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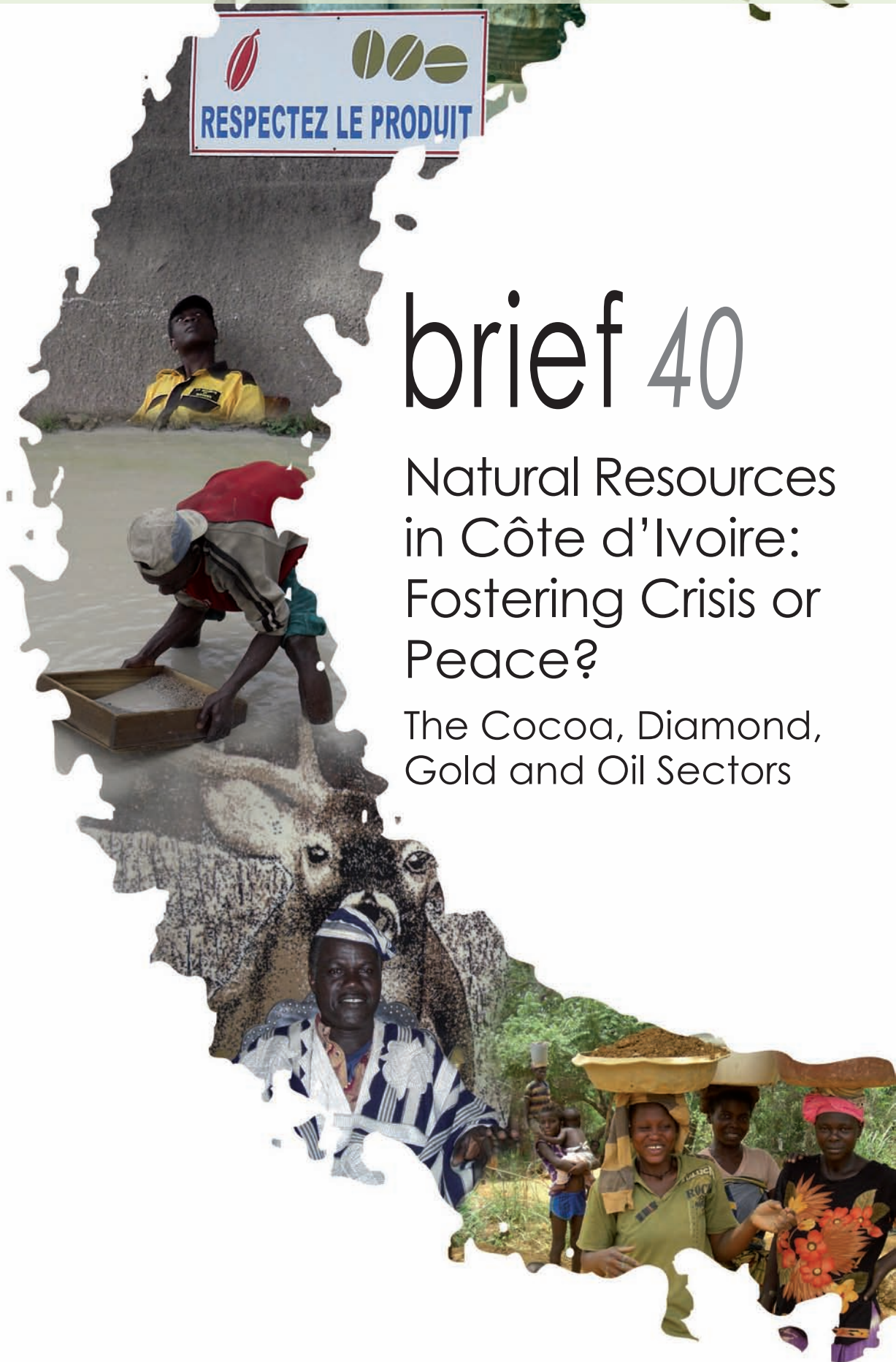
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brief 40

Natural Resources
in Côte d'Ivoire:
Fostering Crisis or
Peace?

The Cocoa, Diamond,
Gold and Oil Sectors



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brief 40

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List of Acronyms and Abbreviations

ARCC	Autorité de Régulation du Café et du Cacao (regulatory institution)
AU	African Union
BCC	Bourse du Café et Cacao (regulatory institution)
BCEAO	Central Bank of West African States
BNETD	Bureau National d'Etudes Techniques et de Développement
BNI	Banque Nationale d'Investissement
Caistab (CSSPPA)	Caisse de Stabilisation et de Soutien de Prix des Produits Agricoles
ECOWAS/ CEDEAO	Economic Community of West African States
WAMU/ UEMOA	West African Monetary Union
CODEMCI	Congrès Démocratique de Côte d'Ivoire (political party)
DD&R	Disarmament, demobilization and reintegration
DUS	<i>Droit Unique de Sortie</i> (export tax)
ECOMICI	ECOWAS Mission in Côte d'Ivoire
EIA	Energy Information Administration (US Department of Energy)
EITI	Extractive Industries Transparency Initiative
EU	European Union
FAFN	Armed forces of the <i>Forces Nouvelles</i>
FDPCC	Fonds de Développement et de Promotion des Activités des Producteurs de Café et de Cacao (regulatory institution)
FGCCC	Fonds de Garantie des Coopératives Café et Cacao (regulatory institution)
FDS-CI	Defense and Security Forces of Côte d'Ivoire
FN	<i>Forces Nouvelles</i> (rebel groups)
FPI	Front Populaire Ivoirien (political party)
FRC	Fonds de Régulation et Contrôle du Café et du Cacao (regulatory institution)
FRGO	Forces de Résistance Grand Ouest (militia groups)
GDP	Gross Domestic Product
GEPEX	Groupement Professionnel des Exportateurs de Café-Cacao
GVC	Groupement à Vocation Coopérative
ICC	Integrated Command Centre (FDS and FAFN combined)
IFI	International Financial Institutions
IEC	Independent Electoral Commission
IMF	International Monetary Fund
KPCS	Kimberley Process Certification Scheme
<i>Licorne</i>	French military mission in Côte d'Ivoire
MJP	Mouvement pour la Justice et la Paix (rebel group)
MPCI	Mouvement Patriotique de Côte d'Ivoire (rebel group)
MPIGO	Mouvement Populaire Ivoirien du Grand Ouest (rebel group)
NGO	Non-governmental Organization
OCHA	UN Office for the Coordination of Humanitarian Affairs
OPA	Ouagadougou Political Agreement
PDCI (-RDA)	Parti Démocratique de Côte d'Ivoire (-Rassemblement Démocratique d'Afrique) (political party)
Petroci	Société Nationale d'Opérations Pétrolière de la Côte d'Ivoire
PNRRC	National Program of Reinsertion and Community Rehabilitation
PNDDR	National Program of Disarmament, Demobilization and Reinsertion
PWYP-CI	Publish What You Pay- Côte d'Ivoire
RDR	Rassemblement des Républicains (political party)
SACO	Société Africaine de Cacao
SATMACI	Société d'Assistance Technique pour la Modernisation Agricole en Côte d'Ivoire
SODEMI	Société d'Etat pour le Développement Minier de la Côte d'Ivoire
UNDP	United Nations Development Programme
UNOCI	United Nations Mission in Côte d'Ivoire
UNSC	United Nations Security Council
WB	The World Bank Group

Executive Summary

Côte d'Ivoire is at a decisive stage in its political history. Since 2002, the country has been ridden by violent conflict and political unrest. After nearly ten years, Côte d'Ivoire is expecting to hold presidential elections that may end a continued situation of 'neither peace nor war', following the end of armed fighting between the government and rebel forces at the end of 2004. The conflict has often been attributed to questions of identity, and the process of identification remains a sensitive and decisive factor with regard to fair elections and social peace. Another important issue, the role of natural resources in the conflict in Côte d'Ivoire, has largely been neglected and deserves further attention if the peace process is to lead to some stability. This *brief* investigates the extent to which natural resources have contributed to causing and sustaining this armed conflict and how natural resource exploitation can contribute to peace and development in Côte d'Ivoire. For this purpose, we have broadened the scope of natural resources in this study to comprise not only extractive resources but also agricultural resources such as cocoa, for until recently the country has depended more heavily on cocoa and coffee than on extractive resources.

The first part of this *brief* gives a general overview of the conflict in Côte d'Ivoire, of the role of natural resource exploitation therein and of current developments in the peace process. The control over natural resources, specifically arable cocoa land, has been a considerable factor in the Ivorian conflict. Attention to natural resource exploitation helps revealing the underlying sources of the identity crisis. Interestingly enough, the influx of a massive number of immigrants to the cocoa regions over a long period of time did not create major social tensions. Many migrants came from Burkina Faso that was once ruled by the French alongside Côte d'Ivoire as one colony. Only in the 1980s, when the cocoa land was exhausted, world cocoa prices fell, and the country went through an economic and political crisis, did the identity issue come to the fore. When the long-lasting president Houphouët-Boigny died shortly after the introduction of multi-party competition in 1993, national politicians instrumentalized the identity question for election purposes—and combined it with the question of who was entitled to control cocoa land and other economic resources.

While the question of natural resource governance is not addressed in the 2007 Ouagadougou Political Agreement (OPA), the implementation of this latest peace agreement is imperative to stabilize the current fragile peace. Implementation of the

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Last but not least, the authors would like to thank the European Union for funding the Fatal Transactions network in the framework of which this research was conducted.

All views expressed in this brief are the authors' alone.

different areas of the agreement, namely the effective redeployment of the administration in the northern territories of Côte d'Ivoire, the disarmament, demobilization and reintegration (DD&R) process, and the preparation and holding of national elections that were repeatedly postponed was generally slow. The identification process of voters, an important precondition to elections, has been completed by now, despite a number of voters that were not able to register in time.

There are various mechanisms that link natural resources to conflict. The second part of the *brief* is more generally concerned with resource governance and how it may exacerbate or alleviate those mechanisms. Resource governance describes first the way in which the use of natural resources is regulated and managed, and second the way in which costs and revenues deriving from those resources are distributed. The current general governance record in terms of democratic accountability and transparency in Côte d'Ivoire is very low. The national regulatory framework is partly problematic, but mostly not directly adverse to better resource governance in itself. The problem rather lies with the implementation, e.g. of environmental laws, that is hampered by widespread corruption. On an international level, Côte d'Ivoire joined the recent governance initiatives in the extractive industry's sector, the Extractive Industries Transparency Initiative (EITI) as per May 2008 and the Kimberley Process Certification Scheme (KPCS) in 2003. As diamonds and other extractive minerals have been smuggled from the northern rebel-held territories since the occupation in 2002, it has not been possible

yet to implement the KPCS. Various actors both on the national and international level influence the quality of resource governance: the government, political parties, companies, civil society organizations, and the international 'donors' (World Bank, International Monetary Fund, European Union).

Apart from general governance indicators such as transparency and accountability there is no straightforward measure of good resource governance. Specific concerns arise from different resource sectors and different contexts. Therefore, the third part of the *brief* analyzes four natural resources in Côte d'Ivoire in more detail—cocoa, diamonds, gold, and oil and gas, by investigating how their production and trade affected the conflict dynamics and what is needed to harness their potential for development and peace. Besides the mode of cocoa production, which was one factor causing the conflict, insufficient control over the exploitation of the studied resources impedes the reunification of the country and the settlement of the conflict, as it provides the financial means and incentives to both former warring parties. While the rebel *Forces Nouvelles* (FN) were able to construct their own system of taxation on trade in cocoa and, to a lesser extent, diamonds and gold, the government used an important part of its cocoa revenues—and most likely part of the revenues from oil and gas extraction—to finance its military, pay political supporters and enrich themselves. The profitable control of the production and trading in natural resources by the *Forces Nouvelles* in the north of Côte d'Ivoire is an important reason why the redeployment of the administration in the northern territories is still not effective and the DD&R process has met with so many obstacles.

Hence, to come to a true and consolidated peace, different imperatives for the governance of the natural resources under investigation exist. In the cocoa sector, a reform of its regulatory, finance and advisory structures is necessary so that cocoa farmers receive a fairer share of the economic rent and the quality of cocoa is improved. Land rights are another issue, which needs urgent attention in the current peace process. Support for local dispute settlement committees is crucial to settle the land disputes on a case-by-case basis. In the diamond and gold sectors, the interests of artisanal miners in the northern parts of the country need to be reconciled with the imperative of the administration to regain control over the entire trading chain, and with its aim to re-launch larger-scale industrial mining. In compliance with the Kimberley Process, an internal monitoring system has

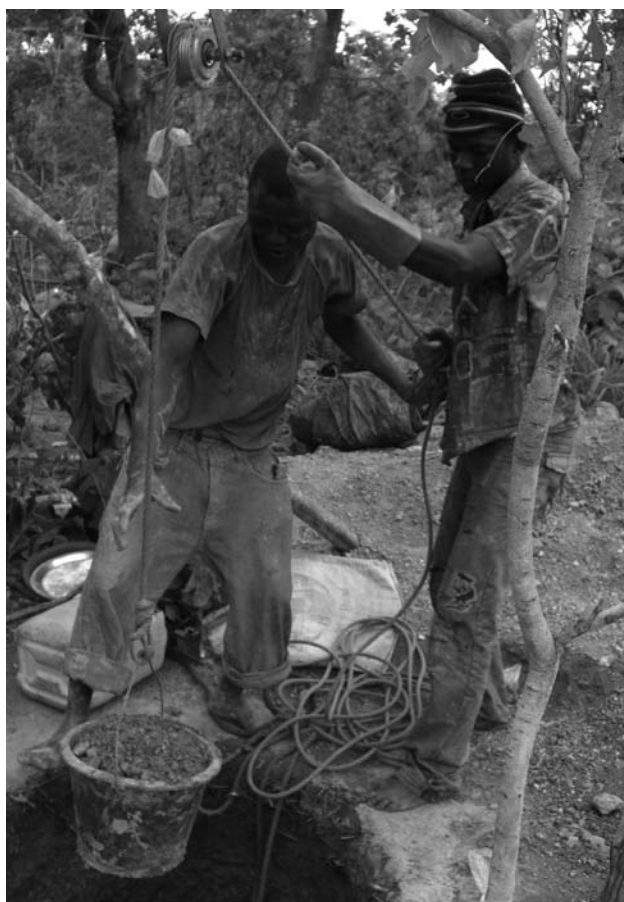
to be put in place so that the diamond embargo can be lifted. In the oil and gas sector, transparency and accountability with respect to the revenues and their redistribution to Ivorian society is more crucial than in any other sector, as the Ivorian population only benefits indirectly from this. Controversies in 2008 about the amount of oil produced and the revenues collected reveal the importance of these issues in this sector.

To achieve lasting peace, the commitment of all actors involved is needed. This *brief* recommends that the numerous ways in which natural resources and their governance influence the ongoing peace process in Côte d'Ivoire be taken into account.

Introduction

Some may judge a discussion whether natural resources, such as the huge cocoa production and expanding petrol exploration, will contribute to development and reconstruction in Côte d'Ivoire as 'too early'. The country is still at the crucial stage of its peace consolidating process. Notably, the holding of the elections, the disarmament process and the effective unification of the country, which has been divided in the course of the conflict, remain major challenges that need full political support of the partners of the Ouagadougou Political Agreement of 2007.

Others may rather call it 'too late' to bring natural resources to the center of our attention, as the crisis has eroded, to a considerable extent, the hopes and shine of what was once called West Africa's 'economic miracle'. The country still has a huge potential for economic growth, with cocoa alone creating an annual economic value of US \$2 billion, which is comparable to the overall export revenues of other developing countries. Apart from cocoa, there are many other agricultural products such as cashew nuts, pineapple, cotton, and rubber that are exported. Added to the growth potential of the



agricultural sector is the newly developed oil and gas sector. Against this aggregate economic wealth, the poor living conditions of the population stand out as a shameful and controversial issue: "Côte d'Ivoire is a country that is (...) potentially unstable, one of the countries which has a lot of resources (...) but where the people are poor."¹ Another pressing issue is the continued impunity of human rights violations in the country. The United Nations reports, "human rights violations inflicted on civilians, including intimidation, arbitrary arrests and detention, extrajudicial killing, rape committed by armed highway robbers in the Bangolo region and the racketeering at checkpoints in both the Government- and *Forces Nouvelles*-controlled parts of the country" (UN Group of Experts, 2008b, p. 10). According to an Ivorian human rights activist, "all rights are violated. But the rights that are violated most seem to be the economical and socio-cultural ones. This means poverty. People are so poor they can't even judge the situation of their own rights."²

Côte d'Ivoire thus urgently needs to find a way back to political, economic and social stability. To reach this aim, the peace process has to be inclusive, addressing the factors that led the country into violent conflict. The role of natural resources in this conflict deserves more attention than it has received so far. While the importance of cocoa for the Ivorian economy and society is commonplace in national and international debates on Côte d'Ivoire's prospects, it is rarely attempted to explain how the production of cocoa and other natural resources such as oil and diamonds has conditioned the outbreak and continuation of the violent conflict.³ This *brief* therefore focuses on this specific aspect of the conflict—the role that the governance of natural resources production played in this context. Struggles over access to fertile cocoa land, political instrumentalization of this same access, and the revenues from natural resources as a source of funding for the conflict, are important in this respect. The past years of 'no war, no peace' have been profitable for both the national government and the *Forces Nouvelles* (FN) rebels, thereby paralyzing the peace process. Now that the parties are working

¹ All quotations from interviews are translated from French into English by the authors. BICC Interview, 28 March 2008, Representative Human Rights Organization, Abidjan.

² BICC Interview, 28 March 2008, Representative Human Rights Organization, Abidjan.

³ One of the publications to mention at this point is the 2007 Global Witness report, which investigated the extent to which the revenues from cocoa trade financed the war, but which did not analyze the wider implications of cocoa production in the onset of the conflict.

towards peace and elections are on the horizon,⁴ it is crucial to look into how natural resources can be of benefit to a durable development as opposed to mismanagement and instability in the country.

This *brief* serves as a modest contribution to the topic of natural resources and peacebuilding in Côte d'Ivoire. The main **research questions** it aims to address are:

What role did the exploitation of natural resources play in causing and sustaining the violent conflict?

How can the exploitation of natural resources in Côte d'Ivoire contribute to peace and development?

The natural resources under scrutiny here were chosen because they play a significant role in the economy of Côte d'Ivoire and/or are expected to play an important role in the definite settlement of the conflict. For pragmatic reasons, the *brief* is limited to four of the country's resources: cocoa, oil, diamonds and gold—cocoa and oil because they are the most lucrative and strategically important resources for the Ivorian economy; diamonds and gold because they further exemplify the difficulties the Ivorian peace process met with due to the exploitation of natural resources.

Chapter 1 gives a general overview of the conflict in Côte d'Ivoire, the latest developments in the peace process, and the role of natural resource exploitation therein. Chapter 2 analyzes resource governance in Côte d'Ivoire, focusing on the perspectives of resource governance as a contribution to peacebuilding and peace as well as that of different actors. Chapter 3 bundles four case studies illustrating the role each of the four resources played during the conflict and possible avenues of governing the natural wealth in a way that benefits the country and the majority of the people.

Methodology

This *brief*, which is published in collaboration with Fatal Transactions, serves to inform policymakers, NGOs, the interested public and companies holding an interest in the peaceful development of the country. The research that this BICC *brief* is based on consisted of fieldwork combined with a desk study. The fieldwork was conducted in Côte d'Ivoire in March–April 2008 over a period of four weeks, while a desk study before and after the field trip covered relevant literature. Two members of BICC staff conducted over 50 semi-

structured (group) interviews with representatives from the government, the *Forces Nouvelles*, political parties, companies, NGOs, local women's and farmer associations, international organizations, and other institutes and individuals who hold a stake in the current peace process. About half of the interviews took place in Abidjan, the largest city and commercial center of the country. The other half of the field study was conducted in various locations in and around Bouaké (headquarters of the *Forces Nouvelles*), Yamoussoukro (official capital of Côte d'Ivoire), and Suéguéla in the northern region, as well as in the western region (Guiglo, Douékoué, Toulépleu), which is the country's center of cocoa production and where tensions over land and disarmament have long caused numerous incidents of violence and human rights abuses.

Many persons who confided their information did this on the condition of anonymity, to avoid possible repercussions following statements on sensitive subjects. For this reason, some of the interviewees are not referred to by name.

Box 1: Fatal Transactions

Fatal Transactions is an international campaign, which strives for a just and fair exploitation of Africa's natural resources. It was launched in October 1999 by a consortium of European civil society organizations to increase public awareness on the funding of rebel armies across Africa through the trade in so-called 'conflict' or 'blood' diamonds. Fatal Transactions was part of the negotiations on the Kimberly Process Certification Scheme.

Fatal Transactions aims to transform fatal transactions into fair transactions that truly benefit the African people. Therefore, members of Fatal Transactions conduct an advocacy and public awareness campaign in Europe in order to stop natural resources from fueling conflict and to improve resource governance in post-conflict countries.

Further information about events and publications can be found at www.fataltransactions.org (international website) and www.fataltransactions.de (German website).

⁴ The election date has been set at 29 November 2009 but may be further postponed.

1 The Conflict in Côte d'Ivoire



Box 2: From prosperity to poverty?



Source: UN Cartographic Section, Côte d'Ivoire, map no. 4312 Rev. 2, June 2009.

Côte d'Ivoire is a country about the size of Germany, located in West Africa. For many years, Côte d'Ivoire was known as the "West African miracle". During the 33 years following formal political independence from France in 1960, the country was ruled by President Houphouët-Boigny. This autocratic leader established an economy widely seen as prosperous and stable compared to other countries in West Africa. During the 1960s and 1970s, it became the economic powerhouse of the region. This leading position was mainly based on the production of coffee and cocoa (see Chapter 3.1 on cocoa).

When world market prices for commodities declined in the 1980s and the "father of the nation" (Houphouët-Boigny) died in 1993, the country entered a phase of economic and political turmoil. Since then, living conditions have deteriorated (see socio-economic data below). Poverty levels in Abidjan have increased from 38 percent in 1998 to 44 percent in 2007, with unemployment reaching 44 percent.¹ Consequently, social tensions are high, due to unemployment combined with the recent height of food prices. In Spring 2008, they manifested themselves in an outburst of demonstrations against expensive life in the capital Abidjan.

¹ BICC Interview, 28 March 2008, Representative Human Rights Organization, Abidjan.

1.1 Course of the conflict

1.1.1 The outbreak of war

On 19 September 2002, parts of the Ivorian army attempted a *coup d'état* against the government of President Laurent Gbagbo. The Ivorian army, together with the French military based in Côte d'Ivoire, could prevent the rebels from conquering Abidjan⁵, but could not hinder them from occupying the northern half of the country. Hundreds of thousands of people fled from the advancing rebels to the south of Côte d'Ivoire, primarily Abidjan. In the ensuing months, fights between the rebel movement MPCJ (*Mouvement Patriotique de la Côte d'Ivoire*) and government troops along the front line continued until a cease-fire was agreed upon at the end of October 2002. The French military force *Licorne* came to secure the ceasefire-line between the two warring parties, the *zone de confiance*.

The situation deteriorated when in November 2002 two new rebel movements—MPIGO (*Mouvement Populaire Ivoirien du Grand Ouest*) and MJP (*Mouvement pour la Justice et la Paix*)—appeared near the Liberian frontier in the west, fighting alongside Liberian and Sierra Leonean mercenaries. In order to counter the rebel offensive, the Gbagbo government recruited both Liberian fighters and refugees, thus recreating ethnic cleavages from the Liberian war on Ivorian soil.⁶ Hence, the worst atrocities took place in this western region, and many (Ivorian and non-Ivorian) migrants, allegedly supporting the rebels, were chased from their homesteads.⁷ This has earned

⁵ General Robert Guéi who had come to power through the first *coup d'état* in 1999, was killed, allegedly on his way to pronounce yet another *coup d'état*. However, he was wearing civilian clothes when he was killed and no proof was given that he was at the head of the 2002 rebellion.

⁶ In this war in the western regions, the new rebel movements and militias that were formed in self-defense and in support of the government, followed the lines of two cross-border ethnic alliances that came to face each other—on the side of the rebel groups, the Liberian Gio were fighting alongside the Ivorian Yacouba (who claimed to fight to revenge general Guéi's death, himself a Yacouba); on the government side, the Liberian Krahn were fighting alongside the Ivorian Guéré, considering themselves to belong to the same ethnic group. Moreover, the government of Gbagbo supported the Liberian rebel movement MODEL that fought the Liberian president Charles Taylor in Spring/Summer 2003. After the departure of Taylor, these MODEL fighters returned to Côte d'Ivoire with their weapons. For a deeper analysis of the war in the eastern region please refer to Boas, forthcoming.

⁷ In this western region, important economic incentives have also driven the dynamics of war. The border areas offer gold, rubber and timber, which is being cut illegally on both sides of the Ivorian-Liberian border. Many former combatants and militia members are involved in artisanal gold mining and have taken over rubber plantations. However, the most important economic asset is land that can be utilized for cocoa production. See Chapters 3.1 and 3.3 of this *brief* on the role of cocoa land and gold in the Ivorian conflict (cf. Boas, forthcoming).

Table 1: Côte d'Ivoire: Socio-economic data

Capital	Yamoussoukro
Population	18.9 million
Surface area (sq. km) (thousands)	322.5 ¹
Monetary unit	CFA Franc BCEAO (XOF) (€1 = CFA 655.957)
GDP (2005)	US \$16.3 billion
GDP per capita (2005)	US \$900 ⁴
Gini Index (2002)	44.6 with the richest 20% holding 50.7% and the poorest 20% holding 5.2% of share of income
Life expectancy (2006)	Women: 55.35, Men: 53.95 ⁵
Human Development Index	Ranked 166 of 177 ⁶
Health expenditure (2004)	0.9% of GDP ⁷
Education expenditure (2001)	4.6% of GDP ⁸
Internally displaced persons (2006)	750,000
HIV/AIDS prevalence rate	7.1%
<i>Economy⁹</i>	
Gross Domestic Product (2006)	US \$28.5 billion
Real GDP Growth Rate (2006)	1.2%
Exports (2006)	US \$7.83 billion
Main exports	Cocoa, coffee, timber, petroleum, cotton, bananas, pineapple, palm oil, fish
Export partners (2005)	France 18.3%, US 14.1%, Netherlands 11%, Nigeria 8%, Panama 4.4%
Imports (2005)	US \$5.55 billion
Imports	Fuel, capital equipment, food commodities
Import Partners (2005)	France 27.7%, Nigeria 24.5%, Singapore 6.6%

¹ World Bank. Côte d'Ivoire: Infos rapides. <<http://go.worldbank.org/M10VBCTYB0>>.

² Energy Information Administration. Country Analysis Briefs: Côte d'Ivoire, 2008. <http://www.eia.doe.gov/emeu/cabs/Côte_dIvoire/pdf>.

³ Human Development Report 2007/2008. Country Fact Sheet <http://hdrstats.undp.org/countries/country_fact_sheets/cty_fs_CIV.html>.

⁴ Ibid

⁵ CIA World Factbook. <<https://www.cia.gov/library/publications/the-world-factbook/print/iv.html>>.

⁶ Human Development Report 2007/2008 Country Fact Sheet <http://hdrstats.undp.org/countries/country_fact_sheets/cty_fs_CIV.html>.

⁷ Ibid

⁸ Ibid

⁹ Energy Information Administration. Country Analysis Briefs: Côte d'Ivoire, 2008. <http://www.eia.doe.gov/emeu/cabs/Côte_dIvoire/pdf>.

the violent conflict the term 'civil war'. The number of battle deaths is estimated at 3,000 at least, the number of displaced people exceed one million (Koerner, 2007, p. 23; PRIO Database). The war-like situation can be said to have ended with Gbagbo's last attempt to use the military to fight the *Forces Nouvelles* in November 2004⁸, even though there had only been sporadic fighting since 2003. Nevertheless, a stable peace has not been restored until today.

1.1.2 'Ni paix, ni guerre': A situation in-between war and peace

In January 2003, the first peace agreement was signed in Linas-Marcoussis, France, which heeded major demands of the MPCl.⁹ A national government of reconciliation was formed, with a new Prime Minister from the north and the rebels—from now on called *Forces Nouvelles*¹⁰—holding the ministry of defense. Being negotiated by France and much favorable to the rebels, the Marcoussis Treaty aroused strong anti-French feelings among many Ivoirians. Gbagbo used this climate to torpedo the implementation of the Treaty and any of the following agreements. The agreements of Accra, Pretoria and Yamoussoukrou were the results of diplomatic efforts of African presidents, among them Olusegun Obasanjo (Nigeria) and Thabo Mbeki (South Africa). Their implementation was continuously impeded by repeated breaks of the ceasefire, inter-communal violence in western and in southern villages, the blockage of the disarmament process and militia and militant groups loyal to the government, including the youth movement *Jeunes Patriotes* (Young Patriots).

Besides the French military mission *Licorne*, a military mission from ECOWAS was dispatched to bolster the buffer zone (ECOMICI, March 2003–February 2004), followed by the UN mission UNOCI to accompany the demobilization process and the preparation of elections (UN Resolution 1528, February 2004 until today).

⁸ The French reaction to this breach of the cease-fire was the destruction of the Ivorian air force and the killings of Ivorian protesters in front of the Hotel Ivoire in Abidjan by French military forces in 2004. While the Ivorian air force had attacked a French military camp when launching a full-blown attack on rebel positions, the French response to it constituted a highly controversial overreaction and caused the anti-French riots that were widely covered by European media.

⁹ The cease-fire agreement between MPJ and MPIGO in January 2003 was breached soon after, and fighting in the west continued in the first half of 2003.

¹⁰ The *Forces Nouvelles* (FN) are a coalition of the rebel movements MPCl (*Mouvement Patriotique de Côte d'Ivoire*), MPIGO (*Mouvement Populaire Ivoirien du Grand Ouest*), and MJJ (*Mouvement pour la Justice et la Paix*).

When the mandate of the Gbagbo government ended in October 2005, an international governing body, the *Groupe de Travail International* (GTI)¹¹, alongside a new Prime Minister, invested with authority by UNSC and AU resolutions, was meant to cut the president's power (see UNSC Resolutions 1633 (2005) and 1721 (2006); cf. Zeebroek, 2008). The primacy of these international resolutions over the national constitution was contested from the beginning and again used by the government and its supporters to reinforce anti-neocolonialist and xenophobic feelings. The stalemate was only overcome when President Laurent Gbagbo and rebel leader Guillaume Soro signed the Ouagadougou Political Agreement (OPA) in 2007, making Soro Prime Minister of Côte d'Ivoire. Before we start to analyze the implementation of the OPA (1.3), we will investigate the extent to which the exploitation of natural resources contributed to the violent conflict. The specific role of different resources in the course of the conflict is elaborated upon in subsequent chapters.

