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## Country Report

# Côte d'Ivoire

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"0 or 0.0" means nil or negligible; "n/a" means not available; "-" means not applicable

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# Briefing sheet

Editor: **Adeline Van Houtte**

Forecast Closing Date: **May 9, 2018**

## Political and economic outlook

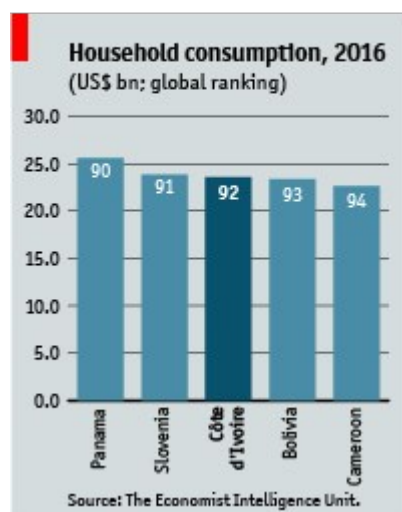
- The president, Alassane Ouattara, and his allies will remain in power throughout the forecast period. However, election-related political instability will rise ahead of the 2020 presidential poll.
- Social pressures stemming from the disconnection between robust economic growth and stagnant living standards will persist, triggering sporadic protests. The strong influence of the security forces will weaken in line with the imposition of military reforms.
- Policy will focus on pro-market reforms, and benefit from the backing of the IMF. However, The Economist Intelligence Unit expects implementation to slow ahead of the 2020 presidential vote.
- Fiscal consolidation and higher revenue will support a narrowing of the fiscal deficit throughout the forecast period. There will be an exception in 2018, when cocoa smuggling will hit revenue and in 2020 when election-related spending will rise.
- Real GDP growth will remain brisk, supported by infrastructure development, pro-business reforms and a relatively stable political environment.
- We expect the current account deficit to widen from 2.1% of GDP in 2017 to 3% of GDP in 2018 owing to lower export earnings in the cocoa sector before narrowing from 3% of GDP to 1.7% of GDP by 2022, supported by a cocoa recovery.

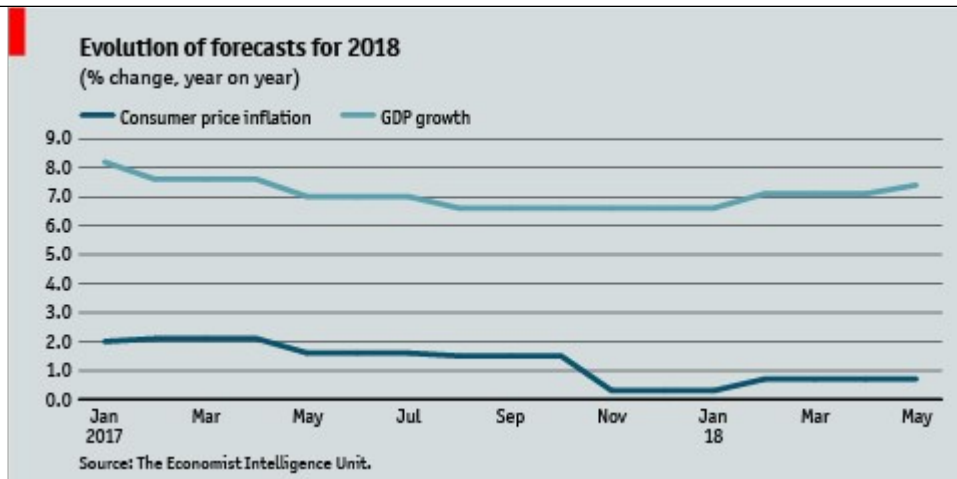
### Key indicators

	2017 <sup>a</sup>	2018 <sup>b</sup>	2019 <sup>b</sup>	2020 <sup>b</sup>	2021 <sup>b</sup>	2022 <sup>b</sup>
Real GDP growth (%)	7.8	7.4	6.8	6.2	6.5	7.9
Consumer price inflation (av; %)	0.5 <sup>c</sup>	0.7	1.0	0.3	0.7	1.0
Government balance (% of GDP)	-4.2	-4.3	-3.5	-4.4	-3.2	-2.1
Current-account balance (% of GDP)	-2.1	-3.0	-2.5	-2.3	-2.1	-1.7
Money market rate (av; %)	4.2	4.0	3.8	3.7	4.1	4.5
Exchange rate CFAfr:US\$ (av)	582.1 <sup>c</sup>	537.7	546.6	542.1	541.0	530.1

<sup>a</sup> Economist Intelligence Unit estimates. <sup>b</sup> Economist Intelligence Unit forecasts. <sup>c</sup> Actual.

## Market opportunities





## Key changes since January 25th

- We have revised our oil price forecast, to US\$66.5/barrel in 2018 and US\$62.8/b in 2019 (from a previous forecast of US\$63/b and US\$60/b respectively), owing to a tighter global market and persistent geopolitical tensions in the Middle East.
- Although the increase to our oil price forecast has led to a slight upward revision to fiscal revenue, this has been more than counterbalanced by a cocoa price disparity between Ghana and Côte d'Ivoire that led to a rise in bean smuggling.
- We now expect rising cocoa smuggling to counterbalance increasing oil export earnings. We expect the current-account deficit to widen as a percentage of GDP in 2018 (from remaining relatively flat previously).

## The quarter ahead

- **June—Monetary policy committee meeting:** The monetary policy committee of the regional central bank, the Banque centrale des Etats de l'Afrique de l'ouest (BCEAO), will meet. We forecast that the BCEAO will keep its policy rate on hold, even if pressures on foreign-exchange reserves persist.
- **July—Meeting on the African Continental Free Trade Area (AfCFTA) agreement:** Only 27 African Union members signed up to the full AfCFTA in March as some leaders snubbed the summit. We expect a lack of political will to open up domestic markets to mean that those that have not signed it yet will not have done so as scheduled by July.

## Major risks to our forecast

Scenarios, Q1 2018	Probability	Impact	Intensity
Attacks by militant Islamist groups become more common	High	High	16
Aggressive military reform agenda stokes large mutinies and pushes the country back into civil war	Moderate	Very High	15
Widespread political instability undermines economic recovery	Moderate	Very High	15
The country faces widespread power shortage	Moderate	High	12
Foreigners face hostility from locals	Moderate	Moderate	9

Note. Scenarios and scores are taken from our Risk Briefing product. Risk scenarios are potential developments that might substantially change the business operating environment over the coming two years. Risk intensity is a product of probability and impact, on a 25-point scale.

Source: The Economist Intelligence Unit.

# Outlook for 2018-22

## Political stability

The Economist Intelligence Unit expects the president, Alassane Ouattara, to remain in power until 2020 (when his two-term limit expires). However, the succession process will reveal fault lines within the political and military elites, weakening political stability ahead of 2020. Despite some simmering tensions between Mr Ouattara's Rassemblement des républicains (RDR) and its coalition partner, the Parti démocratique de Côte d'Ivoire (PDCI), we expect the coalition—the Rassemblement des houthouëtistes pour la démocratie et la paix (RHDP)—to remain intact throughout the forecast period.

Competing loyalties within the military will add a veiled but volatile component to political rivalries. Pro and anti-government rebels were integrated after the 2011 civil war into a unified army, but the so-called disarmament, demobilisation and reintegration programme has been rolled out inconsistently across the country, and the military chain of command now seems blurred. Low-level elements mutinied twice in 2017, mainly over pay conditions, and the government's response (including giving away financial concessions), thus far has proven to be only a short-term solution.

