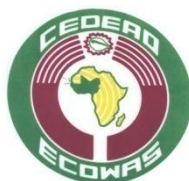


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Commissioner, Macroeconomic Policy

Economic Policy Analysis Unit (EPAU)

Research Paper Series 001/11

**Socioeconomic impacts of the Ivorian post-election tragedy
on selected ECOWAS countries**

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March 2011



THE AFRICAN CAPACITY
BUILDING FOUNDATION

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DES CAPACITES EN AFRIQUE

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Socio economic impacts of the Ivorian post-election tragedy on selected ECOWAS countries

Abstract

The objective of this note was to briefly analyze the Ivorian crisis in terms of its impact on selected countries of the ECOWAS sub region. The note identified key measures that the international community enforced with the view to end the crisis and counter measures that the incumbent took to mitigate the effects of the imposed sanctions. The impacts of these measures at the national and regional levels were analyzed and few lessons were drawn for the future. It results from the analysis that the Ivorian crisis had a socio economic impact both at the national and regional levels. It appears from the analysis that the sub region should setup regional stabilizers or regulators which, in case of distortions are capable to exerting enough pressure to bring situations back to normal. Moreover, as part of its rapid response to crisis, the sub region should make provision to assist IDPs, refugees, health personnel, basic medical drugs supplies and private sector among other actions. Economic sanctions should not only be left to the Western world. ECOWAS in addition to banning the targeted countries from its proceedings should also consider imposing economic sanctions as well as travel ban.

Socio economic impacts of the Ivorian post-election tragedy on selected ECOWAS countries

Introduction

After 8 years of socio political crisis, efforts led to the organization of the long awaited presidential election in Cote d'Ivoire. This awaited election was to bring back peace into the country. Although the process took long, the combined efforts from the international community (The United Nations through several UN Resolutions, ECOWAS, Africa Union and France) made everybody believed that it was necessary for the sake of long lasting peace.

All observers would agree that after the first run that eliminated twelve candidates, the second run will put an end one for all to the socio political crisis. This was so because of several reasons among which we can identify the presidential debate. This debate was history making in African elections. Indeed, for the first time on the continent, two presidential candidates (an incumbent and a contender) will stand face to face for over one hour answer questions and try to convince the voters. This was unprecedented in Africa. This led many observers to believe that Cote d'Ivoire was getting out of the troubled zone and enter a zone of peace and respect for others since throughout the televised debate, the two candidates were friendly, never used harsh words against one another and at the end of the debate shook hands with smiles and promised that they will respect the results of the votes that will be casted no matter what. Everyone was made to believe the sincerity of such public vows.

The votes were casted on November 28, 2011. The Independent Electoral Commission (IEC) that was entrusted with the task of announcing the results was challenged from within. In a nutshell the Independent Electoral Commission was not able to announce the results within the agreed timeframe setup. It was rather "forced" to do it outside its premises for obvious security reasons. A supporter of the incumbent within the IEC physical abused the IEC spokesperson who was about to make a pronouncement on the election results. Images of this scene were broadcasting all over the world. The announced results that gave the contender winner and certified by the Representative of the Secretary General of the United Nations, was immediately challenged by the Constitutional Court who proclaimed the incumbent as winner. What followed was unprecedented in the history of world election. Both candidates were sworn in (one by the

President of the Constitutional Court himself while the other sent a letter to the Constitutional Court). As it should be expected, the International community recognized the contender as winner of the election. The country therefore has had from that time two presidents, two Prime Ministers and two governments. Each side engaged into a struggle to have control over the country's resources. The incumbent has the military and the Official public resources at his disposal while the Contender was secluded in a Hotel (Golf Hotel).

In this struggle for control and recognition, several actions / measures and countermeasures were taken. These actions have obviously impacted the socioeconomic environment of the country as well as that of the ECOWAS region. The main objective of this brief note is therefore to make a preliminary assessment of the possible impacts of this Ivorian crisis on 1) the country's economy and 2) on that of the rest of the countries in the sub region. More specifically, this note will analyze the economic / financial, political and social impacts of the Ivorian crisis.