1.2 Origins of the conflict: Politicizing migration of cocoa labor

The conflict in Côte d'Ivoire has typically been attributed to a fight in which identity and struggle over political power—after the death of the long-standing president Félix Houphouët-Boigny in 1993—were the main factors. In addition to this view, we have found that **the control over the production of natural resources has also been a contributing factor to the Ivorian crisis**. While this *brief* focuses on the role of natural resources, it does not argue that these different angles of viewing the conflict in Côte d'Ivoire are mutually exclusive. We argue that bringing natural resource governance into the equation even helps in understanding the identity crisis. While the term 'natural resource' is generally used to denominate hydrocarbons (oil and gas) and minerals, we have included agricultural resources (such as cocoa and coffee) in this *brief*, for until very recently, they have played a much greater role in the Ivorian economy than hydrocarbons and minerals.

The reasons given by the rebels for taking up arms point to the identity issue, to questions of citizenship

¹¹ The GTI was composed of representatives from South Africa, Benin, the United States, France, Ghana, Guinea, the United Kingdom, Niger and Nigeria. It also encompassed the United Nations, the African Union, ECOWAS, the European Union, the International Organization of the Francophonie, the World Bank and the IMF (http://www.diplomatie.gouv.fr/fr/pays-zones-geo_833/Côte-ivoire_339/groupe-travail-international-gti-sur-Côte-ivoire_14420/presentation_35326.html).

Box 3: UN sanctions and weapons

The UN Security Council imposed sanctions on Côte d'Ivoire, which encompass an arms embargo, a travel ban, an asset freeze, and a diamond embargo. The important sanction resolutions in chronological order are:

- November 2004, S/RES/1572 imposes an **arms embargo** and threatens three Ivorian individuals with asset freeze and travel ban.
- February 2005, S/RES/1584 on arms decides that UNOCI and the Expert Panel in cooperation with the French forces will **monitor the embargo**.
- December 2005, S/RES/1643 imposes **diamond sanctions** on Côte d'Ivoire and authorizes UNOCI to monitor the application of the sanctions.
- February 2006, the Sanction Committee names three **individuals subject to sanctions** (based on the provisions of Resolution 1572). One of the persons is a commander of the *Forces Nouvelles* and the two others are leaders of the Young Patriots.

The goal of these sanctions was "to avoid the possibility that one of the two factions, the government or the rebels, would gain the opportunity to prevail over, or, to overwhelm the other faction. This applies specifically to helicopters or airplanes because one airplane or two helicopters can make the difference in a conflict in Africa. It was to keep the balance. This was also why the MI24 [helicopter of the Ivorian army] was being grounded [by the French army]." (BICC Interview, 28 February 2008, Observer 8, Brussels).

The UN group of experts for Côte d'Ivoire reports on the adherence of different stakeholders to the UN sanctions on Côte d'Ivoire. It frequently encountered

difficulties in its work when the experts were refused access by the main actors (government and FN) to camps and barracks of the Republican Guard and National Gendarmerie, as well as to arms depots in the Séguéla region (UN Group of Experts, 2008a). Despite these restrictive conditions for the monitoring, various concrete cases of violation of the weapons embargo were reported (available at: http://www.un.org/sc/committees/1572/CI_poe_ENG.shtml). The violations mainly constituted in the transfer of training, maintenance and transport issues (with repeating reference to the government's air force) and, to a lesser extent, the actual procurement of military equipment. The demand for new weapons was minimal because there were enough weapons in the country before the embargo was imposed. When the FN occupied the north of the country, they acquired the military equipment of the brigades. The same holds for the government, which had an intensive procurement program of weapons and ammunition just prior to the imposition of the embargo (UN Group of Experts, 2005). The April 2008 report of the group of experts states that both the Defense Forces of Côte d'Ivoire (FDS-CI) and the FN have separately engaged in military training outside of Côte d'Ivoire in violation of the UN arms embargo (UN Group of Experts, 2008a, p.11). Moreover, the UN suspects a continuous weapons flow into Côte d'Ivoire from neighboring countries such as Liberia and Ghana plus Angola. These weapons are suspected to go to the still present militia groups in Côte d'Ivoire (*L'inter*, 9 September 2008).

So far, the sanctions have not been lifted, but were renewed in UNSC Resolution S/RES/1842 of October 2008.

and nationhood. Numerous rebel soldiers cited the administrative procedures that one had to go through to obtain Ivorian identity cards (Banégas, 2007, p.87). Many long-term migrants from neighboring countries and northerners (originating from the north of Côte d'Ivoire) despite feeling part of the Ivorian nation or, at least, at home in Côte d'Ivoire, were denied the right to vote and had difficulties in acquiring Ivorian nationality, and thus felt stigmatized as not being 'real' Ivorians.

Many Ivorians in the south, including the government, refuted this outright by pointing to the fact that immigrants and northerners occupied many

advantageous positions in the economy as well as in government, and that they had been hosting them and got along with them very well. The government claimed that there was literally no reason for the rebellion: "We were really surprised by the war that was waged against us in 2002. In a modern society, we thought that when a government is put in place, it is assessed according to its program and project."¹²

Thus, one side emphasized the political nature of the conflict, while the other side refuted wholesale that

¹² BICC Interview, 2 April 2008, Sylvain Miaka Oureto, FPI Secretary General, Abidjan.

there had been any problems so far. So what is the solution to this puzzle? Where does the role of natural resources fit into this picture?

Côte d'Ivoire's dependency on cocoa production¹³ helps explaining why there were that many migrants in Côte d'Ivoire in the first place and why this became such a contentious issue in the 1990s. The Ivorian population consists of an estimated 25 percent immigrants and many in-country migrants. Most of this **migration to the cocoa regions** in the center-west and south-west of Côte d'Ivoire had been triggered by Houphouët-Boigny's favorable politics for foreigners to come to work on the labor-intensive cocoa plantations.¹⁴ The rapid expansion of cocoa farming from the 1950s onwards laid the ground for the economic miracle. Côte d'Ivoire thereby absorbed the vast majority of the emigrating excess labor in western Africa. The migrants either worked on cocoa plantations or acquired their own cocoa land, mostly by way of informal agreements with the local population. By letting migrants have their own plantations—based on the premise “the land belongs to those who work it” and vote¹⁵—President Houphouët-Boigny achieved economic prosperity and political support from migrants as well as his own ethnic group, the Baoulé. Many Baoulé settled in the cocoa regions as in-country migrants. The distinction between local *autochthones* and migrant *allogènes* in the cocoa regions therefore existed all along, but did not create major tensions (Banegas, 2007, pp. 84–86).¹⁶

The acceptance of massive numbers of immigrants was furthered by the initial abundance of cocoa land, Houphouët-Boigny's inclusive politics that did not distinguish between different ethnicities, accompanied by economic stabilization policies that guaranteed cocoa farmers a stable price for

their produce. The parastatal *Caisse de Stabilisation* (Caistab) sold coffee and cocoa on the world market and kept the difference between the world market price and the farm gate price offered to farmers by the Caisse. Many writers have termed this as “state exploitation” of the peasants, for the farmers received little compared to the world market prices and Houphouët-Boigny and his entourage enriched themselves. However, the farmers received important non-monetary values in the form of guaranteed stable farm gate prices and the provision of economic infrastructure and services with the funds of Caistab. Hence, resource governance under Houphouët-Boigny, i.e. the way in which he regulated and managed the use of cocoa land and in which cocoa revenues were distributed, contributed to a peaceful coexistence. However, this was only possible in the favorable context of abundant land and high world market prices. (In Chapter 2, we will elaborate further on the importance of resource governance and analyze the current performance of Côte d'Ivoire.) In addition, open political dissent, such as the Gagnoa and Agni uprisings in the 1960s, were fiercely suppressed.

The **dependence on the export of cocoa** of the Ivorian economy turned out to be very problematic in the end, when the transformation of ever more virgin forest land into cocoa plantations reached its environmental limits in the 1970s and world cocoa prices plummeted at the end of the 1980s. The near bankruptcy of the state forced Houphouët-Boigny to finally implement structural adjustment programs of privatization and downsizing of the state apparatus advocated by the World Bank (WB) and the International Monetary Fund (IMF) in the early 1990s, under the lead of his Prime Minister Alassane Ouattara, a former economist at the IMF (Crook, 1997, p. 220). The farm gate prices were cut by half and the large civil service, with its many privileges attached to it, was meant to be downsized. Street protests against the structural adjustment measures, organized by civil servants and students, were violently oppressed. Political leaders who joined forces with the protesters were arrested—among them Laurent Gbagbo, leader of the opposition party FPI (*Front Populaire Ivoirien*), which later recruited many university lecturers and teachers. At the same time, Houphouët-Boigny introduced a **multi-party system**, which induced party competition on the national level. He died in late 1993, after having been re-elected in 1990, leaving the president of the National Assembly, Henri K. Bédié, as his successor (Crook, 1997).

¹³ This study deals with cocoa in particular because compared to cocoa the importance of trade in coffee has receded. References to coffee are therefore minimal, although many of the issues touched upon in this *brief* refer to both cocoa and coffee. Cocoa and coffee form one sector of the Ivorian economy (*filiale café-cacao*), which has been regulated and managed by the same institutions from its beginnings.

¹⁴ The French colonial government had already used labor from Burkina Faso (back then Obervolta and Côte d'Ivoire were one colony) on the cocoa plantations in the center-west of Côte d'Ivoire. However, these workers, along with the local “Ivorian” population, were forced to work there.

¹⁵ All African foreigners had the right to vote in Ivorian elections until 1995 (Banegas, 2007, p.110).

¹⁶ In Côte d'Ivoire, the ‘first-comers’ are called *autochthones* (considered as the original inhabitants of a region), whereas the migrants are called *allogènes* (coming from foreign countries) or *allochtones* (from other regions of Côte d'Ivoire) (see Chapter 3.1.1 Cocoa).

Against the background of economic decline and President Houphouët-Boigny's death, the new political actors instrumentalized the **identity** question in their struggle over power and competition for votes: At the national level, defining who was a citizen and who was not became central to excluding certain individuals from competing in national elections. The opposition parties brought the identity issue into the national political debate—politicizing the distinction between local “first-comers” and migrant “late-comers” in the cocoa regions, laying the basis for ethnic hatred and an Ivorian xenophobic nationalism (Woods, 2003). The then opposition leader, Laurent Gbagbo, criticized Houphouët-Boigny for using foreigners as “electoral cattle”, blaming the open-door policy of Houphouët-Boigny for having favored immigrants over Ivorians (Banegas, 1997; Woods, 2003). This perception was particularly strong among young Ivorians who could no longer find employment in the cities, and who returned to the villages and demanded that their parents return the land they had ceded to immigrants.

Unfortunately, President Bédié began to play the identity card in trying to hold on to power in the 1995 presidential elections. He took over the notion of *Ivoirité*, a concept specifying the cultural distinctiveness of Ivorian nationality, which had been formulated by professors of the University of Cocody, Abidjan, and gave it an exclusionary twist: he enacted a new electoral code that exempted foreigners from the right to vote and stipulated that the parents of any presidential candidate hold Ivorian nationality (Crook, 1997, pp. 227–235). Djény Kobina and A.D. Ouattara, the successive leaders of the opposition party RDR, claiming to represent the “neglected” northern and Muslim population, were consequently barred from candidate positions in 1995 (Crook, 1997, p. 238) and in 2000 on the grounds that their parents allegedly were not Ivorian.

Hence, the question of citizenship and nationhood became extremely politicized and controversial. Interestingly, national identity cards and resident cards for immigrants were introduced under A.D. Ouattara as Prime Minister (1990–1993)¹⁷—who himself claimed to be a victim of discrimination against northerners and Muslims due to his exclusion from the presidential elections in 2000. Gbagbo, President

since 2000, exacerbated the problems when he established a new program of identification, which was based on the concept of autochthony. To obtain an Ivorian identity card, one had to cite witnesses in one's “village of origin”. These “claims (...) were to be validated by commissions composed of local dignitaries and party leaders” (Banegas, 2007, p. 87). He thereby applied the social relations between *autochtones* and *allogènes* on a village level to the question of belonging on the national level. This point is crucial, because it means that the local social relations of cocoa production (opposing *autochtones* and *allogènes*) were played out on a national level, which in turn reinforced existing tensions within local communities.

While rejecting any notion of north-south division among the Ivorian community at the onset of the rebellion in 2002, many Ivorians have come to think in these terms by now. An important catalyst to that was **political violence**. Violence as an outright political tool started with the boycott of the 1995 presidential elections by the *Front Populaire Ivoirien* (FPI) and *Rassemblement des Républicains* (RDR), when polling stations were violently attacked. The 1999 military coup by General Guéi gave political violence an official mandate. Starting already under Bédié, the army began to disintegrate into multiple factions: Bédié favored his own ethnic group, the Baoulé, and discriminated against officers close to his political rivals; the young officers who backed Guéi's *coup d'état* turned into urban militias that were later chased by the army of Guéi and Gbagbo. The leaders of those parallel military groups were among the organizers of the later 2002 rebellion, such as Staff Sergeant Ibrahim Coulibaly. Around the 2000 presidential elections, supporters of Gbagbo's FPI and supporters of the excluded RDR-leader Ouattara were pitted against each other. In Yopougon, a FPI stronghold in Abidjan, the mass-grave of fifty-seven bodies was discovered, all of whom were northerners and many of whom were close to the RDR (Banegas, 2007, pp. 86–92; Crook, 1997, pp. 227–235). Since the start of the rebellion in 2002, impunity reigns against the perpetrators of violence against assumed foreigners or supporters of the rebellion (including artists, opposition newspapers, etc.)—be they death squads immediately after the start of the rebellion or *Jeunes Patriotes* (loyal to Gbagbo) under the leadership of Blé Goudé later on. The same holds true for the northern territories, where the justice system has been under control of military commanders of the *Forces Nouvelles* since the occupation in 2002.

¹⁷ A. Ouattara served as Deputy Managing Director of the IMF from 1994 until 1999 (<http://www.imf.org/external/np/omd/bios/Ado.htm>). Having worked for the IMF and the BCEAO, and having been sent to Côte d'Ivoire to implement the severe austerity programs (Crook, 1997), the influence of Western technocrat mentality may have been decisive in Ouattara's case.

In conclusion, we can posit that the mode of natural resource extraction, which heavily relied on foreign labor, was certainly one of the sources of conflict. Thus, the tensions among communities were closely related to the production of natural resources—the control over cocoa land (see Chapter 3.1.1). It was crucial, however, that the identity issues connected to it were instrumentalized for power purposes, which created antagonistic forces that could be mobilized for war.

1.3 The Ouagadougou Political Accord: A road to peace?

Having considered the causal factors in the violent conflict, the question arises to what extent the **Ouagadougou Political Accord (OPA)**, which was signed by Ivorian President Laurent Gbagbo and FN rebel leader Guillaume Soro in March 2007, is able to build peace in Côte d'Ivoire. The following section therefore provides an account of the current implementation process and obstacles to it.¹⁸

The main areas of the agreement are the restoration of state authority and unity of the country (1.3.1), the reform of the army, including the disarmament, demobilization and reintegration (DD&R) process (1.3.2), and the identification of the population and the preparation of the first round of presidential elections (1.3.3) (République de Côte d'Ivoire, 2007a). Progress in the implementation of the Accord has been very slow. To overcome some of the obstacles, the fourth Complementary Accord to the OPA was signed in December 2008, detailing concrete steps in the aforementioned areas of redeployment, disarmament, and identification.

1.3.1 Unification: Territory, budget, administration

The 'zone of confidence', which divided the country between the rebel-held north and the government-controlled south, secured by the UN and French military forces UNOCI and *Licorne*, was removed entirely by August 2008 (United Nations Group of Experts, 2008b). At the headquarters of the *Forces Nouvelles* a spokesperson reports, "the unification of Côte d'Ivoire is a reality, since the application of the Political Agreement, since the *flamme de la paix* of

June 2007 in Bouaké.¹⁹ The President of the Republic, when he has a mission, he can come to the north in all security and serenity. (...). The free circulation of goods and persons is a reality."²⁰ The situation on the ground confirms that persons can now travel to the north freely. An e-mail response from the FN to the authors' request for a '*Laissez-Passer*'²¹ reads: "With Côte d'Ivoire being reunified, you no longer need a *Laissez-Passer* to come to the north."²²



However, the reunification of the **state budget** and the associated **tax system** is far from being complete. Over the past years, two parallel tax systems existed in Côte d'Ivoire, as an FN spokesperson explains: "There were some structures that we have created (*La Centrale*) that collected the money to permit everyone to live. We could not refer to the legal government for finances because we were in a state of war with them."²³ Even though the FN Enactment No. 211 of 26 December 2007 underlined the commitment of the FN to have one state budget, the Secretary General of the FPI, Mr. Ouretto, stated in an interview with BICC that there were important zones, like the mining area and Bangolo, which are

¹⁸ Based on a field trip mission in early 2008, this brief takes into account information on recent developments until mid-August 2009. The reader may wish to check for recent news on one of the news sources listed in the references.

¹⁹ The flame of peace refers to the burning of collected weapons. In Bouaké, out of the 2,121 weapons collected, 1,606 were burned. 515 functional weapons were taken into custody by the FN (UN Group of Experts, 2007a). At the ceremony in Guiglo, 1,027 weapons of which 138 were functional were collected. Before they could be destroyed, 472 weapons and a rocket launcher 82 mm had mysteriously disappeared (ibid).

²⁰ BICC Interview, 14 April 2008, Representatives at Headquarters of the *Forces Nouvelles*, Bouaké.

²¹ Permit needed to travel into the north until the first quarter of 2008. On 22 April 2008, the '*Laissez-Passer Sécuritaire*' for access of individuals to the north of the country was officially lifted (*Forces Nouvelles de Côte d'Ivoire*, Communiqué No 210408, 22 April 2008).

²² E-mail dated 17 April 2008. Direction de la Communication des FN.

²³ BICC Interview, 14 April 2008, Representatives at Headquarters of the *Forces Nouvelles*, Bouaké.

still controlled by the FN. "This causes financial losses worth billions (of Francs CFA)!"²⁴ During the visit of BICC staff to the northern provinces (April 2008) many trucks with cargos of commodities were still holding a *Laissez-Passer* indicating the amount of taxes paid to the *Forces Nouvelles*.

In May 2008, the state's customs services returned to their posts in the ex-rebel zone in an equal share with staff of the FN. Nevertheless, in late 2008, the UN Group of Experts came to the conclusion that "the *Forces Nouvelles* still control all matters relating to revenue collection" (United Nations Group of Experts, 2008b, p. 30).

At the time of writing, the government is still to take control over the flourishing cross-border trade of timber, gold and diamonds. Exchequers were established in Bouaké (center-north) and Korhogo (north). Administrative buildings need to be restored and former *Forces Nouvelles* members need to be trained in tax and customs duties recovery (*ReliefWeb*, 3 February 2009). From February 2009 onwards, the

Box 4: Le racket: No free circulation of goods throughout the country

The free circulation of goods is not only a topic in the north. Many refer to the practices of *le racket*, which obstructs the circulation of goods at least as much in the southern part of the country as in the north. *Le racket*, or the costs levied on transportation of goods by a number of police and army officers along the road, is an old phenomenon in the entire country. However, it massively increased during the crisis. A cocoa exporter recounts that before the war, a truck with thirty tons of cocoa beans needed one-and-a-half days for the 600 kilometer road from Douékoué to Abidjan. "After the war, there were roadblocks everywhere, at one point even 24. It takes a truck four days to arrive in Abidjan and a total of 3,500 Francs CFA fee at all the roadblocks. (...) This influences the price. The buyers of the product don't want to lower their margin, thus they diminish the price they pay, which impacts on the farmer."¹ Women associations in Bouaké joined forces because they cannot even afford to go to the market anymore to sell their few crops.²

¹ BICC Interview, 10 April 2008, Christophe Julienne, Directeur Achats Cacao, SACO, Abidjan.

² BICC Interview, 15 April 2008, Women's association, Bouaké.

²⁴ BICC Interview, 2 April 2008, Sylvain Miaka Oureto, FPI Secretary General, Abidjan.

population was meant to pay taxes and customs duties to the government; a vehicle registration center in Bouaké was inaugurated for this purpose. Another challenge is to convince members of the population who did not have to pay official taxes and customs duties over the last years to do so now—apparently the range of duties levied by the *Forces Nouvelles* was still lower than and not as comprehensive as those by the government. Therefore, the customs duties were lowered to one-third compared to the official rates in the southern territory, but they still seem to be high compared to the average income level: customs duties for vehicles vary between 37 and 152 Euros. Customs officers deny the payment in installments (*AFP*, 6 March 2009).

The redeployment of the national **administration** in the northern territories has long begun, but it is not effective yet. By January 2008, 70 percent of administrative personnel, mostly teachers and health personnel but also *préfets*, *sous-préfets* and mayors displaced by the war were redeployed (ICG, 2008). However, those who had not received salaries and redeployment allowances went on strike. Representatives of the new administration in the FN-dominated area, like the *sous-préfets* whom BICC met with in April 2008, have a hard time regaining their position. The following testimony of a *sous-préfet* who started his position in the north in December 2007 illustrates this:

Before the war, when a plot was destroyed, the population would come and see us for a solution. Now they go to the *Forces Nouvelles*. (...) It is very dangerous to address issues if you don't want to end up under a sheet. The unification of the state budget is paperwork. (...) We will start to sensitize people (about unification). Some young people in the village are eager for this change. But the FN is always present at the meetings and people are scared.²⁵

At the FN headquarters in Bouaké, the spokesperson claims to "work in collaboration with the redeployed" while at the same time continuing to "help the people on the social and the humanitarian level (...), and to guide the transition to peace." This presence of course also serves their political goal as they openly acknowledge: "Especially at the political level, we help our leader, the Secretary General (Guillaume Soro) to assure the people just until the elections. Just until the new president is elected."²⁶

²⁵ BICC Interview, 22 April 2008, Sous-préfet in northern Côte d'Ivoire.

²⁶ BICC Interview, 14 April 2008, Representatives at Headquarters of the *Forces Nouvelles*, Bouaké.

In June 2009, the buildings of the national social insurance in Bouaké still hosted the headquarters of the FN—despite the official transition of authority from the FN to the *préfets* (MaCôte d'Ivoire, 19 June 2009). The question remains when the restoration of state administration, with a capacity to collect taxes in the north, will become effective.

The reunification of **judicial institutions** progresses equally slowly: "The north is a zone without official law and order."²⁷ The military commanders of the FN used to decide on arrests, detention and verdicts. Accusations were often enough unfounded and the accused were offered a deal after some days of illegal detention: go to the overcrowded prison or pay up to Francs CFA 600,000 (€915) (ICG, 2008). FN commanders holding strategic positions will lose these profitable posts. At least, apart from six key positions, nearly all judges and prosecutors that had fled their positions in the north are now redeployed. In January 2009, eleven detention facilities in the north were handed over to government authorities (United Nations Security Council, 2009, p. 3). The slow progress in the judiciary is linked to the slow progress in the redeployment of police and gendarmerie who are needed to re-open the courts (ibid). A crucial factor impeding the restoration of national authorities in the north is the very slow disarmament process, as the next part of this *brief* will show.

1.3.2 Disarmament, demobilization and reintegration

There is an enormous proliferation of illicit weapons. The youngsters have many weapons that they are hiding. They were never disarmed, so all is still there. The borders are uncontrollable. In virtually every village [in the west] there are weapons hidden by the youngsters. We are still in an extremely precarious situation.²⁸

The overall security situation in Côte d'Ivoire is reported as 'stable'; the United Nations have lowered its security grade from level 5 to level 2 since the 2007 OPA (Soro and Chatham House, 2009). However, in the context of a high proliferation of arms and rising poverty, armed hold-ups along the highways by so-called *coupeurs de routes* in the west, but also in the north of Abidjan, are on the increase (*Soir Info*, 24 August 2009, p.10). Incidents of rape and criminality

²⁷ BICC Interview, 2 April 2008, Representatives Transparence et Justice, Abidjan.

²⁸ BICC Interview, 26 March 2008, Pierre Marie N'Gore, Communication and Advocacy Officer, OCHA, Abidjan.

abound. In rural areas, many women fear of being raped on their way to the fields (*Irin*, 30 March 2009). The "recurrent protests by *Forces Nouvelles* combatants over non-payments of their allowances underscored the risk of possible setbacks" (United Nations Group of Experts, 2008b, p. 2). Within this context and in view of the upcoming elections, the disarmament process deserves urgent attention.



Notwithstanding of being a causal factor to the conflict, the issue of identity has also hampered the implementation of the peace agreements. There was no consensus among the parties whether disarmament or identification, followed by elections, would be the first step. On the one hand, the *Forces Nouvelles* objected to disarm before the many (northern) Ivorians without valid identity cards were allowed to vote and were unwilling to hand in their weapons (their sole instrument to exercise power) without a guarantee of representation in future politics. The President's office, on the other, was not likely to organize elections when a big part of the country's population was still armed. The OPA therefore foresees that both processes be organized simultaneously, which means that both processes advance very slowly.

At least, already in 2007, an Integrated Command Center (ICC), responsible for implementing the military and security aspects of the disarmament process was formed. Integrating both forces of the FN and the state military FDS, the ICC is also meant to secure the election process in the whole country. The Program for Reinsertion and Community Rehabilitation (PNRRC) is charged with the civil part of the demobilization and reintegration process. Since May 2008, around 10,000 ex-combatants of the FAFN (the military forces of the FN) have taken part in the DD&R process.

Half of this group opted for demobilization, while the other half chose to join the new army (United Nations Group of Experts, 2008b). A major stumbling block to disarmament is the question of the mode of reintegration of the latter part into the new national army. This problem manifested itself when zone commanders refused to give up their posts (see Box 5). Many ex-combatants are keen on keeping the ranks acquired when fighting for the FN: "90 percent of the problem will be solved when we have solved how we will reintegrate the military. We wish to solve this before the elections."²⁹ The problem seemed to have been finally settled in the 4th Complementary Accord to the OPA of December 2008:

- 5,000 ex-combatants of the FAFN will be reintegrated into the national army, after having been disarmed; a further 3,400 former rebels will be integrated into the police and gendarmerie;
- the ranks of the FAFN will be maintained provisionally in the new army;
- each demobilized former combatant (both militia and FAFN) will receive a sum of 500,000 Francs CFA (€ 767);
- the ex-combatants will have to be demobilized two months ahead of the official election date at the latest.

In practice, however, the military leaders from both sides are still arguing about the concrete conferral of ranks to the ex-FAFN in the new army. The minister of defense, Michel Amani N'guessan, has announced that the government of Côte d'Ivoire does not have the means to pay the agreed sum of 500,000 Francs CFA and that the 5,000 demobilized FAFN will not be barracked in time (*Soir info*, 24 August 2009, p. 4).

Since the symbolic ceremony of burning weapons, the *flamme de la paix*, which took place in Guiglo and Bouaké in May and July 2007, only small progress has been reported on the disarmament of the militia and the FAFN.³⁰ The renewed disarmament efforts following the symbolic weapon collection of Summer 2007 have only brought in 86 weapons, of which 10 are serviceable.³¹ Almost none of the militia's weapons and ammunition have been surrendered (United Nations Security Council, 2009, p. 4). Although the

²⁹ BICC Interview, 25 April 2008, High-ranking FN official, Abidjan.

³⁰ At the symbolic ceremony in Guiglo, a reported 1,027 weapons, of which 138 functional, were collected. Before this collection could be destroyed, 472 weapons, among which a rocket launcher 82 mm. mysteriously disappeared from the spot (UN Group of Experts, 2007).

³¹ The latest figure available about the number of weapons collected dates from July 2008.

Box 5: DD&R: Hard times for rebel profiteers

An incident in Vavoua/ Séguéla hints at the difficulties that are encountered when creating political will for the DD&R process among those who have enjoyed profitable positions and see these positions threatened. Tensions arose in May 2008, when Zakaria Koné, the FN zone commander over Vavoua/ Séguéla—a region rich in agricultural and mineral products—was not present at the disarmament and regroupment ceremony. As a consequence, he was fired and immediately replaced by Commander Issiaka Ouattara (alias Wattao), who is also Deputy Chief of Staff of the armed forces of the FN. The situation in the two cities deteriorated in June 2008 when combatants loyal to Zakaria Koné were staging violent demonstrations against the ongoing cantonment and attacked Major Ouattara's residence (United Nations Group of Experts, 2008b). Zakaria Koné personally controlled payments from traders and truckers in his zone of command. This money did not go to *La Centrale*, the tax and customs organization of the FN (Balint-Kurti, 2007, p. 23).

OPA requires the collected weapons to be supervised by impartial forces (the ONUCI and Unicorn mission), the parties have been reluctant to accept such impartial storage (United Nations Group of Experts, 2008b). Hence, key elements of unification of the armed forces and effective disarmament have not been tackled yet. Some of the main problems are:

First, the **number of ex-combatants** who will enroll in the DD&R program is high, for it is the result of negotiations. On the side of the FN, 32,300 troops had been identified by the Program for Reinsertion and Community Rehabilitation (PNRRC). The impartial forces estimate that real figures of FN combatants lay rather around 8,000 troops (ICG, 2008). This leads to several problems, as for example the targeting of the 'real' ex-combatants: "They plan to demobilize people who were never mobilized in the first place. (...) When will they disarm the real ones?" an interviewee stated.³² In any case, the number of troops in the new army will increase as a result of the negotiated DD&R process. Hence, there are possibly more candidates who want to enter the new army than there are places. The army is an attractive choice for people, for the salary, according to one observer, is "double

³² BICC Interview, 28 March 2008, Observer 6, Abidjan.

Box 6: Disarming militias

"Since the declaration of the end of the war, we are there. We are awake, mobilized and we wait. We want peace. We have defended the republican institutions."

Maho Glofié Denis, who calls himself the first responsible of the militias, expresses his view of the disarmament process in an interview with BICC in April 2008:

It's the one sitting in front of you. It is General Maho Glofié, it's me (...), I'm the founder of the old militias. The three groups, FLGO, A.P.Wê, UPLGO, we have found each other to put in place what we call "*Forces de Résistance Grand Ouest (FRGO)*". It was in the middle of the crisis that MILOCI (*Mouvement pour la Liberation de l' Ouest de la Côte d'Ivoire*) came to us (...) to join the group. I accepted them. They became a member of FLGO. That's how the FRGO was formed. It was then that the FRGO started to talk to the PNDDR [National Program of Disarmament, Demobilization and Reinsertion] and the UN. After the Agreements (...) in May 2005, we dismantled our troops. There is now a group of 2,000 persons left. (...) When we finished the dismantling, there remained the disarmament. (...) We began with the disarmament with the first Minister Charles Konan Banny. (...) We got stuck on the formulation, about the principles of the [disarmament] organization. And we therefore asked the PNDDR to increase the militia figures slated for DD&R. Because they took up to 43,000 rebels into account. We say we are 10,800, we can not only take into account 2,000. On which basis would you take into account 2,000 on our side and 43,000 with them? Thus, since then we have been discussing.

