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The Conflict in Côte d'Ivoire and its Effect on West African Countries: A Perspective from the Ground

While the post-electoral violence in Côte d'Ivoire is waning, the instability in the country will leave a legacy of negative economic and developmental consequences in the West African region for some time to come. This note identifies the transmission channels through which this conflict impacts on West African countries, drawing on an analysis of the economic linkages in the region. Côte d'Ivoire has a unique role as an economic engine in West Africa, a port of access to international trade to several landlocked countries, and a history of deep integration with other countries through trade, migration, and financial flows. Despite limitations in accessing data to document the impact through all the channels identified, the note draws on information received from UNDP country offices, providing a real-time perspective of what is happening on the ground.

Introduction

Côte d'Ivoire has five neighbors: Ghana, Burkina Faso, Mali, Guinea and Liberia. After independence, President Félix Houphouët-Boigny instituted an open policy that encouraged free trade and free movement of people within West Africa, attracting large numbers of migrant workers from neighboring countries and beyond. The share of foreigners living in Côte d'Ivoire increased from 5 percent in 1950 to 26 percent in 1998, one year before the onset of the current political instability. The country was among the top twelve destinations for international migrants in the world (World Bank, 2009). The economic success of Côte d'Ivoire until the late 1990s—which was sometimes referred to as the Ivorian miracle-- owed much to its export-led growth in agriculture and industry where low-skill migrant workers were most active. In turn, migrants mostly from Benin, Burkina Faso, Niger, and Togo established strong economic links with their native countries through trade, investment and remittances.

When political and economic problems started in Côte d'Ivoire in the late 1990s, the spillovers turned progressively negative to the West African countries that had positively benefited from their economic links with the country. To have an idea of the magnitude of the potential loss, it is worth mentioning two general results based on cross-country empirical econometric analysis. On average being a neighbor of a failing state at peace—meaning a state which is not experiencing outright civil war —reduces the growth rate by 0.6 percentage points per year (Chauvet, Collier and Hoeffler, 2007). This average effect may be exacerbated in cases where the economic interdependence between countries is high, as is the case between Côte d'Ivoire and several West African countries. The negative neighborhood effect is stronger than the positive one. A country's growth rate increases by 0.4% if all its neighbors grow by 1% (Collier and O'Connell, 2008).

The effect of Côte d'Ivoire's instability in West Africa extends beyond its immediate neighbors. Benin has many workers in Côte d'Ivoire despite the fact that it is separated from the country by Ghana and Togo to the West and Burkina Faso to the North-West. It has been estimated that the effect of a country's civil war on growth is felt up to 800 Km radius (Murdoch and Sandler, 2004). Applying this to the specific case of the political instability in Côte d'Ivoire and adding the fact that many migrant workers were from countries that are not immediate neighbors of Côte d'Ivoire implies that the effect of the conflict could have been felt in the following nine countries: Benin, Burkina Faso, Ghana, Guinea, Liberia, Mali, Niger, Sierra Leone and Togo.

There is considerable uncertainty about the impact of the crisis in Côte d'Ivoire. In the short-term it has created significant political difficulties within the country leading to loss of life. The arrest of Laurent Gbabo on 11 April 2011 firmly established in Africa the principle that the results of elections have to be respected by all parties. This is the resounding message being conveyed by the positions taken by ECOWAS, the AU, the EU, the United Nations Security Council and other members of the international community.

What are the channels of transmission of the crisis in Côte d'Ivoire to other countries in the region? Some of the transmission channels are straightforward. They include reduced trade, drop in remittances and lower investment in the nine countries. There are also indirect channels, some of them difficult to quantify. For example, the instability in Côte d'Ivoire may increase the perceptions of political and economic risks in the whole region, scaring off foreign investors. In early February, Côte d'Ivoire defaulted on a $29 million Eurobond interest payment. The bonds had been placed only in April of 2010. Yields on Ghana's Eurobonds jumped from less than 6.3 percent to more than 6.8 in four days following the default in Côte d'Ivoire. Conflict in Côte d'Ivoire may also have induced neighboring countries to divert resources from social and productive sectors to contain some of the negative spillovers, for example to deal with a refugee crisis, to contain the risk of spreading trans-border diseases or to build up higher military assets to beef up security, particularly at the borders. Neighborhood arms races cause an average cost of about 12 percent of GDP per year in countries neighboring a country in civil conflict [2].