The country is now entering a critical period of long-term military reform—the army will be reduced by at least 4,000 (out of an estimated 25,000 soldiers) by 2020—to trim the security forces' role and influence. Although this restructuring will help stability in the long-term, it also risks stoking military agitation in the near term—especially given the factionalism of the army and the legacy of the civil war. The reduction of the army is likely to meet some resistance, including from Guillaume Soro, the speaker of parliament, who retains strong military connections from his time as a rebel leader (1995-2003). This will especially be the case ahead of the 2020 elections, as competition among Mr Ouattara's allies with ties to the mutinous rebel elements will grow, and they could take the opportunity to stoke discontent within the armed forces to serve their personal interests. Nonetheless, we expect the government to make enough progress on addressing the military's concerns to avoid major turbulence.

The gulf between the masses and the elite is growing ever more pronounced, and this will sporadically result in protests. Further security threats stem from terrorism. As francophone West Africa's main economy with a strong French presence, Côte d'Ivoire will remain a target of jihadi groups. And with the downsizing of the army, the country's vulnerability to the jihadi threat will further increase. Overall, given a tense political succession, army fractiousness and the risk of social unrest, there is a slim downside risk of the country sliding back into civil war. This is, however, not our central forecast.

## Election watch

The next presidential election is due in 2020 and the frontrunner is Amadou Gon Coulibaly, the prime minister. Others with clear presidential ambitions include two other members of the president's inner circle: Mr Soro, the speaker of parliament, and Hamed Bakayoko, the defence minister. The latter has emerged as a key player in the president's RDR, while Mr Soro is losing the administration's support for his likely presidential candidacy—his involvement in several scandals has pushed him away from the presidential orbit. A sympathetic Senate, the advantages of incumbency, still-robust economic growth and a geographically broad support base will also reinforce the ruling coalition's electoral strength ahead of the poll, as well as the legislative election scheduled in 2021. The president and the leader of the PDCI (and a former president), Henri Konan Bédié, are discussing merging their parties ahead of the presidential election, which we also expect to strengthen their electoral ambitions. Moreover, the deep schism in the main opposition party, the Front populaire ivoirien, between moderates and hardliners will continue to undermine its effectiveness and popularity.

## International relations

Investment opportunities and the government's need for financing to fund ambitious spending plans will continue to be the focus of Côte d'Ivoire's international relations. Mr Ouattara is keen to move away from the French umbrella—although the French presence will remain strong. France has set up a permanent military base in the country, partly to help to consolidate the peace, but also to support military operations elsewhere on the continent.

A maritime border dispute with Ghana was settled via international arbitration in mid-2017, with both sides accepting the verdict (which favoured Ghana). Given that relations between the two countries had been strengthening even while the dispute was ongoing, there is now the scope for even closer ties on matters such as regional infrastructure and economic co-operation (notably, in the cocoa sector). However, efforts by the two countries to better use their position as the world's largest cocoa producers to stabilise global prices will be undermined by their rival efforts to attract investment into the sector.

## Democracy Index: Cote d'Ivoire

Côte d'Ivoire was among the fastest climbers in The Economist Intelligence Unit's 2017 Democracy Index rankings, rising six places to 116th out of 167 countries. It is, however, still categorised as an "authoritarian" state, with a score of 3.93 out of 10. This groups Côte d'Ivoire together with several other states in French-speaking Africa—including Gabon, Cameroon and the Democratic Republic of Congo—but below several other neighbouring countries that have made substantial progress towards democracy in the past decade, including "flawed democracies" such as Senegal and Ghana.

### Democracy Index

	Regime type	Overall score	Overall rank
2017	Authoritarian	3.93 out of 10	116 out of 167
2016	Authoritarian	3.81 out of 10	122 out of 167
2015	Authoritarian	3.31 out of 10	=132 out of 167

## Swift improvement, but from a low base, and risk of a democratic retreat remains elevated

The improvement in Côte d'Ivoire's ranking follows a gradual normalisation of domestic politics since the 2010–11 civil war, which culminated in the completion of two reasonably credible elections in October 2015 (presidential) and December 2016 (legislative). Many exiled politicians have returned to the country and the main opposition party, the Front populaire ivoirien (FPI), which boycotted the 2011 legislative election, has re-entered electoral polls. The restoration of underlying political stability over the past six years has led to gradual improvement in the functioning of government and, marked by a relatively free press and multiplicity of political parties, the country's political culture is broadly democratic.

However, the country's rise up the rankings comes from a low base, so its position remains weak overall. Meanwhile the risk of a democratic retreat remains elevated. The influence of the military on the government, the concentration of powers in the presidency, low voter turn-out and issues with the electoral process, which is skewed in favour of the incumbent, all continue to weigh on Côte d'Ivoire's ranking. The post-conflict resolution process is far from complete, with parts of the FPI continuing to boycott mainstream politics and factions of the military answering solely to their former-rebel commanders (some of whom have nominally entered civilian politics). Moreover, the succession process will reveal fault lines within the political and military elites, weakening political stability and increasing the risk of denting the country's democratic credentials in the coming years.

### Democracy Index 2017 by category

(On a scale of 0 to 10)

Electoral process	Functioning of government	Political participation	Political culture	Civil liberties
4.42	2.14	3.33	5.63	4.12

A free white paper containing the full index and detailed methodology can be downloaded from [www.eiu.com/democracy2017](http://www.eiu.com/democracy2017).

## Note on methodology

There is no consensus on how to measure democracy, and definitions of democracy are contested. Having free and fair competitive elections, and satisfying related aspects of political freedom, is the sine qua non of all definitions. However, our index is based on the view that measures of democracy that reflect the state of political freedom and civil liberties are not "thick" enough: that is, they do not encompass sufficiently some crucial features that determine the quality and substance of democracy. Our index therefore also includes measures of political participation, political culture and functioning of government, which are, at best, marginalised by other measures.

Our index of democracy covers 167 countries and territories. The index, on a 0-10 scale, is based on the ratings (0, 0.5 or 1) for 60 indicators grouped in five categories: electoral process and pluralism; civil liberties; functioning of government; political participation; and political culture. Each category has a rating on a 0-10 scale, and the overall index of democracy is the simple average of the five category indices.

The category indices are based on the sum of the indicator scores in the category, converted to a 0-10 scale. Adjustments to the category scores are made if countries do not score a 1 in the following critical areas for democracy:

- whether national elections are free and fair;
- the security of voters;
- the influence of foreign powers on government; and
- the capability of the civil service to implement policies.

If the scores for the first three questions are 0 (or 0.5), one point (or 0.5 points) is deducted from the index in the relevant category (either electoral process and pluralism or functioning of government). If the score for question 4 is 0, one point is deducted from the functioning of government category index.

The index values are used to place countries within one of four types of regime:

- full democracies—scores greater than 8;
- flawed democracies—scores greater than 6, and less than or equal to 8;
- hybrid regimes—scores greater than 4, and less than or equal to 6;
- authoritarian regimes—scores less than or equal to 4.