We support everything (...). We are for the unification of Côte d'Ivoire. (...) I went to see the President of the Republic. (...) I asked him first whether he had confidence whether one could disarm, whether he had confidence in Soro. He told me: "There will not be a retake of the war in Côte d'Ivoire. I, Gbagbo, am confident, so trust me, there is nothing to worry about." (...) That was really comforting. I told him to come to Guiglo the 19 of May. (...) Well, he came and here we handed in the weapons (...) and we handed them over officially, before the international community. They (...) were burned the 19 May 2007.

In December 2008, 700 soldiers of the national army were dispatched to the western region to secure the Liberian border, fight banditism and help displaced immigrants return to their fields (*Reuters*, 31 December 2008).

of what a professor earns."³³ Some therefore "consider it more to be a mobilization than demobilization."³⁴

Second, it is clear that the entire DD&R process is very costly. Especially the civic service program that offers ex-combatants some reintegration measures is a cost-intensive procedure. This civic service program has launched its training program (three months on civic responsibility and six months on financial matters) for youth and ex-combatants, including ex-militias, in the west of the country. The entire reintegration program will cost approximately €67.7 million. The promise of donors in August 2008 (UNDP, World Bank, African Development Bank and others) to contribute to the national civic program alleviated the financial constraints of the reintegration programs (*AFP*, 16 August 2008).

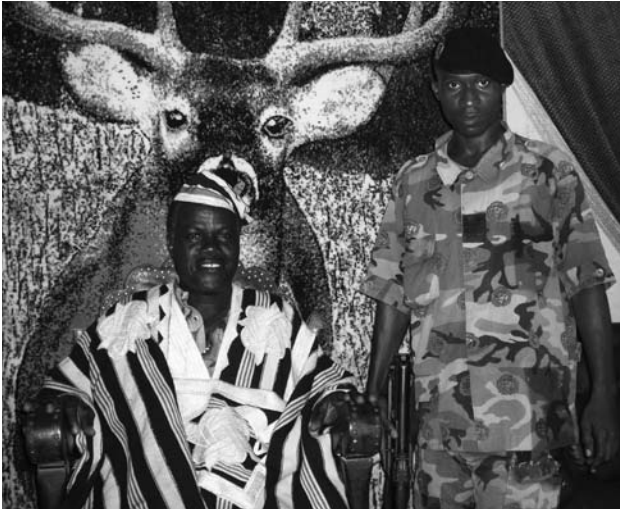
³³ BICC Interview, 28 March 2008, Observer 6, Abidjan.

³⁴ BICC Interview, 28 March 2008, Observer 6, Abidjan.

Third, the so-called auto-defensive groups (militia formed in defense against rebel forces) have, for a long time, not been included in DD&R programs and thus continue to be a destabilizing factor (see Box 6). "The people have nothing to do. In the beginning of the conflict, they received some money from the government and have been used as self-defense troops. Now they have nothing to do and nothing to eat. This is why they use their gun to do it."³⁵ With its program Disarmament and Dismantling of Militias (DDM) in western and southern Côte d'Ivoire, the third supplement of the POA finally provided for an inclusion of militia in the DD&R process.

The process of profiling, i.e. identifying militia members eligible for the process, started with a seven month delay in July 2008, with sensitization meetings

³⁵ BICC Interview, 7 April 2008, Joseph Wabatinga Mukila, Information Officer ONUCI, Duékoué.



throughout the west. By 8 August 2008, 7,567 militia members were identified (UNOCI, 2008c).³⁶ The sensitivity of the operation became apparent when about 470 militiamen from the Wê community in the western town of Bangolo went on the streets to show their criticism of the profiling operation and complained that they were excluded from the process.³⁷ The profiling of other auto-defensive groups throughout the country, including Abidjan, led to the registration of more than 37,000 government militias by May 2009, a much higher number than expected. Disarmament and demobilization that should have proceeded concomitantly, however, did not produce any significant results (UN Security Council Resolution S/RES/1880). Upsurges of violence in the western region in 2008 clearly indicate the importance of the militias' inclusion in an effective DD&R program.

Last, the **reintegration** of ex-combatants will also depend on the quality of the reintegration program. Some fear that the civic service will rather become explosive places because a large number of ex-combatants will be gathered in one place. "One should reintegrate the ex-fighters in their original communities. If not we create ghettos. They are together and tensions rise easily. What's more, when they leave, they won't have anything and that would

³⁶ Among these are the militias of five different groups: APWE (*Alliance patriotique du (peuple) Wê*), Lima/FS-Lima (comprised of Liberians), FLGO (*Forces de Libération du Grand Ouest*), UPRGO (*Union Patriotique de Résistance du Grand Ouest*), and FRGO (*Forces de Résistance du Grand Ouest*).

³⁷ In a response to these demonstrations, officials from the Integrated Command Center (ICC) and the PNRRC promised to review the situation (Centre d'Actualités de l'ONU, 2008). Another challenge of the process is to temper the expectations of the militiamen in terms of what the DDM will offer them. The new arrangement, which foresees training and a modest installation kit, is far less in cash than the 'safety net package' 2,000 militiamen of the Moyen-Cavally region received under a 2006 arrangement.

create problems."³⁸ However, according to Inza Diomande, coordinator of the PNRRC, the monitoring that follows the training of the ex-combatants should avoid this risk: "After this [the education] they will receive an installation kit that provides for the minimum to settle down. What's more, we follow them closely afterwards. We should not leave them like that."³⁹

In conclusion, one can say that despite some progress made, there are still serious obstructions to the current disarmament and reintegration process.

1.3.3 Elections

The identity issue did not only complicate the disarmament process, it also slowed down the preparation of elections. Ever since the end of the reign of Houphouët-Boigny, elections were loaded with controversies about who is eligible and who is entitled to vote (see Chapter 1.2). Elections are overdue since 2005, but have been postponed ever since. In May 2009, the government announced that the date for the presidential elections would be 29 November 2009.

President Gbagbo's declaration on 14 July 2008 that national identity cards (IDs) would only become available after the elections can be interpreted as an attempt to influence these elections. The liberal opposition party Rassemblement des Républicains (RDR) criticized this decision, because to them, the issue of identity cards was at the heart of the crisis (see Chapter 1.2). For President Gbagbo, it is crucial that the new voting list closely resemble the list of the last elections in 2000, which allowed him to win the Presidency.⁴⁰ Another example of the electoral engineering undertaken by Gbagbo is the creation of new administrative structures.⁴¹ Through this de- and re-assembling of regional structures from the *departement* level, to the *sous-préfectures* and down to the *communes*, Gbagbo wants to ensure FPI members in strategic positions.⁴²

The UN Security Council decided on 27 January 2009, and again in July 2009, to extend the mandate of UNOCI in order to assist the holding of free, fair and

³⁸ BICC Interview, 28 March 2008, Observer 6, Abidjan.

³⁹ BICC Interview, 16 April 2008, Inza Diomande, PNRRC coordinator, Abidjan.

⁴⁰ As the 2000 elections can not be termed free and fair, with major opposition candidates excluded from the presidential race, it cannot be said that Gbagbo truly won these elections.

⁴¹ Decrees No. 2008-96; No. 2008-97; No. 2008-115.

⁴² BICC Interview, 12 April 2008, Observer 5, Abidjan.

transparent elections (UN Security Council Resolution S/RES/1865, and S/RES/1880). The decision of the United Nations in July 2007 to eliminate the post of its High Representative on Elections, M. Gerard Stoudman and handing over his tasks to the Special Representative of the UN Secretary-General, Y.J. Choi, has certainly not helped to fulfill this important mandate. Therefore, there was some speculation that the decision was attributable to President Gbagbo's efforts to control the electoral process: "Presumably the UN created this post because they saw it as important [to ensure proper elections] (...) it's not clear why they changed on this except to avoid an open row with Gbagbo"⁴³. Consequently, Mr. Y.J. Choi has taken the responsibility to certify that all stages of the electoral process respect the five criteria: security, inclusiveness, media-access, credible and accepted voters lists, and a transparent counting process.

The country was faced with an uphill task to be concluded before the elections—the identification and registration of those members of the population who were not yet on the voters list. The first step of the preparations for the elections constituted the identification of people who had never had any identification documents. The *audiences foraines* (mobile courts) set up for this purpose first concluded

their work in May 2008. More than 600,000 people were issued a supplement birth certificate—their first official civil status document (United Nations Security Council Resolution S/2008/451). Nevertheless, some mobile courts were re-installed throughout the country from September 2008 on, in order to provide another chance for those who had not been identified yet (Government of Côte d'Ivoire, 2008d).

The second step was the registration of voters. Those already enrolled on the voting lists of 2000 are automatically eligible for voters' cards. In order to compile the complete voting lists and issue voters cards, two other processes had to be completed: First, those Ivorians who received a supplement birth certificate from the *audiences foraines* need to have themselves registered as voters. Second, through the reconstitution of lost or destroyed civil registers, all those Ivorians who were not included on the voting lists of 2000 could apply to get registered.

The French company Sagem Sécurité, in collaboration with the National Institute of Statistics (INS), carried out both tasks. The Independent Electoral Commission (IEC)⁴⁴ was responsible for monitoring the overall work. Both processes were officially declared completed by the Prime Minister's office and the IEC on 30 June 2009. By then, 6.36 million voters had been registered since September 2008. The identification and registration took place without any major disturbances; a significant progress since the beginning of the *audience foraines*, which had been accompanied by violent clashes. Unfortunately, the process was repeatedly interrupted due to tensions on the level of the national treasury, so that in the end, operations were stopped while a number of people still hoped to get registered (UNOCI, 2009b).⁴⁵

The next steps to the elections must now be taken without any further delay. Collected data in the 68 centers have to be treated electronically, and a detailed plan of voter cards distribution designed—by 1 July 2009, only 18 of the centers were operational (ICG, 2009).

Stakes are high for all actors involved in the elections. The problem for the candidates in the presidential run is that, *if* security and transparency conditions are



⁴⁴ Within the IEC, all political parties and the former rebel groups signatory to the Linas-Marcoussis Accords are represented. With its president being a PDCI party member, opposition forces dominate the IEC, whereas in the INS the FPI's position is stronger.

⁴⁵ The UN Security Council, in its latest Resolution of 30 July 2009, "calls upon the Ivorian parties to continue the identification operations, including after the elections" (UN Security Council Resolution S/RES/1880, p. 4)

fulfilled, the outcome of the elections will be open.⁴⁶ All three major candidates—Laurent Gbagbo (FPI), Henri K. Bédié (PDCI), Alassane Dramane Ouattara (RDR)—are responsible for the political crisis of the last 15 years. This is why all actors, and especially the acting President, try to exert maximum influence ahead of the elections.

It seems possible that—despite the obstacles to the organization of elections—the 29 November deadline will be respected if the government is really committed to holding elections. Given that, according to the OPA, identification and disarmament ought to take place simultaneously, the delayed demobilization process poses a serious risk to the holding of elections in November.

1.3.4 Overcoming obstacles to the peace process

As the previous section has shown, progress is slow and incomplete in major areas identified by the Ouagadougou Political Agreement. Reunification of the country is underway but there are still difficulties in the most sensitive arena of financial reunification. Disarmament has remained mostly symbolic. To achieve a minimum level of security during the elections, the common military forces of the ICC must be deployed in all major towns of the country. So far, only a small force of 500 soldiers is present in the city of Bouaké.

The identification process can be termed partly successful because the enrolment for the presidential elections of formerly unidentified Ivorian citizens has been completed. As the issue of identification is a major bone of contention in the Ivorian conflict, this is a promising sign. It has to be acknowledged, however, that the results of the identification process are open to contestation, for a number of people could not be identified due to time and money constraints. Moreover, the issuing of identity cards was postponed until after the elections.

The identity issue, with its origins in the mode of cocoa production, has complicated the disarmament and election preparation process. Moreover, financial reunification and disarmament seem to have been hampered by the control of the trade in natural resources by the *Forces Nouvelles* in the northern territories. It is therefore crucial to consider the role of

natural resource production in the onset of conflict, its duration and resolution.

Beyond the efforts to implement the OPA and hold elections, a challenge will be to address issues underlying the conflict that have not been addressed so far. One observer notes, “The debate is mainly focused on the tip of the iceberg (...) in reality, nobody wants to tackle seriously the issue of natural resources.”⁴⁷ In the interviews conducted by BICC, the following four interlinked topics were repeatedly mentioned as lacking in the current agenda: the issue of social cohesion, the topic of governance, natural resources and land rights.

In the ensuing chapters, we investigate further how natural resources are linked to conflicts in general and in Côte d'Ivoire in particular. The next chapter introduces the concept of resource governance, which is then used to investigate how Côte d'Ivoire's natural resources could further the peace process in the country. For this purpose, the third chapter examines to what extent different resources—cocoa, diamonds, gold and oil—were entangled in the violent conflict or have delayed the peace process.

⁴⁶ The French institute TNS Sofres has undertaken a survey about the voting intentions of a representative group of voters at the request of the President's office. The results that leaked to the press at the end of July 2009 see President Gbagbo way ahead of the opposition candidates Bédié and Ouattara (Soudan, 2009).

⁴⁷ BICC Interview, 22 February 2008, Observer 1, Brussels.

2

Natural Resource Governance for Peace



2.1. The importance of resource governance: 'Conflict resources'

In 2008, President Gbagbo affirmed that "the country is bursting with numerous natural riches. Whole villages are situated on mines" (*Nord-Sud*, 5 August 2008), and continued, "if the money collected went where it is supposed to go, Côte d'Ivoire would be a rich country, very rich" (*Fraternité Matin*, 5 August 2008). All observers, from local human rights activists, international organizations to foreign investors would agree with that proposition. However, the statement provokes the question of why Côte d'Ivoire's

abundance of natural resources is not transformed into benefits for the majority of the population and how this abundance is related to the ensuing crisis. This chapter briefly explains how the exploitation of natural resources can be linked to violent conflict in general, then introduces the concept of resource governance and finally describes the general practice and prospects of resource governance in Côte d'Ivoire.

The link between natural resources exploitation and conflict received growing attention in the past

Box 7: Natural resources and conflict

Scholars have coined the term 'resource curse' to describe a situation in which wealth from natural resources hinders economic growth and social development instead of promoting it.¹ Leverage was given to this thesis by a 2000 World Bank report written by Collier and Hoeffler. One of their widely reported findings is the higher risk of countries dependent on primary commodities to experience civil war, which then hampers development.

The broad recognition of the role natural resources play as a source of revenue and thus as a conflict factor was an important step for conflict analysis. Subsequent research and debates brought more attention to the underlying mechanisms of natural resources leading to and fueling conflict (cf. Stevens, 2003; Dunning, 2005; Snyder and Bhavanani, 2005; Basedau et al., 2005). "It needs to be emphasized that it is not the existence of natural wealth as such that seems to be the problem (...). Good policies can turn abundant natural resource riches into an unmitigated blessing" (Gylfason, 2001, p. 3). An alternative perspective, thus, is to perceive the issue as an essentially "political problem, deriving from choices made by a government or governing elite" (Schure, 2007, p. 8). Therefore, more efforts are needed to look into how governments try to address (or ignore) the problems related to natural resource abundance.

There are many different ways in which natural resources can be linked to conflict.

Grievances experienced by the population, which result from different causes are one such way, be

they an unjust revenue distribution or declining income following terms of trade shocks or forced resettlements in the wake of extraction activities. Another starting point for conflicts linked to natural resources can be greedy rebels who control the extraction of and/or trade in of natural resources or greedy foreign companies and governments (Schure, 2007, p.13).

Similarly, resource-related violent conflicts exist on three different, but interrelated levels:

Conflicts surrounding the **distribution of revenues** from the extraction of natural resources.

Resource-financed conflicts, which were not caused by tensions surrounding resource exploitation, but which are merely fueled through resource revenues.

Production-site conflict dynamics due to environmental damage and other socio-economic changes brought about by extraction activities (Guesnet et al., 2009, p. 5).

The link between natural resources and conflict also varies depending on the type of resource, and their mode of exploitation or "lootability" (Ross, 2004; Snyder and Bhavani, 2005; Fearon, 2005). Economies dependent on point-source resource exploitation, such as minerals characterized by intensive production, often perform less well and have more fragile institutions than economies dependent on "diffuse" resources (for instance cocoa), characterized by more extensive production (Franke et al., 2007, p. 9; Schure, 2007, p.17).

¹ The "resource curse" thesis was introduced first by Richard Auty in 1993.

decade.⁴⁸ Studies of so-called 'war economies' have brought insights in a number of war-torn countries (notably Sierra Leone, Liberia, the DR Congo and Angola). There are various mechanisms that link natural resources to conflict (see Box 7). Grievances resulting from an unjust revenue distribution are one such mechanism—on the level of conflicts surrounding revenue distribution. Rebels controlling the extraction of natural resources are another—on the level of resource-financed conflicts. As the overview of the implementation of the OPA has shown, this mechanism seems to be a strong one in the case of Côte d'Ivoire (see 1.3). Finally, on the level of production-site conflict dynamics, environmental damage and other socio-economic changes brought about by extraction activities may foster conflicts as well. The causal analysis of the conflict in Côte d'Ivoire already hinted at the conflictual socio-economic changes engendered by cocoa production (see 1.2). These mechanisms reveal the importance of resource governance when trying to prevent resource abundance from translating into violent conflict (see Franke et al, 2007, p. 8; cf. Dunning, 2005; Snyder and Bhavnani, 2005).

In 2007, BICC developed the Resource Conflict Monitor (RCM), a tool to systematically analyze the effects of resource governance on the link between natural resources and violent conflict. This research found statistical evidence for the hypothesis that good resource governance contributes to sustainable peace (state stability and duration of peace) and to reducing conflict duration and intensity (Franke et al., 2007; Sambanis, 2007). This finding yet again stresses the importance of resource governance and its implications. Bearing in mind that there cannot be a one-size-fits-all approach to effective resource governance, it is still important to pay attention to how extraction can be governed in a way that impedes violent conflict.

2.2 What is resource governance?

"People are hungry in Côte d'Ivoire because what we have at our disposal is not redistributed judiciously on the national level to the different social classes, but pillaged by a small class."⁴⁹ This statement

⁴⁸ The presumed resources-conflict nexus received a lot of attention in the late 1990s, when different NGOs exposed the phenomenon of 'blood diamonds' which were traded for weapons by UNITA (*União Nacional para a Independência Total de Angola*) (Global Witness, 1998; Human Rights Watch, 1999) and the RUF (Revolutionary United Front) in Sierra Leone (Partnership Africa Canada, 2003).

⁴⁹ BICC Interview, 27 March 2008, Observer 7, Abidjan.

of an Ivorian human rights activist alludes to the redistribution and reinvestment of revenues—one of the fundamental issues of governance in general and resource governance in particular. Another important issue when talking about resource governance is the management of the natural resources sector itself.

This *brief* starts from the idea that through good resource governance some of the mechanisms that make resource abundance a factor of instability in violent conflicts can be changed. This means that resource governance should help to prevent adverse social and environmental effects of resource extraction from occurring, grievances from arising around the distribution of revenues from natural resources, and resources from being extracted and traded outside of government control.

Apart from governments, governance may also involve other relevant actors such as international companies working in the respective sector or non-governmental organizations (NGOs)—so-called co-regulation. It specifically relates to international regulatory processes, such as the Kimberley Process Certification Scheme (see Box 11; cf. Boege et al., 2006, p. 26–33).

What is good resource governance? In general, it can be stated that overall, transparency and democratic accountability contribute to economic and political stability and thus can reduce the risk of violent conflict (Franke et al., 2002, p.10; see Dunning, 2005; Collier et al., 2003). Democratic accountability and transparency along the whole production and trading chain of extractive industries are important to ensure that revenues are spent equitably. Transparency is an important first step to decrease the incidence of corruption when politicians and business managers are held accountable by the national and international public. Revenue transparency refers to the disclosure of financial information on how much money governments receive from extractive industry revenues, whether in the form of production entitlements, royalty payments, taxes, bonuses or fees (Transparency International, 2008). One difficulty to make transparency yield the expected result is that a lot of effort is needed to adequately process retrieved information for further awareness-raising. Transparency must be promoted in the broader context of civic education and democratic accountability, which in general is particularly challenging in oil-rich countries.

For good resource governance to contribute to peace, it first of all has to prevent grievances that can easily generate into violent conflict and, second,

Box 8: Elements of resource governance

Resource governance encompasses first, the **regulation and management** of the extraction, processing and trading of resources, and second, the redistribution and reinvestment of resource-specific revenues (cf. Schure, 2007). In the area of regulation and management, issues to investigate are: Who extracts, produces, processes and trades in natural resources? Who owns the resources and extraction-related facilities? What environmental and labor standards have to be observed? How are the prices for natural resources determined? Hence, fiscal regimes, property rights and the effectiveness of the legal system are all part of resource governance (Snyder and Bhavnani, 2005; Ross, 2004). Furthermore, these questions also concern the fundamental distinction between market-regulated and state-controlled modes of exploitation. This issue is often neglected, for it is usually assumed that market regulation is the right way to go. However, the question of state control of prices and the means of production is particularly relevant in countries with a high **resource dependence**¹, such as Côte d'Ivoire, which have to reckon with a highly unpredictable resource income due to the volatility in international prices of primary products. This instability can make planning difficult and bring about deficits and debts (Shaxson, 2005), but makes state control all

¹ Resource dependence indicates the extent to which a country is vulnerable to supply and demand shifts in the world market. It can be calculated by adding up revenues from various natural resources divided by the total merchandise exports of a country for that year (Franke et al., 2007, p. 9; see Basedau, 2005).

the loss of state control over the exploitation of and trade in resources (to reduce the 'lootability' of resources). A high general level of wealth can help avoid grievances, which means that resource abundance⁵⁰ can foster peace in the first place. However, an abrupt decline of resource abundance may generate grievances. Therefore, good resource governance should also contribute to forestalling a situation of abrupt change in the general level of income, as it happened in Côte d'Ivoire in the late 1980s. Moreover, regulations should guarantee environmental protection, decent working conditions, adequate compensation for resettlements and participation of the local population in negotiating the terms of extraction. Concerns of small-scale

⁵⁰ Resource abundance can be defined as the wealth generated by primary exports divided by the population figure, i.e. the mean *per capita* income from resource exploitation (Basedau, 2005, p. 331).

the more important, if one is not to expose local producers to the full-blown effects of international price swings. State marketing boards that stabilize prices for producers and (partial) public ownership of extracting industries are therefore still an option to be discussed.

The second aspect of resource governance is about who receives the **revenues** generated by the sale of natural resources. This is partly determined by the first aspect of resource governance: if, for example, resources are extracted and traded entirely by multinational companies rather than companies in which the government holds a share or which are owned by it, a big proportion of the economic rent generated by the trade in and further processing of the resources, will be absorbed by them, and the government will only receive revenues from license fees, taxes and other forms of levies. If, on the other hand, the state owns (parts of) the extracting companies and exports the resources itself, the government will receive a greater share of the economic rent. In both cases it is not clear what the local population will receive from it. Hence, the second aspect of resource governance concerns mainly the question of how those revenues are spent in turn (see Basedau, 2005, p. 331–335). The **redistribution of resource wealth** to improve living conditions and social well-being is a necessary, (though not sufficient), condition for peaceful and sustainable development (Franke et al, 2007, p. 25).

enterprises and artisanal mining should be addressed. To be effective, good resource governance requires cooperation at the international, regional, national and local levels (Franke et al., 2007, p. 2).

Whether state- or market-controlled resource extraction is the better option for the prevention of violent conflict cannot be generalized. The appropriate mix depends on the respective circumstances. However, good resource governance should prevent the loss of state control over the production and trade in natural resources. Such a loss of control can be linked with privatization, which is supported by the fact that, in several cases, privatization of resource production and/or trade preceded or accompanied violent conflict (cocoa in Côte d'Ivoire, copper in the DRC, diamonds in Sierra Leone) (Côte d'Ivoire: Amiri and Gourdon, 2006, p. 33; Contamin, 2004, p. 216–220; Losch, 2002, p. 224; DRC: NIZA et al., 2008,

p. 5–13; Sierra Leone: Reno, 1996). One good example of this is the state of Botswana that owns the minerals and 50 percent of the operating company (shared with DeBeers) and managed to avoid conflict (Guesnet et al., 2009, p.17–19). Similarly, Ghana, which liberalized the internal cocoa marketing, but not the price setting and the external marketing, did not experience violent conflict related to resources (Shepherd and Onumah, 1997).

A measure for good resource governance in terms of a redistribution of revenues is the proportion of overall state revenues spent on health care and education (see Franke et al., 2007, p. 10). In addition, public investment into quality and accessible basic economic infrastructure and services is also an indication as to what extent the population profits from resource wealth. For agriculture, this would include energy networks, collection and trading centers, transportation networks, seed and fertilizer subsidies, agricultural advisory, etc.

2.3 Resource governance in Côte d'Ivoire

The following section details the regulatory framework for resource production and trade in Côte d'Ivoire and assesses the overall performance of resource governance in Côte d'Ivoire, including the part played by various actors.

2.3.1 The regulation of extraction, processing and trade

First and foremost, the resources sector is regulated by specific national laws such as the mining code and the law on the environment. This **national legislation** that frames resource governance in Côte d'Ivoire is described below. Second, there are an increasing number of **international conventions and initiatives** dealing with resource governance. Hence the adherence of the government of Côte d'Ivoire to these international initiatives is inquired afterwards.

The law on investment

Generally, advantageous conditions were created for international companies investing in Côte d'Ivoire. In 1996, a new law on investment was introduced with the aim of attracting (foreign) investment

Box 9: Regulating the resource sector

The main national laws for the management of natural resources are:

Code d'investissement: The law on investment—1996

Code minier: The mining law—1995 (see Chapter 3.2)

Code pétrolier: The petroleum law—1996 (see Chapter 3.4)

Code de l'environnement: The law on the environment—1996

Loi relative au domaine foncier rural modifié: The land law—1998 (see Chapter 3.1)

The original texts can all be found online at www.droit-afrique.com (in French).

(Art. 1) to stimulate a number of sectors, including, among others, the extractive industries, refineries and agriculture. Investors are granted tax exemptions over a period of five to eight years (depending on the location of the investment (Art. 10)). Tax exemptions include the tax on industrial or commercial benefit and the contribution of patents and licenses (Art. 11). An eligible company has to adhere to certain rules, such as employing higher-ranking staff of Ivorian nationality and ensuring their professional training, protecting the environment and making all information accessible to assess conformity to these rules (Art. 14). Should a company not conform, the exonerations can be nullified and it would have to pay back all of the already granted exemptions. Should a company continue its investment or extend already existing activities, more exonerations are granted. These include a customs right of five percent and VAT-exemption for equipment and materials (Art. 22).

The law on the environment

The law on the environment of 1996 sets out the state's engagement to make the environment an integral part of its policy and to take all necessary action to implement its obligations from international conventions (Art. 55). Furthermore, with this law, the state defines biological reserves and how it protects the soil from being polluted, for instance by chemicals used on the cocoa plantations (Art. 57).

The 'polluters-pay-principle' determines that whoever endangers the environment is obliged to pay tax to the state and ensure the rehabilitation of the damage caused (Art. 35.5). Article 39 requires an environmental impact assessment (EIA) prior to the start of any significant project. The topics of the EIA are detailed in Article 40. Amongst others, it has to include a description of the original environment,

the expected effects (in the short, medium and long term) of the activity, including possible alternatives, and the effects on neighboring countries. Control and monitoring systems are taken into account, for which mining companies and others pay a 'control and inspection tax' to the National Environment Fund.

Assessment of the national regulatory framework

In general, the national regulatory framework for natural resource production does not seem to foster conflicts in itself. A problematic aspect of the regulatory framework is the number of details, which rather than being settled by legislation are laid down in the respective contracts. Secret contract negotiations are common practice in the extractive resource sector worldwide. International companies have a strong position in these negotiations and are often able to secure profitable deals for themselves. The secrecy surrounding contracts and their negotiations makes it very hard for the wider political spectrum and civil society to exert influence. The tax exemptions granted to (international) companies in the extractives sector serve as further proof to this strong negotiating position.

The secrecy surrounding contract negotiation also favors corrupt practices. These corrupt practices form part of the political context that determines the scope of implementation of the regulatory framework. In the case of the quite recent increase in industrial mining activity in Côte d'Ivoire, it remains to be seen how well provisions for environmental and social protection will be respected and legislation will be enforced (see Chapter 3.3). Here, special attention should be paid to the impact on surrounding communities and artisanal miners. However, the current implementation of the law on the environment does not give rise to much hope: Environmental protection shows major gaps in practice, as the following two examples demonstrate. In September 2006, Côte d'Ivoire was exposed to international media coverage when a massive toxic waste scandal hit its population: 400 tons of petrochemical waste of the Greek oil tanker "Probo Koala", chartered by the Dutch company Trafigura, were dumped in and around Abidjan, close to people's habitations, causing the death of 16 persons and hospital treatment for thousands (*Le Temps*, 29 September 2006). The Ivorian company Tommy, which had accepted the task of distributing the waste all over Abidjan, is partly owned by the President's wife, Simone Gbagbo, and the administrator of the port, Marcel Gossio (*Journal Chretien*, 14 September 2006). Employees of Trafigura were arrested and sued in

Côte d'Ivoire, but in the end, the Ivorian government accepted a financial deal offered by Trafigura (*Berliner Zeitung*, 20 September 2006). By mid-2008, the waste had not been cleaned up completely and people in the area still face health hazards (*Irin*, 18 August 2008).

Similarly, in 2008, environmentalists uncovered the beginning destruction of the Tanoé forest that was cleared for the start of a palm oil plantation of the Dutch multinational Unilever, holding shares of the Ivorian company PALMCI. The Tanoé forest, located at the border with Ghana, is the last remaining bog forest in Côte d'Ivoire. In its 6,000 hectares, it hosts three endangered monkey species. The clearing of the forest started in clear violation of Ivorian environmental law (Art. 39), as no Environmental Impact Assessment had been undertaken. As a consequence of pressure exerted by environmentalist groups, PALMCI declared in 2009 it would halt operations (*Regenwald Report*, 2009, p. 14).