The effects on trade have been explored in recent work that confirmed large trade losses. This work also confirms that the effects go beyond immediate neighboring countries. They have extended to the entire Western Africa Economic Monetary Union (WAEMU), and the costs of instability add up over time. However, while the net effect on the region is unambiguously negative, as trade was diverted from Côte d'Ivoire to other countries, this mitigated to some extent the negative impact of the conflict. As the detailed description of the situation in several countries indicates below, some countrie in the region did benefit from trade flows diverted from Côte d'Ivoire.

Since instability in Côte d'Ivoire started in the late 1990s, the cumulative trade losses for intra-WAEMU trade are estimated at close to $9 billion. Actual trade during this period was about $15 billion (Figure 1). Thus, without instability in Côte d'Ivoire, intra-WAEMU trade could have been 60 percent higher than it actually was. While the trade losses to Côte d'Ivoire have been steadily increasing since 1999, the losses for total intra-WAEMU peaked in 2001. Since then, trade diversion to other countries in the region has mitigated region-wide losses from the conflict.

We explore further the effect of the ongoing instability through the following channels:

1. Refugees: To what extent are neighboring countries diverting resources to deal with refugees from Côte d'Ivoire?

2. Returnees: How many people from West Africa have lost their jobs and gone back to their countries as a result of the conflict in Côte d'Ivoire? Returning migrants may also provide some benefits, for example by raising the levels of human and financial capital as well as savings. Return migrants, both skilled and less-skilled can act as key development agents by introducing new knowledge and adding to workplace skills and ideas. But these are medium to long-term effects.

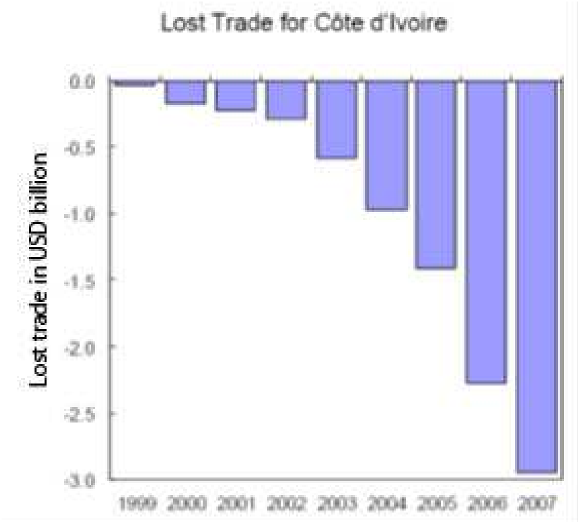
3. Remittances: To what extent have West African nationals lost income in the form of remittances as a result of the conflict in Côte d'Ivoire?

4. Trade: To what extent has West African countries' trade with Côte d'Ivoire been affected? This must take into account the fact that following the "partition" of the country the Northern part has developed new trade channels outside the control of the central government with countries in the region.

5. Health: Is there any case of trans-border transmission of infectious diseases (for example in combination with the refugee question)?

6. Investment: are there indications that cross-border investments from Côte d'Ivoire have dried up or increased as a result of the instability?

7. Financial flows and payment mechanisms: to what extent has the closure of banks and the regional stock exchange in Abidjan affected neighboring countries?



