

# HOT CHOCOLATE: HOW COCOA FUELLED THE CONFLICT IN CÔTE D'IVOIRE

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## Acronyms

<b>ARCC</b>	Autorité de Régulation du Café et du Cacao
<b>BCC</b>	Bourse du Café et Cacao
<b>BCEAO</b>	Banque centrale des Etats de l'Afrique de l'ouest
<b>BNI</b>	Banque nationale d'investissement
<b>DDR</b>	Demobilisation, disarmament and reintegration
<b>FN</b>	Forces Nouvelles
<b>FDPCC</b>	Fonds de Développement et de Promotion des Activités des Producteurs de Café et Cacao
<b>FPI</b>	Front Populaire Ivoirien
<b>FRC</b>	Fonds de Régulation et de Contrôle du Café et Cacao
<b>FGCCC</b>	Fonds de Garantie des Coopératives Café et Cacao
<b>ONUCI</b>	Opération des Nations Unies en Côte d'Ivoire
<b>RDR</b>	Rassemblement des républicains

# 1. Summary

Côte d'Ivoire is the world's biggest producer of cocoa, the main ingredient for chocolate. Yet few of the billions of consumers of chocolate around the world are aware of the role that the cocoa trade has played in the armed conflict and political crisis in Côte d'Ivoire in recent years.

**“Cocoa in Côte d'Ivoire is the same as timber or diamonds were in Liberia”.**

*Diplomatic source in Abidjan, June 2006.*

Côte d'Ivoire accounted for around 40% of world cocoa production in 2006. Cocoa is the main economic resource of the country, representing on average 35% of the total value of Ivorian exports, worth around 750 bn CFA<sup>ii</sup> per year (\$1.4bn).<sup>i</sup> Out of a total population of 16 million inhabitants, 3 to 4 million people work in the cocoa sector.<sup>ii</sup> About 10 % of the country's cocoa is grown in the rebel-controlled zone in the north; the rest is grown in the government-controlled south.

This report – Global Witness's first report dedicated to the cocoa sector in Côte d'Ivoire<sup>iii</sup> – documents how revenues from the cocoa trade have contributed to funding armed conflict and how opportunities for enrichment from cocoa through corruption and misuse of revenues, both by the government and the rebel group Forces Nouvelles (FN), continue to undermine the resolution of the crisis.

The information in this report is based on in-depth field investigations conducted in Côte d'Ivoire, Burkina Faso and Togo in June and July 2006. Global Witness staff interviewed a wide range of sources in Abidjan in the government-controlled zone; in Bouaké and Korhogo in the FN-controlled zone; in Bobo-Dioulasso in neighbouring Burkina Faso, and in Lomé, the capital of Togo. Those interviewed included cocoa sector officials, cocoa exporters, government officials, diplomats, academics, members of non-governmental organisations and journalists. Further research was carried out in France and from the United Kingdom in 2006.

## Background to the conflict

Formerly the economic powerhouse of West Africa, and a fairly stable country compared with some of its neighbours such as Liberia, Côte d'Ivoire has experienced prolonged instability and tension since a military coup in 1999. After an army-led rebellion in September 2002, a peace agreement in 2003 established a government of national reconciliation, in which representatives of the rebel group Forces Nouvelles (FN) hold ministerial positions. However, three years later, Côte d'Ivoire remained divided between a rebel-held north and a government-controlled south, separated by a French-secured demilitarised zone, the *zone de confiance*. In October 2006, presidential elections, originally due to take place in 2005, were postponed for a further 12 months. The country remains fragile and deeply divided, contributing to broader regional instability. A new political agreement was signed in Ouagadougou, Burkina Faso, in March 2007 between President Gbagbo and the Secretary General of the FN, Guillaume Soro who was later appointed prime minister. At the time of writing, it is still too early to know whether this agreement will be implemented or what its impact will be.<sup>3</sup>