The rest of the paper analyzes the economic / financial and socio political impacts of the crisis, (section II), draws possible lessons (section III), and Section IV concludes the paper.

II- Economic / Financial and Socio-Political impacts

In this section, we focus on preliminary impacts of the crisis on both the Ivorian and ECOWAS region economies.

II-1- Economic and financial impacts

In a bid to financially asphyxiate the Ivorian strongman and force him to relinquish power, the international community (the European Union and the United States) effected several restraining measures including among others, an export embargo on cocoa and coffee beans which contribute together to about 40% foreign exchange earnings and 20% GDP; restricted access to the country's account at the Common Central Bank (BCEAO). The consequences can be analyzed both at the national and regional levels.

At the national level

The economic sanctions dried up the incumbent’s sources of cash. Indeed, with the export ban on cocoa the country could not benefit from export tax (DUS)² which has represented for many years a great source of foreign exchange earnings. Indeed, if we consider table 1 below, and we assume that the DUS in 2003 is the same for 2010 and that the country planned to export about 1.350.000 tons of cocoa beans, then the expected revenue was about (220 x 1.350.000) 297 billion CFA (around 594 million US\$). This was the foregone revenue due to the export embargo on cocoa. This, compounded with the inability of the incumbent’s appointees to access the State’s account at the Central Bank and his decision to nationalize the local branch of the Central Bank, put a strain on payroll payment.

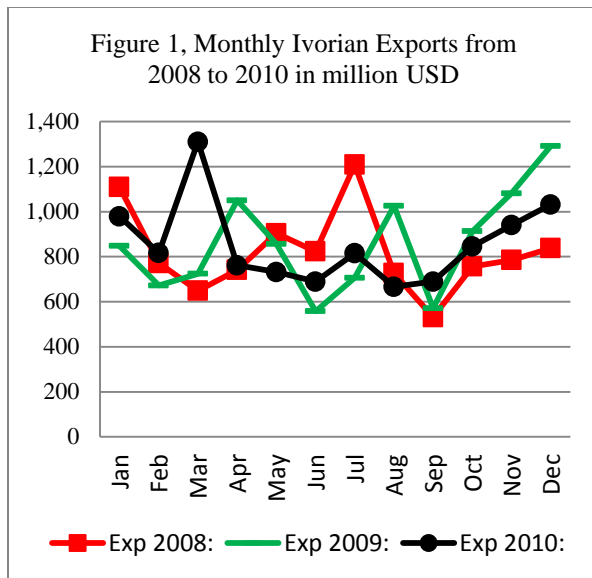
Table 1, DUS rate from 1994 to 2003 in CFA francs per kilogram

Year	1994/95	1995/96	1996/97	1997/98	1998/99	99/2000	2000/2001	2001/2002	2002/2003
DUS	200	160	150	150	150	125	140	163	220