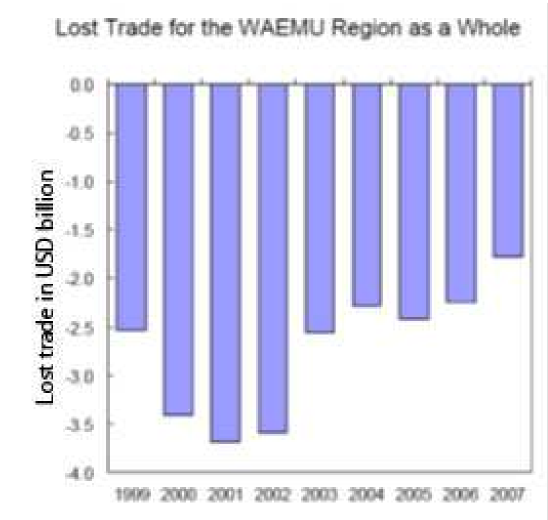


Figure 1- Lost Trade Compared to a Baseline Scenario of no Instability in Côte d'Ivoire (billions of US dollars).Source: Egoume, Philippe and Ankouvi Nayo. 2011. "Feeling the Elephant's Weight: The Impact of Côte d'Ivoire's Crisis on WAEMU Trade." IMF Working Paper WP/1 1/80. Washington, DC: IMF.

Country Effects

These issues are explored country by country. Not all transmission channels are relevant for all countries so only those that are relevant are discussed for each country on the basis of the information available by mid-March 2011.

1. GHANA

As long as the crisis is mostly confined to Abidjan, cross-border trade between Ghana and Côte d'Ivoire is not expected to be significantly affected.

Trade: Côte d'Ivoire and Ghana are the world's first and second exporters of cocoa, respectively. The crisis in Côte d'Ivoire has already led to an increase of international cocoa prices, benefiting Ghana. It is also believed that the quantity of cocoa traditionally smuggled from Ghana into Côte d'Ivoire has drastically declined following the suspension of cocoa exports from Côte d'Ivoire. In fact, the tendency now seems to be smuggling in reverse direction, from Côte d'Ivoire into Ghana. It is estimated that between 75,000 and 100,000 metric tons of cocoa have been smuggled to Ghana from Côte d'Ivoire since the 2010-2011 harvest began on October 1st 2010 [3]. As far as cocoa trade is concerned, this has been an opportunity for Ghana. The increase in cocoa purchases may have influenced Ghana's Cocoa Board (COCOBOD) to recently revise its purchasing target from about 600,000 to 800,000 metric tons for the 2010/2011 period [4]. These developments are expected to increase Ghana's earnings from the industry with a positive effect on the country's balance of trade.

Although official trade statistics do not show substantial trade flows taking place between the two countries, there is an extensive network of informal cross border trade that provides a major source of activity in border regions. These are mainly the Western parts of the Ashanti and Brong Ahafo regions. The good quality of the road network between Côte d'Ivoire and the neighboring border towns and cities has made inhabitants of the neighboring regions dependent on Côte d'Ivoire as a major source of imported commodities like rice, milk produce and other groceries. The outbreak of conflict has negatively affected the livelihoods of both petty traders and medium scale importers.

Investment: There is no clear evidence that investment in Ghana has been affected by the crisis in Côte d'Ivoire but there is fear that small investors near the border with Côte d'Ivoire may have suffered. In the long-term, if political instability persists and if it causes insecurity in Ghana's regions with active oil exploration activities, that would have grave consequences on the Ghanaian economy.

Remittances: The ECOWAS sub-region is estimated to provide less than 10% of inward private remittances to Ghana. Côte d'Ivoire has traditionally been an important source of both formal and informal remittances, especially in regions close to the border, even though the amounts involved are relatively small in comparison to total remittances. In border areas, remittances are an important income source for migrant farm laborers, traders, and fishermen.

Banking and Financial services: As a result of bank closures in Côte d'Ivoire, hundreds of Ivoirians travel to the Ghana side of the border to withdraw cash, convert it into CFA, and return to their country after completing their transactions[5]. Moreover, Ecobank and Standard Chartered banks have moved their operations to Accra and Dakar, respectively. There is no clear indication of transfer of investment from Côte d'Ivoire to Ghana but there are recent media reports of purchase of a large stake in one of the Ghanaian banks by an Ivoirian bank; this could be considered as shifting investment to safety as a result of the crisis in Côte d'Ivoire.