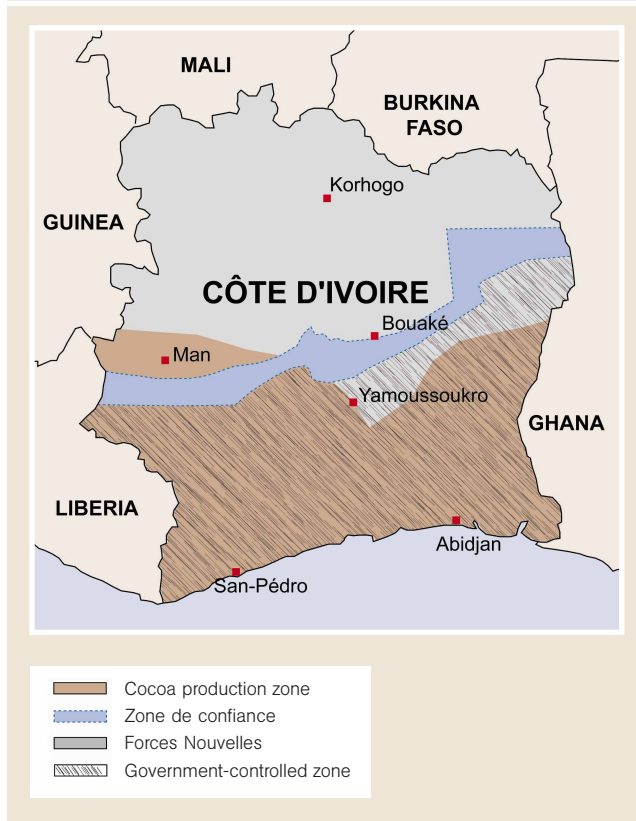
The profits each side derives from this trade are fundamental to understanding why the main protagonists have not shown greater commitment to solving the political crisis over the past four and a half years. On the government side, the national cocoa institutions, the majority of which were set up after President Gbagbo came to power in 2001, have directly contributed at least 10.6bn CFA (US\$20.3m) to the war effort. The big cocoa and coffee exporters' union, the Groupement Professionnel des Exportateurs de Café-Cacao (GEPEX), whose members include multinational companies such as Cargill and European companies such as ED & F Man Holdings Ltd, was

<sup>i</sup> Timber and diamonds played a central role in funding the conflict in Liberia, as documented in Global Witness reports *Taylor Made*, September 2001, and *The Usual Suspects*, March 2003.

<sup>ii</sup> The franc CFA is the currency used throughout francophone West Africa.

<sup>iii</sup> The Global Witness report, *Making it work: Why the Kimberley Process must do more to stop conflict diamonds*, published in November 2005, included information on conflict diamonds from Côte d'Ivoire.

## Cocoa in Côte d'Ivoire



represented on the board of the Bourse du Café et Cacao (BCC), one of the national cocoa institutions that decided to make this contribution to the war effort (Section 5.1.1). The country's president, Laurent Gbagbo, and his entourage, who retain control of the national cocoa and financial institutions, have tapped into the profits from the industry, using at least 20bn CFA (US\$38.5m) of cocoa revenues to finance their war effort (in addition to the 10.6bn CFA mentioned above). As one insider said: "Of course the government used the cocoa money to buy weapons. Their only mistake is trying to hide it. They should have been open about it."<sup>4</sup> (Section 5.1.2).

Corruption and political interference in the cocoa sector are not new phenomena in Côte d'Ivoire, but the conflict has provided them with a new dynamic. The deliberately complex structure of the cocoa sector, the appointment of presidential allies to strategic positions in the leadership of national cocoa and financial institutions, and the consequent lack of transparency have presented the government with numerous opportunities to misuse the profits from the trade (Section 6). Regardless of whether the government's attempts to defend its territory against rebel groups can be considered legitimate, its embezzlement of revenues from the cocoa sector to finance armed conflict cannot be justified.

The government's determination to hold on to this cocoa-derived wealth has been demonstrated by a pattern of intimidation against those who have attempted to expose its abuses: journalists, auditors and independent investigators have been threatened and attacked. Cases include the abduction of a French lawyer who was auditing the cocoa sector and the disappearance of journalist Guy-André Kieffer. Audits of the sector have not led to an increase in transparency (Section 7).