## Policy trends

Policy will be focused on pro-market reforms, including measures meant to streamline bureaucratic procedures, cut business costs and support small and medium-sized enterprises. The government's 2016–20 National Development Plan (NDP) seeks to support structural reforms—including by maintaining high levels of infrastructure investment and stimulating job creation. A central part of the NDP is also to encourage the development of the local agricultural processing industry. Reflecting its confidence in the government's policy direction, the IMF approved a three-year extended credit facility (ECF; 2016–19) and an extended fund facility (EFF) at end-2016. These programmes are collectively worth about US\$884m. The backing of the Fund for the country, which is performing well under the two credit programmes, will keep policy implementation on a decent path, as well as reassure other donors and investors. However, policy implementation will slow as the succession battle ahead of the 2020 vote is expected to weaken government effectiveness. Meanwhile, efforts to redistribute the benefits of fast economic growth to the population will also become increasingly pressing, as demands grow more vocal. This also means that there is a risk that the long-term policy objectives will be sidelined in favour of quick fixes designed to quell social dissent.



## Fiscal policy

The government will aim to rationalise current spending in 2018<sup>22</sup>, but we expect election-related expenditure to cause a surge in spending as a percentage of GDP in 2020. The government will also improve the targeting of its still-large public investment programme. On the revenue side, cocoa earnings will decrease. Although above average rainfall in some of the country's southern cocoa-growing regions gave hope of a better than expected mid-crop season, public earnings will suffer from smuggling of cocoa beans to Ghana in 2018, as they have set higher cocoa intervention prices for the 2017/18 (October-September) season. As a result, we expect the total revenue/GDP ratio to dip this year. That said, the administration has also committed to revenue-enhancing measures including a phasing-out of value-added tax (VAT) exemptions and the limitation of tax exemptions in general, and an increase in excise rates on beverages, cosmetic products and luxury vehicles, as well as improving the revenue-collection authorities' capacities. Public revenue will also continue to benefit from robust economic activity, while the privatisation of some public companies will also give periodic boosts to government income, and we expect the total revenue/GDP ratio to gradually pick up in 2019<sup>22</sup>.

Overall, we estimate that the budget deficit as a percentage of GDP will remain largely unchanged from 4.2% of GDP in 2017 to 4.3% of GDP in 2018 as efforts to contain public spending are counterbalanced by decreasing revenue from the cocoa sector. It will then narrow to 3.5% in 2019 as revenue recovers. A surge in spending ahead of the presidential election will cause the deficit to widen again, to 4.4% of GDP, in 2020, before it gradually narrows again to 2.1% of GDP in 2022 as spending pressures ease. Important downside risks to this forecast would be renewed military agitation or strikes. Issues of Eurobonds, bonds and sukuk (Islamic bonds), as well as non-concessional commercial loans, will help to cover the shortfalls. Donors will also help to fund the deficits through concessional credits. In addition, China will remain an important lender. Assuming continued robust economic growth, public debt will remain relatively stable at an average of 49.7% of GDP in 2018<sup>22</sup>.

## Monetary policy

Monetary policy is determined by the regional central bank, the Banque centrale des Etats de l'Afrique de l'ouest (BCEAO), which prioritises inflation-targeting in its eight member countries, as well as maintaining the CFA franc's euro peg. Policy is therefore heavily influenced by that of the European Central Bank (ECB). The ECB has been pursuing an exceptionally accommodative monetary policy, and we expect it to maintain its ultra-loose policy stance until 2020, as it seeks to boost growth and encourage lending. It will then embark on a gradual tightening cycle in response to a build-up in inflationary pressures. Echoing these moves, the BCEAO has held its main policy rate on hold since mid-2013, at 2.5%. However, it is facing liquidity pressures in its money market and, although stable, foreign-exchange reserves remain below the five months of import coverage that is recommended by the IMF. The BCEAO has taken some steps to tighten monetary conditions, by increasing lending rates and limiting banks' access to refinancing. With these mechanisms guarding against significant pressures, we expect policy rates to be kept on hold until 2020, when they will be lifted in tandem with the ECB. However, if liquidity shortages persist or reserves tumble, there is a moderate risk that rates will be adjusted before then.

## International assumptions

	2017	2018	2019	2020	2021	2022
<b>Economic growth (%)</b>						
US GDP	2.3	2.6	2.5	0.8	1.8	1.8
OECD GDP	2.4	2.3	2.2	1.3	1.9	1.9
World GDP	3.0	3.0	3.0	2.3	2.8	2.8
World trade	4.6	4.0	3.8	2.7	3.9	3.7
<b>Inflation indicators (% unless otherwise indicated)</b>						
US CPI	2.1	2.4	2.5	1.3	1.8	1.9
OECD CPI	2.1	2.2	2.2	1.7	1.9	1.9
Manufactures (measured in US\$)	2.3	6.9	3.4	2.3	3.7	4.1
Oil (Brent; US\$/b)	54.4	66.5	62.8	60.0	63.0	66.5
Non-oil commodities (measured in US\$)	7.6	4.5	1.0	0.5	-1.1	0.1
<b>Financial variables</b>						
US\$ 3-month commercial paper rate (av; %)	1.1	1.9	2.4	2.6	1.7	2.0
US\$:€ (av)	1.129	1.220	1.200	1.210	1.213	1.238
¥:US\$	112.14	109.60	108.99	104.00	100.00	98.25

## Economic growth

We expect real GDP growth to remain fairly brisk, at a yearly average of 6.9% in 2018–22. Economic activity will be supported by continued infrastructure investment, the government's pro-business reforms and a relatively stable political context. Industries that aim to process the country's raw materials, including cocoa, will continue to expand as the government is looking to attract more grinders by offering tax breaks. Growth in the agricultural sector will be supported by investment in rural infrastructure. Large infrastructure projects—particularly in transport and energy—financed by foreign investment, aid inflows and the government, will also support growth. The authorities also have ambitious plans to more than double oil and gas production to 200,000 barrels oil equivalent/day (boe/d) by the end of our forecast period (from around 87,000 boe/d currently). Exploration activity started to pick up slightly at end-2017, and will continue to do so as world oil prices increase in 2018, making companies slightly less risk-averse. Potential finds could boost Côte d'Ivoire's production and the value of the oil industry.

Nevertheless, the pace of growth will be well below the average recorded in 2012–16 (of 9.1%). Economic growth will continue to feel the effects of a downturn in the cocoa sector that started in 2017, following a slump in global cocoa prices, and as we expect prices will remain low in 2018–22 (compared with 2008–16 prices). Some 6m Ivoirians (roughly one-quarter of the population) depend on the cocoa industry and weaker activity in the sector will constrain faster growth in private consumption. Yet strong growth in bank credit to the private sector will counterbalance this. We expect economic growth to trend downwards as the presidential vote approaches as political uncertainties intensify. It should then recover in 2021–22. An escalation in political tensions would prompt us to revise these numbers down.

### Economic growth

%	2017 <sup>a</sup>	2018 <sup>b</sup>	2019 <sup>b</sup>	2020 <sup>b</sup>	2021 <sup>b</sup>	2022 <sup>b</sup>
GDP	7.8	7.4	6.8	6.2	6.5	7.9
Private consumption	8.5	5.9	5.6	5.4	5.8	7.0
Government consumption	10.0	6.0	5.6	5.0	6.0	6.5
Gross fixed investment	14.0	10.5	9.0	8.0	10.0	12.0
Exports of goods & services	-6.0	1.5	1.8	1.5	2.5	2.2
Imports of goods & services	1.0	0.8	1.0	1.0	2.7	3.4
Domestic demand	8.2	7.0	6.4	5.9	6.5	8.0
Agriculture	-3.0	2.0	1.7	1.2	1.8	2.8
Industry	13.0	11.0	9.6	8.4	7.6	10.0
Services	9.1	7.3	6.9	6.4	7.2	8.0

<sup>a</sup> Economist Intelligence Unit estimates. <sup>b</sup> Economist Intelligence Unit forecasts.