Refugees and returnees: Current information indicates that returnees are crossing through the western regional borders from Côte d'Ivoire. Ghana Immigration Service reports that over 160 refugees are registered each day and the number is on the rise. Since the crisis began, an estimated 7,374 people have arrived in Ghana. Among them, 6,160 are returnees and 1,200 are third-country nationals who transited through Ghana[6]. As of March 1st, there were 482 registered asylum seekers that had come from Côte d'Ivoire, among whom 455 were Ivorian nationals. According to officials at the National Disaster Management Organization (NADMO) the majority of returnees are women and children. Some of these people have lost relatives in the crisis but managed to make their way to Ghana. The Western Regional Coordinator of NADMO reported that the returnees were living in very difficult conditions. For example, some of the women and children camped on beaches around Princess Town and Akatakyie in the Ahanta West district because they had not been properly housed.

Free movement of persons: Historically, there has been free movement of fishermen between Ghana's Western region and fishing villages in Côte d'Ivoire. But during this crisis in Côte d'Ivoire, fishermen and their families have returned to Ghana after losing their livelihoods. Free movement of people across the borders during this period of political crisis in Côte d'Ivoire also has the potential to cause insecurity in Ghana. There is a likelihood that small arms could be smuggled into Ghana and further fuel the existing chieftaincy and other small-scale conflicts in the various parts of the country.

2. NIGER

Trade: Niger has strong trade relations with Côte d'Ivoire. It imports from the country products worth CFA 35 billion every year. These are mostly construction material, detergents, cooking oil, fruits and vegetables. Ninety-five percent of Niger's imports from Côte d'Ivoire are transported by road given that the country is landlocked. Therefore, it is not surprising that political and economic disturbances in Côte d'Ivoire have had important negative repercussions on Niger. As a result of the current political crisis, imports from Côte d'Ivoire dropped by 70% from 1040 tons in November 2010 to only 310 tons in December 2010[7]. Since 2002, Niger has diverted its trade from the Abidjan port to Lomé and Cotonou ports. Only 30% of Niger's current international trade is through the port of Abidjan. Despite these supply constraints, domestic prices in Niger have not increased substantially but this could occur if the crisis persists. The reduction of trade with Côte d'Ivoire has had a negative effect on Niger's customs revenue.

With respect to exports, Côte d'Ivoire is the main market for Nigerien onions and livestock. Total exports declined from 125 tons to only 20 tons between November and December 2010. The drop was mainly due to the mistreatment Nigerien transporters are subjected to along the highways leading to their markets in Côte d'Ivoire. As a result, exporters have been trying to divert their exports to Ghana, Togo and Nigeria but with difficulty.

Remittances: A 2004 study by the International Office for Migrations (IOM) showed that Côte d'Ivoire and Burkina Faso were the main sources of remittances to Niger. There is no recent information on the amounts involved but it is logical to assume that recipient families in Niger have been hit by the crisis in Côte d'Ivoire if their remitters were forced to leave the country or if they lost their jobs.

Returnees: According to the 1998 census in Côte d'Ivoire 74390 Nigeriens or 3.4% of total migrants lived in the country. Up to now, no major movement of returnees has been recorded in Niger as a result of the crisis in Côte d'Ivoire.

Banking and financial services: As at 11 January 2011, about 60% of treasury bonds held by banks in the WAEMU had been issued by Côte d'Ivoire. This represented CFA 604 billion out of a total of CFA 1045 billion. At the end of the first quarter of 2011, the amount in default could reach CFA 409 billion, which would have a ripple effect through WAEMU, affecting particularly the most exposed countries (Senegal, Benin and Burkina Faso). The exposure of Niger's banks to Côte d'Ivoire's default risk is very limited and should not have a noticeable effect on the country's banking system [8].

3. BURKINA FASO

Burkina Faso has traditionally had very strong relations with Côte d'Ivoire in terms of trade, employment, remittances, investment, electricity provision and social interactions. As a result, the conflict in Côte d'Ivoire has already had a deep effect on Burkina Faso.