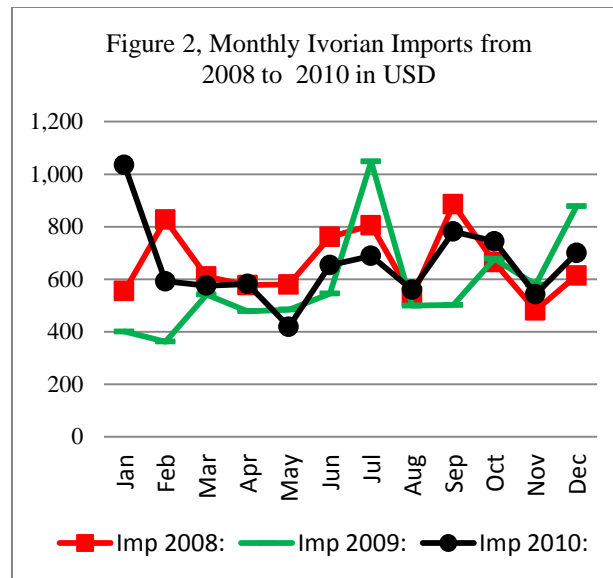
Source: BNETD Abidjan, September 2003

The impact of the crisis on the country’s trade is not yet perceptible. Indeed, if we consider the country’s exports to the rest of the world (figure 1 below), we observe that the exports trend has been upward sloping since August 2010. However, this level of exports is below that of 2009. Can we attribute the low export volume to the crisis? Not necessarily. Other factors could have contributed to this reduced performance of the country’s exports. When we consider imports from the rest of the world (figure 2), we observe a decline of imports in the months of October and November but this is not specific to the year 2010. The same trend is observed in 2008 and 2009. These two figures show that the crisis has not yet affected the country’s trade with the rest of the world. That is, it is too early to observe a significant impact of the ongoing crisis on the country’s current account. Notwithstanding the above, it is clear that a long lasting crisis will inevitably affect the country’s ability to trade with the rest of the world.

² The DUS (Droit Unique de Sortie) is paid at the customs at the time of export.



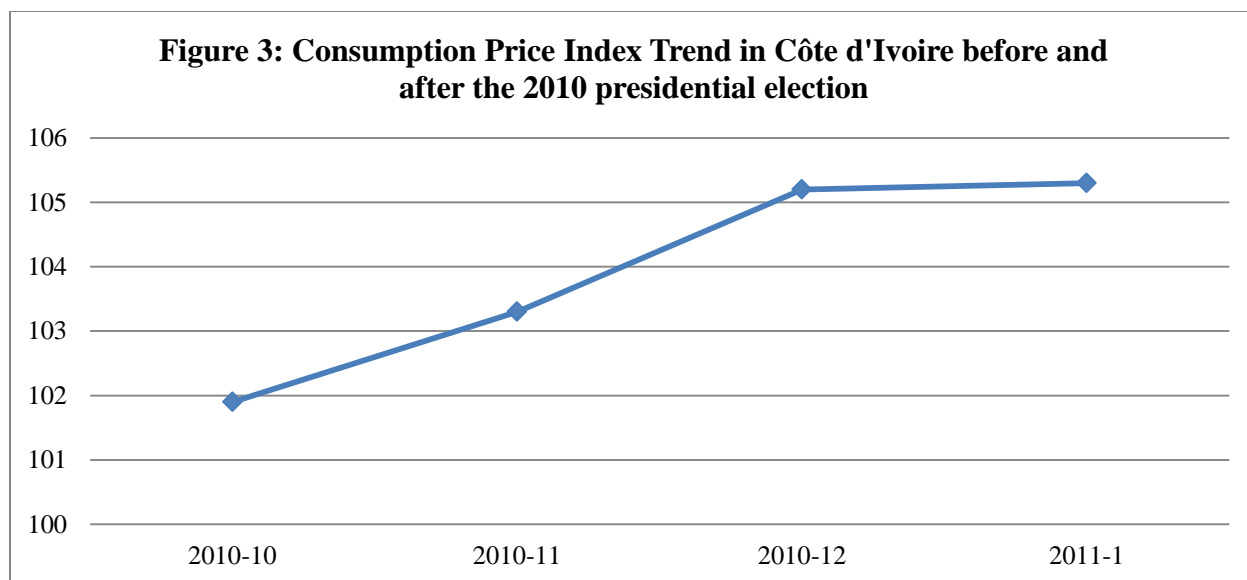
Source: ECOWAS database



Source: ECOWAS database

Money supply to the economy decreased sharply and failed to match or satisfy the demand for money. This led to serious cash liquidity problems. As money supply decreases, people tend to withdraw cash and retain it outside the banking system for precautionary reasons. Indeed, the liquidity problems resulting from the suspension of the Central Bank’s operation led to days of delays in clearing checks, which can no longer be done electronically. The few Commercial Banks that continued their operations can only clear checks manually and this can last more than a few months. Without a fully operational Central Bank to guarantee transactions, accepting other banks’ checks becomes too risky. The country’s economy has moved from a modern economy to that of cash-based, backward economy with its associated backwardness.

