the high fragmentation in various policy sectors, the government has apparently managed to adopt a more centralized style of policy coordination. This might also reflect a strong centralized power within the Ouattara presidency and his growing capacity to marginalize competing networks. Some major challenges in terms of managing competing objectives remain, however. These do not result from conflict between different departments but rather reflect the continuing influence of veto players.
The government has set all of its priorities on economic recovery, assuming that this will increase legitimacy, mitigate land conflicts and cause citizens to forget the legacy of ethnic polarization and violence. At the same time, the neglect of more radical reforms in the security sector and the apparent lack of interest in a more comprehensive transitional justice puts the economic recovery and the gains in terms of human development at permanent risk.

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, especially in the case of judicial proceedings, contract awards, and customs and tax issues. The highly publicized corruption-related arrests of top managers within the cocoa sector and of public officials in the toxic waste scandal certainly did not result from any systematic anti-corruption policies. In some of these cases, the state was even unable to present sufficient evidence and the accused had to be released.

It seems that the fight against corruption features more prominently on the agenda of the Ouattara government. A “National Plan on Good Governance and the Fight Against Corruption” was launched in 2014 together with new institutions such as the High Authority for Good Governance (HABG, since September 2014). The government also has plans to create a Special Tribunal for the Fight Against Corruption. The effectiveness of these new policies and institutions has yet to be seen. So far, there is still 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 policy position of at least part of the FPI and 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.

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, in large infrastructure investment projects, and in the strong promotion of public health and basic public education. The opposition has not been vocal on economic policies; there is thus quite a large consensus on economic development and the strategies to move forward.
Although democracy as a long-term objective is not contested, there are still a number of actors in Côte d’Ivoire who challenge the supremacy of elected officeholders. Military actors might still be involved in perpetuating a state of insecurity so as to avoid demobilization and a loss of power. Some armed units of the national army blocked streets in November 2014 to force the government to re-appoint a former rebel commander as General of the National Armed Forces.

The FPI, as the main (and only) opposition party, is largely paralyzed by internal power struggles between different camps. Those leaders that returned to Côte d’Ivoire, or were allowed to leave prison, are now willing to work within the political process and to negotiate with the government on participating in the 2015 presidential election. The FPI had so far boycotted all elections and relied in 2012 and 2013 partly on violent attacks to destabilize the democratic process. A group around former President Gbagbo continues to deny the legitimacy of the Ouattara administration.

The Ouattara government has been willing to offer some concessions (participation in the Electoral Commission, a return of confiscated properties), but it is not clear whether these were serious proposals or rather intended to create discord within the opposition party.

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 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 political-military division of the country, although formally ended in 2009, was a physical manifestation of sociocultural cleavages. 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.

The current administration of President Ouattara 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 the United Nations warned in December 2014 of a resurgence of hate speech in some media outlets in the context of the electoral campaign for the 2015 presidential elections.
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 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 try to influence policy-making in the cocoa sector, but do not have much 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.

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 faced many challenges. It lacked an autonomous budget and sufficient resources to accomplish its role. Moreover, all decisions and sanctions ultimately had to be made by the president of the republic. The commission ended its work in December 2014 with much criticism from the public and without having enacted any sanctions. It organized hearings involving several thousand witnesses and victims across the national territory, but even the hearings in Abidjan remained closed to the public. A fund was established to financially compensate victims, but the press was quick to point out that the work of the commission had consumed more money than what is now available for the victims.

Reconciliation at the national level was not helped by the legal action taken against former President Laurent Gbagbo and former militia leader Charles Blé Goudé at the International Criminal Court in The Hague. In December 2014, the trial against former FPI politicians, including Simone Gbagbo, the former President’s wife, started in Abidjan. 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 sanction. The general perception in Côte d’Ivoire is thus that the Ouattara government lacks a serious commitment. As such, the idea of national reconciliation has already been severely compromised.
17 | International Cooperation

Côte d’Ivoire’s politics remain internationalized, although the violent conflict has come to an end. French military forces (in January 2015, Operation Licorne was renamed French Forces in Côte d’Ivoire) and the United Nations peacekeeping mission (UNOCI) remain and will certainly continue to do so until the presidential elections have been completed. Relations with donors which had been strained since the late 1990s, have improved with Ouattara’s election in 2010/2011. In the past, donor funds were 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, relations with international financial institutions were formally resumed in 2011 and the country’s HIPC program was completed in 2012. International funding contributes toward reaching the objectives that the government has set for itself in the National Development Strategy Plan, although donor inputs are not specified there.

The current president is well aware that international assistance was essential to securing his access to office and that the country’s stability will depend on the government’s capacity to regain international trust. This does not, however, exclude the possibility of inconsistent policy-making or cases of rent-seeking within the administration.

President Ouattara is 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. Some of the ministers as well as the speaker of parliament are former rebel commanders. International trust in the economic reform program is certainly much greater than in the capacity of the government to further democratize the political system or to achieve reconciliation and consensus.

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. The current government is on good terms with France and, given the instability in Mali and Niger as well as the demise of long-standing French ally Blaise Compaoré in Burkina Faso, Côte d’Ivoire’s strategic importance for Western powers and France is likely to increase even more.
Regional arrangements such as the Union Economique et Monétaire Ouest Africaine (UEMOA) and the Economic Community of West African States (ECOWAS) play a 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). 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.

ECOWAS welcomed Ouattara’s victory, even naming him ECOWAS chairman during his first year in office. Since that time, Ouattara has tried to play an active and constructive role in regional politics and to have good relationships with all neighboring countries. Côte d’Ivoire welcomed the deposed leader of Burkina Faso, Blaise Compaoré, when he fled his country on 31 October 2014 (although Compaoré eventually moved to Morocco). Relations with Ghana and Liberia were a bit strained at times due to them apparently tolerating the presence of former FPI top officials in their countries and the continued influx of militias (in the case of Liberia). Since 2014, bilateral relations have much improved, but Ghana and Côte d’Ivoire also asked the International Court of Justice to clarify a maritime border dispute on oil deposits in the Atlantic Ocean.
Strategic Outlook

In Côte d’Ivoire, prospects for a peaceful transformation toward democracy and a functioning market economy have further improved over the last two years. However, the main elite actors remain unchanged – a cast of characters who have shown over more than a decade little sympathy toward the de-escalation of conflict or a development-oriented mode of governance. The elections alone certainly have not changed the mind-set of these elites. 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 still lacks the domestic legitimacy needed to more sustainable manage the country’s various structural conflicts. Côte d’Ivoire’s strong economic growth reflects the misery from which the country emerged in 2010, rather than reveals a promising structural transformation of the economy. The country’s economy is still 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 remains a victim of the prevailing political polarization.

The presidential elections of 2015 will mark a further watershed in the transformation of the country. A victory of incumbent President Ouattara would most likely not instigate a new wave of violence. Such a peaceful election would send a strong signal of stability to economic actors. While the return of full-blown civil war is unlikely, there is no doubt that a large quantity of small arms continues to circulate and that, in the absence of a real process of demobilization and the establishment of credible and capable police forces, political stability will not return. The elections will be equally important for the further democratization of the political system. Should the FPI continue to boycott the elections, another parliament is going to be elected without any significant opposition representation; a regime without strong horizontal and vertical accountability does not bode well for the strengthening of democratic rule.

The country’s positive momentum should be used by the international community to further strengthen reform constituencies within Côte d’Ivoire. 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 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 much 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 have not helped 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.