Trade: Because Burkina Faso is landlocked, about 90 % of its external trade transits in neighboring countries' ports. A large share of this trade uses the port of Abidjan due to the low cost thanks to the relatively short distance and the fact that the port is linked with Burkina Faso by a railway. Seventy thousand to 80.000 tons of freight (cotton, fertilizer, oil products, etc.) are transported via the railway every month. Insecurity in Côte d'Ivoire forced Burkina Faso to divert its trade to more expensive road links to the ports of Lomé, Accra and Cotonou. The change in transport routes and congestion in the three ports have led to high import and export costs, increasing domestic consumer prices and reducing Burkina Faso's export competitiveness. Prices of food and industrial products imported from Côte d'Ivoire could have increased by 15% to 30%. Moreover, due to insecurity, activities in the port of Abidjan came to a standstill causing losses for Burkinabè businesses that had imports and exports stocked there. By 3 February 2011, between 20,000 and 30,000 tons of imports (fertilizer, rice and wheat) were stuck in Abidjan port[9]. Also, industries relying on imported inputs suffered. As an illustration, firms manufacturing tires, batteries, and juices could go out of business if the crisis persists. Furthermore, Côte d'Ivoire is Burkina Faso's main import market: 32% of the country's total official imports are from Côte d'Ivoire. In addition, given that Burkina Faso imports part of its electricity from Côte d'Ivoire, the supply interruptions that affected the North of Côte d'Ivoire also hit electricity supply to Burkina Faso.

Employment: Trade diversion from rail to road transport has cost several jobs to the rail industry and its service providers since February 2011. The same has happened with firms whose inputs have been stuck in the port of Abidjan[10].

Investment: Traditionally, foreign direct investment from Côte d'Ivoire has been low. With the crisis a number of businesses have relocated from Côte d'Ivoire to Burkina Faso, particularly in the import-export sector. This is a limited but positive spillover.

Remittances: The collapse of economic activity and the financial sector in Côte d'Ivoire as well as the insecurity in the country are potential factors that could explain a drop in remittances from Burkina Faso nationals living in the country. In September 2010, there was a spike in remittances representing a 50% increase relative to August. The reason could be that Burkinabè living in Côte d'Ivoire had anticipated that violence could follow the elections so they transferred large amounts of remittances back home as they would probably go back to their country of origin if the situation deteriorated substantially.

Returnees and refugees: When the crisis in Côte d'Ivoire started in 2002, there was a massive return of Burkinabè living in Côte d'Ivoire. The Burkinabè government launched "Opération Bayiri" to repatriate its citizens affected by the violence. As a result of this massive unanticipated return, health infrastructure and food systems were put under stress. This experience could be repeated if the current insecurity leads to another wave of returnees. So far, only a very small number of refugees and returnees have been identified. With the assistance of the United Nations system, a contingency plan has been drawn to deal with an influx of up to 210,000 people among which 10,000 refugees and 200,000 burkinabè and citizens of neighboring countries transiting in Burkina Faso.

4. LIBERIA

Security: There is information that a large number of ex-combatants from Liberia have been recruited to support the Gbabo group. This situation can have a spillover effect on the fragile security situation in Liberia at a sensitive time of elections. However, the UNML military section and UNDSS are well aware and deployed sufficient force at the border to monitor the situation (including refugee protection).

Refugees and Returnees: The number of refugees who have already crossed the border into Liberia has reached 90,000 but these figures are changing and vary from organization to organization. Although there are no specific figures to present as evidence, there is news that many Liberians who used to live and work in Côte d'Ivoire after the civil war in Liberia are also returning home in large numbers. As a result, in addition to the potential of destabilizing the fragile security situation in Liberia, the presence of a large number of refugees given the weak local socio-economic and governance capacity of the Liberian government is an additional burden and a source of concern. UNDP is assessing the impact of the conflict on gender and the environment as these are usually among the first victims in conflict situations. It has been reported that among the refugees that flee the country the majority are women and children.