Another consequence of the low supply of money and the high demand for money is increased inflation. This can be observed not only locally but also in countries with strong trade ties with Côte d’Ivoire, especially those in the UEMOA. The price hike was also exacerbated by the fears of widespread shortage of food and consumer goods as EU restrictions on shippers disrupted and diverted port activities. Figure 3 below shows that from October 2010 to January 2011 consumption prices increased by 3.34 % in Côte d’Ivoire.



Source: UEMOA Commission

Both the cocoa export ban and diversion of shippers from ports in Côte d'Ivoire have had a toll on farmers who are bearing the direct cost. Many of them have resorted to smuggling cocoa to their neighboring countries (Ghana and Liberia). The estimated 700 000 cocoa growers of the country will continue to feel the pain of this post-election crisis. Other farmers will also feel the pain as they are forced to leave their villages and seek refuge in other areas of the country. These internally displaced people are often time overlooked and no assistance is provided for them. Attention is rather caught by those who cross the country's borders to seek refuge in neighboring countries. The number of such displaced persons in Liberia is estimated by UNHCR to be around 75 000; whereas the internally displaced are around 300 000 individuals. No figure has been given for those who have crossed to Ghana.

It is of utmost important that measures are taken to assist the internally displaced people as well as those who have crossed the border since for their survival the men may resort into militia activities (for the men and able ones) while girls and women may become sexually abused and turned into prostitutes.

The crisis also undermines viable economic production activities. Indeed, with a crippled banking system, companies have a liquidity constraint that limits their operation. Faced with such difficulties some companies have resorted to downsizing their staff thereby increasing the already high rate of unemployment. Others simply decide to declare bankruptcy and to

temporarily/ or permanently relocate their activities to neighboring countries where the business environment is more stable. This is so because of the looting and battles taking place in Abidjan. All these issues will undoubtedly increase the level of poverty in the country during and after the crisis.

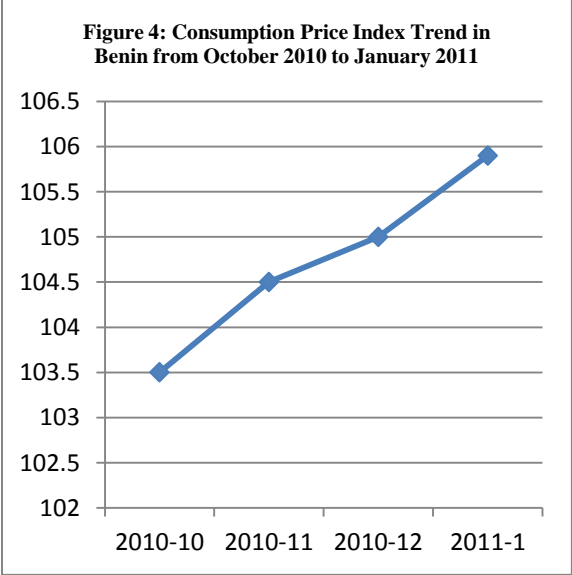
In the absence of an effectively operational Administration and with the looting and battles taking place in Abidjan the collection of household wastes was neglected. As a result, mountains of trash piled up in the streets of Abidjan with their corollaries of diseases. With the shortage of medical supplies the country was under the threat of a mass outbreak of diseases. Moreover, as hospitals and clinics were inundated by a wave of patients mostly casualties from the battles between the two antagonist groups, there was the fear of a shortage of drugs and medical supplies due to the diversion of ships from the Ivorian ports. That is, the basic medical supplies for malaria, antibiotics, surgeries and those for HIV patients were out of stock leading to a rise in death toll.