On the other side of the *zone de confiance*, Global Witness estimates the annual average of cocoa revenues accrued by the FN since 2004 at 15.1bn CFA (US\$30m)<sup>5</sup>, because companies exporting cocoa from the FN-controlled zone have to pay an export tax and a registration tax (Section 5.2.1 and Appendix II). The FN, despite being part of the government of national reconciliation set up by the peace agreement<sup>iv</sup>, have progressively instituted their own parallel tax system, notably on cocoa, which has enabled them to survive as a movement and has allowed individual FN officials to enrich themselves. The FN have imposed a cocoa blockade, preventing northern cocoa from transiting south through the zone de confiance, so that they can secure the taxes for themselves (Section 5.3.1). FN political and military officials have raised a significant amount of money through a multitude of official and unofficial taxes on cocoa and other goods. Global Witness estimates that at least 77,500 tonnes of cocoa are exported every year from the FN zone, first to Burkina Faso, then to Togo (Section 5.3.2 and 5.3.3).

The chocolate industry has a responsibility to ensure that the products it sells are conflict-free; it cannot remain a passive actor. Instead, it should play a positive and pro-active role. Companies should use their influence to ensure that money from cocoa levies is not misused or diverted. This would involve performing extended due diligence on all their cocoa purchases from the region to demonstrate publicly that they are not inadvertently providing money which is being diverted to the warring factions. Companies should also press for all cocoa institutions' accounts to be audited and published, as a way of ensuring that levies paid by exporters are not contributing to financing the conflict.

Cocoa-exporting companies need to operate in a transparent way and publish the payments they make to the Ivorian government and cocoa institutions. In

<sup>iv</sup> The national reconciliation government brings together the main Ivorian political parties, as well as the rebels

the government-controlled zone, companies, including American multinationals such as Archer Daniels Midland (ADM) and Cargill, continue to trade without appearing to question the use or misuse of the significant taxes and levies they pay to the government and cocoa bodies. Publishing their payments would contribute to improving the management of cocoa revenues by the government and the cocoa institutions, as well as increasing accountability of the government to the people of Côte d'Ivoire, who have the right to know how their natural resources are being used.

Finally, companies should audit their supply chain to find out the exact origin of the products they are buying. For example, companies buying cocoa from neighbouring Togo, through which much of the Ivorian cocoa from the FN-controlled area is exported, may in fact be buying Ivorian cocoa. Companies trading in cocoa from the FN-controlled zone may be in breach of the OECD Guidelines for Multinational Enterprises which require companies to "abstain from any improper involvement in local political activities".<sup>6</sup> In the FN-controlled zone, the willingness of companies to make payments to the FN in order to trade in products from the zone is an additional incentive for the FN to keep a stranglehold on northern cocoa and to resist reunification of the country.

©Jacob Silberg



Cocoa beans after the harvest

Although diplomatic and other sources may privately acknowledge the links between the cocoa trade and the political crisis, peace talks and agreements in Côte d'Ivoire have so far ignored the

issue of natural resources, as well as the corruption and mismanagement in the sector which have enabled it to fuel the conflict. Global Witness believes that governments and inter-governmental organisations, such as the UN, involved in mediation and conflict resolution in Côte d'Ivoire should address both sides' economic agendas directly, as these underpin the crisis; a more open discussion of these economic motivations would be an important first step towards a sustainable solution.

In the meantime, encouraged by a culture of impunity, both sides are reaping the financial benefits yielded by the crisis. Many of the main actors have actively profited from the effective partition of the country: political division has meant economic division, and



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Members of the Jeunes Patriotes (Young Patriots) militia manning a roadblock in a pro-Gbagbo area. Issia, 1 October 2003.

the cake has been split in two. These divisions have severely threatened the future of Côte d'Ivoire, its economy, and the well-being of its population.

This report provides yet another example of a natural resource contributing to and fuelling conflict. The international community needs to address the issue of conflict resources more systematically, not simply on a resource-by-resource or country-by-country basis. A UN Security Council definition of conflict resources would act as a trigger for a coherent and proportional response to that trade, including targeted sanctions and asset freezes where appropriate (see text box: "The need for a trigger for international action to prevent natural resources funding conflict"). The international community should also require oversight of natural resource exploitation by peacekeeping missions and by the new UN Peacebuilding Commission in cases where natural resources have been a contributing factor in a conflict.



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Soldier of the rebel group MPCJ (Mouvement Patriotique de Côte d'Ivoire) controls a crowd in central Bouaké, 1 October 2002.