The RC together with WFP Director has made a flash appeal for supporting the refugees and host communities but the response has been sluggish. The UNHCR is considering launching a new aid appeal this week. According to the UNHCR spokesperson, of the $46 million aid appeal made by UNHCR for Côte d'Ivoire, which was launched in January 2011, only $5 million has been received and a further $13 million has been pledged. The World Food Program has been hampered by insecurity in its plan to provide aid to 125,000 people displaced by violence in Côte d'Ivoire and another 186,000 people in Liberia, including Côte d'Ivoire's refugees and host families. Several NGOs are also working on the same issue but information is scant. Oxfam reported that it sent relief supplies on Monday 14 March 2011 for 70,000 Ivoirians who fled to Liberia. The World Bank is expected to provide financial support to speed up the repair of the damaged roads in Liberia in order to help deliver life support supplies to the refugees and host communities. No information is available for other NGOS such as IRC and Red Cross.

Trade and remittances: There is no quantitative data on the decline in trade and remittances. However, it is believed that the amounts could be relatively high given the decline in economic activity in Côte d'Ivoire and the loss of livelihoods of many Liberians in the country even though petty trade across the border has emerged to cater for the needs of the refugees. The UN system in neighboring counties is trying to assess the impact of the crisis on the local economy mainly on the prices of necessities and on health facilities which are already in a poor state.

5. TOGO

Togo is not an immediate neighbor of Côte d'Ivoire but the crisis in the latter has had important socio-economic effects in Togo in view of the economic importance of Côte d'Ivoire in the WAEMU space.

Trade: Côte d'Ivoire is the main supplier of Togo's oil and manufactured products. Imports from Côte d'Ivoire account for 11% of Togo's total imports so a wide range of consumer products found in Togo including cooking oil, soap and cosmetics, etc. are from Côte d'Ivoire. Therefore, the conflict in the latter country has reduced the availability of such imported products while increasing their prices. The share of Togo's exports to Côte d'Ivoire is 3% so the effect on exports has not been as detrimental as the effect on imports. The thriving informal trade between the two countries has also been hurt by the current situation in Côte d'Ivoire.

One positive effect on Togo has been the gain in business resulting from trade diversion by West African landlocked countries from the Ivorian ports of Abidjan and San Pedro to the Lomé Port. The quantity of goods in the port destined for Burkina Faso has increased from 21,489 tons in January 2010 to 79,748 tons in January 2011. As the crisis in Côte d'Ivoire persists, trade diversion has been accelerating.

Remittances: A large number of Togolese migrated to Côte d'Ivoire in the 1960s and the movement amplified in the 1990s following the socio-political crisis in Togo. In 2009, remittances from Côte d'Ivoire to Togo represented CFA 16.5 billion, which was 10% of the country's total remittances or 43% of remittances from WAEMU countries. Côte d'Ivoire's economic difficulties and the collapse of the banking system are thought to have seriously eroded these transfers. Even before the banking sector collapsed, remittances had dropped by 20% between October 2010 and January 2011. Moreover, a number of banks in Togo, including ECOBANK and Atlantic Bank as well as insurance companies such as BAT and NSIA are affiliated to banks in Côte d'Ivoire so there is a high risk that they have been affected by the crisis in the Ivorian financial system. Also, a number of Côte d'Ivoire-based enterprises are partly owned by Togolese through the regional stock market so the failure of Côte d'Ivoire's financial sector will have a negative effect on Togolese investors.

Refugees and returnees: The Togolese government has decided to grant a refugee status to any Ivorian arriving in the country as a result of the crisis. By 22 March 2011, about 655 refugees and only two returnees had been officially registered. Many could be in the country but without officially registering their status.

6. BENIN

When the crisis in Côte d'Ivoire erupted, the net economic effect on Benin was expected to be positive. The main reason was the benefits from regional landlocked countries' trade diversion via the Port of Cotonou. However, taking advantage of this increased traffic required that the port become more competitive through better infrastructure and less administrative hurdles on the roads from the client countries to the port. Most recently, with the escalation of the crisis, it is difficult to determine with precision the effect on the country due to the lack of data.