International conventions and initiatives

Apart from the national regulatory framework, one has to consider the government of Côte d'Ivoire's adherence to international initiatives on transparency in the resource sector. Two international initiatives that the Ivorian government seems to pursue with increasing efforts are the **Extractive Industries Transparency Initiative (EITI)** and the **Kimberley Process (KP)** (see Boxes 10 and 11 below).

The country officially became a member of the **Extractive Industries Transparency Initiative** as per 7 May 2008. The EITI national council was formed and adopted an action plan for 2008–2009 (Conseil National ITIE, 2008). The EITI will be fully implemented once the Ivorian EITI report, detailing company payments and government revenues from oil, gas and mining, is published and distributed, scheduled for mid- 2009 (Conseil National ITIE, 2008). Considering the fact that only one country of the EITI—Azerbaijan—has so far reached the status of a 'compliant' country, it is probable that this process will take much longer than prospected. A continuing challenge in the EITI process is to match the will and motivation of the different parties involved. In 2008, the civil society representative at the National Council of IEITI, the Ivorian Publish What You Pay-coalition, was still wary of the political will of the government. "We have to question, whether we, the civil society, are pursuing the same objectives as the state. Because our objective is that there is more transparency in

the management of these resources. (...). Their [the government's] objective, on the other hand, is to put in place the EITI in order to get financing from the IMF and the World Bank—that is the motivation of the state.”⁵¹

Even though of major importance, the EITI can only be seen as a first step towards more transparency in the resources sector. The next phase is to closely look at transparency in the national budget and expenditure, i.e. the question of how the revenues are distributed, and to hold the government accountable for that.

Box 10: Extractive Industries Transparency Initiative

The Extractive Industries Transparency Initiative (EITI) is a voluntary multi-stakeholder process that aims to strengthen governance by improving transparency and accountability in the extractives sector. Concretely, it “supports improved governance in resource-rich countries through the verification and full publication of company payments and government revenues from oil, gas and mining” (www.eitransparency.org). The initiative is based on the idea that transparency in the extractive industries is a necessary first step so that the wealth created by resources can reach the population.

To become a candidate, a country needs to fulfill four indicators: “committing to implement EITI; committing to work with civil society and the private sector; appointing an individual to lead implementation; and producing a Work Plan that has been agreed with stakeholders” (www.eitransparency.org). Thereafter, an EITI report has to be produced, disclosing the major revenues from resource extraction, and an independent evaluator has to be appointed to validate the report. Has a country met these requirements, it can become a compliant country.

Members of the national EITI council are extractive industries, government administration and civil society (NGOs, trade unions and media). In Côte d'Ivoire, the representation of extractive industries includes petroleum companies—Canadian Natural Resources (CNR), Foxtrot and *Société nationale d'opérations pétrolières de la Côte d'Ivoire* (Petroci), and mining companies—*Société des Mines d'Ity* (SMI) and *Société pour le Développement Minier de la Côte d'Ivoire* (Sodemi).

Even though Côte d'Ivoire has been involved in the preparations of the **Kimberley Process Certification Scheme (KPCS)** from the beginning, it has never been able to implement the KP because of the conflict that started in 2002. Côte d'Ivoire is the only country currently under UN sanctions for illegal diamond trade (see Chapter 3.2). The prevailing situation of conflict diamonds' smuggling out of Côte d'Ivoire is testimony to the difficulties in enforcing sanctions. Therefore, the KP should increase its independent research and monitoring capacity (BICC and FT, 2008, p. 5). Meaningful engagement of the KP with civil society groups could assist in strengthening the system by monitoring the (future) implementation of the KP in Côte d'Ivoire.

As with the Kimberly and the EITI process, Côte d'Ivoire formally adheres to most of the international conventions relating to good resource governance.⁵² One notable exception is the ILO Safety and Health in Mines Convention of 1995.⁵³ However, the problem lies with the implementation of these international regimes. Only if legal frameworks are implemented can resource governance be effective. This is why, in the next paragraphs, we will examine the political context that determines the way the natural resource sectors are governed. We will analyze the general governance performance of Côte d'Ivoire at this point, by looking at questions of transparency and democratic accountability. Governance issues specific to cocoa, gold, diamonds, and oil and gas will be discussed in Chapter 3.

⁵² In the **Resource Regime Index (RRI)**, which is one variable from the BICC Resource Governance Index, Côte d'Ivoire scores 0.88 (scale from 0–1.00). In total, twenty conventions and agreements are included, which deal with social and labor standards, environment, communities/minorities, and resource-specific trade agreements (e.g. coffee, cocoa, diamonds) and conventions on revenues and transparency. The **Resource Governance Index (RGI)**, developed by BICC in 2007, provides an analytical framework to understand important elements of resource governance. The Index is based on secondary data from various sources combining general measures of good governance—regime type, political rights, civil liberties and press freedom—with governance indicators that link strongly to the management and regulation of the resource sector (social and labor conditions, environment, communities, trade) and the revenues deriving from those resources (income, spending and transparency) (Franke et al., 2007).

⁵³ The Convention is based on the consideration that workers have a right to information, training and genuine consultation on, and participation in, the preparation and implementation of safety and health measures concerning the hazards and risks they face in the mining industry (ILO, 1995). The mining code of Côte d'Ivoire, which dates of the same year, is not as specific on health and safety precautions as the ILO Convention.

⁵¹ BICC Interview, 26 March 2008, Michel Youboue, Coordinator PWYP-CI, Abidjan.

Box 11: The Kimberley Process

The Kimberley Process (KP) is an international initiative, which was initiated by governments, industry and civil society to prevent the trade in conflict diamonds. Launched in January 2003, and endorsed by the UN General Assembly and the UN Security Council, the Kimberley Process Certification Scheme (KPCS) requires its members to certify the origin of shipments of rough diamonds as 'conflict free' and to prevent conflict diamonds from entering the trade chain. By November 2008, the KP had 49 members, representing 75 countries. Diamond-producing countries, which apply for membership are required to establish national legislation as well as export, import and internal controls and to commit to transparency and the exchange of statistical data. For more information on the KP, see www.kimberleyprocess.com.

Conflict diamonds recognized by UN resolution

On 1 December 2000, the United Nations General Assembly unanimously adopted Resolution 55/56 on the "role of diamonds in fuelling conflict: breaking the link between the illicit transaction of rough diamonds and armed conflict as a contribution to prevention and settlement of conflicts." Conflict diamonds are understood to be rough diamonds, which are used by rebel movements to finance their military activities, including attempts to undermine or overthrow legitimate governments. In taking up this agenda item, the General Assembly recognized that conflict diamonds can be a crucial factor in prolonging wars in parts of Africa.

Conflict free = fair?

Rough diamonds can now only legally cross the border with an official certificate provided by a member state of the KP. The certificate confirms the diamond's origin. It is estimated that 99 percent of the world's diamonds are from 'conflict free' sources.

Conflict diamonds mainly originated from Angola, the Democratic Republic of the Congo (DRC), Sierra Leone and Côte d'Ivoire. Warlords in these countries turned diamonds into money or weapons that allowed them to continue to fight. Today, peace agreements have been signed and most of the world's legally traded diamonds are now 'conflict free'. The only country under UN sanctions for illegal diamond trade is currently Côte d'Ivoire (see Chapter 3.2).

The fact that 'conflict diamonds' have virtually disappeared is a positive development, but just an initial step. As the campaign Fatal Transactions warns, 'conflict free' does not automatically mean 'fair'. "Especially in the informal diamond sector, human rights violations are rampant. Child labor is widespread, as is the abuse of women. Informal diggers trying to make a living are being shot by private security forces defending the interests of large corporations and members of the political elite" (www.fataltransactions.org).

A recent case of human rights violations in the diamond sector is Zimbabwe. As early as January 2009, NGOs, industry representatives and some governments alerted the Kimberley Process about an October 2008 massacre of artisanal diamond diggers by the Zimbabwean military, the militarization of mining and diamond smuggling in Zimbabwe (*Other Facets*, 2009, p. 1). The KP sent a review team to visit the country in early July 2009 and the KPCS interim report subsequently recommended a six-month suspension of Zimbabwe's rough diamond import and export.

2.3.2 Weak transparency and democratic accountability

Looking at the overall performance of the Ivorian government in terms of resource governance, it becomes readily apparent that, while formally

adhering to many international regimes, Côte d'Ivoire scores much worse in the political context determining the implementation of these conventions. In fact, it scores badly on other indicators of good resource governance that capture wealth distribution and democratic freedoms, i.e. regime type, political

rights, civil liberties, freedom of press and freedom of assembly.⁵⁴

Côte d'Ivoire has been ruled in an autocratic manner ever since independence, followed by a difficult transition period after the death of the first President, Houphouët-Boigny. The last elections of 2000, which led to Laurent Gbagbo as the new President, were much criticized, because two important presidential candidates, Ouattara from the RDR and Bédié from the PDCI, were excluded from the race. Furthermore, Gbagbo's five-year mandate officially expired in 2005 and his current position is only legitimized in the context of the current Ouagadougou Political Agreement (OPA) which was signed by Gbagbo and Guillaume Soro, leader of the FN, in March 2007.

The OPA was the latest in a series of peace agreements following the civil war of 2002 (see Chapter 1.1). Unlike the previous agreements, the OPA was directly brokered between the former belligerents, Gbagbo and Soro, who thereby became the dominant actors again. The most powerful position remains the presidency, due, first of all, to the strong tool of presidential decrees, but also owing to the financial and human resources at Gbagbo's disposal. Prime Minister Soro's position is one defined by dialogue between him and Gbagbo, as there is no decree specifying the Prime Minister's powers. Additional concerns arose around the signing of the OPA when many observers suspected a secret deal between Gbagbo and Soro, which would involve not only a power-sharing formula but equally one on sharing natural resource wealth. The content of such a deal can only be speculated about, but it could be either that Gbagbo continues receiving the cocoa revenues and Soro those from the oil sector, or that Gbagbo holds the oil and cocoa sectors while Soro has privileged access to money from the international community. A hint in the direction of the latter is the scandal around World Bank money in 2007: The position to manage the funds should have been tendered for, but Soro tried to give the position to one of his close allies.⁵⁵ Should this deal really exist,

it would make changes in the resource sector even more difficult.

Gbagbo has two loyal allies presiding two important ministries: the Minister of the Interior, Désiré Tagro and the Minister of Defense, Michel Amani N'Guessan. Also, the economically important Ministry of Mines and Energy is held by FPI member Léon Emmanuel Monnet since November 2000. Overall, the President's camp holds 11 ministerial portfolios, the FN seven and the major opposition parties (RDR and PDCI) were granted five each. The FN are heading the strategically important Ministry of Justice, with Mamadou Koné as minister responsible for the *audiences foraines* (see Chapter 1.2.3). Since important decisions regarding the peace process have to be taken with a minimum of agreement between all ministries, the opposition parties RDR and PDCI hold some share of power (ICG, 2007; 2008).

Hence, democratic accountability has always been very limited and has improved little with the introduction of a multi-party system in 1990. The concentration of power in the presidency combined with a lack of control and a weak position of the parliament, which cannot impeach the President, leads to a lack of transparency.

Other than weak checks and balances on the institutional level, the role of civil society as a counterbalance to state power is also restrained. The war-like situation since 2002 has contributed further to the abrogation of civil and political liberties. Côte d'Ivoire's **civil liberties** rating "improved from six to five due to the signing of the Ouagadougou Peace Accords, which included the peaceful, albeit delayed, initiation of the citizen identification process and the opening of the internal border between north and south" (Puddington, 2008, p.15). However, general democratic indicators define Côte d'Ivoire still as "not free". The **political rights** of citizens are at the lowest possible standard (7 out of 7) and "despite constitutional protections for press freedom, it is generally not respected in practice" according to Freedom House observations⁵⁶. There are reports by human rights groups of defamation suits, interrogation and imprisonment of journalists critical of the President. Furthermore, audiovisual media space for the political opposition is limited, for the audiovisual media is controlled by the state.⁵⁷ Also

⁵⁴ On the 2007 Resource Governance Index, Côte d'Ivoire scores 5.3 on the scale of one to ten. With this score, it belongs to the "medium resource governance" group of countries of the database sample. The database includes data compiled on a total of 198 variables for 92 countries that either met the selection criterion of mild resource dependence (a minimum of 10 percent of a country's GDP stem from aggregated primary commodity exports (food and agricultural products, raw materials, fuels, and ores and metals) or were thought to serve as important countries for baseline comparisons (with Australia, Canada, Germany, and Norway serving as best-practice examples) (Franke et al., 2007).

⁵⁵ BICC Interview, 4 April 2008, Observer 2, Abidjan; BICC Interview, 22 February 2008, Observer 1, Brussels.

⁵⁶ See: Freedom House. "Freedom in the World 2009 - Cote d'Ivoire". 16 July 2009, Available at: <<http://www.unhcr.org/refworld/docid/4a6452c11e.html>>.

⁵⁷ BICC Interview, 28 March 2008, President of a Human Rights Organization, Abidjan.

the **freedom of assembly and association**, though guaranteed in the constitution, has often been denied in practice⁵⁸. In 2004, when the opposition planned for a demonstration, Gbagbo, by decree temporarily banished all street demonstrations from taking place (www.rdr.ci.org). In 2008, demonstrations against rising food prices were violently dispersed by the police, causing several wounded and one death (*Irin*, 1 April 2008).

Another major constraint on good management of financial revenues is **corruption**⁵⁹, induced by systems of patronage⁶⁰ and rent-seeking. For a long time, the Ivorian economy was based on the cocoa sector. In his system of political patronage, Houphouët-Boigny used political offices and licenses for cocoa trading to secure political support. Many members of parliament or civil servants were businessmen or owned cocoa plantations and, simultaneously, 40 percent of the largest industrial corporations had direct representation in the state's apparatus of power (Rapley, 1994, p. 50). One may call this a system of rent-seeking, too, for a big part of the cocoa rent was channeled through the state so that those in power were able to personally enrich themselves. However, corruption within the administration was kept under control under President Houphouët-Boigny's rule (Crook, 1998).

With the political conflicts around the succession of Houphouët-Boigny, and especially during the recent years of violent conflict, major corruption scandals erupted in the 1990s and after the liberalization of the cocoa sector at the end of the 1990s (see Chapter 3.1; see Conte, 2004, pp. 13–15). In 2007, Côte d'Ivoire scored 2.1 (on the scale of one to ten) on the Transparency International Corruption Perceptions Index (CPI), meaning that the Ivorian public sector is perceived to be highly corrupted. The management of the financial resources deriving from the natural richness of Côte d'Ivoire—especially from the most lucrative sectors, i.e. petroleum and cocoa—is thus characterized by opacity. This lack of transparency makes the misuse of revenues easy. According to the United Nations Group of Experts, “the revenues generated through the exploitation of these resources may have been used to defray military expenses

or to finance services that are subject to sanctions” (2007a, S/2007/349, p. 3). Furthermore, in the current transition period, both sides of the conflict have ample opportunities to enrich themselves, which constitutes a strong incentive for them to keep control over natural resources (ICG, 2007; 2008; Ganesan and Vines, 2004).

Since 2006, the situation has become even more complex as the most important export commodity for Côte d'Ivoire has changed from cocoa to oil. “Nobody can say how much Côte d'Ivoire earns through petroleum”⁶¹ as this sector “was even more opaque than was cocoa, because everything is offshore and everything is done through royalties. So according to the royalties, so much is paid into the treasury and God knows how much goes somewhere else”⁶² (see Chapter 3.4).



Apart from the political context, the wealth distribution in Côte d'Ivoire has worsened over the last decades and poverty has been on the rise (see Chapter 1). Health- and social services, also due to the crisis, are oftentimes not available for those who need them most. Education lags behind, with two-thirds of boys enrolled in primary school and half of the girls, resulting in the fact that 1.2 million children, most of them in the north, do not attend school at all (Save the Children, 2008). The deterioration of living standards for the majority of the population is another factor hampering the transition to peace.

Hence, the overall undemocratic climate in Côte d'Ivoire puts serious restrictions on good resource governance that is apt at avoiding conflicts and contributing to peace. On the one hand, transparency

⁵⁸ Freedom House. “Freedom in the World 2009 - Cote d'Ivoire”. 16 July 2009. Available at: <<http://www.unhcr.org/refworld/docid/4a6452c11e.html>>.

⁵⁹ Corruption as defined by Transparency International as “the abuse of public office for private gain” (www.transparency.org).

⁶⁰ Patronage refers to the practice of political leaders to confer upon political supporters political or economic posts, often implying the appropriation of public resources, in order to consolidate political control (see Tangri, 1999, p. 9).

⁶¹ BICC Interview, 1 April 2008, Observer 3, Abidjan.

⁶² BICC Interview, 22 February 2008, Observer 1, Brussels.

in revenue distribution is impeded. On the other hand, by restraining political and civic freedoms, the government creates new grievances.

2.3.3 Actors influencing resource governance in Côte d'Ivoire

The quality of resource sector management also depends a great deal on the actors directly and indirectly involved in resource exploitation (see Basedau, 2005, p. 332). Apart from the government, key actors are multinational corporations, donor governments/ international financial institutions, and civil society organizations.

Government

By signing the 2007 Ouagadougou Political Accord (OPA), President Gbagbo and FN leader and now Prime Minister Soro have taken control of the Ivorian peace process, pushing the international community and other Ivorian actors to the side. With a weak executive power of the parliament until elections are finally held, any action in the field of resource governance will predominantly rest with these two leaders.

The responsibility of international companies

Before the crisis, French companies played an important role in the Ivorian economy, with many small and medium-sized enterprises that generated work for about 36,000 Ivorians. Due to the crisis and the ensuing instability many of them stopped their operations. However, despite the anti-French riots, in the course of which 150 French companies were destroyed, the big companies such as Total and Bolloré, which are active in the resource sectors (oil and cocoa), are still present.⁶³ French enterprises still account for 68 percent of foreign direct investments in Côte d'Ivoire and hold 27 percent of Ivorian company's share capital, making France the most important foreign investor (Government of France, 2006). In the cocoa sector, US American companies such as Cargill and ADM made their entrance around the first *coup d'état* in 1999 (Conte, 2004). As Côte d'Ivoire is now emerging from severe crisis, companies are looking for opportunities to return to the country. All in all, it still is considered to be an attractive destination, as its infrastructure is far more developed than in most of its neighboring West African countries (Fabig and

⁶³ Following the anti-French riots of 2004, within eight days 8,332 French nationals left Côte d'Ivoire (<http://www.izf.net/pages/criseivoirienne/5876/>).

Box 12: Political parties and their 'resource agenda'

With elections overdue since 2005 and the latest date set for November 2009, the question arises how potential winners and newcomers will deal with the country's resource sector. As the political parties in general appeared to have little written documentation on their political agenda available, BICC staff directly approached the three predominant political parties in Côte d'Ivoire, the *Front Populaire Ivoirien* (FPI), *Parti Démocratique de la Côte d'Ivoire* (PDCI), *Rassemblement des Républicains* (RDR), and one newly founded party, the *Congrès Démocratique de Côte d'Ivoire* (CODEMCI), to find out to what extent their political program covers the issue of natural resources management. The Secretary General of the **ruling FPI** described agriculture as the main natural resource and the backbone of Côte d'Ivoire. Therefore, agricultural reform is crucial and the party's focus will be on the industrialization of commodities to ensure that value is added in Côte d'Ivoire and semi-finished products are exported instead of raw materials. Petroleum exploitation is regarded as being still in the phase of "experimentation". The FPI foresees a development strategy that will be specific on the country's reserves of mineral resources, once order is restored in the entire country. The FPI also approves of any project related to transparency and good governance: "The citizen has to know how the resources of his country are used." The FPI representative described the Extractive Industries Transparency Initiative (EITI) as one means to this end, especially concerning the oil industry.¹ These statements of the FPI Secretary General stand in sharp contrast to the current practices of the party in power (see Chapter 3.1 and 3.4). The overall topic of how cocoa money can contribute to development does not clearly appear as an item on the party's agenda.

¹ BICC Interview, 2 April 2008, Sylvain Miaka Ouretto, FPI Secretary General, Abidjan.

de Schaezen, 2008). Therefore, it is important to look into the potential contribution of private companies to peace and development in Côte d'Ivoire.

Even though private businesses usually claim to be no party to conflicts occurring in the host country, they cannot stay neutral. First of all, they need to work with the government in order to obtain licenses. In the end, through the payment of various duties to the state,

The party of the first President after independence, Houphouët-Boigny, the **PDCI**, perceives the success of Ivorian agriculture as their merit. It was under Houphouët-Boigny that agriculture was developed and farmers received regular support to achieve better results. The idea behind the party's focus on the cocoa sector was to develop the country in a three step development plan, starting with agriculture, moving on to the exploitation of the subsoil and last, developing the service sector.

On reforms, the PDCI promotes a similar perspective as the FPI and envisions to develop an agro-industry capable of transforming agricultural products in Côte d'Ivoire before exporting them. The PDCI had started to implement this idea by attracting the multinationals Cargill, Nestlé, Unilever and other processing companies of cocoa and coffee. The PDCI spokesperson stated, "good governance should be at the center of the PDCI policies" and continued, "PDCI wants to establish good governance as a social norm."²

Despite numerous attempts in Côte d'Ivoire and with the international office of RDR, BICC staff was unable to conduct an interview with the **RDR**. The RDR positions itself as a liberal-democratic party and has played an important role in Ivorian politics since its foundation in 1994. In his presidential program from the 2000 elections, Alassane Dramane Ouattara, who also stands as presidential candidate in the upcoming elections, proposed reform in the civil service and tax system, talked about better spending of public money and acting in favor of the most disadvantaged. In order to become the engine of West African integration, he proposed to encourage companies and investors. He also expressed the need for a "humanistic and pragmatic" immigration policy (www.ado.ci).

² BICC Interview, 17 April 2008, Niamkey Koffi, PDCI spokesperson, Abidjan.

One newcomer in the political game of Côte d'Ivoire is the **CODEMCI**. Founded in November 2007, it is among the youngest Ivorian parties. CODEMCI's position on the topic of the natural resources sector remains vague. Nevertheless, the president of CODEMCI describes transparency as an important issue and supports the need for disclosure of revenues and a fair redistribution. However, any interference from international organizations to support this case is strongly opposed. A similar reluctance is directed towards donors' involvement in the cocoa sector with regard to social issues. CODEMCI strongly rejects any allegations of child slavery in cocoa plantations. "If there are children working on plantations, they are helping their parents or relatives and learn for their future at the same time. As this is in the tradition of the country, Westerners do not have the right to criticize these practices, which are nothing near mistreatment of children."³

In conclusion, the political parties in Côte d'Ivoire do not have a specific agenda for resource governance. Nevertheless, all publicly approve of enhanced transparency and good governance, and of the need to alleviate poverty. When it comes to a concrete implementation of these goals and to the role natural resources can play in the achievement of better living conditions for the Ivorian population, the political parties interviewed by BICC staff seem to have only vague ideas. This is to show that, up until now, plans concerning natural resource governance are not well-embedded in political strategies. This raises doubts as to the political parties' aptitude for a significantly improved management of the country's natural wealth.

³ BICC Interview, 5 April 2008, Enise Kanate Fofana/Sanogo, CODEMCI President, Abidjan.

companies "provide governments with the financial means to wage war" (Boege et al., 2006, p.19). In addition, international companies get supplies from territories which are known to be under the control of rebel groups, or where atrocities take place that are related to the production of resources, as was the case in the western cocoa regions of Côte d'Ivoire. The most obvious case is the trade of 'conflict diamonds' that are continuously being exploited in the FN-held

northern part of the country and subsequently traded illegally on the international market (see Chapter 3.2).

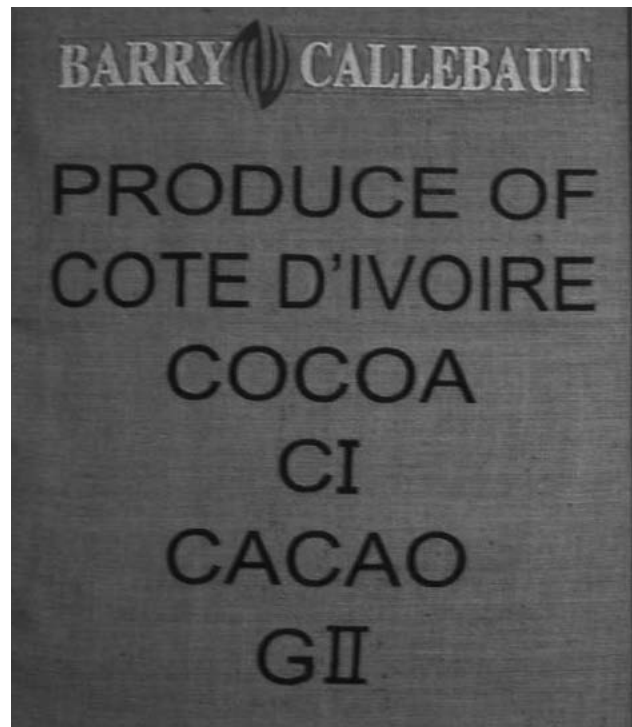
In the cocoa production chain, international companies occupy important positions. Starting with the trade of cocoa beans, they are the biggest exporters in the country who employ buying agents themselves to buy the beans from farmers. At the transformation stage, international companies have

bought up most of the Ivorian processing units that grind the cocoa beans before selling it to chocolate producers. An example of private actors directly contributing to war in Côte d'Ivoire is the financial contribution of the cocoa institutions and exporters to the government's defense efforts (see Chapter 3.1).

Given the impossibility of remaining neutral, private companies have to live up to their responsibility. Debates on Corporate Social Responsibility (CSR) have increasingly taken up the issue of specific responsibilities that apply to operations in conflict-prone environments, requiring companies to avoid any negative impacts ('do no harm') and instead contribute positively with investments that fit reconstruction efforts in a post-conflict setting. Considering the fact that violent conflict often imposes high costs on companies' operations, a 'conflict-sensitive' approach to doing business could be considered a strategic choice for business operations.⁶⁴

Many of the current initiatives that concern companies in conflict settings remain voluntary. On the EU level, binding rules for European companies that are active in conflict-sensitive environments are lacking. Through binding rules, which accept the concept of criminal or administrative liability, the European Union could hold European companies working abroad accountable for their actions. Such rules should include the commitment to a fair and transparent negotiation process of any contract entitling companies to extract, process, or trade in natural resources (Fatal Transactions, 2008, p. 35).

Apart from being part of the conflict setting, international companies also influence the quality of resource governance. At the stage of acquiring licenses or buying up national companies, it is common habit that a certain amount of 'concession' money (i.e. bribes) is paid (Moody-Stuart, 1997). Especially international companies representing the large resource exporters have a high bargaining leverage that they do not use sufficiently to tackle the opaque management of the resource sectors (see Chapter 3.1). Ideally, private companies can contribute to better governance practices, for example in the three ways identified by Transparency International for the extractive industries sector:



1. Public disclosure of payments to host governments, e.g. taxes, profit oil, on a country-by-country basis;
2. Public disclosure of other financial information pertaining to operations, also on a country-by-country basis, that assists in judging the scale of activities and accuracy of payment reporting;
3. Public reporting on anticorruption programmes including the existence of anti-corruption provisions, codes of conduct and their applicability, whistle blowing procedures, and reporting on censuring malpractice. (Transparency International, 2008).

Civil society

In the context of an undemocratic government, which obstructs availability of information and transparency, the role of civil society in raising awareness is crucial. Civil society in Côte d'Ivoire, however, holds a weak position, as many groups and actors have political affiliations. Moreover, civil society actors were not involved in the preparation and execution of the OPA. In general, NGOs have little money and capacity to work effectively. Many feel threatened by the authorities and limited in their freedom of expression. Threats against civil society members, ransacking and demolishing of NGO offices still occur.⁶⁵

⁶⁴ See for example International Alert's Conflict-Sensitive Business Practice Guidance for Extractive Industries (2005). BICC has done extensive research on the role of private businesses in zones of conflict; its brief 32 specifically covers the regulatory framework for private enterprises in zones of conflict (BICC, 2006).

⁶⁵ BICC Interviews, March and April 2008, Civil Society Groups, Abidjan.

Besides this generally weak position of NGOs with little space to maneuver and a lack of capacity, there is a particular gap when it comes to topics related to the natural resources sector. It is only since 1999 that natural resources have become a topic on the agenda of Ivorian civil society. "The taxes and resources that had fueled the war became known. Because of the crisis, people now know that there are diamonds in the country."⁶⁶ But in general, a situation prevails in which "the population has almost no access to information about natural resources, revenues and transparency issues in the country."⁶⁷

The NGO coalition Publish What You Pay (PWYP) in Côte d'Ivoire therefore seeks to inform the general public about the topic of natural resource production. PWYP is the civil society partner in the Ivorian Extractive Industries Transparency Initiative (EITI) (see Box 10). In the EITI National Council, the PWYP coalition is a driving force for the disclosure of state revenues from natural resource production. In the Kimberley Process for clean diamonds, there has hardly been any involvement of Ivorian civil society so far (see Box 11). Organizations, such as the PWYP network, should be enabled to play an effective and pro-active role in monitoring the implementation of the KPCS in their country and at the regional level, for they have previously undertaken awareness-raising activities related to the mining sector (see BICC, 2008).

Prospects for a greater role of civil society in resource management have slightly improved, for an active movement for "social cohesion" has emerged since 2002—encompassing human rights organizations, professional organizations (including the Ivorian Chamber of Commerce), religious institutions and traditional authorities. The goal of this coalition, the *Convention de la Société Civile*, is to create the basis for a new "social contract" to effectively emerge from conflict and rebuild Ivorian society (*Société Civile Ivoirienne*, 2008, p. 1). For this purpose, the coalition organized a week of consultations in May 2009, which brought together representatives of the government, political parties, local and international NGOs, and the diplomatic community. Participants demanded a revised constitution that puts checks on the powers of the executive (*IRIN*, 4 June 2009). The governance of natural resources was no major topic. The consultations can be seen as a first step of civil society to demand a greater role in politics in general. To reach this goal, the coalition has chosen an approach of cooperation with, rather than opposition to, the state.

⁶⁶ BICC Interview, 24 April 2008, Michel Youboué, National coordinator of PWYP-CI, Abidjan.