At the region level

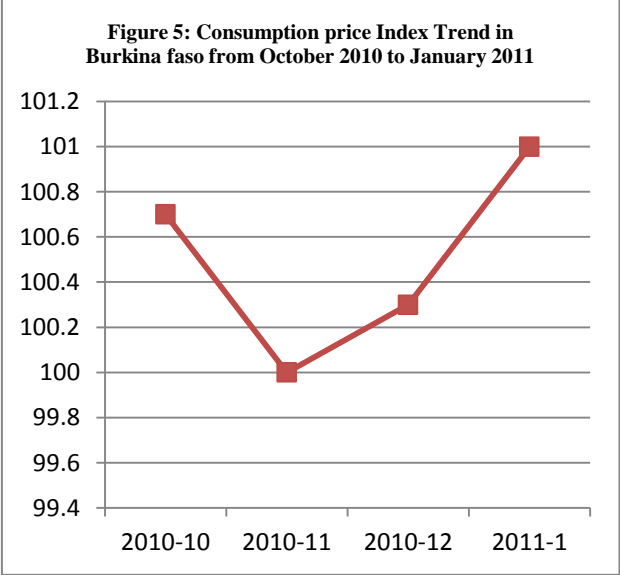
Consequences of the post electoral crisis were not localized in Côte d'Ivoire. Indeed, given the country's prominence in the sub region, it is clear that the crisis had a spillover effect in the other member states. These consequences could also be analyzed from an economic viewpoint as well as social and political viewpoints.

In terms of economic consequences, a dry up of the country's foreign reserves means a dry up or a significant reduction of the UEMOA foreign reserves. That is, a prolonged crisis paralleled with the threat of Côte d'Ivoire to create its own currency (although this is not a sound and viable course of action) could destabilize the region's financial and monetary system. Indeed, as the IMF (March 2011) underlines it, a drop in economic output in Côte d'Ivoire, as was the case in 2000 and 2002, could push average regional growth below 3 percent, reducing per capita income and increasing poverty in Côte d'Ivoire and possibly in the sub region. This put the other UEMOA Head of States in high alert and they tasked the Central Bank authorities to closely monitor any action taken by the incumbent.

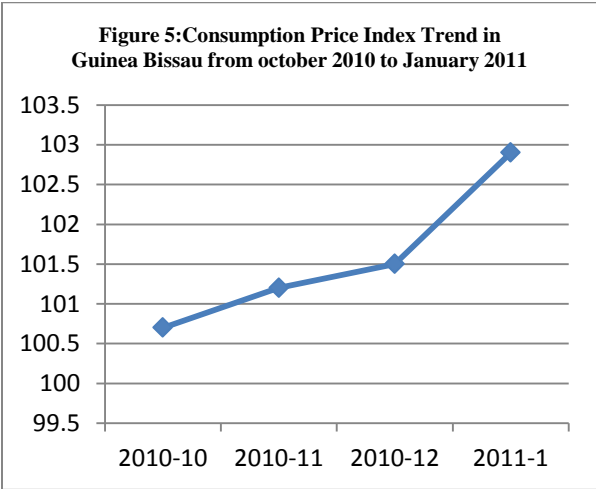
On food prices, from October 2010 to January 2011, we observed an upward trend. It is possible that the crisis in Côte d'Ivoire had contributed to this upward sloping trend. Indeed, if we considered the general trend in Figure 10, (UEMOA) inflation has been on the rise. However, a look at individual countries provides different scenario. For instance, inflation in Burkina Faso (Figure 4) dropped from October 2010 to November 2010. It rose from November 2010 (election period) to January 2011 which corresponds to the period of rising tension in Côte d'Ivoire.