## Inflation

Throughout the forecast period, relatively strong economic growth will push up demand-side inflationary pressures. However, this will be tempered by rising domestic food production as investment in the agricultural sector continues. In 2018 we expect inflation to pick up from an average 0.5% in 2017 to 0.7%, owing to an increase in global commodity prices, although this will be counterbalanced in part by an appreciation of the CFA franc against the US dollar. We then expect inflation to climb again, to an average of 1%, in 2019 owing to a weaker local currency. This spike in inflation will, however, be short-lived owing to weaker domestic demand and a stronger currency in 2020. Thereafter, we expect increasing global commodity prices and a stronger currency, with these counteracting pressures working to keep inflation fairly flat in 2021–22—at an average of 0.9%. Downside risks to this forecast could arise from shortages of local food supplies caused by erratic rainfall patterns.

## Exchange rates

The CFA franc is pegged to the euro at CFAfr655.96:€1 and therefore fluctuates in line with euro:dollar movements. It is unlikely that the euro zone economy will be able to maintain its recent growth momentum, while political developments such as election results in Italy will make institutional reform in the EU more challenging. Therefore, although the CFA franc is forecast to strengthen from CFAfr582.1:US\$1 in 2017 to CFAfr537.7:US\$1 in 2018, we expect it to weaken thereafter, sliding back to CFAfr546.6:US\$1 in 2019. In 2020 a cyclical economic downturn in the US will weaken the dollar. A tepid recovery in the US and moves by the ECB to unwind its accommodative monetary policy will then keep the euro:dollar exchange rate relatively flat in 2020–21. Tracking these dynamics, the CFA franc will stabilise at an average of CFAfr541.5:US\$1 in 2020–21. In 2022 the euro will strengthen again as macroeconomic fundamentals in the euro zone outperform the US, and the CFA franc will strengthen to CFAfr530.1:US\$1.

## External sector

We expect earnings from cocoa, which make up over one-third of Côte d'Ivoire's export revenue, to decline in 2018 (despite higher global cocoa prices). Adverse weather has affected crops and a higher local price in Ghana is encouraging the smuggling of Ivorian beans into Ghana. In 2019–22, global cocoa prices will be low (by historical standards), but cocoa exports are forecast to gradually recover boosted by investment in local processing capacity. We forecast higher oil earnings in 2019–22 (Côte d'Ivoire is a net exporter of petroleum products), owing to recent investments in boosting recovery at the two existing fields. Exports of mined commodities (especially gold) and non-cocoa agricultural products will also continue to increase, although modestly, in 2018–22. A large public investment programme will suck in capital imports, but this will be outpaced by exports from 2019 onwards.

The services deficit will remain wide, owing to high demand for imported services for mining and infrastructure projects. But the strengthening capacity of local service providers, coupled with higher incomes from servicing rising regional trade—especially in the latter part of our forecast, when a new port terminal will boost Abidjan's regional hub status—will counterbalance the impact of higher services imports. We therefore expect the deficit to remain relatively stable as a proportion of GDP in 2018–20 before starting to narrow in 2021–22. The primary income deficit will gradually widen in nominal terms in 2019–22 as multinational companies repatriate profits and debt-servicing rises. The shortfall on the secondary income account will remain small but widen modestly in nominal terms as aid inflows shrink.

Overall, the current-account deficit will widen in 2018, mainly driven by a decrease in cocoa export earnings. It will then narrow, but only slowly as cocoa earnings struggle to recover in a low global price environment. The deficits will primarily be financed by borrowing and foreign direct investment inflows, particularly into the natural resources, construction and services sectors.

## Forecast summary

### Forecast summary

(% unless otherwise indicated)

	2017 <sup>a</sup>	2018 <sup>b</sup>	2019 <sup>b</sup>	2020 <sup>b</sup>	2021 <sup>b</sup>	2022 <sup>b</sup>
Real GDP growth	7.8	7.4	6.8	6.2	6.5	7.9
Consumer price inflation (av)	0.5 <sup>c</sup>	0.7	1.0	0.3	0.7	1.0
Discount rate (end-period)	5.4	5.3	5.3	5.2	5.3	5.5
Government balance (% of GDP)	-4.2	-4.3	-3.5	-4.4	-3.2	-2.1
Exports of goods fob (US\$ m)	11,962	11,514	12,337	12,884	13,625	14,712
Imports of goods fob (US\$ m)	-9,011	-9,383	-9,611	-9,857	-10,233	-10,771
Current-account balance (US\$ m)	-906	-1,539	-1,350	-1,317	-1,293	-1,157
Current-account balance (% of GDP)	-2.1	-3.0	-2.5	-2.3	-2.1	-1.7
External debt (year-end; US\$ bn)	13.1	14.8	16.4	18.0	20.1	21.9
Exchange rate CFAfr:US\$ (av)	582.1 <sup>c</sup>	537.7	546.6	542.1	541.0	530.1
Exchange rate CFAfr:US\$ (end-period)	547.0 <sup>c</sup>	544.4	546.6	542.1	535.5	524.8
Exchange rate CFAfr:¥100 (av)	519.1 <sup>c</sup>	490.6	501.5	521.3	541.0	539.5
Exchange rate CFAfr:€ (end-period)	656.0	656.0	656.0	656.0	656.0	656.0

<sup>a</sup> Economist Intelligence Unit estimates. <sup>b</sup> Economist Intelligence Unit forecasts. <sup>c</sup> Actual.