Trade: Official trade figures show that Côte d'Ivoire external trade with Benin (exports and imports) represents about 8% of WAEMU (4% of imports and 4% of exports). So far, it has not been possible to quantify the effect of the Ivorian crisis on Benin's trade. Customs officials indicate that so far they have not noted any substantial increase in taxes as a result of the crisis but there is a slight increase in the prices of consumer goods traditionally imported from Côte d'Ivoire. However, it is impossible to attribute this increase to the crisis in Côte d'Ivoire.

Refugees and returnees: There are no refugees officially registered as such as a result of the crisis in Côte d'Ivoire.

Remittances and other financial flows: There is no data that shows changes in remittances. It is true that the closure of Ivorian banks has made difficult financial transfers between the two countries. People have resorted to informal methods of transfer but it is impossible to know the size of the amounts involved.

7. GUINEA

It has been estimated that Guinea may have between 500,000 and one million nationals living in Côte d'Ivoire. At the outset of the Ivorian crisis in 2002, about 35,000 Ivorians fled to Guinea. This aggravated the domestic situation where internal conflict had also led to population movements. This had a serious negative effect on the environment and the exploitation of natural resources, particularly in the Guinée Forestière region. There were also consequences on the health sector including an increase in the spread of HIV/AIDS.

Trade: The decline in imports from Côte d'Ivoire, particularly oil, has translated in price increases for consumer products in Guinea. In 2010 inflation was 21% and food inflation reached 55%. The most affected regions are those bordering Côte d'Ivoire aggravating the country's relatively high food insecurity. The government's strategy to subsidize rice in order to keep prices low is not tenable given its own financial fragility. With respect to international trade, there is no information that shows the country is benefiting from trade diversion as is the case with the other coastal countries as discussed above. With the poor state of land communication infrastructure linking the country with its neighbors, Guinea's trade is not expected to benefit from the Ivorian crisis.

Refugees and returnees: The first group of Ivorians to arrive in Guinea following the post-electoral crisis was recorded on 7 December 2010 in the Nzérékoré department. As of 11 January 2011, the Guinean government decided to grant the refugee status to all refugees coming from Côte d'Ivoire. According to UNHCR statistics, by 15 March 2011, there were officially 971 refugees in Zone Forestière, plus at least 10,000 returnees. They are mainly women and children. Most returnees go back to their villages and do not register with the administration. A contingency Plan has been drawn by the Government in collaboration with international humanitarian organizations in order to assist Ivorian refugees, Guinean returnees and other third country citizens. Its main objective is to evaluate the humanitarian needs to ensure the protection and assistance to this group of vulnerable people.

The presence of large numbers of refugees and returnees has exerted pressure on the country's already weak infrastructure, particularly in the Nzérékoré department. Health centers are overwhelmed and there are risks of epidemics and malnutrition that could affect both the emigrants and their host families in the region. The UNHCR has assisted with the insertion of several families' children into the schools within the region. If the crisis persists, Guinea is one country that could receive large numbers of school children from Côte d'Ivoire given that it is one of the three French speaking countries neighboring Côte d'Ivoire. This will not be the case with Liberia, which has so far hosted most of the refugees, because it is English-speaking.

Remittances and financial flows: Total remittances to Guinea might have dropped by 40% from 2009 as a result of the international economic crisis. There is no data to show the exact losses in remittances that can be attributed to the crisis in Côte d'Ivoire. However, in view of the large number of Guineans living in Côte d'Ivoire, it is believed that the amounts could be substantial. The closing down of financial institutions in Côte d'Ivoire has had a limited effect on Guinea for the simple fact that Guinea is not a member of WAEMU so its financial sector is weakly integrated with that in Côte d'Ivoire.

8. MALI

The number of Malians living in Cote d'Ivoire is estimated at 2 million. The Malian government and the United Nations system have been working on strategies that should be put in place in order to contain the consequences of the crisis. A contingency plan has been adopted and activated on 20 March 2011.