⁶⁷ *Ibid.*

International community and donors

In the current situation of crisis exit, the international community is concentrating its actions on two topics: disarmament and elections. The major international actors and donors in Côte d'Ivoire are the United Nations, the World Bank, the International Monetary Fund, the European Commission, and France. During the years of conflict, they had reduced their funds and activities in Côte d'Ivoire to a minimum and only returned to Côte d'Ivoire after the signing of the Ouagadougou Political Accord in 2007.⁶⁸

The **United Nation's** influence on resource governance in Côte d'Ivoire is rather limited. The peace-supporting mission of the United Nations, UNOCI, has a mandate to facilitate the implementation of the 2007 OPA and to monitor the arms embargo (see Chapter 1.2). Before the 2007 agreement between President Gbagbo and the former rebel leader and now Prime Minister Soro, the UN Security Council, pushed by the French government, tried to impose major cuts of the President's power by instituting an international governing body in Côte d'Ivoire, the *Groupe International de Travail* (see United Nations, SC Resolutions 1633 (2005) and 1721 (2006); see Zeebroek, 2008). This did not, however, cut the President's office's access to resource revenues. By reaching an agreement among themselves, Gbagbo and Soro have curtailed the influence of the international community.

The influence of the international financial institutions World Bank and International Monetary Fund was greatest in times of the economic and political crisis in the late 1980s and 1990s, when they enforced structural adjustment programs in Côte d'Ivoire, demanding the liberalization of the management of the cocoa sector (Crook, 1997; Banegas, 2007). The complete liberalization of the cocoa sector at the end of the 1990s can be attributed at least partly to their influence. Their call for transparency in public resource management must therefore be seen against the background of this privatization process, which has led to the creation of opaque regulatory structures (see Chapter 3.1).

The **World Bank's** renewed role in Côte d'Ivoire started off with an Economic Governance and Recovery Grant (EGRG) of US \$308 million in April 2008, aimed at supporting "governance reforms in energy, financial,

⁶⁸ One of the few official development organizations that upheld its activities in Côte d'Ivoire during this period was German Development Cooperation (Deutsche Gesellschaft für Technische Zusammenarbeit, GTZ).

cocoa and public expenditure management sectors" (World Bank, 2008a).

Under its new Interim Strategy Note (ISN), the World Bank is implementing a US \$127 million program, which covers infrastructure (US \$94 million), HIV/AIDS (US \$20 million) and governance and institution-building (US \$13 million).

The **International Monetary Fund** has disbursed US \$128.4 million since August 2007 through its Emergency Post-Conflict Assistance (EPCA), and approved a further US \$66.2 million in April 2008. It focused on "restoring the role of the budget at the center of economic policies; substantially raising pro-poor and other crisis-exit spending; re-launching the pre-conflict reforms, with initial focus on transparency in public resource management; and rebuilding the business environment" (Fabig and de Schaezen, 2008). As to budget transparency, the IMF has pushed for publication of "information on ministries' (...) planning and spending."⁶⁹ After Côte d'Ivoire completed a Poverty Reduction Strategy Paper (PRSP) in February 2009, it qualified for debt relief under the HIPC initiative, with a debt-to-revenue ratio of 327 percent at end-2007. The possible debt relief is estimated at US \$3 billion (IMF, 2009a).

The **European Community's** new program for Côte d'Ivoire, the 10th European Development Fund (EDF 2008–2013), lacks a clear analysis on how natural resource mismanagement has contributed to the onset and continuation of the crisis (European Commission, 2007; Fatal Transactions, 2008). However, planned actions to consolidate peace include the improved management of natural resources sectors. The EC program with a US \$218 million budget is two-pronged: the first response consists of peace consolidation and good governance, the second involves social cohesion and rehabilitation. Within peace consolidation and good governance, the EC focuses on decentralization, judiciary and security sector reform, accountability in the field of public finances, but also improved governance in essential economic sectors, comprising the coffee-cocoa chain, mineral resources and hydrocarbons (European Commission, 2007, p. 45).

The major donors to Côte d'Ivoire are thus promoting good governance and transparency projects. Recent steps of the Ivorian government towards transparency in the cocoa and oil sector must be seen in this context. The government published its 2007 national

budget on the treasury website (www.tresor.gov.ci) and effected audits in the energy sector (see Chapter 3.4). The budget information contains detailed tables on the approved budget and on how much of it was spent. The high expenditure of the Presidency and the Prime Minister's office is remarkable: these expenditures are not further specified and could cover up items that the national budget prefers to hide. "The share of pro-poor and crisis-exit spending has remained below target, largely because of high sovereignty spending (by the presidency and the prime minister's office)" (IMF, 2008c). The fact that no civil society organization reacted and no newspaper reported about the content of the budget shows that transparency can only work if a culture of democratic dissent exists and strong civil society groups voice their concerns.⁷⁰

Whereas these are important first steps towards transparency, the focus of Western donors on transparency tends to hide other aspects of resource management, such as the way resources are produced and traded, as well as the distribution of the economic rent among various actors of the production chain (farmers, government, Ivorian and foreign companies).

2.3.4 Assessment of overall resource governance in Côte d'Ivoire

The previous sections have shown that despite numerous national and international rules and regulations in place, resource governance in Côte d'Ivoire is highly problematic. Democratic accountability is very low and patronage networks impede transparency and a fairer distribution of resource revenues. This situation of prevailing bad governance has deteriorated with the onset of the civil war in 2002, when the president and his political entourage, including the *Jeunes Patriotes* (Young patriots), took drastic measures to keep his power position and to fight alleged supporters of the rebellion (destruction of shanty towns, demolition of offices of newspapers and human rights organizations).

Despite this rather gloomy picture, it is important to note that resources were better managed before the onset of the political and economic crisis in the 1990s. This proves that a better management of Côte d'Ivoire's natural resource is possible. Improved governance of the resources sectors could help rebuild the country, without relying too heavily on

⁶⁹ BICC Interview, 10 April 2008, Representative IMF, Abidjan.

⁷⁰ BICC Interview, 10 April 2008, Representative IMF, Abidjan.

foreign aid. "In the case of Côte d'Ivoire I can not even remotely try to guess the amount of money which disappears, but we are talking of hundreds of millions of Euros every month. Therefore, by far more than what the international community can provide in terms of international aid."⁷¹

Apart from the general need for transparency and democratic accountability, there are different ways to improve the governance of the respective sectors. The next chapter therefore analyzes the specific concerns arising around the exploitation of some of Côte d'Ivoire's resources: cocoa, diamonds, gold and oil and gas.

⁷¹ BICC Interview, 28 February 2008, Observer 1, Brussels.

3

Resource-specific Concerns Regarding Peace in Côte d'Ivoire



3.1 Cocoa

In Côte d'Ivoire and other exporting countries, many farmers' livelihoods depend directly on cocoa. At present, near to one million farmers work in the cocoa sector and up to four million of the 17 million inhabitants of Côte d'Ivoire depend on the cocoa trade for their living (www.cipexi.ci). The farmers typically grow small plantations that altogether cover 2–2.5 million hectares of land. Some bigger plantations are owned by civil servants who do not work the land themselves and hence are referred to as 'absentee planters'.

The cocoa sector was the backbone of the flourishing Ivorian economy from the 1950s onwards.⁷² The cocoa boom started in the south-east, then shifted to the center-west and the south-west of the country. "The cocoa money helped build skyscrapers and develop the region's busiest container ports" (Balint-Kurti, 2007, p. 25). Ivorian cocoa has, over the past years of crisis, been more and more associated with instability, corruption, conflict, and poverty among farmers. There are many aspects to what some observers have called 'conflict cocoa'. The governance of the Ivorian cocoa sector encountered problems both with the **regulation and management** of the production and trading processes, and the **redistribution** and reinvestment of cocoa revenues (see Chapter 2.1). Two important dimensions, the access to land to grow cocoa trees (3.1.1) and the revenues from cocoa production and their use (3.1.2) are elaborated upon in the following sections.

The first dimension is located at the local level, but was influenced by national policies and had significant repercussions on national politics at the same time. The second dimension is located at the national level, but, of course, has important repercussions on the local production level as well.

3.1.1 Conflicts over cocoa land

Cocoa trees start to produce their first seeds when the trees are five years old and, on average, the plantations bear fruit for about twenty-five years on tropical forest lands. The regular planting and replanting of cocoa trees is thus a logical choice for the farmers in order to spread the harvests over the years and to thereby minimize the risk for the household. This requires considerable **access to**

⁷² As mentioned earlier, while this *brief* mostly refers to cocoa, the problems touched upon here concern both cocoa and coffee, for cocoa and coffee form one sector of the Ivorian economy (*filière café-cacao*) which is regulated and managed by the same institutions.

Box 13: Cocoa

Global cocoa production

The current global market value of annual cocoa crop amounts to US \$5.1 billion. Of the 3.6 million tons of cocoa annually produced worldwide, 70 percent comes from West Africa. The leading exporting country is Côte d'Ivoire, which in 2008 covered 37 percent of world cocoa production.

The countries consuming the highest quantities of chocolate are the United States, Germany, the United Kingdom, France, and Russia. Germany alone consumes an annual nine kilograms of chocolate per head of population and 57 percent of its cocoa originates from Côte d'Ivoire (Caobisco, 2004). In addition, a big part of the cocoa that German companies buy from Togo (53.605t in 2008) is actually smuggled from Côte d'Ivoire (Verein der am Kakaohandel beteiligten Unternehmen, 2009, p. 29).

Annually, Côte d'Ivoire produces about 1.3–1.4 million tons of cocoa. By now, Côte d'Ivoire has also become one of the five leading processing countries, among the Netherlands, the United States, Brazil, and Germany. Around 20 percent of national production is processed in Côte d'Ivoire. The five main processing companies in Côte d'Ivoire are Barry-Callebaut (Swiss), ADM, (US) CEMOI (French), Cargill (US) and Sucso (Ivorian).

In Côte d'Ivoire, the 10 biggest exporters are members of the *Groupement Professionnel des Exportateurs de Café-Cacao* (GEPEX), the largest group of exporters representing 80 percent of the total volume exported. The big share of cocoa processed and exported by multinational companies in the producing countries is testimony to the fact that the world cocoa production chain has been transformed considerably since the late 1980s. Before the 1990s, cocoa deals were negotiated between international traders (who trade cocoa at the international *Bourse de Cacao* in London) and producing countries such as Côte d'Ivoire. Meanwhile, the world cocoa commodity chain is dominated by an oligopoly of global companies, which control several stages in the production process from the cocoa bean to the chocolate bar.

From cocoa tree to chocolate bar

A cocoa tree produces its first beans (pods) after five years. The 'peak growing period' for the

average cocoa tree lasts for 10 years. Each of the seed pods that grow directly on the trunk contains thirty to fifty seeds, which is enough to make two dark chocolate bars.

Intermediaries travel the region to buy the beans from farmers and sell them to processors or exporters. According to Ivorian legislation, intermediaries are Ivorian nationals and can be either a private person or a cooperative. They receive money from the export companies just at the beginning of the main harvest season that starts in the months of September and October. The cocoa beans are first stored in barns in the regions and then loaded on large trucks for transport to the exporters or processors. The companies determine the humidity and quality of the load. Based on the analysis of the load for fungi and other flaws, the price the client has to pay is defined. Almost 60 percent of cocoa is directly exported without being processed.

Processors roast and shell the cocoa beans, which are then pulverized or ground into a liquid, called chocolate liquor. This chocolate liquor consists of cocoa solids and cocoa butter, the basis for all chocolate products consumed in large quantities in mainly Western countries.

Sources: www.worldcocoafoundation.org; BICC Interviews with exporters, April 2008, Abidjan; California Academy of Science; ICCO; Losch, 2002.

land, capital for re-investment and **labor** surplus (Ruf, 2007a, p. 19, 22). New forests were continuously being cleared moving towards the center-west and south-western regions of Côte d'Ivoire, outperforming older cocoa growing areas with lower yields. The Ivorian state offered technical support, developed infrastructure and subsidized transport (Woods, 2003, p. 646). The required work force was attracted from neighboring countries, absorbing surplus labor from the region with a positive stabilizing effect on the West African region. This process was stimulated by the national politics of Houphouët-Boigny who issued a decree in 1967, which stated that land belongs to the person who cultivates it (Balint-Kurti, 2005).

In fact, land tenure in Côte d'Ivoire's cocoa regions was characterized by the dichotomy between 'first-comers', the so-called *autochthones*, and 'late-comers', the *allogènes* (coming from foreign countries) or *allochtones* (from other regions of Côte d'Ivoire). "The autochthon-migrant relationship regarding access to land was most often characterized by

the social embeddedness of land right transfers in the *tutorat* institution" (Colin et al., 2006, p. 34). The *tutorat* sustains a patronage relationship between the *autochthone* (tutor) and the migrant to whom the land right is transferred together with social benefits and obligations towards the local community. In exchange for this, the migrant owes his tutor gifts at important occasions, which could come as part of the harvest, as in kind goods or—more common over time—money.

Usually the new migrant laborers entered into share cropping relationships (also called *abusan*) with the *autochthones*, which means that they were allowed to sell part of the crops they helped to produce. Moreover, some migrants gained access to land for their own production. By way of those informal agreements with migrants, the *autochthones* sometimes conceded the land for next to nothing as they originally were more used to hunting and fishing and often not interested in clearing the forest to grow cocoa themselves, but rather interested in benefiting from migrant labor, in averting claims to land by relatives or neighboring communities, and increasingly, in benefiting from renting land to alleviate pecuniary difficulties (Chauveau, 2006, p. 236; Lentz, 2006, p. 20).

The ceding of land to migrants was also legitimized on grounds of valid principles of justice guiding the access to land: the principle of entitlement to rights by virtue of invested labor (and not by virtue of descent), which was fostered by Houphouët-Boigny's policies. The principle that labor creates rights to land can come into conflict with the principle of intergenerational justice, which guarantees the younger generation appropriate access to family land. If the family plots are ceded to those working it (often migrants), the younger generation may question the principle that labor creates rights. In the context of the *autochthone*-migrant dichotomy, this can create tensions between migrants working the land and *autochthone* communities. However, it may also lead to conflicts about land tenure that run within *autochthone* families or communities (Chauveau, 2006, p. 226–36).

Both kinds of tensions started to rise when the glorious times of the cocoa boom reached their limits in the 1980s, as forest land became rare and world cocoa prices plummeted. National politics followed the dynamics and inter-ethnic relations of the cocoa economy (see Chapter 1.2).

Cocoa became obviously the bone of contention; the land where cocoa is produced became the excuse for an ethnic conflict that degenerated rather quickly into the exclusion of those who were not originally Ivorian; (...) the *de facto* choice of an ethnic group, or *allogènes* as the scapegoats of the situation. In reality, it was a much deeper conflict between political factions even more than ethnic factions.⁷³

In the 1990s, the three main cocoa producing groups, the *autochtone* Bete in the central west, the migrant Baoulé from the center of Côte d'Ivoire and the Burkinabé typically pursued different production strategies. The Bete (the ethnic group of President Gbagbo), who had mostly been coffee farmers, increasingly turned to cocoa crops in the mid-1990s after years of low return in the coffee sector, but on average remained small farmers. The Baoulé migrants were fully involved in cocoa, obtaining high yields from clearing primary forest and dense secondary

forest. However, the Burkinabè produced by far the largest quantity of cocoa per household (Ruf, 2007b). The Baoulé faced more and more competition from these Burkinabè laborers and saw their dominant position as cocoa producer threatened (Woods, 2003). The economic success of these 'foreigners', which is mainly associated with their effective social organization (abundant pool of migrant workers of the same origin, efficient credit and marketing ethnic networks) and their ability to still make a profit on ageing cocoa farms, was also a source of tension (Colin et al., 2006; Woods, 2003). They benefited from distress sales of land by local farmers to diversify their activities (tree and food crops, transport, credit, trade and services) (Chauveau, 2006, p. 227).⁷⁴

High rates of unemployment in the cities, resulting from economic downturn, structural adjustment measures and the violent conflict have increased pressure on the land because many people, and especially youth who find themselves confronted with few economic opportunities in the city, have returned

Box 14: The land law

In 1998, parliament unanimously passed a new law, excluding non-Ivorian planters from acquiring land titles in principle (Art.1). Due to the ongoing crisis, this law has never been enforced. The law is highly controversial for it holds the vision of the *autochtone-allogène* opposition. This equals a formal recognition of traditional and ancestral land rights dating back to times prior to Houphouët-Boigny's policies. Thereby, the law privileges autochthony as the main source of legitimate entitlement to ownership rights, thus opening up the possibility of excluding Ivorian Baoulé and Dioula (migrated from northern Côte d'Ivoire or Mali) from legal land registration (Chauveau, 2002).

In 2004, Article 26 of the law was amended to better protect the rights acquired by non-Ivorians before the enactment of the law. A ministerial decree is to establish a list of these non-Ivorian landowners who can now also bequeath land to their heirs. However, the land must still not be conceded to non-Ivorians (new Art. 26). The difficulty will be to establish who is to be considered on this list of rightful land owners, for many migrants acquired land only by informal agreement, which can be easily disputed with hindsight, as one observer describes: "The reoccupying of the land is very problematic, because the conditions are not clear. If person A has sold its land to person B and then person A or B dies, their children may say that the contract no longer exists."¹

This amendment followed the 2003 Linas-Marcoussis Agreement Annex IV on the land tenure regime that stipulated an improved protection of the rights acquired by non-Ivorians before the enactment of the law, and the progressive implementation of the land law, by carrying out a campaign to explain it to rural populations. The current Ouagadougou Political Agreement (OPA) does not address the issue of rural land tenure. Neither is it sufficiently recognized by the international community as a risk for renewed conflict. Conflictive aspects and possible measures around land issues and resources urgently need to be addressed on the national and international agenda.

¹ BICC Interview, Joseph Wabatinga Mukila, Information Officer, UNOCI, 7 April 2008, Duékoué.

⁷³ BICC Interview, 28 February 2008, Observer 1, Brussels.

⁷⁴ Paul Collier argues that the 1994 devaluation of the Franc CFA also privileged the migrant exporters over mainly Ivorian civil servants (Collier, 2009, p. 158).

to their villages (Balint-Kurti, 2005; Colin et al., 2006). This has brought the principle of intergenerational justice to the forefront. During the crisis, officials working in Abidjan but coming from the west took the occasion to chase the *allogènes* from the land that their parents had provided the migrants with. Instead, they then gave the land to young people from their own group. Additionally, the young people who claim their right to land ownership are often those who fought in the resistance movements (militias). They now consider themselves entitled to recuperate the land which they helped to conquer from 'the enemy'. As a consequence, they are very reluctant to accept the return of *allogène* internally displaced persons (IDPs) to their plantations, causing dire conditions for those people who risk to retaliate violently in turn. Furthermore, immigrants were not the only ones to be chased away; there are cases in which Ivorian landowners were driven from their land by foreigners who now obstruct their return. Especially near the Liberian frontier, Liberian refugees living in the area partly joined forces with Liberian mercenaries of the LIMA (Liberia Ivorian Armed Movement) who attacked Ivorian villages (see Chapter 1.1). In any case, the unclear conditions about who is the rightful owner of the land form a major obstacle to the return of displaced people. The country is faced with a large number of IDPs who still have not returned to their land, as the next paragraphs illustrate.

How to support return and reconciliation

During the violent conflict, many people fled to other parts of the country, and there are still an estimated 750,000 IDPs.⁷⁵ These refugees are hosted by already overstrained communities with little infrastructure and are frequently victims of violence and renewed tensions (Danish Refugee Council, 2008). Former refugees who return to their land often discover that their plantations have been taken over by others during their absence. One example are the returned villagers of Diari whose story illustrates the problems suffered by many (see Box 15 below). They are part of a total of 22,000 displaced 'foreign' coffee and cocoa producers spread over 223 camps in the Bloléquin department who are denied access to their former plantations.

In the west of Côte d'Ivoire, in the area of Guiglo and Douékoué, the reintegration of returned IDPs to their villages started in 2007. In total, 61,432 IDPs have returned to their homes (United Nations Group of

Experts, 2008b). However, staff members of different humanitarian organizations in the region reported increasing problems and tensions between the people who still want to return to their plantations and the people who are currently occupying the land. In addition to the inter-community tensions that lead to targeted killings and the destruction of property, the overall security situation in this region remains a serious concern. The western part of Côte d'Ivoire, which also hosts the majority of Liberian refugees (an estimated 10,000), still suffers violent attacks from militias and unknown groups (Danish Refugee Council, 2008; United Nations Group of Experts, 2008b). The area is very insecure. There is a lot of impunity and violent robberies on the road of Duékoué to Bangolo and to Man, around the former *zone de confiance*. "The people are not disarmed. This is very dangerous; there are frequent reports of murders and rape. If they don't use a Kalashnikov, they use their hunting gun."⁷⁶

Moreover, the settlement of land disputes is complicated by the fact that there are three different authorities that manage the land tenure system in Côte d'Ivoire: The government officials, the village chief (*chef de village*) and the land chief (*chef de la terre*). Usually one of the latter allocates the land to a family.⁷⁷ The ministry of reconciliation, with humanitarian and development organizations⁷⁸, therefore assists peace committees on the level of the villages, prefectures, departments and *sous-prefectures* that try to bring together these different authorities and the major stakeholders. A challenge in these mediation efforts at the local level is that the most respected people, 'les cadres' or 'absentee planters', often live in Abidjan. They should be involved in the local resolution efforts, but as they are not involved due to physical distance, they sometimes appear to be spoilers of decisions when they disagree at a later stage or have different interests. A local administrator of the ministry of reconciliation explains,

To be honest: Even after a solution was found, *les cadres* of the village come from Abidjan and ask 'What have you done?!' The *cadres* possess the land. They are in the high political positions and have social status. The villagers believe that they will help them to get out of their poverty. Thus, the *cadres* are the most respected, even

⁷⁵ BICC Interview, 26 March 2008, Pierre Marie N'Gore, Communication and Advocacy Officer, OCHA Abidjan.

⁷⁶ BICC Interview, 8 April 2008, Representative IOM, Douékoué.

⁷⁷ BICC Interview, 22 January 2008, Observer 10, Bonn.

⁷⁸ BICC Interviews, April 2008; Representatives World Food Program, Danish Refugee Council, Food and Agricultural Organization, GTZ (German development cooperation) and the International Organization of Migration; west Côte d'Ivoire.

Box 15: The farmers from Diail¹

The village of Diail is situated in Moyen-Cavally, a western region of Côte d'Ivoire bordering Liberia. Before the conflict, the village counted a population of 2,187 persons, about 25 percent of whom were *allogènes* (migrants) coming mostly from Burkina Faso (423 persons) and a smaller group of people from Mali (11 persons) and Liberia (13 persons). Most of the migrants have lived in Diail for 40 years, sustaining themselves by growing cocoa and coffee.

On 1 of August 2003, the *allogènes* left the village because of the war. They went to the refugee camp in Guiglo. It was only three-and-a-half years later that the first group finally returned to the village with a convoy of the International Organization of Migration (IOM). Due to attacks by inhabitants of other villages, the returnees cannot work on their plantations yet. A group of *allogènes* of Burkinabè origin explain:

"There are great problems. The children don't have enough to eat because we all have no access to the plantations. There are always attacks from other villages."

"First, after we returned, we were told by the authorities to better stay in the village because of insecurity. After about four months, we tried to work again but we have not succeeded so far."

The taste of cocoa

The *allogènes* are allowed by the village chief to plant crops around the village, but they cannot go back to the cocoa and coffee plantations they once grew. When the first people arrived in the village, 40 years ago, they received land to work on

¹ *Sous-préfecture* de Péhé, Department of Toulépleu, bordering Toulépleu.

and thereby acquired ownership over time. Others bought it. Sometimes documents were handed over; sometimes it was without any documentation. The chief of the Burkinabè community tells his story:

I have been here for 42 years. I was given the place. We sowed the cocoa. It was long before the people from the other villages came. There was a good understanding between us and the village and we worked together. There are linkages of marriages between the *allogènes* and the *autochthones*. Because of those linkages there can not be any quarrels. With the war, the villagers chased the foreigners away. They took the plantations while we went to Guiglo for security and they collected a good harvest. (...) They tasted the cocoa and now they won't go!

There were several violent attacks, in which the villagers aimed to chase away the *allogènes* who tried to return to the plantations. The people who were attacked describe that each attack was accompanied by the display of more weapons, such as caliber 12 rifles, Kalashnikovs and machetes. One man describes, "At the third attack, there was no discussion. They fired immediately. That is their way to scare us."

Different rounds of negotiations and reconciliation ceremonies took place. The solution is mainly sought with the chiefs. "The chiefs and the *sous-préfets* should communicate. The authorities are not strong enough to solve the problem yet."

Source: BICC Interviews, 8 April 2008, Danish Refugee Council staff, a group of returned families, and village chief of Diail.

more than the authorities and they should be more involved in resolution efforts.⁷⁹

Besides the ongoing support for returning IDPs and their host communities, key priorities are the rehabilitation of social infrastructure and the provision of income-generating activities for youth as basis for stabilizing the security situation (see DRC, 2008, United Nations Group of Experts, 2008b, p. 11).

⁷⁹ BICC Interview, 8 April 2008, Regional Staff of the Ministry of Reconciliation, Guiglo.

3.1.2 Where the cocoa rent goes

Cocoa revenues were the greatest source for government military expenditure, according to the United Nations Group of Expert reports (United Nations Group of Experts, 2005 and 2009, pp. 15–17). Taxes from the cocoa sector, worth US \$2.3 billion in 2003, and additional contributions from the cocoa institutions went into the increasing war expenditure. According to a 2005 audit issued by the European Commission, about Francs CFA 20 billion were transferred from

quasi-fiscal agencies to the office of the president for 'sovereignty expenditures'. Under financial pressure, the government accessed additional unearned revenues through a system of advanced tax levied for the cocoa crop (*prélèvement Droit Unique de Sortie*, DUS) (United Nations Group of Experts, 2006c).

For this reason, President Gbagbo thanked the institutions regulating the cocoa sector (see Table 2 below) openly for their US \$20.3 million contribution to the **government's** defense efforts in December 2002 (Global Witness, 2007, pp. 24–25). This was in the same month when government Mi-24 helicopters attacked the central town of Vavoua and killed 40 people (Dévérin, 2006). The contribution of the cocoa institutions amounted to 20 percent of all defense expenditure between September 2002 and December 2003 (United Nations Group of Experts, 2005). Overall, during that time the crisis had burdened the state budget with additional Francs CFA 146 billion, of which about 60 percent was spent for military hardware and the other 40 percent for wages, food and recruiting of new troops. The board of one of the cocoa institutions, the BCC, included representatives of the largest exporters' union, GEPEX, the general manager of ADM Cocoa SIFCA and the director of Darfci, at the time owned by the French company Bolloré. The international cocoa exporters had denied any knowledge about the fact that their financial contributions were financing the war (see Global Witness, 2007, p. 25). However, in an interview with BICC, a representative described their motivation for the transfer as follows:

The exporters have been under fire as the group who exploits the producers, and as source of problems. As GEPEX we have always tried to show what positive actions we could undertake. Notably, when there was the strongest moment of the crisis, GEPEX was solicited by the authorities to strengthen the peace. GEPEX has offered finances for this contribution to peace.⁸⁰

On the other side of the conflict, the **Forces Nouvelles** (FN) in the center-north-west provinces of the country, where about 10 percent of the country's cocoa is produced, also largely benefited from cocoa production and exports. The cocoa seeds are smuggled to the neighboring countries on a large scale. In April 2009, the trading of cocoa to Mali, Burkina Faso and Guinea continued uninterrupted (United Nations Group of Experts, 2009). One can

hardly talk of 'smuggling', however, for the trade is actually overseen by the *Forces Nouvelles* who tax individuals and companies, thereby acquiring a big part of the cocoa revenues. Guillaume Soro, leader of the FN and Prime Minister, admitted in an interview with Reuters in November 2005:

I took the decision that cocoa should not go to the ports of San Pedro and Abidjan because we are in a war situation. It is not for us to send it down to Abidjan and give (President Laurent) Gbagbo the means to buy weapons to fight us. That would be stupid. That is why we decided the cocoa should go up and leave through other ports—Guinea, Togo and Ghana. We have set up a tax system and this money is used for the rebellion (In United Nations Group of Experts, 2006a).

The FN tax and customs organization called *La Centrale* levied three types of taxes, the *laissez passez*, escort fee and merchandise tax on all commercial goods that pass its territory (Balint-Kurti, 2007, p. 23). The commodity tax for cocoa was set at Francs CFA 150 per kilo which was lower than the government *Droit Unique de Sortie* (DUS) of about Francs CFA 220⁸¹ and herewith competitive for traders who bring the cocoa to neighboring countries for further processing and export.⁸² A representative of an export company told the BICC team, "Last week I saw a lot of cross-border transport. (...) We [exporter in the south] pay Francs CFA 330 taxes per kilo. This means that those people who go to Bobo-Dioulasso [Burkina Faso] already benefit from avoiding paying this sum. The interest to do this is big. Even for the European firms, they say 'if I can get this lower price ...'⁸³

By these means, the FN were able to secure an estimated Francs CFA 15.1 billion (€23 million) per year from the cocoa trade from 2004 onwards—money they used to sustain their rebellion and not to invest in public services like health care and education for the population (Global Witness, 2007, p. 4). The view of the FN on the matter is a different one. They claim that the central economic and financial management structure collecting the money had the mission of "helping the population on the social and

⁸¹ The DUS was raised in July 2001 from Francs CFA 125 to Francs CFA 160 per kg and just over one year later (August 2002) to Francs CFA 220 at the level where it still was in July 2009.

⁸² BICC Interview, April 2008, High-ranking official *Forces Nouvelles*, Abidjan.

⁸³ BICC, Interview 26 March 2008, director cocoa export company, Abidjan.

⁸⁰ BICC Interview, 17 April 2008, Representative of GEPEX, Abidjan.



human level".⁸⁴ On the same note, they explain that the needs of the men in the FN army "who needed to be fed and who worked for the population (...) were not to be neglected."⁸⁵ However, in June 2008, the International Red Cross deemed it necessary to distribute seeds and fertilizer to 21,000 farmers in the northern and central zone in order to help the rural population, which has only grown poorer since 2002 (*ReliefWeb*, 20 June 2008). Infrastructure for health and education is deficient in the FN zones (*AlertNet*, 2008). This is to show that much of the revenues first went to financing the FN and not to welfare expenditures that would have helped the population, as they claim.

Hence, the warning of Global Witness in its 2007 report 'Hot Chocolate' still holds true today: "Opportunities for enrichment from cocoa through corruption and misuse of revenues, both by the government and the rebel group *Forces Nouvelles*, continue to undermine the resolution of the crisis".⁸⁶ The question is: What structures of the cocoa sector allow for the embezzlement of public cocoa revenues for private use or war expenditures?

The farmer pays double and gets less

Houphouët-Boigny had used the cocoa rent to consolidate his power, buy the country's infrastructure and invest in costly agro-industries. Cocoa production, together with the booming sector of other important cash crops like coffee, cotton and cashew nuts, led to

⁸⁴ BICC Interview, 14 April, Representatives at *Forces Nouvelles* headquarters, Bouaké.