## 2. Recommendations

### 1 TO PRESIDENT GBAGBO AND THE IVORIAN GOVERNMENT

#### **Cocoa and conflict:**

Ensure that the national cocoa institutions fulfil their stated role and that levies paid to cocoa institutions are not used to fund the conflict. In particular, they should not be used to finance the activities of militia or the purchase of weapons and other military equipment.

#### **Transparency:**

Install greater transparency and accountability in the cocoa industry. In particular, all cocoa institutions should publicise where they hold bank accounts and should publish annual reports, including financial audits, with details of their activities and investments. These reports and audits should be made publicly available.

The European Union's (EU) legal audit of the cocoa sector should be published and a new independent financial audit undertaken, covering the period 2003-2006. There should also be a more comprehensive review of aspects that the EU financial audit was not able to examine for the period 2000-2003. The Ivorian government should act on the existing and future audits' recommendations.

Install greater transparency and accountability in the Banque nationale d'investissement (BNI, National Investment Bank) and in its relationship with the national cocoa institutions.

Investigate reports of links between the BNI, the company Lev-Ci and arms dealer Moshe Rothschild; if substantial evidence of malpractices is found, ensure that the BNI severs all relations with this company.

Adopt the draft law on prevention of illicit enrichment and enforce existing national anti-corruption legislation.<sup>v</sup> Ensure that all allegations of corruption against officials of the government, national cocoa institutions and the BNI are independently investigated and that individuals found responsible are prosecuted.

Investigate reports of extortion in the cocoa trade by members of the security forces and immediately suspend those found responsible.

#### **Human rights:**

Ensure that journalists, auditors and other individuals and organisations investigating or exposing abuses in the cocoa sector are able to carry out their legitimate activities without intimidation and fear for their safety.

Carry out prompt investigations into all attacks, abductions and threats against perceived critics of the cocoa sector and facilitate and co-operate with investigations into such incidents that may already be under way.

### 2 TO THE COCOA INSTITUTIONS (ARCC, BCC, FRC, FDPCC, FGCCC)

Fulfil their stated role, including providing oversight and regulation of the industry, enhancing and promoting production, collecting accurate production and export statistics, and supporting cocoa farmers, including by guaranteeing them a minimum price for their cocoa.

### 3 TO THE FORCES NOUVELLES (FN)

Lift the blockade on cocoa travelling south from the FN-controlled zone.

Given that the FN are represented in the national reconciliation government, ensure that profits from the exploitation of cocoa and other natural resources in the FN zone are channelled into the national budget and contribute to development, public services and other benefits for the population across the country. They should not be used to fund armed conflict or reward individual commanders or soldiers.

Disclose revenues generated by taxes on cocoa and other products throughout the FN zone and publish information on how this money has been used to date.

<sup>v</sup> Law n° 77-427 of 29 June 1977



Investigate all reports of human rights abuses and extortion by individual FN officials and immediately suspend those found responsible.

#### **4 TO THE GOVERNMENTS OF NEIGHBOURING COUNTRIES, IN PARTICULAR BURKINA FASO, TOGO, GHANA, MALI**

Produce and publish accurate and comprehensive import, export and re-export figures for cocoa, indicating the origin and destination of cocoa exported and differentiating between domestic production, exports of cocoa originating wholly from Côte d'Ivoire, and exports containing a mix of domestic production and Ivorian cocoa.

Make public the value of cocoa exports and re-exports.

#### **5 TO COCOA COMPANIES OPERATING IN CÔTE D'IVOIRE**

Perform extended due diligence on all their cocoa purchases from the region to demonstrate publicly that they are not inadvertently providing money that is being diverted to the warring factions.

Publish all their payments to the Ivorian government and to cocoa institutions, including the ARCC, BCC, FRC and FDPCC.

Use their influence, particularly through exporters' unions represented on the boards of cocoa institutions, to ensure that money from cocoa levies is not misused or diverted.

Press for all cocoa institutions' accounts to be audited and published, as a way of ensuring that levies paid by exporters are not contributing to financing the conflict.

#### **6 TO COCOA COMPANIES BUYING FROM CÔTE D'IVOIRE, BURKINA FASO AND TOGO, AND CHOCOLATE MANUFACTURING COMPANIES SOURCING THEIR PRODUCTS FROM ANY OF THESE COUNTRIES**

Perform extended due diligence on all their cocoa purchases from the region to demonstrate publicly that they are not inadvertently providing money that is being diverted to the warring factions.