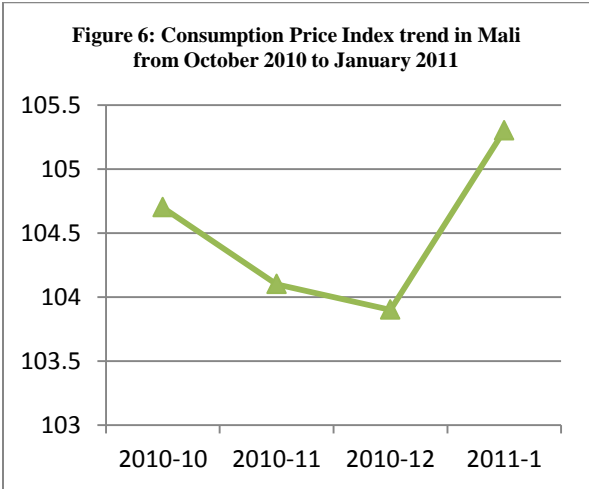
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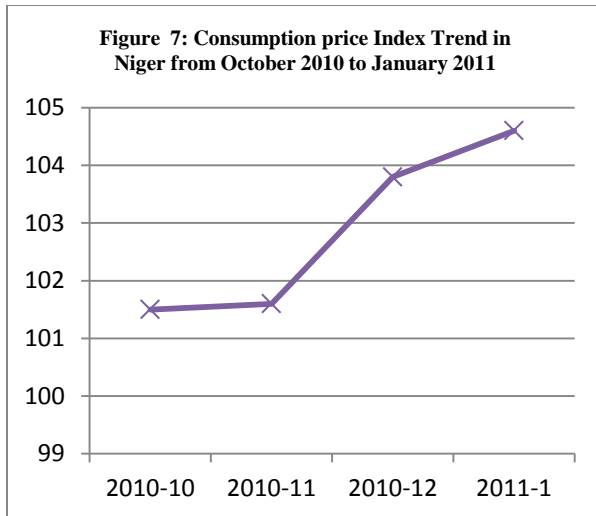
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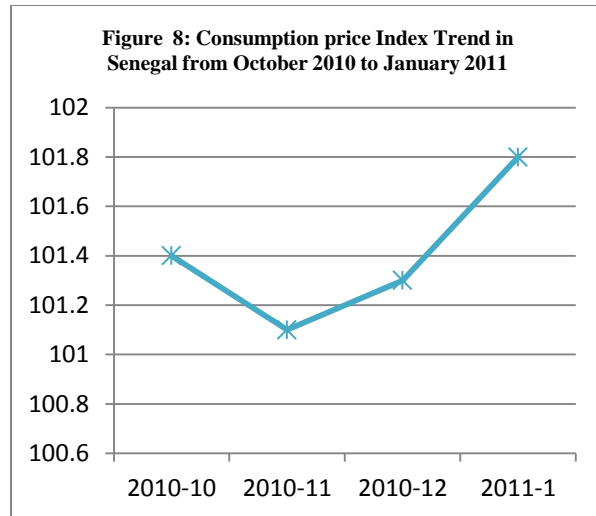
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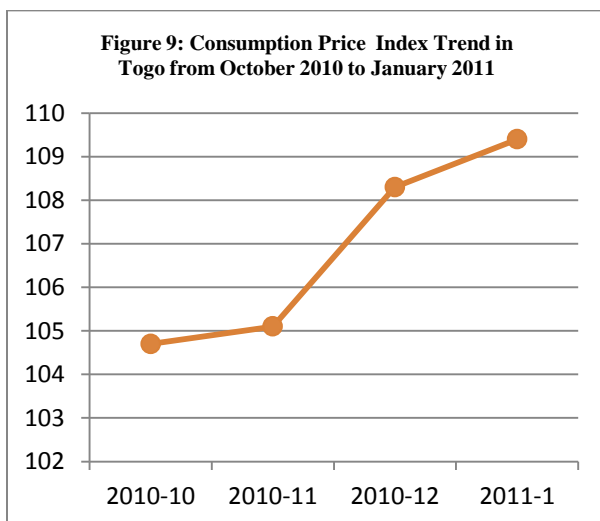
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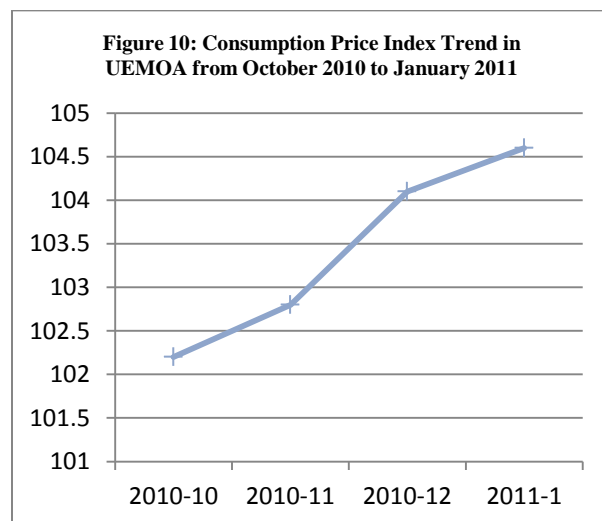
Source: UEMOA Commission