⁸⁵ BICC Interview, 14 April, Representatives at *Forces Nouvelles* headquarters, Bouaké.

⁸⁶ Global Witness, a UK-based NGO, which investigates the role of natural resources in funding conflict, provides a detailed report on how revenues from the cocoa trade have contributed to funding armed conflict.

the increase of the agricultural surface of the country by a factor of four over the past forty years (European Commission, 2007). Revenues from commodity exports in the form of direct and indirect taxes represent an important part of the state's revenues until today. However, over the past years of conflict, these revenues have been more and more associated with financing of the conflict parties, embezzlement of large sums of money in unclear semi-government structures and farmers ending up with next to nothing for their harvests.

Put in place to rein in the adverse consequences of the complete liberalization of the cocoa sector for producers in 1999, the coffee and cocoa institutions only worsened the mismanagement of the cocoa revenues (see Table 2). The new cocoa sector is characterized by a complexity and opacity of different 'quasi-fiscal' agencies, which is "widely considered to have permitted diversion of cocoa revenue in the recent past, both for private purposes and towards off-budget expenditure by the Government, particularly military spending" (United Nations Group of Experts, 2005, p. 14). A 2003 audit performed by the European Union that leaked into the French press in 2006 detailed the massive mismanagement of the institutions and was reason for the EU to decline continued financing of the country's cocoa and coffee sector.

The payments to the various cocoa institutions have reached the amount of Francs CFA 64.65 billion (approx. €100 million) over the period October 2005–March 2008, with a rise of 2.99 percent over the first months of 2008, due to an increase in exports of eight percent since the year 2007 (Ministry of Agriculture and Ministry of Economy and Finance, 2008b). Since their inception in 2001, the cocoa institutions have collected Francs CFA 300 to 400 billion (€450–600 million), according to World Bank estimates (United Nations Group of Experts, 2008b, p. 29). Apart from the ARCC (administrative regulation), which claims to be a public enterprise, the cocoa organizations—which are meant to exercise a regulatory function—have the legal status of private entities. They have used this as an excuse for ignoring the opinion of state commissioners and institutions of public control, for blocking any cooperation with the EU and UN auditing experts (Amiri and Gourdon, 2006, pp. 53–55, 76–78).

The UN Group of Experts reports that it was only in June 2007 that they succeeded to meet with the head of three out of four of the cocoa institutions, ARCC, BCC and FRC. "[T]hese meetings, however, shed no light on how the parafiscal revenue collected by

these agencies was utilized" (United Nations Group of Experts, 2007b, p. 14). The requests for information about the institutions' bank accounts directed to several banks—notably the Banque Centrale des Etats d'Afrique de l'Ouest—has not been answered either, leaving the Group with great trouble to monitor some of the important accounts, such as the *Réserve de Prudence* (for the guarantee of a minimum price to producers) and the *Sacherie Brousse* (for the provision of bush bags) (United Nations Group of Experts, 2008a, p. 17).

easily cheated because they don't have accurate information on the prices."⁸⁸

Moreover, the low performance of the institutions that are meant to provide services to the farmers has detrimental effects on the entire sector, as a cocoa exporter observed. "The quality of the cocoa has been degrading ever since the liberalization. Due to privatization, it went completely out of control, in terms of quality of cocoa in Côte d'Ivoire. The great multinationals such as Cargill came in and started

Table 2: Cocoa institutions

Institution	Function	Source
Autorité de Régulation du Café et du Cacao (ARCC)	Administrative control of the branch: e.g. licensing of buyers and exporters (since 10 October 2000).	http://www.arcc.ci
Bourse du Café et du Cacao (BCC)	Technical and commercial regulation: e.g. monitoring of the buying and export operations; price indication.	http://www.bcc.ci
Fonds de Régulation et de Contrôle (FRC)	Financial regulation and control and the export operations (since 12 April 2002).	http://www.frc.ci
Fonds de Développement et de Promotion des activités des Producteurs de Café et Cacao (FDPCC)	Oversight of the producers and promotion and development of their activities: e.g. provision of bush bags (since 28 August 2001).	http://www.fdpcc.ci
Fonds de Garantie des Coopératives Café-Cacao (FGCCC)	Guaranteeing finances for cooperatives and facilitating the credit system in the sector (created in 27 August 2001).	http://www.fgccc-ci.com

Before liberalization, the stabilization fund CAISTAB (*Caisse de Stabilisation*) had guaranteed a stable price for farmers, independent of the highly fluctuating world prices, and had determined fixed commissions and transport for the intermediates. Exporters received a contract "depending on their nice faces or their good connections for a certain amount of tons a year. The advantage was that CAISTAB knew more or less the production in a period and gave no more contracts than this amount and those exporters received finances of the banks accordingly."⁸⁷ Under pressure of the IMF and the World Bank, CAISTAB was dismantled and the internal and external marketing of cocoa liberalized, as solution to the country's high foreign debt. "Farmers say that they prefer the old days when they knew what they would earn. Now the prices are not fixed anymore and farmers are

buying large quantities. The intermediates even go to farmers and say: well your cocoa is not fermented yet, but I take it anyway, or it's not really dried, but I buy it anyway'. I only see it getting worse."⁸⁹ In addition, farmers receive insufficient technical support. Before, there were the state institutions that took care of the farmers with a national network of experts who provided technical support in the region. They also monitored the condition of the plantations. There was an important agricultural and agronomical support.⁹⁰ All of this has disappeared."⁹¹

⁸⁷ BICC Interview, 26 March 2008, Director of a cocoa export company, Abidjan.

⁸⁸ BICC Interviews, 28 March 2008, Observer 9, Abidjan.

⁸⁹ BICC Interview, 26 March 2008, Director of a cocoa export company, Abidjan.

⁹⁰ The state institution SATMACI provided extensive agricultural research and extension services to farmers.

⁹¹ BICC Interview, 10 April 2008, Christophe Julienne, Directeur Achats Cacao, SACO, Abidjan.

Table 3: Taxes and royalties for the cocoa harvest 2007–2008

Item	Amount
<i>Droit Unique de Sortie</i> (export tax)	220*
Registration tax	5 percent of the price.
Autorité de Régulation du Café et du Cacao	6.01*/kg of which 1.80* for weighing, 1.35* for quality control and 1.41* for contributing to the budget of international cocoa and coffee organizations
Bourse du Café et Cacao	3.35*/kg
Fonds de Régulation et Contrôle du Café et du Cacao	1.60*/kg
Fonds de Développement et de Promotion des Activités des Producteurs de Café et de Cacao (FDPCC)-fonctionnement	4.30*/kg
FDPCC-Investissement	10.00*/kg
<i>Reserve de Prudence</i>	5.00*/kg
<i>Fonds d'Investissement en Milieu Rural</i>	12.50*/kg
<i>Sacherie-brousse</i> (bush bags)	3.70*/kg

Source: Décret no 2007-458, 20 April

* in Francs CFA

In short, while the cocoa institutions performed badly in terms of service delivery, they received an increasing part of the cocoa rent. The fiscal and parafiscal taxes (levies) on cocoa went up drastically. The export tax DUS increased from Francs CFA 150/kg in 1997 to Francs CFA 220/kg in 2003, and remained at that height until the 2007/08 harvest. Other additional levies totaled 46.46 Francs CFA/kg (See Table 3; Banzio, 2003, p. 115; Global Witness, 2007, pp. 20–23). This made Ivorian cocoa the highest-taxed cocoa in the world, leaving the farmers with very little, as traders and exporters tried to still make a profit. The indicative farm gate price offered by the BCC, after negotiations with the biggest exporters, was a mere Francs CFA 365/kg in 2003; farmers only received between Francs CFA 200 and 250 effectively. Hence, often farmers are cheated upon. “Statistics prove that prices are never respected on the ground. The negotiation capacity of producers remains weak because the latter are not unified in contrast to other operators” (Kemanhon, 2008).

The high level of taxation has induced the smuggling of cocoa to Ghana and other neighboring countries. Especially the small and medium-sized export companies are weak and confronted with a lack of investment due to the liberalization. They therefore send part of their harvest to the nearby countries. Insecure income among farmers is the basis of large-scale poverty and of many social problems that also endanger the country's stability and peacebuilding.

Some refer to the ‘Ghanaian model’ as preferable to the Ivorian situation. “There is a Ghanaian buyers’ platform that arranges all the buying up country. This guarantees a much better quality than when the Europeans are coming in and compete for quantity, implicating that there is no more attention to the quality, as we see it happening here (Côte d’Ivoire).”⁹² Another difference to Ghana is that often land owners do not actually work on their land. “In Côte d’Ivoire, often the original owners possess large

⁹² BICC Interview, 26 March 2008, Director of a cocoa export company, Abidjan.

areas of land and have foreigners working on their land while managing it from a distance. In Ghana, people take better care. My advice would be to go back to the old situation as the only way to guarantee the quality. If not we risk that at some point they don't want the Ivorian cocoa anymore or only pay very little money for it."⁹³

3.1.3 Peace cocoa from Côte d'Ivoire?

The above paragraphs outlined the conflict-prone nature of the governance of the cocoa sector in the context of the disputes over land for cocoa plantations and the mismanagement of the cocoa revenues. Therefore, it is important to research in what way the cocoa sector could contribute to peace in Côte d'Ivoire.

Requests for more transparency in the cocoa sector have, until recently, been obstructed by many closed doors of the actors involved. Moreover, those who dared to investigate corruption in the cocoa sector have often received serious threats, such as the French-Canadian journalist Guy-André Kieffer who disappeared in April 2004. During the BICC field study, an often-voiced advice was still: 'You had better not ask any questions about cocoa'. At the same time, many of BICC's interlocutors felt that the fragile peace in Côte d'Ivoire can only stabilize if transparency improves. National newspapers report frequently on suspected frauds. Farmers, but also traders, have increasingly mobilized themselves to condemn the practices of the institutions that should represent their interests, creating a range of cooperatives or trade unions (for instance COSACI, CNPCC, BNSODEA-CI, AIDPCC, Synat-fcc).

On an international level, NGOs, with Global Witness taking the lead, have asked cocoa exporters and importers to actively support transparency in the sector, with mixed reactions as a result (see Global Witness, 2008b). Some multinational companies and international cocoa associations commit themselves with apparent enthusiasm to initiatives around child labor and farmers' development projects. This is in contrast to their limited willingness to address more structural problems such as corruption and the fact that a big part of the cocoa rent does not reach the farmers. The explanation advanced by an export company BICC spoke to reads: "We can address a certain number of issues, but we also still depend on BCC and ARCC and cannot stand on the other side

because we need the yearly agreements."⁹⁴ Exporters pointed to the donors and said that they were able to and had to impose more transparency on the management of the sector. The biggest exporters, through their association GEPEX, merely left the board of the Bourse du Café et du Cacao (BCC), expressing their discontent with the functioning of this institution, when the managing directors of the BCC themselves were arrested in June 2008 (*Matin d'Abidjan*, 2 September 2008).

Bilateral donors and multilateral institutions such as the World Bank and IMF have made the improvement of the governance of the cocoa sector a condition of their financial support. One of their conditions was to reduce the pre-levees to the cocoa institutions from Francs CFA 90/kg to Francs CFA 45/kg. Recently, the Ivorian government announced to the World Bank that it would reduce the export tax DUS from Francs CFA 220 to 210 per kg from October 2009 on and cut the registration tax for exporters by half (Baillard, 2009). Another condition was the establishment of a new entity that should oversee the part of the cocoa revenues that is earmarked for investment under the supervision of the Ministry of Agriculture and Finance.⁹⁵ However, the structural problems in the cocoa sector—how can the quality of cocoa be assured, farmers receive a fair price and traders have access to funds to finance the transportation—cannot be resolved by transparency alone.

Since 2008, some changes in the governance of the sector have been taking place. The leaders of the peace process, who before used cocoa revenues to finance their war efforts, now call for reforms in the sector that increase transparency and development. Initially, these pronouncements were met with skepticism by observers. However, the first steps are already being made, and they go beyond transparency measures. Some steps to note in this context are:

Investigation and prosecution of those involved in corruption in cocoa marketing

In late October 2007, President Laurent Gbagbo announced an investigation into possible corruption in the cocoa trade. This was prompted by the accusations of corrupt practices of the FRC and its US \$22 million purchase of the 102-year-old Nestlé factory in Fulton, United States (*Africa Confidential*, 2008). The announcement of the prosecutor, Raymond Tchimou,

⁹³ BICC Interview, 26 March 2008, Director of a cocoa export company, Abidjan.

⁹⁴ BICC Interview, 10 April 2008, Christophe Julienne, Directeur Achats Cacao, SACO, Abidjan.

⁹⁵ BICC Interview, 10 April 2008, Representative IMF, Abidjan.

on 13 June 2008 has jolted the whole cocoa sector: 23 high-ranking cocoa officials were accused of corruption and 17 officials were subsequently arrested. Observers BICC spoke to were skeptical about what this action may bring, if not only to serve the interest of those in power—elections were looming on the horizon and donors had to be convinced of the serenity of the incumbent government. It is questionable that the arrests will affect the way the Ivorian cocoa sector is run, for many of those who replaced the detained officials have themselves been "part of the system" (*Africa Confidential*, 2008, p. 3). Another criticism is that the investigation did not cover the banks, notably the *Banque National d'Investissement* (BNI), which was possibly used as a channel of misappropriation of cocoa levies, and the ARCC, the only cocoa institute, which is fully owned by the state. So far, after a year of detention, the trial against the detainees has not been opened yet. They are held in prison on the grounds of Article 110 of the Ivorian penal code, which applies in cases of aggravated circumstances and which allows keeping the accused up to 18 months in prison before trial (*Nouveau Réveil*, 2009). NGOs call for a transparent process for those detained with access to information for the Ivorian public (COPACT-CI&DDR, 2008, Global Witness, 2008b).

Disclosure of cocoa revenues and their investment

As part of the conditions imposed by the multilateral donors, the government of Côte d'Ivoire established the *Comité d'Examen et de Suivi des Projets et Programmes de la Filières Café Cacao*—CESPPCC—to oversee the different investment funds. Subsequently, the Ministry of Agriculture and the Ministry of Economy and Finances published the revenues from cocoa production for the year 2007 and the first quarter of 2008. The report details that, out of the total Francs CFA 137 billion that were channeled into the cocoa investment funds, 88 billion were allocated to 1) the *Reserve de prudence* (Francs CFA 41 billion), 2) FD-PCC Investment (Francs CFA 31 billion), 3) *Sacherie-brousse* (almost Francs CFA 11 billion), and 4) the Fund for the investments in the agricultural environment (with Francs CFA 5.5 billion). As to the latter, this is only one-quarter of the originally budgeted Francs CFA 20 billion targeted for agricultural development. The report states that considerably more projects could be implemented in the first quarter of 2008 (worth Francs CFA 21.15 billion) compared to the same period of the previous year (worth Francs CFA 6.9 billion), thanks to a more precise annual plan. An IMF representative believes that the CESPPCC report contributes to the monitoring of the investments made with taxes, but that "a lot of money has been collected before". The

IMF has therefore requested an audit on the money that was collected before 2007.⁹⁶

Restructuring of the cocoa sector

In July 2009, the Ivorian cocoa sector was restructured, a process which is still going on. After an evaluation of the prospects for reforms in the coffee and cocoa sector by a state committee (created by decree of 23 May 2008), a committee for the management of the sector (*Comité de gestion de la filière café-cacao*) was created in September 2008 that provisionally took over the tasks of the cocoa institutions FRC, BCC, ARCC and FDPCC and is headed by Anoh Nguessan Gilbert (*Fraternité Matin*, 24 September 2008). The operations of the cocoa institutions have thus been halted, without a new regulatory structure being in place yet. By February 2009, a committee charged with the reform of the cocoa and coffee sector was formed (*Comité chargé de la réforme de la filière café-cacao*) (*Nord-Sud*, 9 July 2009). In July 2009, the committee entered into consultations with all the stakeholders of the cocoa sector. The purpose is to arrive at a consensus for a restructuring process, which simplifies the institutional set-up of the sector and tackles its current problems at the level of production, commercialization and processing. The exercise is thus a comprehensive and ambitious one, aiming at an improved system of commercialization, rigorous control procedures and periodic evaluation of the sector's performances. A great concern is therefore that the process be as inclusive as possible, to limit the eventual grievances arising from the process. Ahead of the consultations, cocoa traders protested against measures taken by the *comité de gestion de la filière* that would eliminate some of their social entitlements (*Notre Voie*, 2 July 2009); this is to show that one needs to be wary of the procedures and the outcome of this restructuring process.

Moving from conflict cocoa to peace

"Côte d'Ivoire should be rich" is often voiced in connection with the cocoa sector. This chapter has shown that cocoa has inspired conflicts located at the level of the production site, centered upon the access to land (see Box 7). As to the distribution of cocoa rent, revenues from cocoa have helped sustain the war efforts of both the *Forces Nouvelles* and the government. Equally, they have obstructed peacebuilding efforts by creating incentives for the FN to hold on to their positions and the government to hold on to power beyond its official mandate.

⁹⁶ BICC Interview, 10 April 2008, Representative IMF, Abidjan.

The privatization of the cocoa institutions also had a detrimental impact on the distribution of the cocoa rent, as the income of cocoa farmers has continued to erode.

Even though the quality of the cocoa is declining and the sector has gone through troublesome years with many farmers suffering, the cocoa sector still has some economic potential. Investments that improve the productivity and sustainability of the cocoa plantations are needed. For this to happen, farmers' access to sufficient planting material needs to be improved (Ruf, 2007a). A new financing structure for the cocoa sector needs to be found, which overcomes both the shortcomings of the former National Development Bank for Agriculture (BNDA) and the scattered, insufficiently refinanced microfinance institutions. A new bank for the development of the cocoa sector, which refinances local credit and savings institutions on the village level may be a way forward. Other imperatives are a more effective and united organization of producers on a national level, an overhaul of the regulatory structure of the sector (including the legal and institutional status of the cocoa institutions) and improved technical advice and research (Adler, 2000; Kemanhon, 2008).

At present, the pregnant issue of access to rich cocoa land is not a leading subject of the peace process although its urgency remains high. In the current absence of a reconciliatory land law and/or strategies dealing with the issue, the situation remains fragile and worrying—especially in the rent-yielding cocoa and coffee zones in the western regions. In 2008, land conflicts again erupted in the north-east, the west and the south of Côte d'Ivoire leading to violence and even killings. In reaction, the government tried to re-launch the amended land law from 1998 by explaining it to rural populations. Due to its *autochtone-allogène* vision (see Box 14 above), it is questionable whether the law can serve as an appropriate tool to ease conflicts over land. The re-launch of the law therefore needs to be accompanied by a strategy to avoid fueling existing tensions. In addition to merely explaining the law to rural populations, this strategy should include supportive measures to facilitate the documentation of land rights pre-dating the law (Art. 26) and to support the transformation of customary entitlements into formal land certificates (Art. 6, 7 and 8).

Moreover, "one should not confuse on-going interpretation, conflictual situations (...) with (...) the disappearance of local codes and principles of justice" (Chauveau, 2006, p. 237). Instead of privileging certain principles (intergenerational justice,

autochtone-allogène dichotomy) over others ("labor creates a right", "rights to access to means of subsistence"), the land disputes should be settled on a case-by-case basis.

Such reforms in the management of the cocoa land and cocoa revenues need special attention in the current peace process in order to avoid an escalation of tensions on the local and national level. If the current restructuring process is able to address these pressing issues, the prospects for the cocoa sector to contribute to peace and development will increase significantly.

3.2 Diamonds

3.2.1 History of diamond mining in Côte d'Ivoire

Côte d'Ivoire is only a minor diamond producer in Africa, compared to Botswana or the Democratic Republic of the Congo that produce millions of carats (Cts) worth of diamonds. Before the conflict, the average production was around 300,000 Cts (Ministry of Mines and Energy, 2007). Annual export revenues were worth about US \$28.5 million. First discoveries of diamonds in Côte d'Ivoire date back to 1927 and 1947 and were made in the regions of Séguéla and Tortiya in the north of the country. Today, diamond mines are still situated in the region of Diarabana-Bobi (Department of Séguéla) and Tortiya (Department of Niakaramandougou). Approximately 20,000 artisanal miners work in the mines (Government of Côte d'Ivoire, Direction des Mines, 2007).

Modest industrial mining activities took place from the 1940s to the 1970s, and started again with the decline of the prices of agricultural products in the early 1990s. With the civil wars in neighboring Liberia and Sierra Leone, Côte d'Ivoire became a major thoroughfare



Box 16: Diamond production

Diamonds are the hardest substance in the world. They are composed of carbon and were formed at least 990 million years ago. One can distinguish between two kinds of diamond deposits: Kimberlite (volcanic rock containing diamonds) and alluvial deposits. The Kimberlite, the primary source, is found in volcanic pipes, whereas alluvial diamonds have been eroded from this pipe over millions of years and spread over large areas in river beds, the ocean, or just under the surface.

The world chain of diamond production

Today, the value of world diamond production amounts to US \$12 billion a year (in 2007). Roughly 75 percent of the world's natural diamonds are used for industrial purposes, and 25 percent for gemstones. Of all industrial diamonds used, about 12 percent come from natural deposits while synthetic diamonds account for the remainder. However, natural diamonds that meet gem-quality standards of color, clarity, size, or shape, represent the greatest value of the diamond market. **Rough diamonds** are produced to a large extent in African countries, such as Botswana (US \$2.96 billion, representing 24 percent of world production), Angola (US \$1.3 billion or 15 percent), and South Africa (US \$1.4 billion or 12 percent), but also in the Russian Federation (US \$2.6 billion or 22 percent) and Canada (US \$1.66

billion or 14 percent). Via the main trading centers in Antwerp, Dubai and Tel Aviv, rough stones find their way to the cutting and polishing centers. The biggest import countries of rough diamonds are the European Community, India, China, and South Africa. Most of the **polishing and cutting** factories are based in India, where about one million people are working in this sector. In the next phase, the cut and polished stones go to the **jewelers and clients** who live in the United States, Europe, Japan and the increasing consumer markets for diamonds in China and India.

The fact that the Democratic Republic of the Congo, with an annual production of 28.5 million carats or 17 percent is not listed among the biggest diamond producers in terms of its market value, but outnumbers Canada in terms of its volume of diamond production (17 million carats or 10 percent), reveals the unequal distribution of the economic rent generated from the extraction to the polishing stage among different actors in the production chain. There is a great difference in the price of the gem transformed into exclusive jewelry and the producer price an artisanal diamond miner in an African country receives for the rough diamond.

Sources: Kimberley Process Certification Scheme, 2008; www.bluemining.com; www.diamondfacts.org; USGS, 2008; <http://www.emporia.edu/earthsci/amber/go340/diamond.htm>.

for goods looted there (Gberie, 2003). Conflict diamonds—originating from diamond-rich provinces in Sierra Leone, controlled by the Revolutionary United Front (RUF)—were suspected to have caused the exponential increase in Ivorian diamond export figures by almost 50 percent from 1998 to 1999.⁹⁷

Before the outbreak of violence in 2002, the state company *Société d'Etat pour le Développement Minier de la Côte d'Ivoire* (SODEMI) was the main semi-industrial and artisanal producer of diamonds in Côte d'Ivoire. Together with a new investor, the Australian-based African Carnegie Diamonds (CMIC), it planned explorations of alluvial deposits of the Bobi dyke in Séguéla in a joint venture.⁹⁸ The latter held 75 percent

and SODEMI 25 percent of the shares (Mobbs, 1998). They planned for mechanic exploration, but did not pursue it further due to the crisis. In addition, the British Golden Star acquired a mining title for diamond and gold mines in Tortiya in 1996, but has not undertaken any exploration activities yet. Hence at the moment, there are no companies active in diamond mining. Nevertheless, artisanal mining continued during the conflict.

3.2.2 Conflict diamonds

The failed coup of September 2002 by the FN led to the division of the country into the rebel-held north and a government-controlled south, separated by a neutral *zone de confiance* that was controlled by the French force *Licorne*. Hence, the diamond deposits of the northern and central region fell into the hands of the rebels. As a consequence, the government of Côte d'Ivoire, by Ministerial Decree of 19 November 2002, suspended all exploration and sales of

⁹⁷ The exact figures are 1998: 269,283.54 carats; 1999: 398,282.17 carats (Direction des Mines, 2007).

⁹⁸ African Carnegie Diamonds Plc, a subsidiary of Australian Carnegie Corporation has an agreement with Canadian Absolute Resources Corp. covering the 1000km² Bobi and Toubabakou diamond prospects. The area covers several primary kimberlitic dykes and sills (<http://www.mbendi.co.za>).

Box 17: Rules and regulations: The Mining Law of 1995

Diamond mining, like any other mining activities in Côte d'Ivoire, is regulated by the mining law of 1995. Exploration permits are granted by decree, decided upon by the Council of Ministers on proposal of the Minister of Mines (Art. 10). Exploration permits are valid for three years and can be renewed twice for a two-year-period (Art. 12). Once an exploration permit has yielded results, the owner can ask for an exploitation permit (Art. 11). The exploitation permit is renewable until termination of the deposits, but cannot exceed 20 years (Art. 19). Regarding obligations of the holder of a mining title, he/she has to submit an environmental impact study and a program of environmental management including rehabilitation of the mining site, prior to the starting of activities (Art. 77). Details are fixed in the separate mining regulation and non-compliance with the environmental rules can lead to imprisonment and/or fees exceeding Francs CFA 1 million (Art. 105).

The land owner whose property is within the perimeter of the mine or affected by the mine has a right to compensation (Art. 68). No exploration or exploitation activity can be undertaken closer than 50m to enclosed property, walls or equivalent, without consent by the owner. The same applies to public wells, holy sites, religious buildings or cemeteries, in which case the community has to give its consent (Art. 66). As a guarantee to mining title holders, anybody who opposes the occupation of a terrain by a mining title holder can be fined (Francs CFA 5,000 to 15,000).

For production to begin, a new company has to be founded (under Ivorian law¹) in which the Ivorian state holds at least 10 percent of the shares. Additional participation can be obtained through negotiations or via the financial market of Abidjan (Art. 5).

The holder of a mining title has to pay taxes and fees as foreseen in the general tax law. However, the Ivorian state has granted a number of exonerations, the general investment law exempting mining companies from profit taxes for a period of five years (Art. 8 of Investment Law; SODEMI, 2006).² For a gold mine, the state receives a three percent royalty, which is levied on the production output of the mine. This payment is also called Net Smelter Return. It is calculated according to the production level and the selling price. Since market prices vary, the selling price is often fixed in a clause of the contract (Minval, 1999). The obvious disadvantage for the state is that in the case of rising world market prices for gold, the profit margin for the company becomes huge whereas the state receives less revenues (Parker, 2006).

With regard to artisanal and semi-industrial mining, the Council of Ministers determines zones in which these activities are allowed (Art. 42). Rights for artisanal and semi-industrial mining can be granted only to Ivorian nationals, Ivorian cooperatives (the so-called GVCs), or to small and medium-sized companies and organizations registered under Ivorian law holding a majority of Ivorian capital.

Source: www.droit-afrique.com (in French)

¹ BICC Interview, 17 April 2008, Representative SODEMI, Abidjan

² BICC Interview, 16 April 2008, Representative Equigold, Abidjan.

diamonds. This is why the Ivorian certification scheme under the Kimberley Process has never been put into effect since its beginning in 2003, despite the fact that Côte d'Ivoire was one of its founding members (see Chapter 2.3.1). The country adopted a law for regulating the diamond market in Côte d'Ivoire according to the KP norms in May 2003 (Government of Côte d'Ivoire, 2007b).

First alerts on suspected continuation of diamond production in the north reached the Kimberley Process Chair and Working Group on Monitoring in mid-2004. Further findings by the KP working group, UN experts and Global Witness confirmed these alerts and found evidence that diamonds originating from the

area that was under control of the *Forces Nouvelles* were illegally smuggled into Mali and Guinea (United Nations Group of Experts, 2005).

UN sanctions on conflict diamonds

In December 2005, the United Nations Security Council (UNSC) issued its Resolution 1643, which stated "that all States shall take the necessary measures to prevent the import of all rough diamonds from Côte d'Ivoire into their territory ..." (2005, p. 3). This diamond embargo was renewed by the UNSC Resolution S/RES/1842 in October 2008, which is valid until 31 October 2009 (United Nations Security Council, 2008). Côte d'Ivoire is the only country currently under embargo by the



United Nations for the export of conflict diamonds. The rationale behind the diamond embargo was to cut the financial means of the *Forces Nouvelles* and to prevent an escalation of the conflict—as the UNSC, in the same resolution, recognized “the linkage between the illegal exploitation of natural resources such as diamonds, illicit trade in such resources, and the proliferation and trafficking of arms (...) as one of the sources of fueling and exacerbating conflicts in West Africa” (United Nations Security Council, 2005, p. 2).

Although diamond sanctions had been put into effect in three countries before (Angola, Sierra Leone and Liberia), monitoring and enforcement has not been very successful.⁹⁹ This also holds true for Côte d'Ivoire. Many actors have the mandate to monitor the implementation of the diamond sanctions. Internationally, all nations (members and non-members of the Kimberley Process) are asked to prevent the import of rough diamonds from Côte d'Ivoire. In addition, the Kimberley Process (KP) has to report any information on export or illicit trade of diamonds from Côte d'Ivoire. The United Nations Mission in Côte d'Ivoire (UNOCI) was authorized to contribute to the implementation of the sanctions, and the French government was requested to communicate any information gathered by the French military operation *Licorne* on the production and illicit export of diamonds. The following monitoring mechanisms were applied to observe the adherence to the diamond sanctions:

- UN Expert Panel reports and investigations (with an expert on diamond trade);
- KP review missions on the implementation of the KPCS in neighboring countries and trading centers;

⁹⁹ For some lessons on the different diamond sanctions, see: Wallensteen et al., 2006; Vines, 2003; Brzoska and Paes, 2007.

- Use of analyzing techniques to detect the origin of diamonds;¹⁰⁰
- Satellite imagery;
- A comparison of production and export statistics of the countries from the region, and
- Monthly aerial surveys of the diamond mines by the UNOCI embargo cell (United Nations Group of Experts, 2005).