# Data and charts

## Annual data and forecast

	2013 <sup>a</sup>	2014 <sup>a</sup>	2015 <sup>a</sup>	2016 <sup>a</sup>	2017 <sup>b</sup>	2018 <sup>c</sup>	2019 <sup>c</sup>
<b>GDP</b>							
Nominal GDP (US\$ m)	31,264	35,317	33,119	36,356	43,210	50,835	53,926
Nominal GDP (CFAfr bn)	15,446	17,461	19,595	21,562	25,152	27,335	29,478
Real GDP growth (%)	8.9	8.8	8.8	8.3	7.8	7.4	6.8
<b>Expenditure on GDP (% real change)</b>							
Private consumption	7.8	6.1	13.7	9.7	8.5	5.9	5.6
Government consumption	-17.2	10.2	5.4	5.2	10.0	6.0	5.6
Gross fixed investment	54.5	18.9	14.6	15.2	14.0	10.5	9.0
Exports of goods & services	-5.2	4.5	6.9	-5.9	-6.0	1.5	1.8
Imports of goods & services	-7.3	0.3	15.9	1.0	1.0	0.8	1.0
<b>Origin of GDP (% real change)</b>							
Agriculture	4.2	16.2	2.9	-1.1	-3.0	2.0	1.7
Industry	28.8	4.5	8.3	15.2	13.0	11.0	9.6
Services	-14.9	8.1	8.1	9.1	9.1	7.3	6.9
<b>Population and income</b>							
Population (m)	22.0	22.5	23.1	23.7	24.3	24.9	25.5
GDP per head (US\$ at PPP)	2,980	3,218	3,452	3,693	3,951	4,234	4,494
<b>Fiscal indicators (% of GDP)</b>							
Public-sector revenue	19.7	18.9	20.0	19.4	19.2	18.3	19.0
Public-sector expenditure	21.3	20.5	22.1	23.3	23.4	22.6	22.5
Public-sector balance	-1.6	-1.6	-2.1	-3.9	-4.2	-4.3	-3.5
Net public debt	43.1 <sup>b</sup>	45.5 <sup>b</sup>	48.4 <sup>b</sup>	47.4 <sup>b</sup>	50.1	48.4	48.9
<b>Prices and financial indicators</b>							
Exchange rate CFAfr:US\$ (end-period)	475.6	540.3	602.5	622.3	547.0 <sup>a</sup>	544.4	546.6
Exchange rate CFAfr:€ (end-period)	656.0	656.0	656.0	656.0	656.0 <sup>a</sup>	657.0	658.0
Consumer prices (end-period; %)	0.4	0.9	1.4	-0.3	0.0 <sup>a</sup>	1.5	1.0
Stock of money M1 (% change)	13.1	15.0	20.2	12.0 <sup>b</sup>	15.3	13.1	10.8
Stock of money M2 (% change)	11.3	14.2	18.2	11.0 <sup>b</sup>	15.8	12.8	11.2
Lending interest rate (av; %)	5.3	5.3	5.2	5.3	5.4	5.3	5.3
<b>Current account (US\$ m)</b>							
Trade balance	2,994	3,873	3,169	3,065	2,951	2,131	2,725
Goods: exports fob	12,049	12,968	11,731	10,874	11,962	11,514	12,337
Goods: imports fob	-9,055	-9,095	-8,562	-7,809	-9,011	-9,383	-9,611
Services balance	-2,076	-2,160	-2,018	-1,989	-2,233	-2,067	-2,239
Primary income balance	-901	-909	-1,006	-1,075	-1,180	-1,112	-1,295
Secondary income balance	-439	-294	-344	-415	-443	-491	-542
Current-account balance	-423	510	-200	-414	-906	-1,539	-1,350
<b>External debt (US\$ m)</b>							
Debt stock	9,840	9,778	11,363	11,344	13,053	14,787	16,377
Debt service paid	1,053	1,003	808	1,549	1,364	1,519	2,013
Principal repayments	767	646	512	1,151	1,030	1,098	1,450
Interest	286	357	296	398	334	422	564
Debt service due	1,062	1,007	812	1,549	1,364	1,519	2,013
<b>International reserves (US\$ m)</b>							
Total international reserves	4,806	5,165	5,516	4,935	5,181	5,233	5,626

<sup>a</sup> Actual. <sup>b</sup> Economist Intelligence Unit estimates. <sup>c</sup> Economist Intelligence Unit forecasts.

Source: IMF, International Financial Statistics.

## Quarterly data

	2016			2017				2018
	2 Qtr	3 Qtr	4 Qtr	1 Qtr	2 Qtr	3 Qtr	4 Qtr	1 Qtr
<b>Output</b>								
Industrial production index (2007=100)	157	150	166	161	160	153	184	n/a
<b>Prices</b>								
Consumer prices (2010=100)	115.8	113.7	113.5	115.0	115.7	114.9	114.4	115.0
Consumer prices (% change, year on year)	1.7	0.2	0.2	1.0	-0.1	1.1	0.8	0.1
<b>Financial indicators</b>								
Exchange rate CFAfr:US\$ (av)	580.9	587.6	608.3	616.1	596.4	558.7	557.0	533.7
Exchange rate CFAfr:US\$ (end-period)	590.9	587.7	622.3	613.6	574.8	555.6	547.0	532.4
Deposit rate (av; %)	6.8	6.9	7.0	n/a	n/a	n/a	n/a	n/a
Discount rate (end-period; %)	2.5	2.5	2.5	2.5	n/a	n/a	n/a	n/a
M1 (end-period; CFAfr bn)	5,032	4,825	5,514	5,618	n/a	n/a	n/a	n/a
M1 (% change, year on year)	13.4	8.1	12.0	13.4	n/a	n/a	n/a	n/a
M2 (end-period; CFAfr bn)	7,310	7,098	7,871	8,116	n/a	n/a	n/a	n/a
M2 (% change, year on year)	12.2	8.4	11.0	12.7	n/a	n/a	n/a	n/a
<b>Sectoral trends ('000 tonnes)</b>								
Cocoa beans exports	81.9	n/a	n/a	n/a	n/a	n/a	n/a	n/a
<b>Foreign reserves (US\$ m)</b>								
Reserves excl gold (end-period)	5,902	5,283	4,935	5,525	n/a	n/a	n/a	n/a

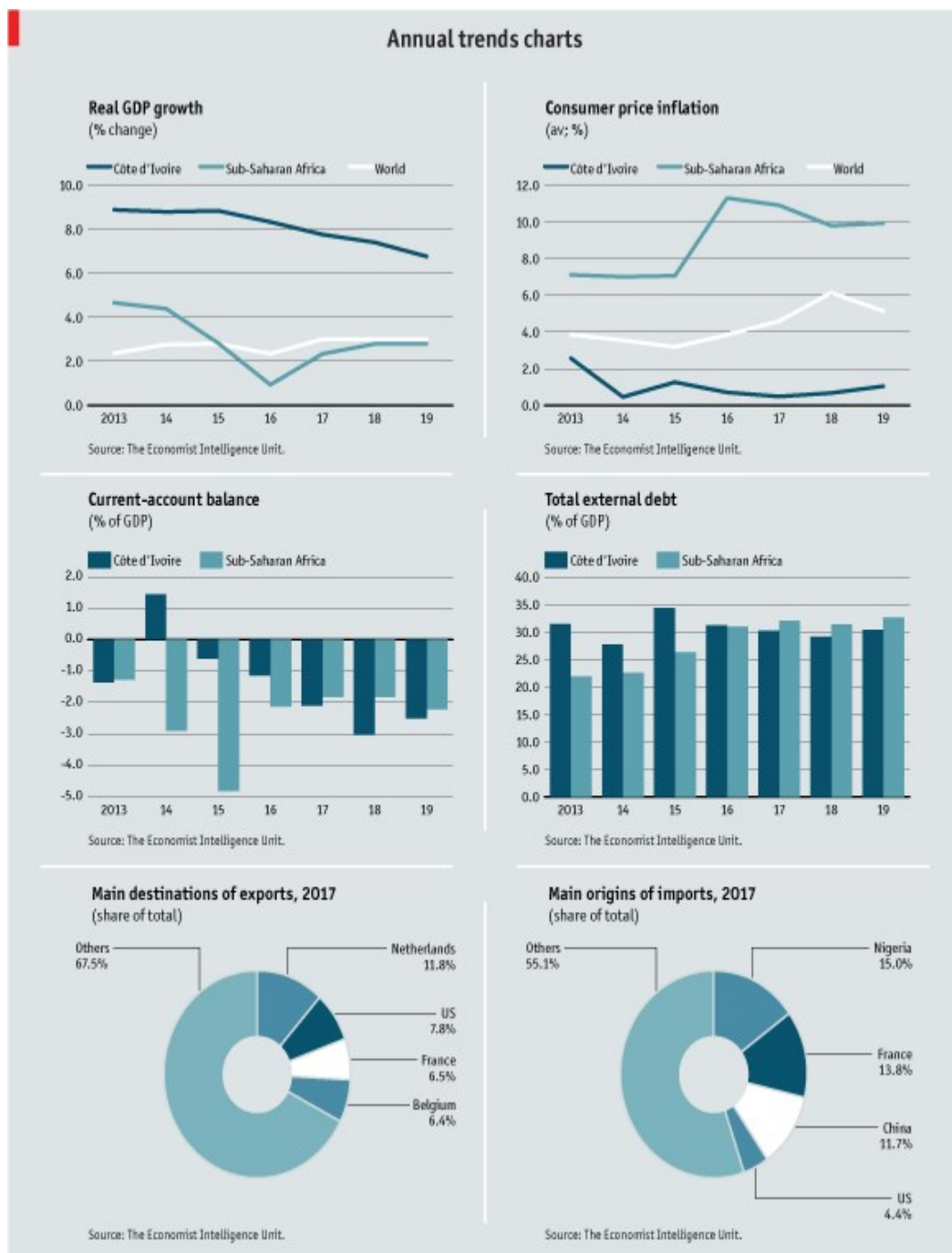
Sources: Union économique et monétaire ouest-africaine; Institut national de la statistique; Direction générale des douanes; Direction de la conjoncture et de la prévision économique; IMF, International Financial Statistics ICCO, Quarterly Bulletin of Cocoa Statistics.