Publish information on the exact origin of the cocoa they are buying, in particular how much of it originates from the FN-held area of northern Côte d'Ivoire.

Ensure their business activities are compliant with the OECD Guidelines for Multinational Enterprises.

Monitor their supply chain to ensure that it is also compliant with the OECD Guidelines for Multinational Enterprises.

#### **7 TO THE UN SECURITY COUNCIL**

Apply sanctions, such as assets freezes and travel bans, as specified in UN Security Council Resolution 1572 (2004), on individuals responsible for fuelling the conflict in Côte d'Ivoire, carrying out grave human rights abuses and diverting revenues from the cocoa trade to perpetuate the crisis. These should include individuals close to President Gbagbo and FN political or military leaders,

Ensure that Côte d'Ivoire's cocoa institutions cooperate fully with the UN Panel of Experts on Côte d'Ivoire.

Agree on a common definition of "conflict resources" as a trigger for a coherent and proportional response to that trade, including targeted sanctions and asset freezes where appropriate (see text box). Global Witness proposes the following definition of "conflict resources": "natural resources whose systematic exploitation and trade in a context of conflict contribute to, benefit from, or result in the commission of serious violations of human rights, violations of international humanitarian law or violations amounting to crimes under international law".

Require oversight of natural resource exploitation by peacekeeping missions and by the new UN Peacebuilding Commission where natural resources have been involved in a conflict.

### **8 TO DONORS AND INTERNATIONAL FINANCIAL INSTITUTIONS**

Insist on greater transparency in both the cocoa sector and the financial sector, including the public declaration of levels of cocoa production, exports and revenues, and the establishment of mechanisms to account for how revenues from the cocoa trade have been spent.

Foster a culture of transparency by supporting anti-corruption initiatives both at government and civil society level.

Ensure strict application of due diligence requirements in all lending agreements, notably in regard to the BNI.

### **9 TO GOVERNMENTS IN OECD MEMBER STATES**

Investigate whether any companies from their country with business interests in Côte d'Ivoire, Burkina Faso and Togo have violated the OECD Guidelines for Multinational Enterprises, in particular General Policies II.1, II.2 and II.11:

- “Contribute to economic, social and environmental progress with a view to achieving sustainable development”;

- “Respect the human rights of those affected by their activities consistent with the host government’s international obligations and commitments”;
- “Abstain from any improper involvement in local political activities”.

### **10 TO GOVERNMENTS, ORGANISATIONS AND INDIVIDUALS INVOLVED IN MEDIATION EFFORTS**

Address the economic agenda of the parties to the conflict – particularly both sides’ direct interests in the cocoa trade – and include this in discussions on solutions to the political crisis.

Ensure that Ivorian civil society is represented in debates on the political and economic future of the country.

## THE NEED FOR A TRIGGER FOR INTERNATIONAL ACTION TO PREVENT NATURAL RESOURCES FUNDING CONFLICT

Wars need money. This report provides one example of how, since the end of the Cold War, natural resources have played an increasingly prominent role in providing this money. Previously, many of the world's conflicts were financed by competing superpower blocs. Since such ideological sponsorship is now much harder to come by, and as war remains an expensive business, belligerents have turned instead to easily accessible wealth from the exploitation of minerals, timber and other natural resources and commodities. In the process, they have left a long trail of war crimes and brutal human rights violations in their wake and, in some cases, have devastated a nation's infrastructure so completely that the already daunting process of reconstruction and rehabilitation can seem almost impossible.

There is evidence that an abundance of natural resources (as measured by the ratio of primary commodity exports to GDP) is the single most important factor in determining whether a country experiences civil war.<sup>7</sup> An analysis of data from 47 civil wars between 1960 and 1999 revealed a major difference in the risk of civil war for resource-poor and resource-rich countries: all other things being equal, countries that did not export any natural resources had a 0.5% chance of experiencing a civil war over this time, whereas countries where natural resource exports made up 26% of GDP had a 23% chance of experiencing civil war.<sup>vii</sup>