However, all evidence collected by the KP and UNOCI on the illegal export of diamonds did not prevent it from happening. In fact, informal exploitation and, as a consequence, the export of diamonds has never stopped. Each of the UN Expert Panel reports that followed the 2005 diamond embargo (2005–2009) refers to continuous mining of diamonds in the Tortiya and Séguéla area and continuous smuggling of the diamonds to neighboring countries.¹⁰¹ This is partly due to the porous borders and the fact that two of the five neighboring countries are not members of the KPCS yet. As to the neighboring countries, which participate in the KPCS (Guinea, Ghana and Liberia), there are reports of serious flaws in their internal control systems, which raise great concerns as to whether they can prevent Ivorian diamonds from entering their markets.¹⁰² Moreover, illicit diamonds of Ivorian provinces continue to appear in the major trading centers of Antwerp, Dubai, or Tel Aviv (United Nations Group of Experts, 2008b, p. 33–40).¹⁰³ This is to show that cooperation of Western public and private actors in the supply chain of diamonds is badly needed. In October 2008, the UN Expert Panel reported that they were refused access to required financial information. Apparently, information by financial and banking institutions and other private and public companies is

¹⁰⁰ The working group of diamond experts developed ‘footprints’ (size-frequency distribution diagrams) for Ghana and Côte d'Ivoire (Kimberley Process, 2007a/b).

¹⁰¹ Reports of the Group of Experts submitted through the Security Council Committee established pursuant to Resolution 1572 (2004) concerning Côte d'Ivoire: S/2009/188, S/2007/611, S/2006/964, S/2005/699.

¹⁰² For more information on the neighboring countries: Kimberley Process, 2007a/b; United Nations Groups of Experts reports. The United Nations Groups of Experts latest mid-term report (2009) noted some progress in Ghana's internal control system: 6000 out of 7000 informal galamsey miners have been identified and registered and will comply with a new bookkeeping system (United Nations Group of Experts, 2009, p. 20). Mali is an applicant to the KP but so far has no data or measures available for monitoring. The seized freight of diamonds at Bamako International Airport has been submitted to the Malian judicial authorities (United Nations Group of Experts, 2009, p. 20, 36).

¹⁰³ Income from trade in illegal diamonds can be huge, for Ivorian traders offer diamonds at prices lower than international market rates (United Nations, 2009, p.18). An illegal shipment of Ivorian diamonds intercepted in Antwerp (shipped by Peri diamonds) was worth US \$20 million (Africa Research Bulletin, 2008, p. 17640).



not sufficiently disclosed so as to render the sanctions effective.

Estimates of the actual production of diamonds in the north of Côte d'Ivoire by the KP Mission of 2008 lay between 114,00 and 188,500 carats per year, worth between US \$12.5 and US \$20.7 million. Calculating the output continues to be difficult because the diamond content per ton and the efficiency of diamond recovery can only be estimated (United Nations Group of Experts, 2008b, p. 33). The *Forces Nouvelles* control a substantial group of artisanal miners, which allows for the large-scale continuation of production. They acquire part of the diamond revenues through a system of taxation at the level of the miners' collectives and at roadblocks (United Nations Group of Experts, 2006b). The greatest part of the revenues, between 30 to 50 percent, is believed to go as a direct fee to the local rebel leaders.¹⁰⁴ Moreover, the FN possess full information on where the valuable mines or the kimberlitic dykes are located, as they had asked the company Milan-Invest to execute a two-month exploration exercise. The FN claim that no exploitation has taken place in the zone that Milan-Invest had explored, and that the sole aim was to better coordinate the mining activities of the villagers during the crisis. The FN repeat that these artisanal miners and cooperatives (GVC: *Groupements a vocation cooperative*) were operating under the authority of the mining and energy ministry (FN, n.d.), which stands against the fact that the very ministry had banned all official diamond exploitation in the country by a ministerial decree in 2002.

The continued smuggling of diamonds from northern parts of Côte d'Ivoire seriously challenges the

¹⁰⁴ BICC Interviews, 8 November 2007, Brussels, 16 April 2008, Representatives Mining Ministry, Abidjan.

credibility of the Kimberley Process, whose aim it is to keep conflict diamonds out of the legal market. The latest report of the UN Group of Experts on Côte d'Ivoire (2009) even hints at increasing mining activity, with previously unreported mining activities in Tingréla, Boundiali and Bouna and industrial equipment found at a diamond-mining site. This represents a further setback because UN sanctions were also aimed at avoiding the start of industrial mining (United Nations Group of Experts, 2006b). Hence, at the latest Intersessional Meeting of the Kimberley Process in Namibia in June 2009, the trade in conflict diamonds from Côte d'Ivoire was still an issue of serious concern. KP members pledged to develop a multi-stakeholder regional task force to address implementation of the scheme in West Africa (Kimberley Process, 2009, p. 4). Moreover, KP members importing rough diamonds ought to enact deterrence measures that discourage imports of Ivorian diamonds more decisively and effectively (United Nations Group of Experts, 2009, p. 39).

The main national actors raise different issues in connection with the enforcement of the diamond embargo. The mining ministry asked the UN experts on various occasions why the UN forces were not willing to protect the diamond mining zones from being exploited, as they are concentrated in two zones surfacing respectively 30km² and 100km² (Government of Côte d'Ivoire, 2007b).¹⁰⁵ An entirely different point was raised by the political leader of the *Forces Nouvelles*, Guillaume Soro, who deplored the humanitarian impact of the sanction on civilians in the diamond areas. The latest UN report confirmed that the ongoing diamond mining is actually an "integral source of income for local communities" (United Nations Group of Experts, 2009, p. 18).

3.2.3 Fostering peace in the diamond sector

Redeployment of a national administration in the mining sector

After years of continuous illegal diamond mining, the mining administration returned to Séguéla and Tortiya in February 2008 (see Chapter 1.1.3). The return of the officials is a precondition for the implementation of a future monitoring system for the diamond trade. However, the newly redeployed officials enter a context with changed but established interests and find their old structures deteriorated. Concrete problems they encounter are:

¹⁰⁵ BICC Interviews, 8 November 2007, Brussels, 16 April 2008, Representatives Mining Ministry, Abidjan.

- **Lack of materials:** archives, data and offices have been destroyed.
- **No effective power:** The integrated security sector is under construction and in many places in the north, the *Forces Nouvelles* control the area because they are armed and in possession of means of transport.
- **Lack of financial means:** Due to the persistence of the FN parallel tax system, the newly redeployed administration have not received any (local) taxes.

Nevertheless, the fact that the mining administration is taking up its activities is an important step towards building a monitoring system for the diamond sector. Among the first steps they foresee is awareness-raising among the miners on the fact that the sector will be officially managed again, implying the identification and registration of miners.



The constraints are different in the two main diamond areas. In the area of Séguéla, where SODEMI had once stimulated miners to organize themselves into collectives (GVCs), the structures have more or less stayed intact. Seventeen out of the twenty-five GVCs remained functional according to a report of the *Forces Nouvelles* (n.d.). Here, the principal matter is the handing over of control to the national administration. It seems like one possible spoiler of such a process, Zakaria Koné, the former zone commander over Vavoua/ Séguéla, has already been strategically removed from the spot (see Box 5, Chapter 1.2).

The area around Tortiya was less organized before the crisis and has turned into what one may call a state of anarchy. After mining was banned, the miners

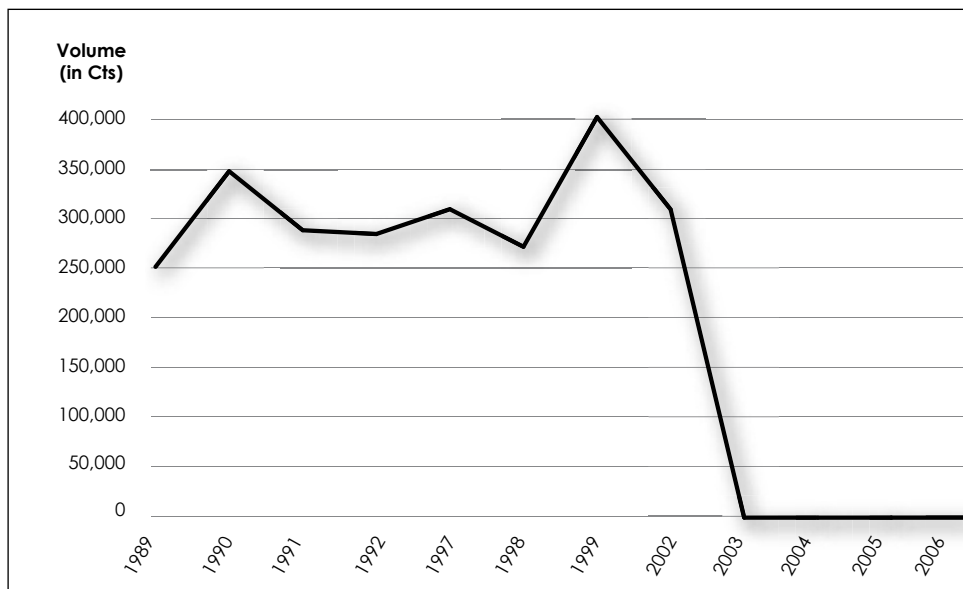
who left the sites were quickly replaced by the many new people who moved into this region. The 'law of the strongest' prevailed. A 2008 survey by the new administration counted five (illegal) buying centers (*bureaux d'achat*) that were still operating. According to a miner, the number of traders in the city could be as high as fifty. "Everybody can sell diamonds. We sell them in Tortiya with *les businessmen* (...). We simply sell to the person offering the best price." Several persons explained that the situation for the miners had become more difficult since the embargo and that the prices for diamonds have gone down. "Before, we used to receive Francs CFA 50,000 for the *petites graines*. Now we maybe receive Francs CFA 30,000 for the same."

It will not be an easy task to convince the diamond miners and traders to register themselves officially, for they are still operating illegally and they might not see a direct interest to register: Dao Lassina, 40 years old and a 'full-time diamond digger', explains:

Before, we had a *carte de travail*. This cost me Francs CFA 3,000 per month. Now, there are no taxes anymore. (...) What my request would be to the government of Côte d'Ivoire? (...) Actually I think it is fine the way it is. But diamonds are almost over. Everybody starts working in gold now.

Around Tortiya, many of the artisanal miners have turned to the more profitable gold mining. This trend of reduced artisanal diamond mining is especially significant in the northern fields, but there are still explorations for large-scale diamond mining awaiting, as a representative of SODEMI states, "Artisanal mining is no longer of interest for us. We want to undertake industrial mining." A continuing partnership with African Carnegie Diamonds Plc, subsidiary of Australian Carnegie, is therefore likely. SODEMI would like to restart sooner rather than later, for it is aware of the increased speed with which artisanal miners are currently exploiting the main deposit. This increased activity raised suspicion with the company: "In the beginning, maybe they were cautious to touch the dyke because they thought of exploiting the dyke by semi-industrial means themselves. Now they see that SODEMI wants to come back and grasp as much as they can still get". However, SODEMI also expects some difficulties in getting re-started. In a mission they had executed in January 2008, they were refused access to their mining concession by the *Forces Nouvelles*. Thus, at the moment, the main concern for SODEMI is security: "As soon as things are back to

Figure 1: Official export figures of rough diamonds from Côte d'Ivoire



normal, everybody takes their old work up. If there are no weapons we don't foresee big problems."¹⁰⁶

Diamonds for peace?

The continued diamond exploitation activities in the FN-controlled north have hampered the peace process at large by creating incentives for the rebels not to give up their profitable positions. Of the different provisions of the Ouagadougou Agreement, the budget unification process and the effective redeployment of border control and (mining) administration in the north have been particularly slow. The difficulties in reinstating a governance structure in the mining sector described above also derive from the increase in informal mining activities around Tortiya during the conflict. One of the main concerns of the government should therefore be how to reconcile the practices of artisanal miners, who have continued or taken up production during the conflict, with the goals of official and large-scale industrial mining. Considering the fact that only miners organized in the form of cooperatives (GVCs) can be granted a mining permit (see Box 17 above), it is imperative to support the creation of GVCs by those artisanal miners in Tortiya, or else offer them alternatives. Otherwise they could become a destabilizing factor in this situation of fragile peace.

In addition, as a condition for the lifting of the diamond embargo, the country will have to prove that it has a functioning internal monitoring system in place for

¹⁰⁶ BICC Interview, April 2008, Representatives SODEMI.

tracking diamonds. The mining ministry is currently planning to adopt a new law that provides the legal basis for an improved monitoring system. In May 2008, it proposed a working plan for the implementation of the KP at costs of about US \$800,000 (Government of Côte d'Ivoire, Ministry of Mines and Energy, 2008a). One concern that the officials raise is the difficulty of timing the diamond monitoring mechanism in the transition period, with the diamond sanctions

still in place. Then again, a proper internal monitoring mechanism would be the first prerequisite to lifting the embargo. This requires pre-financing of human resources and the stockage of diamonds. Côte d'Ivoire would benefit from collaborating with other diamond-producing countries in order to learn from their respective experiences in implementing the KP. In this process, the government of Côte d'Ivoire should enable civil society to play a pro-active role in monitoring the implementation of the KPCS at the national and regional level.

If the country obtains transparency in the revenues from its diamond mining sector and reinvests the collected taxes in social and economic development, the chances of diamond mining contributing to peace will increase significantly.

3.3 Gold

3.3.1 Fighting over the control of gold mines

The civil war heavily affected gold production, resulting in a decline from 3.6 tons in 2002 to 1.3 tons in 2003 (Olson, 2008, p. 35). During the conflict, the parastatal SODEMI had to abandon all its mining activities in the northern part of Côte d'Ivoire. Equipment and vehicles were looted or destroyed.¹⁰⁷ Nevertheless, mining and exploration activities did not

¹⁰⁷ BICC Interview, 17 April 2008, Representative SODEMI, Abidjan.

Box 18: Gold mining in Côte d'Ivoire

Currently, the main producers of gold in the world are South Africa, the United States, Australia, China, Russia, and Peru, where most gold is industrially extracted. Nevertheless, gold is also the most important of the mined resources in the West African region (Aidara, 2008). For Côte d'Ivoire, gold mining is a rather new economic activity. Its first gold mine, the Ity mine, started production in 1991 with an output of 1.1 tons that year. It is located in the department West Danané close to the Liberian border and approximately 700 km from Abidjan. By 2001, the Ity mine produced 3.1 tons of gold, and by 2007 a total of 22.8 tons (Direction des Mines, 2008). The second gold mine in Côte d'Ivoire, the Angovia gold mine, located in the east of Côte d'Ivoire and close to the capital Yamoussoukro, was active between 1998 and 2003, and re-opened by Cluff Gold in 2008 (www.cluffgold.com).

In 2008, a new mine, the Bonikro site, held by Equigold and part of the newly developed Oumé permit, located in the department Oumé in the south of the country, started production.

Moreover, several exploration permits were granted in 2008. They were given to the Canadian Etruscan in Divo, Australian Equigold in Katiola, Australian Perseus (through its subsidiary Occidental Gold) in Tengrela, and Randgold in M'Bengué (Tongon permit) (*Fraternité Matin*, 20 February 2008). The fact that three of these sites (Katiola, M'Bengué and Tengrela) are located in the north of the country, could be read as a sign for the return of government authority to the rebel zone. In 2003, exploration permits were given to Etruscan on the Agbaou site, which is one of the largest undeveloped gold deposits of Côte d'Ivoire (Etruscan, 2006). In total, seven international companies currently hold exploration permits in Côte d'Ivoire. These are Cluff Gold Plc (GB), Equigold NL (AU), Etruscan Resources Inc (CA), Golden Star Resources Ltd (US), Perseus Mining Ltd (AU), Randgold Resources (UK/South Africa) and the Société des Mines d'Ity (France).

Most companies expect the state to hold no more than the minimum 10 percent of shares, but for the Agbaou permit of Etruscan, Côte d'Ivoire will hold 15, and in the case of the Mines d'Ity the state already owns 49 percent of the shares (Etruscan, 2006; Amireault, 2006).¹ However, the state-owned Société pour le Développement Minier (SODEMI) states that it has no intention to expand the shares of the state in the private exploitation ventures.² SODEMI itself holds exploration permits and plans to intensify research into gold deposits to start operating a mine in which it will be the main shareholder (SODEMI, 2007, p.17). Depending on how the details will be dealt with, this offers an opportunity for higher state revenues and a better control of the miners' rights on the site.

¹ The mining concession for the Ity mine is held by SMI (Société des Mines d'Ity). "COMINOR is the controlling shareholder (and operator) of SMI with 51 percent of the shares. The Ivorian government owns the remaining 49 percent of the shares" (Amireault, 2006, p. 7). COMINOR is a subsidiary of COGEMA, a French uranium producer.

² BICC Interview, 17 April 2008, Representative SODEMI, Abidjan.

Position of gold mines in Côte d'Ivoire.



Source: <http://spilpunt.blogspot.com/2007/04/cte-divoire.html>

Figure 2: Gold exports 1990–2006



mainly produced by artisanal mining (see below). But the FN were also able to loot 27 kg of freshly produced gold from the biggest producing gold mine, the Ity mine, when MPIGO (a group now part of the FN) seized the mine on 29 November 2002. At the time, the French Société des Mines d'Ity (SMI) operated the mine. In April 2003, the state armed forces were able to recapture the mining site but it took until December 2003 for the production to start again. In June 2004, the FN started a new attack with the help of Liberian mercenaries, but were pushed back by government forces—only to try and fail again in December of the same year. Despite those renewed attacks by the FN, production in the Ity mine was not disrupted.

come to a complete standstill.¹⁰⁸ When relative calm reigned in Côte d'Ivoire in 2005 and international commodity prices for gold were high (United Nations Group of Experts, 2006c, p. 35), official production figures increased again to 1.64 tons in 2005 (Olsen, 2008).

As the peace process is progressing and government authority in the northern regions of the country is slowly being restored, gold production is planned to increase even further: by 2009 production was expected to reach 8.5 tons per year (*Reuters*, 28 February 2008)¹⁰⁹. This steep rise is mainly owed to the newly producing mines in Angovia and Bonikro (see Box 18). The Ivorian government aims at even higher outputs: as of 2015, it foresees to extract an annual 21 tons of gold (SODEMI, 2006). The biggest project will be Tongon, held by Randgold, in the far north of the country, 75 km from Korhogo. It is expected to produce 5.6 tons of gold per year, but will not start production before 2010 (Brown, 2007; Murphy, 2007).

For the *Forces Nouvelles*, gold was an interesting resource, which, alongside with diamonds, cocoa, timber and cotton, generated revenues for them (UN Group of Experts, 2005, p. 13). The gold that contributed to the war expenditures of the FN was

Even though the FN were not able to control the mine for a longer period of time and extract more gold from it, they profited economically: because of poor road conditions, supplies for the mine were transported on roads passing through FN-controlled territory. For each truck, SMI paid Francs CFA 75,000 (€114) to the FN and a monthly contribution of Francs CFA 1.5 million (€2,300) from January to November 2004 (totaling Francs CFA 16.5 million (€25,000)). The payment for each truck was then reduced to Francs CFA 50,000 (United Nations Group of Experts, 2006c, p. 36). For the transport of the gold itself a helicopter had to be used. This and other security measures led to a significant increase in production costs for the mining company (Amireault, 2006).

In 2005, the situation was stabilized enough for the gendarmerie to take over the protection of the site from the army (UN Group of Experts, 2006c, p. 35)¹¹⁰. In fact, according to local observers, the mining site was protected by *Licorne*, the French force, for several years rather than the Ivorian army. This may be explained by the fact that the *ligne de confiance* ran close to the mine and that SMI is a French company. Although BICC is not aware of any reports about French military personnel being involved in the illegal trade in gold with the *Forces Nouvelles*, it cannot be

¹⁰⁸ BICC Interview, 16 April 2008, Representative Equigold, Abidjan; BICC Interview, 16 April 2008, Representatives Mining Ministry, Abidjan.

¹⁰⁹ BICC Interview, 16 April 2008, Representative Equigold, Abidjan.

¹¹⁰ BICC Interview, 16 April 2008, Representatives Mining Ministry, Abidjan.

excluded in principle. According to the Ivorian Publish What You Pay coalition, the mine is run by high-ranking Ivorians and their French counterparts. The Ivorian government hardly has the means to verify the amount of gold being produced in the mine.¹¹¹ This opaque situation makes it impossible to prove whether the country is receiving a fair share of the revenues. Therefore, it is likely that SMI and some Ivorian officials get a relatively bigger share than what goes to the Ivorian treasury. At this point it becomes obvious why transparency is so important in the first place, and that governments have to be endowed with the means to verify the information provided by extracting companies in the course of the Extractive Industries Transparency Initiative (EITI).

Another issue with regard to revenues concerns the licenses granted for the exploration and exploitation of mines. When hostilities broke out in Côte d'Ivoire, the government decided to put the expiration of all mining permits on hold.¹¹² This does not mean, however, that mining and exploration activities also had to stop. In 2006, this suspension was not lifted which "effectively means that the time-to-expiry for each license as of September 2002 will be preserved until peace is deemed to be restored in the country" (Amireault, 2006, p. 7). This situation is beneficial for the gold companies, as they can explore the resources for a longer period of time without having to go through the legal and financial process of renewing their license.

Furthermore, as a result of the crisis, informal trade in gold mined by artisanal miners grew. The mining ministry documents a trend of increased gold mining on newly discovered gold mines in the west of Tortiya between Bouaké and Niakaramandougou and towards the Malian border (Government of Côte d'Ivoire, Ministry of Mines and Energy, 2008a). It is true that artisanal gold mining activities existed in Côte d'Ivoire prior to the civil war, but they were clandestine and unreported. Still, the mining ministry has statistics specifying gold exports originating from the Ity mine, the Angovia site and 'others'—referring to artisanal exploitation. Output from artisanal gold mining was highest in 1999, with exports of more than 640 kg. But the artisanal sector was prone to major fluctuations and in the first year of the violent conflict, official export figures dropped to 25 kg in 2003 and then zero in 2004. Even though exports of artisanal gold started

¹¹¹ BICC Interview, 26 March 2008, PWYP-CI, Abidjan.

¹¹² "In SMI's case, this was affected via Order no. 026/MEMME/DM dated June 16, 2004, from the Ministry of Energy and Mines" (Amireault, 2006, p. 7).

Box 19: Artisanal mining at Angovia

Working conditions in artisanal gold mining are harsh. This is true for artisanal miners in Côte d'Ivoire as it is for those in Ghana, Guinea or the Democratic Republic of the Congo. Often, entire families participate in the activity and stay on the mining site for the whole day. Children take care of younger children or help carrying heavy water buckets on their heads. Men do the actual mining, climbing into hand-drilled narrow holes, up to 20m deep. Their sole equipment consists of a simple hatchet and a bucket, which they fill with the dump and heavy earth. Another man will pull up the filled bucket and empty its content on a heap. Women wash the soil amassed by the men. Not only is each step physically demanding, in addition, dangers arise from the deep holes dug everywhere, the slippery ground around, and the fact that there are no security provisions. In the end, a miner who finds an ounce of gold (28.35 grams) will earn US \$14–20, whereas the world market price is no less than US \$400 per ounce. Contrary to the local exporter who can access the world market price via videotext on his television, the gold miner has no idea of a fair price for all his efforts.

In Africa, 18 percent of the gold is produced by artisanal miners (Parker, 2006). These miners often use highly toxic mercury to separate the gold. With this method, they put their own health at great risk and harm the environment around the extraction site. In industrial mines, cyanide is used in a closed circuit, called heap leaching. In this process, heaps of crushed ore are being penetrated with a dilute cyanide solution. As the solution trickles through the ore, the gold is extracted from it.¹

¹ BICC Interview, 16 April 2008, Equigold, Abidjan.

again in 2005, they officially did not reach more than 30 kg.¹¹³

However, artisanal production is most likely to be much higher than the official export figures show, as part of the gold is smuggled outside the country—via the south just as via the north—and part of it is sold locally.¹¹⁴ When BICC staff visited the artisanal mining zone close to the Angovia mine, they met

¹¹³ BICC Interview, 16 April 2008, Representatives Mining Ministry, Abidjan.

¹¹⁴ Ibid.



one of the 50 gold buyers¹¹⁵ holding an authorization from the mining ministry to buy and sell gold. By his own account, he exported 40 kg of gold in 2007 by selling mainly to Norwegians. This figure significantly contradicts the yearly export figures of 2007 given by the mining ministry, which reports a total of 14 kg. Furthermore, BICC staff was notified of Italian entrepreneurs having links to the ruling FPI who went to Soubré (in the region of the Tai National Park) and bought 10 kg of gold.¹¹⁶

These two sites are the main known places for artisanal mining in the south of Côte d'Ivoire. The Tai National Park is a world heritage site (UN Group of Experts, 2006c). For the FN-controlled northern regions, the UN Expert Group reported "patches of small-scale alluvial gold production spread across its zone" (ibid, p. 36). This artisanal gold production must be feeding the reported gold trade, which is continuing to thrive (Airault, 2008), with the revenues ending up with the FN and not in the country's treasury.

3.3.2 Monitoring the social and environmental impact of gold mining

With more licenses being awarded and exploration taking place at many sites, more government attention is warranted for the social and environmental impact of gold mining activities. Exploration licenses for the seven companies currently active in Côte d'Ivoire cover a total area of more than 14,600 km², or roughly five percent of the entire country.¹¹⁷

¹¹⁵ Ibid.

¹¹⁶ BICC informal discussion with a bodyguard, Abidjan.

¹¹⁷ On the upstream side of the gold production chain, there are no opportunities for expansion, for gold refining requires huge amounts of gold to be profitable. Globally, the number of gold refineries are decreasing (BICC Interview, 16 April 2008, Representative Equigold, Abidjan).

It is important to consider what is going to happen to the artisanal miners who considerably increased in numbers during the conflict. The opening of an industrial gold mine often goes along with the expulsion of artisanal miners, already active on the spot who then lose access to their mines and income opportunities. This had happened at the Angovia gold mine, which was visited by BICC staff in April 2008, and it is likely to happen to others, if exploration broadens. Only a small percentage of the artisanal miners will find a job in the industrial mine, although industrial mining activities generate direct employment and income opportunities for service deliverers. The mining ministry cites the number of 500 workers for the new mining sites at Bobikro and Angovia, and expects a further 1,000 people to be employed in the northern mines. Overall, 2,000 people could find employment on the mining sites by 2010.¹¹⁸

Furthermore, the life of a gold mine is limited to mostly between ten and 40 years, after which the mine closes and the former miners and service providers are left without occupation. It takes at least another ten to fifteen years after the closure of a mine before the land can be used for agriculture again.¹¹⁹ People living on land destined for an industrial mining site need to be resettled. Due to land scarcity, however, farmers may not be able to find another plot to continue their work, so that their income security is threatened even though each person is entitled to compensation. At the mining site of Bonikro, 300 villagers have already been resettled. The mining title is held by Equigold, which was due to start production in 2008. According to the company, the villagers were allowed to choose a new location for their new village which was then constructed for them. The compensation money consisted of the value of the land plus the income it would have generated over ten years. In order to help the people deal with such a vast amount of money, the sum is paid in three installments and courses about money and micro-finance are offered to the villagers.¹²⁰

The question of compensation aside, the environmental damages caused by industrial mining can be very serious for the population living on or nearby gold mines. In neighboring Ghana, resettled

¹¹⁸ BICC Interview, 16 April 2008, Representatives Mining Ministry, Abidjan.

¹¹⁹ BICC Interview, 16 April 2008, Representative Equigold, Abidjan.

¹²⁰ BICC Interview, 16 April 2008, Representative Equigold, Abidjan. BICC staff could not verify during the field trip how the company had reached this agreement with the population, how well implemented these measures were, and how people had reacted to it.

communities around the Iduapriem gold mine, had difficulties feeding themselves, for agricultural land was scarce and water sources were depleted or polluted (Hausmann, 2008). Institutionally, the consequences for the environment seem to be catered for in the long run: before a mining company is granted a license, it has to provide an Environmental Impact Assessment (EIA) and a site rehabilitation and management plan. An environmental rehabilitation account has to be opened during the mine's operations to ensure that the mining site is effectively rehabilitated after the mine will close down (SODEMI, 2006; Amireault, 2006)¹²¹. As no gold mine has yet reached the end of its lifespan, it remains to be seen if, and how well, mining sites are rehabilitated. The Ministry of the Environment and the Ministry of Mines bear the responsibility to ensure implementation of the rules and regulations. This will be a difficult task to achieve: Conflicts of interest between environmental protection and mining profits are clearly felt by SODEMI, whose "problem (...) at the moment, are the environmental laws."¹²² The parastatal would like to develop important mining sites located in the west in zones classified World Heritage sites.

Gold for a shining future?

In conclusion, the control over the Ity gold mine was one reason for fighting between government and rebel forces at the early stage of civil war. Moreover, the FN were able to extract money from the gold trade in the north. These revenues have partly financed the war on the side of the *Forces Nouvelles*, even if to a lesser extent than cocoa and diamonds. A lot of money was lost for the state budget by the illegal production of and trade in gold. When the armed fighting between government and rebel troops stopped at the end of 2004 (after several ceasefire and peace deals were repeatedly breached), the FN used these resource revenues to sustain their presence in the north, feed their followers or enrich themselves.

Therefore, gold mining still hampers the peace process, for the FN commanders are unlikely to give up easily their profitable activities. The redeployment of the administration in the north advances very slowly despite the deal struck between Soro and Gbagbo in the 2007 Ouagadougou Accord. The national administration is yet to recover full authority over the mining sector and it will take some time before the trade in gold (and other natural resources) will be effectively reintegrated into official structures. For

resource governance to contribute to peace, the Ivorian government needs to regain control of the entire trading chain, not only in the north, but equally in the southern regions. Additionally, only when the government has regained control of the northern part of the country, can activities of the parastatal SODEMI start again in the important mining zone in the north. However, the government will have to find ways of reconciling the interests of artisanal gold miners with the official structures, equivalent to what was said earlier in this *brief* about the prospects for artisanal diamond miners. The government or SODEMI ought to at least enter into dialogue with these miners to inform them about the consequences of the administration's redeployment and to explore avenues of integrating them into the formal operations of gold exploitation. Consultations on the social and environmental impact are similarly important to inform the local population at mining sites about their rights.

Furthermore, transparency in the mining sector both from the government and the operating companies will be imperative for a fairer distribution of the benefits from mining. The government should lay open how mining titles are awarded, which exonerations are granted and the amount of revenues generated in the gold mining sector. It also needs to develop capacities to monitor the amount of natural resources extracted by companies. The EITI process, which Côte d'Ivoire adheres to (see Chapter 2.3) should at least bring about more transparency on the income side.