## Monthly data

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
<b>Exchange rate CFAfr:US\$ (av)</b>												
2016	604.0	591.4	591.1	578.5	580.0	584.2	592.7	585.1	585.1	595.0	607.6	622.3
2017	618.1	616.4	614.0	611.8	593.3	584.2	569.9	555.6	550.6	558.0	558.9	554.2
2018	537.9	531.4	531.7	534.4	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
<b>Exchange rate CFAfr:US\$ (end-period)</b>												
2016	600.7	602.5	576.2	575.3	588.1	590.9	590.3	589.3	587.7	599.3	616.8	622.3
2017	609.9	619.0	613.6	600.1	584.6	574.8	559.4	554.7	555.6	563.6	553.6	547.0
2018	526.6	537.0	532.4	543.1	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
<b>M1 (end-period; % change, year on year)</b>												
2016	15.0	18.0	13.9	12.8	11.5	13.4	9.7	9.9	8.1	9.1	12.1	12.0
2017	14.5	12.8	13.4	13.3	13.6	n/a	n/a	n/a	n/a	n/a	n/a	n/a
2018	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
<b>M2 (end-period; % change, year on year)</b>												
2016	14.7	16.9	13.6	12.2	10.8	12.7	9.8	9.8	8.3	9.0	11.4	11.4
2017	14.0	12.5	13.0	13.1	14.2	n/a	n/a	n/a	n/a	n/a	n/a	n/a
2018	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
<b>Industrial production (% change, year on year)</b>												
2016	-1.1	19.1	8.6	13.8	11.8	10.4	1.6	13.4	5.0	-0.7	1.5	-0.8
2017	9.9	0.7	6.6	5.5	5.8	1.4	-2.4	4.2	5.5	8.5	3.1	14.9
2018	4.8	6.6	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
<b>Deposit rate (av; %)</b>												
2016	7.14	6.89	6.90	6.77	7.08	6.69	n/a	n/a	7.02	6.66	7.27	7.11
2017	6.38	6.60	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
2018	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
<b>Money market rate (av; %)</b>												
2016	4.13	4.30	4.62	4.50	4.57	4.70	4.86	4.66	4.64	4.78	4.65	4.87
2017	5.01	5.17	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
2018	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
<b>Discount rate (end-period; %)</b>												
2016	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50
2017	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50
2018	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
<b>Stockmarket index (end-period; 1998=100)</b>												
2016	290	303	314	319	306	308	289	290	285	273	280	292
2017	278	289	286	274	271	262	251	240	237	n/a	223	243
2018	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
<b>Consumer prices (av; % change, year on year)</b>												
2016	0.3	0.9	0.9	2.0	2.3	0.9	0.4	-0.4	0.6	0.5	0.4	-0.3
2017	1.1	1.4	0.3	0.1	-0.3	-0.1	0.7	1.2	1.3	1.1	0.4	1.1
2018	0.2	-0.6	0.6	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
<b>Foreign-exchange reserves excl gold (US\$ m)</b>												
2016	5,696	5,841	6,151	6,016	6,302	5,902	5,896	5,495	5,283	4,967	5,087	4,935
2017	5,094	5,075	5,525	5,624	5,815	n/a	n/a	n/a	n/a	n/a	n/a	n/a
2018	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a

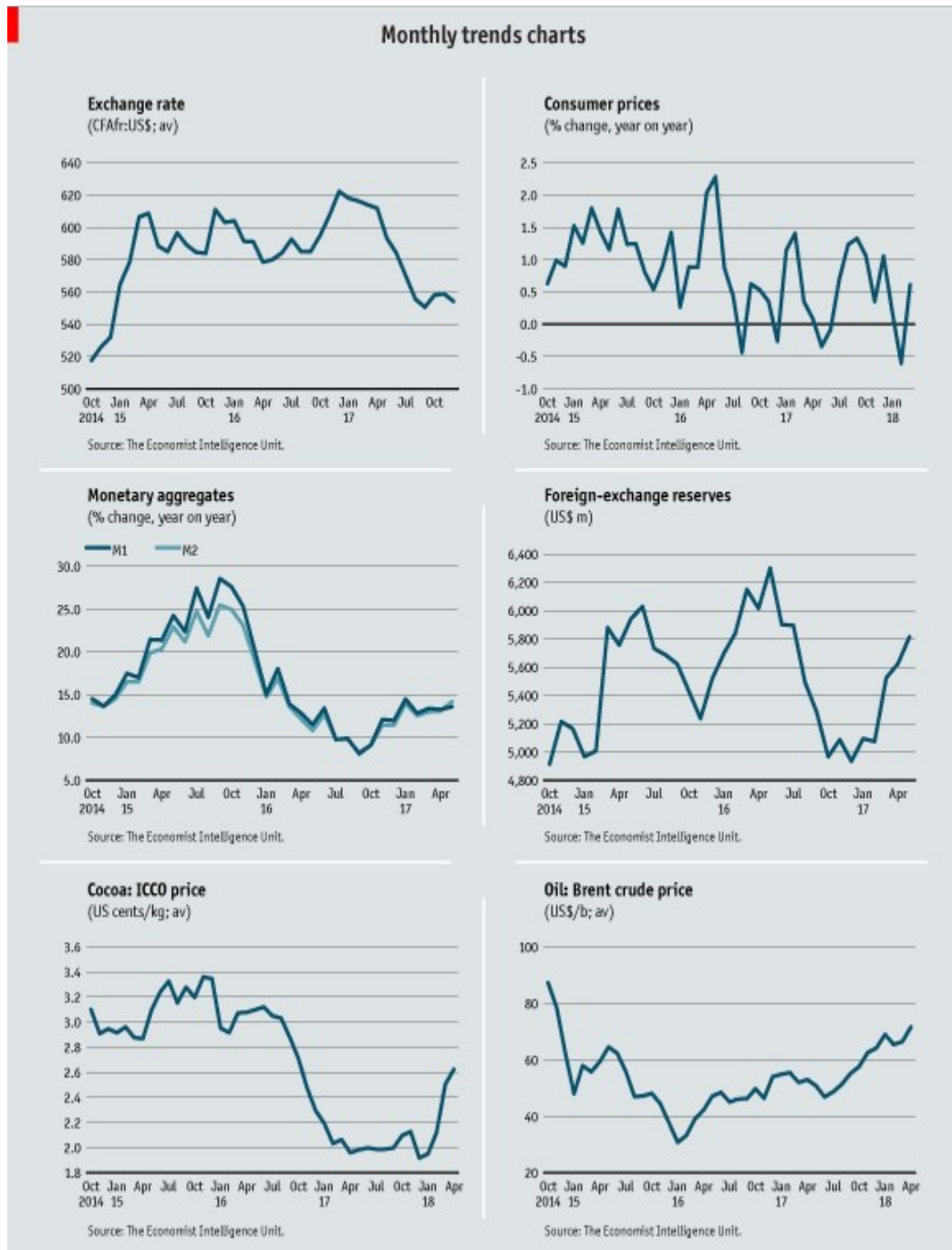
Sources: IMF, International Financial Statistics; Haver Analytics; Institut national de la statistique; Bourse régionale des valeurs mobilières.