Trade and economy: The onset of the crisis in 2002 induced Mali to divert its supply lines away from Côte d'Ivoire. Currently, 30% of the country's imports (and 10% of oil products) transit through Côte d'Ivoire against 70%, on average, in 2002-2003. This diversion of trade supply lines to longer and more expensive alternative route Lomé-Cotonou-Accra-Bamako is expected to more or less double the price of transport; this will cost the Malian economy 0.6% of GDP in 2011. The secondary sector is expected to be most affected as a result of the increase in the prices of imported inputs and the loss of competitiveness of manufacturing firms. Imports from Côte d'Ivoire declined from CFA 21 billion in January 2010 to CFA 8.2 billion in November 2010, implying an important loss of trade taxes that could increase the budget deficit by 0.2 points of GDP. Moreover, the rise in domestic prices resulting from trade diversion have forced the government to subsidize some strategic commodities, including cooking gas whose

50% price increase in the seven-month period from June 2010 to January 2011 has already benefited from CFA 1.3 billion in subsidies. Between June 2010 and January 2011, prices of cooking oil, sugar and milk had increased by 83%, 75% and 66%, respectively.

Refugees and returnees: When the crisis first erupted in 2002, Mali experienced a flow of more than 100,000 returnees and thousands of Ivorian refugees. With respect to the current crisis, the contingency plan expects that about one million people will be directly affected by the movement of returnees and refugees. This number includes 20,000 refugees, 150,000 returnees, 2,000 people from third countries and 750,000 people in host communities. Eighteen thousand Malians residing in Côte d'Ivoire have registered with the Malian Embassy in the country as candidates for voluntary repatriation. Moreover, 1,400 Malians are recorded to have been repatriated while 2,180 Mauritanians and 18 Guineans transited in Mali heading for Mauritania and Guinea, respectively. It should be noted that a similar repatriation plan for Malians living in Libya is in action. It is feared that most of these returnees will make unemployment and under-employment even worse, increasing them from their current levels of 9.6% and 25%, respectively.

Mali's **health and educational infrastructure** would not be able to cope with a large inflow of refugees and returnees should these accelerate if the crisis in Cote d'Ivoire worsens. In addition to the saturation of health centers, there could be pandemics and increases in malnutrition, particularly affecting the vulnerable groups. The effect would worsen access to drinking water and hygienic infrastructure which are already at breaking point, particularly in urban centers.

Remittances and financial flows: Official remittances from Malians in Côte d'Ivoire represent about CFA 18.6 billion or 9% of total remittances. These figures do not include informal remittances which are thought to represent about 70% of actual remittances. It is expected that as a result of the crisis, remittances could drop to CFA 9 billion in 2011. With respect to other financial flows, loans to Ivorian banks are CFA 22 billion or 2.5% of total credit of the Malian banking system. Malian banks also hold CFA 78 billion in Ivorian treasury bonds, which shows that the Malian financial system is strongly exposed to the Ivorian financial risk. If the Ivorian financial system does not recover quickly, the situation will reverberate in the Malian financial sector.

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This note was prepared by RBA with inputs from the Economic Advisors in UNDP country offices in Benin, Burkina Faso, Ghana, Guinea, Liberia, Mali, Niger, and Togo.

End Notes

1. Based on Paul Collier's estimates available at: http://users.ox.ac.uk/~econpco/research/conflict.htm
2. Bloomberg Newsweek, March 21, 2011.
3. See featured article from OLEAFRICA, March 21, 2011.
4. UNCT Report on Côte d'Ivoire, March 2011
5. OCHA Report: Côte d'Ivoire Post-electoral Crisis Humanitarian
6. Update No. 17. 11th March 2011
7. Televised message by Barkiré Garba, director of the "Conseil nigérien des utilisateurs des transports (CNUT)" on 6 January 2011.
8. BCEAO, Report to the Council of Ministers, January 2011.
9. Note by the Ministry of Trade, February 2011
10. Note by the Ministry of Trade, February 2011

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