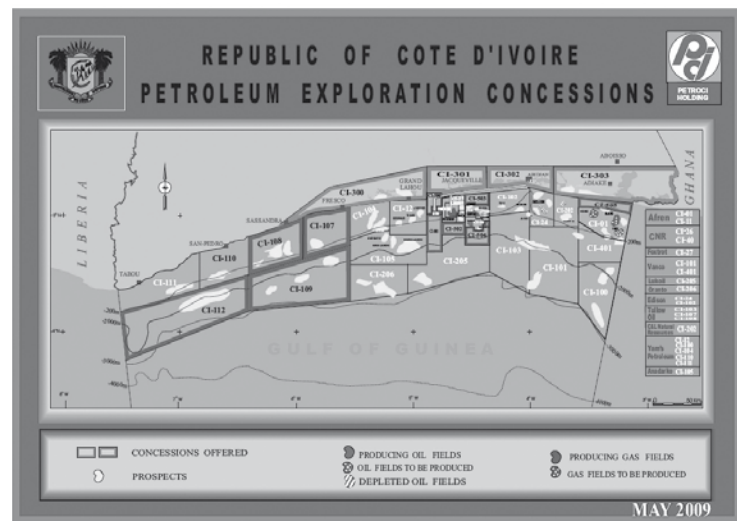
¹²¹ BICC Interview, 16 April 2008, Representative Equigold, Abidjan.

¹²² BICC Interview, 17 April 2008, Representative SODEMI, Abidjan.

3.4 Oil and gas

3.4.1 The significance of the Ivorian oil and gas sector

Oil production in Côte d'Ivoire started with the small exploration of an on-shore site in the 1950s, and was followed by more important off-shore oil exploitation, in a zone covering 12,000 km². The very first off-shore exploitation of crude oil started in 1980 on the oil field *Espoir*. The second field, *Béliér*, followed in 1982. At their peak in 1986, *Espoir* and *Béliér* produced 28,000 barrels per day (b/d) (BCEAO, 2007, p. 70). By July 2005, production was down to 21,000 b/d. Since then, oil production has increased sharply, reaching at least 49,000 b/d in 2008 (République de Côte d'Ivoire, 2007b, p. 105; République de Côte d'Ivoire, Ministry of Economy and Finance, 2008a, p. 23). The *Baobab* field, which went on-stream in August 2005, produced 52,000 b/d in the first quarter of 2006 (EIA, 2007). However, oil production faces problems of silting up, which have led to a production decline—down to 25,000b/d in the *Baobab* field in 2007



Source: www.ipetrolenews.info

(EIA, 2007; AfDB/OECD, 2007, p. 224). Nevertheless, President Gbagbo expressed hope that production levels of crude oil could reach 200,000b/d in 2010 (Central Intelligence Agency, 2007).

Box 20: Production of oil and gas in Côte d'Ivoire

Mineral oil is the basis for many products of daily need in modern civilization: from fuel to plastic packaging or paint. It is the end product of a geochemical process, when in prehistoric times, biomass was transformed into crude oil by heat and/or pressure. The oil deposits of Côte d'Ivoire stem from the initial rifting, break-up, and subsequent drifting apart of Africa and South America about 146 million years ago (Petroci/PGS, 2008).

Being of high quality, Ivorian oil is sold at a good price on the world market. The main destination of Ivorian crude oil is Western Europe, with Germany importing more than half of total exports. In 2006, this amounted to 16,000 b/d for Germany and 10,000 b/d for France. Exports to Northern America were mainly destined for Canada. The United States imported 5,000 and China 3,000 b/d (EIA, 2007; 2008).

Oil companies

The oil and gas sector of Côte d'Ivoire is organized by the state-owned company PETROCI (*Société Nationale des Opérations Pétrolières de la Côte d'Ivoire*). Out of the 28 available exploration concessions, 24 were sold to international companies, amongst which Canadian Natural Resources (CNR, Canada), Foxtrot (France/USA), Vanco Energy (USA), Lukoil (Russia), Oranto Atlas Petroleum International (Nigeria), Edison S.p.A. (Italy), Tullow Oil (UK/Ireland), C&L Natural Resources (USA/Israel), Yam's Petroleum (Côte d'Ivoire), Al Thani (United Arab Emirates), Jarikuma Marsaaf (Malaysia), Kufpec (Kuwait) and Bouygues (France).

2008 has seen a major sale, with Arfen buying the oil and gas fields permits of Devon in a US \$205 million deal (Energy Current, 2008).

Many more foreign companies, such as Addax (Canada), Dana Petroleum (UK), ENI-Agip (Italy), Energy Africa (South Africa), ExxonMobil (USA), Shell (Netherlands) and Total (France) are involved in the overall oil and gas industry (EIA, 2007).

Oil is not the only hydrocarbon resource found in Côte d'Ivoire. Natural gas reserves of Côte d'Ivoire amount to one trillion cubic feet (tcf) according to estimates by the Oil and Gas Journal in 2007 (EIA, 2007). Ivorian gas predominantly supplies the domestic market. Gas was only utilized from the late 1990s onwards and now covers about 40 percent of the domestic demand (BCEAO, 2007; République de Côte d'Ivoire, Ministry of Mines and Energy, 2008b, p. 19).¹²³ The largest deposit of gas is found in the Foxtrot field which holds natural gas reserves of an estimated 950 billion cubic feet (bcf). In 2005, Foxtrot produced 30 bcf (EIA, 2007). Discoveries of 200 bcf of gas deposits in 2007 gave further hope for durable availability of natural gas for consumption in Côte d'Ivoire (République de Côte d'Ivoire, 2007b, p. 105). At the household level, however, people are confronted with a persistent shortage of gas due to a shortage of gas containers on the local markets (République de Côte d'Ivoire, Ministry of Mines and Energy, 2008b, p. 19–22).

In addition to the mere extraction of oil and gas, President Laurent Gbagbo has called for Côte d'Ivoire to also transform, refine and transport oil (Thomson Financial, 2007). So far, the national refinery SIR (*Société Ivoirienne de Raffinage*), founded in 1962, has an estimated refining capacity of 65,200 b/d and a new refinery is being built (EIA, 2007).

By now, the oil and gas sector has become the 'second foot' of the Ivorian economy to stand on, besides the cocoa sector (République de Côte d'Ivoire, 2007b, p. 105). Compared to global players such as Nigeria and Angola whose daily production amounts to 2.5 and 1.6 million barrels respectively (2005 estimates, www.cia.gov), Côte d'Ivoire will remain a minor oil producer. On a regional scale, however, Côte d'Ivoire has become the leading oil producer in the West African Economic and Monetary Union (WAEMU)¹²⁴ and remains of major economic importance for the West African region, representing 40 percent of GDP in the WAEMU (Thomson Financial, 2007).

Oil has played an important role for the economic recovery of Côte d'Ivoire since 2005, for it contributed to GDP growth. The prospects of continuing wealth creation through oil are good, considering estimated crude oil reserves of 100 million barrels as of January

¹²³ BICC Interview, 3 April 2008, Representatives Petroci, Abidjan.

¹²⁴ The WAEMU/UEMOA is a regional organization of Francophone countries with a single currency (the Franc CFA) and a common monetary policy. Member countries are: Benin, Burkina Faso, Côte d'Ivoire, Guinea-Bissau, Mali, Niger, Senegal, and Togo. It exists alongside the wider Economic Community of West African States (ECOWAS/CDEAO), which includes Anglophone countries.

Box 21: The Petroleum Code

The law on hydrocarbons defines that the oil and gas deposits belong to the state of Côte d'Ivoire. No state-official is allowed to hold a direct or indirect interest in petroleum operations, nor can he be tenant or beneficiary of oil contracts or authorizations (Art. 9). Oil contracts can be signed for exploration and exploitation of hydrocarbons (Art. 14ff).

Important details are not determined in the law but in the specific contract between the government and the investor: the share of the production output assigned to the state, the fixing of the assumed oil price, and the contract duration and modalities for its prolongation (Art. 18).

All responsibility for any damages caused lies with the oil company; the state is not liable. The modalities are to be fixed in the contract (Art. 64). If the holder of an oil contract does not live up to his promises of executing the planned activities, he has to reimburse the government (Art. 23).

Exploration permits are conceded for a period of one year, renewable only once (Art. 11). An exploitation permit is granted by decree (Art. 31). Its duration cannot be more than 25 years (Art. 32). It is renewable once for a maximum of ten years if the holder of the permit has fulfilled its obligations and can demonstrate that commercial exploitation is still possible.

As important details are not determined in the law but only in the individual contracts negotiated between government and company, information on these crucial issues will mostly remain confidential and inaccessible to any other stakeholders outside the contracting parties. It is striking that the petroleum code does not detail any environmental obligations of the oil companies. In fact, the environment is only mentioned four times in the entire Petroleum Code and only in very general terms. This is especially worrying in light of the many environmental risks connected to off-shore oil exploitation, which is the major form of exploitation in this sector in Côte d'Ivoire.

Source: www.droit-afrique.com (in French)

2007, and a possible expansion of off-shore activities into the deep water regions (EIA, 2007). Up to now, oil is exploited in shallow waters close to the coast. For the near future, PETROCI is planning a licensing round for the deep off-shore area, which it expects to be holding as much oil and gas as the area already under exploitation.¹²⁵ Out of 28 fields, only four were still open to attribution in 2008.¹²⁶ So far, international companies from the United States, Nigeria, Russia, Arab Emirates and other countries are involved in oil exploitation in Côte d'Ivoire (Thomson Financial, 2007).

Huge investments are needed before the actual exploitation of an oil field can start. The Ivorian government therefore passed a petroleum law in 1996 (the *Code Pétrolier*) in order to attract new investors (see Box 21). From then on, production-sharing contracts were systematically signed between the government and private investors. These contracts define the share every stakeholder gets from the final production, whereas the investments necessary for exploration and exploitation are born by the private actor (BCEAO, 2007).

The percentage of each stakeholder's share in the production output is not fixed in advance. PETROCI negotiates with the investor and then submits the outcome to the Ministry of Mines and Energy for signature. The content of these contracts is "more or less confidential."¹²⁷ The percentage of oil revenues for the state, as defined in the production sharing agreements, is set at a mere 12 percent.¹²⁸ Civil society groups and donors (the PWYP-coalition and the World Bank) claim that this share is too low and should be raised (Africa Energy Intelligence, 2007). As of July 2008, President Gbagbo seems to adhere to this idea (AFP, 20 August 2008).

3.4.2 Governing oil revenues: A crucial fight over numbers

The confidentiality of the contracts between the Ivorian government and private companies is part of a bigger problem. It touches upon contentious issues in the production of oil and gas: the amount of output that is produced and exported by the oil companies, the share that the state receives and the kind of use that the money is put to. The current challenge is the difficulty with which to pin down exactly how

much is produced, exported and earned by the parties involved. Different figures are advanced from different sides. The Ivorian government denies that the total gains from oil exports have surpassed those from cocoa exports since 2005, totaling Francs CFA 1,500 billion in 2006, as claimed by the Central Bank of West African States BCEAO (BCEAO, 2007, p. 22). The 2007 figures of export earnings from oil published by the Ivorian government are significantly below the figures of export earnings from cocoa: Francs CFA 467 billion for petrol as opposed to Francs CFA 618 billion for cocoa and coffee (Government of Côte d'Ivoire, 2008a). For the year 2008, the government affirmed that production is still at 50,000 b/d, whereas media reports found it to be nearly double that amount (*24 Heures*, 2008). According to data from the US Energy Information Administration (EIA), production was 62,000 b/d in 2006, 52,000 b/d in 2007 and could reach 70,000 b/d in 2009 (EIA, 2008).

What is at stake here, is the money involved in those production figures: to what extent do earnings from oil production reach the state treasury and how much of it goes into the pockets of oil companies and Ivorian officials involved in negotiating the contracts? The treasury receives about 12 percent of the declared earnings from oil production. President Gbagbo stated, "for 2006, oil has brought Francs CFA 135 billion to the Ivorian state" (cited in *Fraternité Matin*, 22 October 2007). In contrast to that, the online service Africa Energy Intelligence ascertains that in 2006, oil receipts for Côte d'Ivoire "approached the Francs CFA 600 billion mark" (*Africa Energy Intelligence*, 2007).¹²⁹

This huge discrepancy in numbers raises suspicion about the use of oil revenues. Unless the figures of the BCEAO and the US administration are entirely mistaken, the discrepancy points to the probable embezzlement of funds or their illegitimate use, e.g. to finance the war or to sustain patronage networks. In fact, it is alleged that President Gbagbo "awards oil blocks to strengthen his political and diplomatic positions" (Africa Energy Intelligence, 2007). These doubts are nurtured by the fact that it is hard to obtain more information other than from the official government website and that inquiries are met with suspicion from the part of officials in the government and the parastatal PETROCI.¹³⁰ Even the UN Group of

¹²⁵ BICC Interview, 3 April 2008, Representatives PETROCI, Abidjan.

¹²⁶ Ibid.

¹²⁷ Ibid.

¹²⁸ E-mail PWYP, 30 July 2008.

¹²⁹ In Euros these figures correspond to: Gbagbo €206 million, Africa Energy Intelligence €914 million.

¹³⁰ In interviews with BICC staff, PETROCI officials refused to talk about financial figures and referred BICC staff to the "finance section" of the company, access to which was made difficult by formal requirements.

Experts who tried several times to inquire about the management of revenues in the hydrocarbon sector, was unable to receive the necessary information from the government (UN Group of Experts, 2006a). Another interesting point is that oil production increased significantly in 2002—the same year the rebels attacked Côte d'Ivoire. This means that the Ivorian government had access to additional financial resources at a time of high military expenditure. Due to the lack of transparency, the UN experts called for “special attention to the use of revenue from the petroleum sector”, for they suspect the government to have used revenues from oil “to defray military expenses or to finance services that are subject to sanctions” (ibid, 2007, p. 19, p. 3). Hence, presumably, oil incomes may have covered a considerable share of military expenditure.

In order to achieve more public scrutiny, a change is needed on the global level, for it is common worldwide practice that oil contracts stay confidential (Al-Kasim et al., 2008). The secrecy surrounding the oil sector is enhanced further due to the difficulties in monitoring extraction figures, since oil is often exploited off-shore and mainly shipped directly for export. This is why opacity and corruption in the oil sector are even worse than in the cocoa and coffee sector. Whereas royalties go into the treasury, nobody knows how much is paid through other channels; according to a high-ranking official in Brussels it is certain that “companies pay corruption money on the side.”¹³¹

With the construction of the new Côte d'Ivoire Peace Refinery by Energy Allied International (mandated by PETROCI Holding), Côte d'Ivoire is currently increasing its potential activities in oil refining. The objective is to produce commodities for the West African region as well as to supply the European and US American markets (EAI, 2008). This refinery, like the already operating refinery of SIR, mostly does not use Ivorian crude oil, as its quality is already very high. To feed the Peace Refinery's capacity of 60,000 b/d, oil supplies are mainly bought on the West African market, particularly Nigeria. Nigerian oil previously entered the Ivorian market through legal and illegal supply chains. In 2003, Human Rights Watch reported on illegally bunkered oil sold to the Ivorian refinery (SIR) and on Ivorian nationals who had been arrested by the Nigerian navy for oil smuggling. The Ivorian Minister of Mines and Energy, Monnet, “admitted that much of the crude oil delivered to his country was stolen from Nigeria” (HRW, 2003). It is not sure whether this situation has yet been redressed, because in 2006 Nigeria

accused SIR of using oil, which had been stolen from pipelines operating in the Niger Delta (Africa Energy Intelligence, 2006). Should this be the case, it would mean that Ivorian oil industries have fuelled more than one violent conflict.

3.4.3 Fuel for peace?

Currently, the Ivorian public has no clear idea of how much wealth is being generated by the extraction of oil in their country. At least, some first steps towards transparency in the extractives sector were taken:

In April 2006, an Oil Council/ Committee (Decree No. 2006-68, of 28 April 2006) was created to optimize the state's revenues from the hydrocarbon sector and to monitor the use of these revenues. It regularly (quarterly) reports to the Council of Ministers on physical and financial flows in the hydrocarbon sector (Diby, 2008, p. 41; Alakagni, 2008). In the budget published for March 2008, the government declared revenues from turnover taxes in the oil sector to amount to Francs CFA 14.5 billion (€22.1 million). Crucially, however, the information shared within these bodies is not made available to the public at large.

In addition, pressure from international donors, mainly IMF and WB, was heeded with some success: The Ivorian authorities completed two energy audits after May 2006. The first audit investigated the extraction levels of oil and gas, the second “refining, storage, and onward delivery (SIR)” (Diby, 2008, p. 57, 41). A 2008 IMF staff mission to Côte d'Ivoire “welcomed important progress in improving fiscal transparency and governance” (IMF, 2008b). However, PETROCI, SIR and the relevant ministries were very reluctant in the first place to disclose information and to allow the auditors to carry out their job (Africa Energy Intelligence, 2007). Furthermore, the information would be much more credible, had the government made the results of the audits public.

Obviously, these first steps towards more transparency in the extractive industry sector were not sufficient to bring light into the revenues from oil production. Therefore the Ivorian civil society initiative “Publish What You Pay” (PWYP) has made information of the public and transparency in the extractives sector its major goal. They have called for the adherence of Côte d'Ivoire to the Extractives Industries Transparency Initiative (EITI), and consequently, Côte d'Ivoire was accepted as a candidate country on 7 May 2008 (see Chapter 2.3.1).

¹³¹ BICC Interview, 28 February 2008, Observer 1, Brussels.

The National Council of EITI (*Conseil National ITIE*) should be able to finally settle the fight over the production and revenue numbers in the hydrocarbon sector. The council comprises representatives of the government, industries and civil society. An independent consultant has started the data collection process of payments and revenues. As with the formal adherence to the Kimberley Process in the diamond sector, there are doubts whether the government is pursuing transparency or rather complying with demands of IMF and WB in order to receive their funding.¹³² Another problem is the composition of the National EITI Council. Although the participation of civil society groups from NGOs, trade unions and the media is ensured in the Council, the composition is such that the quorum to take decisions is attained by the government-side alone, raising fears with the NGOs that they are sidelined.¹³³ At least by now, the International Secretariat of the KP has decided that the IEITI Council must publish the position of the civil society groups in case it differs from the decision taken.¹³⁴ Budget execution statements are now published quarterly, and are available on the homepage of the Treasury (www.tresor.gov.ci).

Another positive sign was sent by President Gbagbo in July 2008, when he announced that the sharing convention between the government and the oil companies should be revised, increasing the shares of the state to more than the current 12 percent (*AFP*, 20 August 2008). This measure could represent the beginning of a comprehensive revision of the oil contracts and the disclosure of all documents and contracts relevant for the oil sector, as asked for by the Ivorian *Coalition pour le plaidoyer anti-corruption et la transparence en Côte d'Ivoire* (Copat-ci).

Several times, the leader of the Ivorian PWYP coalition was interviewed by Ivorian newspapers reporting on the discrepancy in the figures advanced by the government and those from the BCEAO and the IMF. Thus, the opacity in the oil sector, and for an even longer time in the cocoa sector, has been raised as an issue in public. The question is to what extent the leaders of the country take note of this. Among the ruling FPI, the logic of 'grab what you can as long as you still have the possibility to do so' seems to prevail over the fear of not being re-elected in the pending

¹³² BICC Interview, 26 March 2008, PWYP-CI, Abidjan. Since August 2007, the IMF has approved Emergency Post-Conflict Assistance (EPCA) for Côte d'Ivoire. By March 2009, Côte d'Ivoire qualified for debt relief under the HIPC initiative (IMF, 2009a) (see Chapter 2.2.3).

¹³³ BICC Interview, 26 March 2008, PWYP-CI, Abidjan.

¹³⁴ Personal conversation with Michel Youboué, former coordinator of PWYP-CI, 21 August 2009.

elections. With an active civil society that mobilizes citizens to claim transparency and a fairer share in the economic rent of resource exploitation, change might lay ahead. Already in 2008 have Ivorians frequently taken their grievances about rocketing food and fuel prices to the street.

Imperatives in the oil and gas sector

The oil and gas sector of Côte d'Ivoire has become an important source of revenues for the Ivorian state. Unlike for cocoa, diamonds and to a lesser extent gold, the FN did not have access to this resource, while the government may have used income from this sector to sustain its war effort.

Despite the long-lasting crisis, the extraction of oil has contributed to economic growth (BCEAO, 2007). However, aggregate GDP figures do not tell us whether the majority of the population has profited from overall economic growth as the majority of the Ivorian people can only share in the profits very indirectly—contrary to the cocoa sector, where at least each cocoa farmer receives his or her small share. Therefore, it is all the more important that these revenues are managed in a transparent, accountable and responsible manner, and that public revenues are spent on social and economic infrastructure.

To achieve this, the current efforts to increase transparency must be strengthened. Both the government and oil companies—under pressure by Ivorian society and the international public—need to commit themselves to disclose contract provisions and production figures. There is hope that changes in the oil sector are can be implemented more easily than in the much older and entangled cocoa sector.¹³⁵ An important outcome of the upcoming elections of November 2009 may be that the future political opposition will be much more insistent on issues of transparency than the political parties are now under the power-sharing agreement of the Ouagadougou Accord. Given the elections will be held in a free and fair manner, the resulting power configuration can only improve accountability compared to the current situation—a situation where political parties, which form part of the transitory government are more inclined to take what they can, than to put pressure on other coalition parties to be more transparent. Thus, pursuing the EITI process and a stronger role of civil society are of major importance.

¹³⁵ BICC Interview, 4 April 2008, Observer 2, Abidjan.

Conclusion

This BICC *brief* analyzed the influence of exploitation of and trade in natural resources on the Ivorian conflict and its settlement and looked into possibilities of how good natural resource governance can contribute to stability and development.

Investigating **the link between natural resources and conflict in Côte d'Ivoire**, it became clear that the natural resources of Côte d'Ivoire have played an important role in the conflict.

On the level of the production site, Chapter 1 and 3 argued that quarrels about the access to cocoa land were a factor in causing the conflict. Cocoa production—as promoted by Houphouët-Boigny—brought about huge socio-economic changes, which laid the ground for tensions between 'real' Ivorians and immigrants as well as Ivorian 'first-comers' and 'late-comers'. These tensions came to the fore after the fall in world cocoa prices, and were subsequently instrumentalized by political leaders (Gbagbo, Bédié, Ouattara, Guéi).

Chapter 3 demonstrated in detail that both parties to the conflict diverted revenues from different natural resources to fund the increased military expenditure on the government's side and the functioning of the FN structure during the conflict. Whereas the rebel movement of the FN used revenues from trade in cocoa, diamonds, and gold, the government used revenues from trade in cocoa and oil to finance the war in the first place. Then, the money served Gbagbo's and Soro's aim to maintain their grip on power and enabled them to sustain their patronage networks. In the past years, the procurement of weapons was not as important as during the beginning of the crisis in 2002. When the weapons embargo was enacted in 2005, both sides already had sufficient arms stocks at their disposal and could therefore use the financial revenues from the resource exploitation to finance wages of troops and political support. The good salary in the national army and the high positions and benefits that were granted to FN fighters took the bulk of the budget. Finally, leaders of both sides and their subordinates have accessed the revenues of natural resources for personal enrichment.

The vested interests thereby created in the rank and file of both parties to the conflict as well as on the leadership level are one of the major challenges faced in the current peace process and seriously hinder the implementation of the Ouagadougou Political Accord (OPA): The reunification of the administration and the state budget remains ineffective, and the disarmament process advances very slowly.

Differentiating between the various resources helps to understand the specific dynamics they bring with them, involving different degrees of transparency, concerns and potentials for future development. Whereas cocoa provided revenues to both sides of the conflict, the oil sector and its opaque structures offered financial deposits on the government's side. The diamond sector, which is concentrated in the FN-held zone and the trade with its diamonds, which was officially put under UN sanction, provided a modest financial contribution compared to the cocoa sector. Due to its regional concentration it nevertheless generated significant financial means for the local power, the FN. The war has increased the number of informal miners in the diamond and gold sector in the north, which creates new challenges to peacebuilding efforts.

The analysis also revealed that different resources varied in relevance in different phases of the conflict. While problems relating to cocoa production were also part of the causal set-up to the conflict, diamond and gold exemplify the obstacles to the peace process arising from the informal mining activities during the war and during the situation of *ni paix, ni guerre*. Oil and gas, on the other hand, constitute a great challenge to the future development of the country because the revenues will soon surpass those of cocoa and coffee, considering the opacity of contracts and the difficult establishment of the real exploitation figures between the government and private investors.

Considering that natural resources have hampered the peace process, how can natural resources contribute to stability and development? The wider topic of **resource governance** has been insufficiently targeted on the peace agenda. BICC puts resource governance at the center of the analysis to obtain a better understanding of what is needed for a better management of the resources sector. Good resource governance could be part of the solution to some of the obstacles posed to the peace process.

In general, governance in the country is poor. The country is ruled in an undemocratic fashion, the position of the President is very strong and that of the parliament is weak. Important civic citizen rights are frequently disregarded or impeded, such as the freedom of expression and assembly. Corruption is rampant. This leads to the disregard of existing national laws, such as environmental laws, as the example of the Tanoé National Park and the toxic waste scandal exemplify. Revenues generated by the exploitation

of natural resources do not sufficiently contribute to the well-being of the population. One million cocoa farmers are faced with diminishing revenues, while multinational companies continue to make good profit with Ivorian cocoa. The socio-economic rights of the general population are violated and the average Ivorian does not have the means to seek justice and redress.

This BICC *brief* thus calls for

- **improvements** in national resource governance,
- **transparency** in revenues acquired,
- **democratic accountability** to Ivorian society over budget expenditure, and
- **institutional reforms** in the cocoa sector.

In all resource sectors mentioned in this *brief*, transparency is the first step to improved governance: Transparency on money flows generated by the exploitation of the resources. Transparency on rules and regulations organizing the resource sectors. Transparency on the content of contracts concluded with international companies involved in extractive industries or the large cocoa chain. Transparency on how the money is spent. Transparency at each step of the exploration, exploitation of and trade in natural resources.

This is particularly relevant to the oil and gas sector, where resources are extracted by big international companies and most of the Ivorian population can benefit only indirectly from the resource extraction process. Lately, some positive steps have been made in the governance of extractive resources, when the government joined the Extractive Industries Transparency Initiative (EITI) and formed a national EITI Council that includes representatives of civil society. The government published parts of its 2007 budget and had commissioned two audits of the energy sector after 2006.

Transparency has to be combined with enhanced democratic accountability to ensure that the money generated is used responsibly and contributes to wider social development. To this end, a stronger parliament, which demands an effective oversight function over resource extraction (for instance in the process of contract negotiation between private companies and the state) and an active civil society is needed. Until now, only a few NGOs are independent from political affiliations and these lack space to maneuver. However, the few Ivorian NGOs that watch over issues concerning natural

resources and their transparency play a crucial role in awareness-raising. Their capacity needs to be built up so that they are able to fulfill their important role in reforming the resource sectors, for instance in the Kimberley Process.

Of course, resource governance cannot be the one and only concern of Ivorian leaders and international donors. As the country is still in a phase of transition from crisis to peace, to implement the Political Accord (OPA)—and to overcome the many obstacles that go along with it—will be another great challenge. Nevertheless, good resource governance should be taken more seriously during the current peace process as it is an intrinsic part of peacebuilding. Bringing economic development and peacebuilding together will help work towards a situation in which the governance, the exploitation of, and the trade in natural resources contribute to peace and development.

The case studies on three resources and their exploitation in Chapter 3 have highlighted different concerns that warrant specific measures to be taken.



In the **cocoa** sector (Chapter 3.1), farmers could benefit more directly, if they received a fairer share of the economic rent of cocoa production. An institutional reform of the cocoa sector and its regulatory, finance and advisory structures is needed to make this happen. Such a reform is under way and it will be one of the major challenges for the new government that is to be elected in November 2009. Another issue that needs urgent attention in the current peace process is land rights. In the current situation, in which no strategies have been developed to deal with the issue, clashes over land will persist. The army

dispatch to the western cocoa region in December 2008 is proof of this. Therefore, support for the local dispute settlement committees is crucial to solve the disputes on a case-by-case basis.

In the **diamond** and **gold** sectors (Chapter 3.2 and 3.3), the interests of artisanal miners in the northern parts of the country need to be reconciled with the imperative of the administration to regain control over the entire trading chain, and with its aim to re-launch larger-scale industrial mining. An internal monitoring system has to be put in place for diamonds so that the diamond embargo can be lifted and compliance with the Kimberley Process can be achieved. Advice from other diamond-producing countries of the KP might be of great use here. Civil society must be included in the monitoring of the process.

In the **oil** and **gas** sector (Chapter 3.4), transparency and accountability to Ivorian society is more crucial than in any other sector, for the Ivorian population can benefit only indirectly through the redistribution of revenues from oil and gas extraction. Controversies about the amount of oil produced and revenues collected in 2008 reveal the importance of these issues in this sector: the less the government documents the oil production and income, the more officials can divert for themselves and/or their political ends.

More actors directly and indirectly influence the quality of resource governance and herewith hold a responsibility for its outcomes. On the international level, there is a need to continue the debate on the effectiveness of sanctions on conflict commodities as part of wider conflict resolution mechanisms. In Côte d'Ivoire, the UN sanctions could not be enforced on the ground and therefore did not have any tangible effects. Sharing lessons from the Kimberley Process Certification Scheme for diamonds will be of utmost importance to improve the control mechanisms and to impede that trade in natural resources contributes to the financing of wars.

In addition, Western governments and consumers must actively think of avenues of how to hold companies operating in extractives sectors abroad accountable for their actions. Although companies are not eager to become part of local conflict dynamics—as the reluctance of cocoa exporters to denounce corruption in the cocoa sector exemplifies—they cannot avoid being a party. This is demonstrated by the financial transactions of the cocoa institutions to the president to finance his war efforts in 2002. Moreover, companies do benefit from

a stable climate and of the companies, which left the country over the past six years of crisis, many are prepared to return when peace prospects look solid again. Companies can make a positive contribution by explicitly incorporating their operations' impact on peace into their Corporate Social Responsibility (CSR) policy.

Whether, after presidential elections, the fundamental traits of Ivorian governance will change, is doubtful. The virtual absence of a political agenda on the governance of natural resources with the major political parties shows that aspects of natural resource governance are not well-embedded in political strategies. Still, the prospects for post-election governance are judged differently by observers. For some, "even if the elections are just, fair and transparent, it (...) won't arrange anything. (...) It's the problem of governance."¹³⁶ For others, hope persists: "If with real elections the head changes, everything will change. It's possible."¹³⁷ It will be important to see to what extent a new political leadership will rise up to the development and peacebuilding challenges arising from the natural resource sectors, many of which have their origin in a previous lack of good resource governance in Côte d'Ivoire.

¹³⁶ BICC Interview, 28 March 2008, Head of Human Rights Organization, Abidjan.

¹³⁷ BICC Interview, 1 April 2008, Observer 3, Abidjan.

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