Source: UEMOA Commission



Source: UEMOA Commission



Source: UEMOA Commission

Inflation trend similar to that of Burkina Faso in Figure 4 was observed for Mali and Senegal (Figures 6 and 8). However, for Mali the rise in inflation started in December 2010. Over these four months Burkina Faso, Senegal and Mali registered the lowest increase in food price standing respectively at 0.3%, 0.39% and 0.57%). The countries that were seriously affected were Niger (3.05%) and Togo (4.49%). For these four months, Benin and guinea Bissau registered an increase in inflation of about 2.3%.

The impact is not only economic and social. The impact is also political at the regional level. Indeed, beyond the ballet of diplomats in and out of Abidjan trying to resolve the crisis peacefully lays the untold battle of regional influence. Within ECOWAS, there is a clear and undisputed strongman who is the President of Nigeria. However, at the Africa Union level, there is South Africa. Let remember that these are two countries that are candidate to a permanent seat on the UN Security Council. The Ivorian crisis (and any other crisis in the sub region for that matter) is therefore used as a playground to show who (Nigeria or South Africa) is strong enough to impose respect and order in sub-Saharan Africa and therefore deserves to be on that seat. This explains the presence of a South African warship on the Ivorian coast when South Africa thought that Nigeria was going to lead a military intervention (via the ECOMOG) in Cote d'Ivoire to install the electoral commission proclaimed elected President.

Despite the Africa Union decision to support previous decisions recognizing the Contender as the winner, tensions have not cooled off in Abidjan, since the incumbent rejected African Union's decision. As this other round of negotiation has failed what concrete actions will the international community spearheaded by the Africa Union take to put an end to the suffering of the Ivorian people? Another delay will only increase not to say exacerbate the suffering of the people.

IV- Lessons and way forward

What lessons could be learnt from the above brief analysis of the Ivorian crisis and what should be the way forward? Lessons to be learnt include the following:

- 1- When crisis breaks up, casualties culminate very quickly;
- 2- Sanctions may have a restraining impact on the targets but it is the ordinary population that feels more the hitch. This is so because the rulers always have the power on their side and can use it to get what necessities they need. This is not the case for the ordinary citizen. As a result, it is the ordinary citizen that suffers the most from sanctions.
- 3- Sanctions to be effective and produce immediate impact should be not left to the Western World alone. Indeed, as travel ban and freeze on assets are imposed from the West (EU and the US), similar actions if taken at the regional level could have a reinforcing impact

and put more pressure on the targets³. Unfortunately, this was not the case and so individuals under these economic sanctions could travel freely and have access to their unduly acquired assets in Africa. This calls for a serious consideration if Africa is to make its voice count in the world arena.