# Annual trends charts

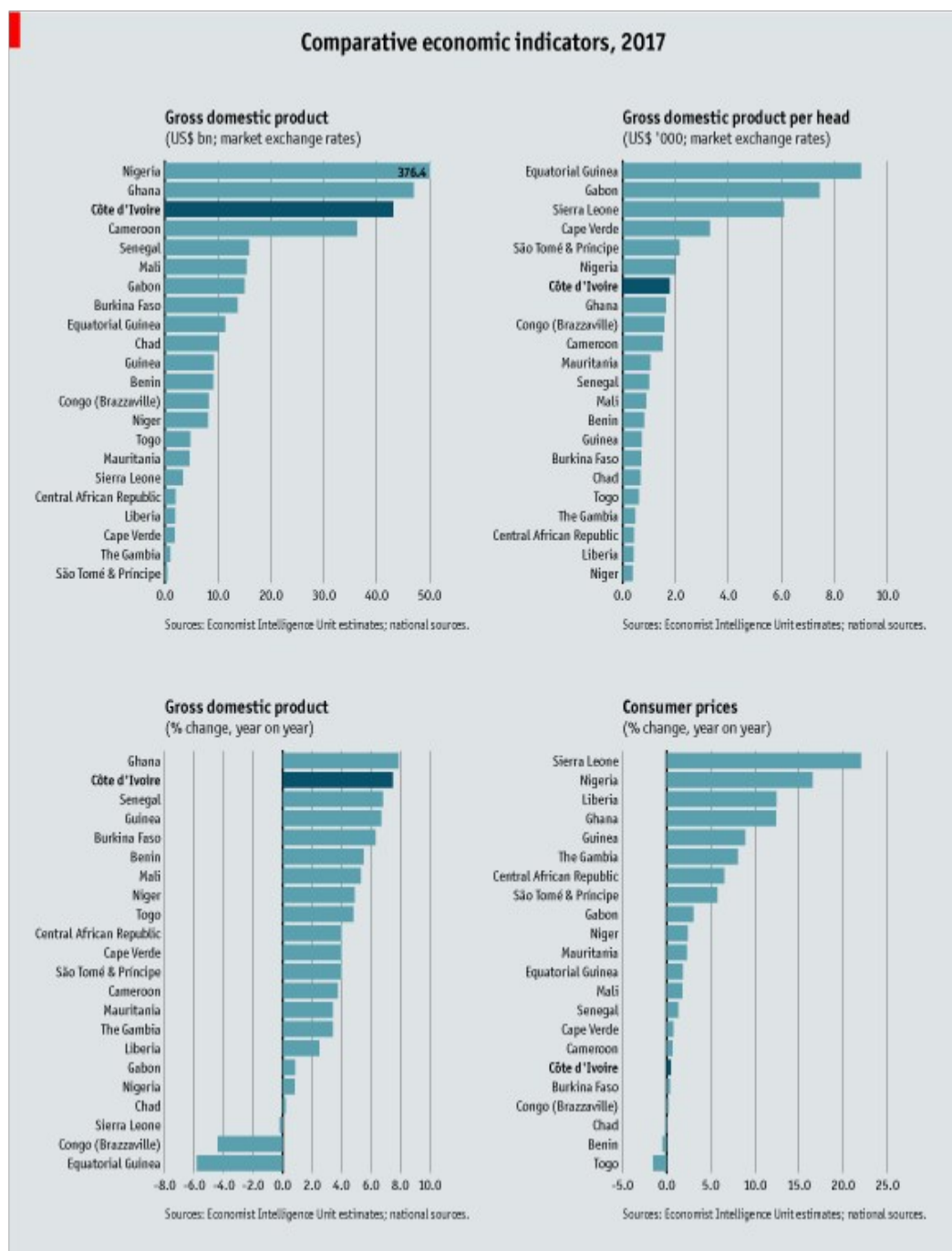




# Monthly trends charts



# Comparative economic indicators



## Basic data

### Land area

322,463 sq km

### Population

23.7m (2016; Word Bank actual)

### Main towns

Population in '000 (World Gazetteer, 2013 estimates)

Abidjan: 4,467

Bouaké: 713

Daloa: 269

Yamoussoukro (capital): 243

Korhogo: 209

## Climate

Tropical

### Weather in Abidjan (altitude 20 metres)

Hottest months, February-April, 24-32°C (average daily minimum and maximum); coldest month, August, 22-28°C; driest month, January, 41 mm average rainfall; wettest month, June, 495 mm average rainfall

## Languages

French, Dioula, Baoulé, Bété and other local languages

## Measures

Metric system

## Currency

CFA franc (franc de la Communauté financière africaine, the common currency of the Union économique et monétaire ouest-africaine); fixed to the euro at CFAfr655.957:€1; CFAfr582.09:US\$1 (2017 average)

## Financial year

January-December

## Time

GMT

## Public holidays

Fixed: January 1st, Labour Day (May 1st), Independence Day (August 7th), Assumption (August 15th), All Saints' Day (November 1st), Peace Day (November 15th), Christmas (December 25th)

Variable (according to Christian and Muslim calendars): Prophet's birthday, Easter Monday, Ascension Day, Whit Monday, Eid al-Fitr, Tabaski



## Political structure

### Official name

République de Côte d'Ivoire

### Form of state

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Unitary republic

## Legal system

Based on the July 2000 constitution and the Napoleonic Code

## National legislature

National Assembly; 255 members elected by universal suffrage for a five-year term

## National elections

The latest presidential election took place in October 2015; the next presidential election is scheduled for 2020; a legislative election was held in December 2016; the next legislative election is due in 2021

## Head of state

The president, elected by universal suffrage to a five-year term in October 2015

## National government

A new government was appointed in January 2016 following the October 2015 presidential election; last reshuffle in July 2017

## Main political parties

The main parties are Rassemblement des républicains (RDR), Parti démocratique de Côte d'Ivoire-Rassemblement démocratique africain (PDCI-RDA—known as the PDCI), Union pour la démocratie et la paix en Côte d'Ivoire (UDPCI), Parti ivoirien des travailleurs (PIT) and Union démocratique et citoyenne (UDCY); the former ruling party, Front populaire ivoirien (FPI), is not represented in parliament following its boycott of the 2011 poll, but it maintains considerable popular support; a senior ex-FPI member, Mamadou Koulibaly, has formed the Liberté et démocratie pour la République (Lider)

## Key ministers

President: Alassane Ouattara

Vice-president: Daniel Kablan Duncan

Prime minister & budget: Amadou Gon Coulibaly

President of the National Assembly: Guillaume Soro

Agriculture & rural development: Mamadou Sangafowa Coulibaly

Animal & fish resources: Kobenan Kouassi Adjoumani

Culture: Maurice Kouakou Bandaman

Commerce: Souleymane Diarrassouba

Construction & urban planning: Claude Dé

Defence & interior: Hamed Bakayoko

Economy & finance: Adama Koné

Economic infrastructure: Amédé Koffi Kouakou

Employment: Jean-Claude Kouassi

Foreign affairs: Marcel Amon-Tanoh

Health & environment: Anna Désirée Ouloto

Health & public hygiene: Raymonde Goudou Coffie

Higher education & scientific research: Ramata Ly-Bakayoko

Industry & mines: Jean-Claude Brou

Justice: Sansan Kambilé

Petroleum, energy & renewables: Thierry Tanoh

Planning & development: Nialé Kaba

Public service: Pascal Abinan Kouakou

Sport: Francois Amichia

State budget & portfolio: Abdourahmane Cissé

Transport: Amadou Koné

## **Governor of the regional central bank (BCEAO)**

Koné Tiémoko Meyliet

## Recent analysis

Generated on May 29th 2018

The following articles have been written in response to events occurring since our most recent forecast was released, and indicate how we expect these events to affect our next forecast.