- 4- The crisis in Côte d'Ivoire illustrated and even hammered the need for strong institutions rather than strong leaders. Strong institutions are like automatic regulators / stabilizers. When disturbances occur, these regulators bring automatically situations back to normal and do not allow situations to deteriorate beyond acceptable level. The crisis in Côte d'Ivoire has demonstrated the absence of such regulators within the country as well as within the ECOWAS sub region. Indeed, in that vein, the sub region failed to provide the necessary regulators to bring the situation in Côte d'Ivoire back to normal. The sub region sat back⁴ and watched the situation deteriorate days after days with the fictitious argument that the crisis should be resolved politically in order to avoid a possible civil war. Recent events demonstrated that it was the wrong decision to make since the civil war was already in effect in Cote d'Ivoire with its corollaries of destructions (human, infrastructures etc.).
- 5- Crisis in countries are used as battle field for regional political leadership at the expenses of the people. The case of Cote d'Ivoire clearly showed how South Africa extended its dominance over West Africa by sidelining prior decisions made by ECOWAS⁵.
- 6- When crisis breaks up, IDPs and refugees culminate in numbers. The sub region needs to have an organization ready to assist instead of relying on the UNHCR.
- 7- Health and sanitary issues are sometimes sidelined. However, these are issues which need to be addressed urgently to avoid possible break out of diseases. There is therefore need

³ Indeed, as ECOWAS recognized the contender as the winner of the November election in Côte d'Ivoire, It could have followed (or even initiated) actions taken by the EU and the US to impose travel ban and freeze on assets of the people obstructing the due process of democracy.

⁴ Some may argue that the ECOWAS did not sit back and watch the situation deteriorate however, it is important to look at the chronogram of events. Yes, in the early days of the crisis, ECOWAS came out strong to support the decision made by the electoral commission and certified by the UN. ECOWAS even went further to call for a meeting of ECOWAS Armies Joint Chiefs of Staff to plan for the use of a legitimate force to set things right. Then everything stopped to give "chance" to a political settlement of the crisis and avoid a possible civil war. Has ECOWAS intervene at that time with the use of legitimate force, much of the consequences discussed above would have been avoided.

⁵ Let's recall that in an attempt to resolve the crisis politically, ECOWAS set up a panel of three heads of State (Benin, Sierra Leone and Cape Verde) who met and discussed with the two protagonists in Abidjan. Moreover, the AU sent a special Envoy (Prime Minister of Kenya) for another peaceful negotiation.

to setup a rapid response structure at the regional level with adequate capacity to provide assistance whenever needed.

- 8- The Ivorian crisis has demonstrated how the actions of a local power can threaten the monetary and financial systems of the sub region. As the sub region eyes on the objective of a single currency by 2020, it is of utmost importance that actions are taken to prevent any single country (no matter its weight) to put at risk the harmony of the group.
- 9- The private sector suffers a great deal of harm. Indeed, with such crisis, several business are looted, physical assets are destroyed. Some firms relocate to avoid a complete destruction of their businesses. As part of the response to crisis, the sub region needs to develop its capacity to assist crisis affected businesses. This can be in the form of a special insurance or a trust fund that established for that effect.

V- Conclusion

The objective of this note was to briefly analyze the Ivorian crisis in terms of its impact on the ECOWAS sub region. After a short overview of the crisis we identified key measures that the international community enforced with the view to end the crisis and counter measures that the incumbent took to mitigate the effects of the imposed sanctions. We then analyzed the impacts of these measures at the national and regional levels and drew few lessons for the future. It results from the analysis that the Ivorian crisis has had a socio economic impact both at the national (inflation, insufficient money supply, breakdown of the banking system, growing numbers of IDPs, shortage of medicine and drugs, health infrastructures and personnel overstretched, threat of possible disease breakout etc) and regional levels (inflation, refugees, regional monetary system, regional power struggle etc). It appears from the analysis that the sub region should setup regional stabilizers or regulators which, in case of distortions are capable to exerting enough pressure to bring situations back to normal. Moreover, as part of its rapid response to crisis, the sub region should make provision to assist IDPs, refugees, health personnel, basic medical drugs supplies and private sector among other actions. Economic sanctions should not only be left to the West. ECOWAS (and for that matter the entire Africa Union) in addition to banning the targeted countries from its proceedings should also consider imposing economic sanctions as well as travel ban.

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