### Politics

#### Forecast updates

#### Cuts made to the army amid reform to trim its influence

May 9, 2018: Political stability

#### Event

On May 4th the Ivorian army was reduced by 2,168 soldiers by paying volunteers to retire. This is part of a military reform law enacted in 2016 by the president, Alassane Ouattara, to cut costs and trim the army's influence.

#### Analysis

This is the second wave of new retirees, after 991 soldiers voluntarily retired in December 2017. The reduction of the army personnel will be costly, as the government will pay CFAfr15m (US\$25,782) per soldier that will retire—at least 4,000 (out of an estimated 25,000 soldiers) by 2020. That said, in the long term, it could help to reduce volatility within the army's ranks and limit long-term costs associated with mutinies. Low-level elements mutinied twice, in [January](#) and [May](#) 2017, mainly over payment of overdue bonuses, requirements for promotion and living conditions. With these mutinies recalling the uprising of September 2002, which led to civil war and the long political crisis, the government has focused only on short-term fixes. It quelled the first mutinies via financial concessions that weighed on public finances (about 0.5% of GDP), and the second mutiny was dealt with by the use of force—which hardly addressed the underlying vulnerabilities within the army.

The reduction of the soldiers deemed redundant by the government now signals that the country is entering a critical period of military reform to ensure political stability and in turn improve its reputation among investors. Yet the process, which is on a voluntary basis, risks being slow and the objective of an estimated 20% reduction in the army is unlikely to be fully met. Meanwhile, the reform process will come with risks of stoking volatility within the ranks in the near term. The army reduction is likely to meet some resistance, including from Guillaume Soro, the speaker of parliament, who retains strong military connections from his time as a rebel leader and who is likely to reject reforms that would disrupt his networks. This will especially be the case ahead of the 2020 elections, as competition among Mr Ouattara's allies with ties to the mutinous rebel elements will grow and they could take the opportunity to stoke discontent within the armed forces to serve their personal interests.

#### Impact on the forecast

We continue to expect the military reform to move forward, which will serve to improve long-term stability, but in the short term will come with a risk of military agitation.

### Analysis

#### UEMOA's approach to counterterrorism is evolving

May 15, 2018: Political stability

**The threat from jihadi terrorism across West Africa is often intermingled with local inter-communal disputes or banditry and criminal trafficking in narcotics. The sophistication and frequency of the attacks in the region have recently highlighted the complexity and scale of the**



**struggle to curb jihadi and criminal violence across the Sahel. This has prompted the eight member states of the West African Economic and Monetary Union (UEMOA)—which comprises Benin, Burkina Faso, Côte d'Ivoire, Guinea-Bissau, Mali, Niger, Senegal and Togo—to bolster co-operation in fighting terrorist groups and crossborder trafficking gangs. Many similarities in administrative, military and legal practices within UEMOA will provide useful foundations upon which to build effective and pragmatic day-to-day intelligence sharing.**

Although Mali and the Lake Chad basin have been most severely affected, Grand Bassam in Côte d'Ivoire and Abuja in Nigeria have also suffered violent attacks in recent years. Governments throughout the region are aware that any country could be a target, and intelligence sharing and judicial collaboration are now becoming priorities to tackle the threat.

## **A complex and interconnected security threat**

The complexity of the threat in West Africa lies in the fact that these countries' boundaries were drawn in an arbitrary manner, which means that inter-community links (including common ideologies) makes a spread of violence across borders more likely. These countries often share close ethnic, cultural and trade ties, but they also have some similar grievances stemming from socioeconomic marginalisation, political exclusion and environmental issues. Meanwhile, arms and people circulate easily in the region owing to porous borders.

A recent rise in attacks over the past few months—in [Burkina Faso](#) and [Mali](#) particularly—is therefore a concern for the region's future development. Meanwhile, recent attacks are a stark reminder of the complex security issues in the region, with a conflict between jihadis and Sahelian states and their allies, intermingled with local tensions over access to water and grazing.

## **Security efforts have focused on military co-operation so far**

In recent years there has been a steady reinforcement of the military effort to tackle security issues: the Franco-African intervention in Mali in 2013 was rapidly followed by the deployment of a UN peacekeeping force there, the launch of the [Multi-National Joint Task Force to fight Boko Haram](#) and, the creation of a [G5 joint force](#) (which includes Burkina Faso, Chad, Mali, Mauritania and Niger) to fight militants in vulnerable border areas in the Sahel region. But these initiatives have primarily focused on military and diplomatic ties.

Intelligence and policing co-operation—which is important in countering a mobile threat—has been so far relatively overshadowed by military-focused strategies. The African Union's 11-country Nouakchott Process—established in March 2013 to co-ordinate the regional response to terrorism and crime—covers most countries in the Sahel and Maghreb except Morocco, and has been the most ambitious effort to promote intelligence co-operation so far. However, it is unclear whether it has really delivered concrete results.

## **Intelligence and judicial co-operation is the next step**

UEMOA countries are now taking steps to enhance intelligence and judicial co-operation in more practical terms. Security ministers from the member states met in Ouagadougou, the capital of Burkina Faso, in late April to plan the next steps. This initiative includes countries such as Senegal and Côte d'Ivoire that are outside the G5 but have close ties to the Sahel countries and are also clearly at risk of terrorist attack. For example, the March 2016 attack on Grand Bassam, near Abidjan, the economic capital of Côte d'Ivoire, was largely the work of Mali-based militants. It also includes Guinea-Bissau, a key passage for narcotics trafficking, which provides important revenue for militant groups.

Furthermore, in contrast to the Nouakchott Process—in which the often secretive Algeria plays a key role—the eight members of UEMOA are accustomed to working closely with each other across a wide range of policy areas. Ministers and senior officials know each other and already meet on a regular basis. There is a high degree of shared trust and practical collaboration as well as a lot of similarities in administrative, military and legal practice. All this provides useful foundations upon which to build effective and pragmatic day-to-day intelligence sharing.

UEMOA could therefore prove to be more effective than the Nouakchott Process in developing intelligence and judicial co-operation because of the existing close ties between member states.



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But the complexity of local security issues, and the extent to which these overlap with disputes over land, grazing or other inter-communal tensions, will constrain the scope for rapid progress. Enhanced UEMOA collaboration will probably be most effective in tackling urban terrorist cells. By contrast, reducing jihadi violence in rural areas will require a more all-embracing approach, rebuilding community mediation networks, investing in grass-roots development and supporting the pastoral economy, to complement the security and intelligence dimensions, and this will take time to yield results.