Natural resources have been particularly closely linked to conflict in West Africa – from cocoa providing 30% of Ivorian government military expenditure between September 2002 and December 2003 and approximately \$30m a year for the Forces Nouvelles since 2004, to diamonds funding the Forces Nouvelles in Côte d'Ivoire, the Revolutionary United Front (RUF) in Sierra Leone and Charles Taylor's war machine in Liberia, and timber providing additional funding to Charles Taylor. These conflicts have spread to neighbouring countries, destabilising the region; the current conflict in Côte d'Ivoire threatens to do the same.<sup>viii</sup> Fighters could spread across porous borders into Liberia or Guinea.<sup>viii</sup>

Such instability comes at a huge cost to the international community. The total cost of UN peacekeeping operations in West Africa since September 1993 currently amounts to more than four billion dollars<sup>9</sup> and these peacekeeping operations have resulted in the deaths of 306 UN soldiers, not to mention the hundreds of thousands of people who died as a result of these conflicts.

Although it is now universally accepted that revenue from natural resources provided the logistics for war in countries such as Angola, Cambodia, Liberia and Sierra Leone, the international community has yet to put an effective deterrent strategy in place to address this problem.

Global Witness believes that the rise of the international 'responsibility to protect' agenda provides for a more prominent and systematic role for the United Nations Security Council to address the deliberate targeting of civilian populations in conflicts funded, in part, by natural resource exploitation. The first step towards such a strategy is for the international community to agree on a common definition of "conflict resources". The definition could be endorsed by a Security Council resolution and could then be used as a trigger for subsequent international action, from preliminary responses such as mandating UN expert panels to investigate the situation, to later responses such as targeted interventions. A common definition could also play an important role in encouraging corporate due diligence by providing a clear behavioural red flag for businesses and individuals operating in conflict zones.

Global Witness proposes the following definition of "conflict resources" to invoke international action:

*Conflict resources are natural resources whose systematic exploitation and trade in a context of conflict contribute to, benefit from or result in the commission of serious violations of human rights, violations of international humanitarian law or violations amounting to crimes under international law.*

**vi** Primary commodity exports of 32% of GDP is, in fact, the peak danger for a country. Beyond this – as occurs in a few extremely oil-rich countries – the likelihood of civil war decreases.

**vii** In December 2006, the UN Panel of Experts on Liberia reported that Guinea was being used as a transit point for the training of pro-Gbagbo mercenaries.

**viii** Liberian combatants or ex-combatants have been used during the Ivorian conflict and remain present in western Côte d'Ivoire in at least one pro-government militia, the LIMA FS.

# Chronology of key events in Côte d'Ivoire since 2002<sup>9</sup>

<b>September 2002</b>	Disgruntled former army personnel stage an attempted coup in a bid to overthrow President Laurent Gbagbo, leading to the <i>de facto</i> partition of the country. The northern part of the country is controlled by the armed opposition (renamed the Forces Nouvelles) and the southern part by government forces. Government security forces respond with harsh security operations in Abidjan, displacing 12,000 people.
<b>October 2002</b>	French troops are deployed to intervene between the north and south of the country.
<b>November 2002</b>	Official diamond exports are banned by ministerial order.
<b>January 2003</b>	Ceasefire monitored by French and Economic Community of West African States (ECOWAS) troops. Linas-Marcoussis peace accord signed in Paris by the various armed opposition groups and political parties. The parties to the accord commit themselves to forming a government of national unity, beginning a process of disarmament, and putting forward laws aimed at resolving the conflict, in particular in relation to eligibility for the presidency, prerequisites for acquiring Ivorian nationality and reform of rural land ownership rights.
<b>April 2003</b>	A government of national reconciliation is established and Seydou Diarra is named prime minister.
<b>May 2003</b>	The FN sign a full ceasefire. A UN mission, Mission des Nations Unies en Côte d'Ivoire (MINUCI), is set up to facilitate the implementation of the Linas-Marcoussis peace accord. <sup>10</sup>
<b>July 2003</b>	President Gbagbo and the FN declare war is over.
<b>September 2003</b>	The FN pull out of government, accusing President Gbagbo of not honouring the peace agreement.
<b>December 2003</b>	Nineteen people killed in armed attack by unidentified assailants on state television building in Abidjan.
<b>March 2004</b>	At least 120 people killed and 274 wounded by Ivorian forces, and 20 others disappeared, during a demonstration in Abidjan. <sup>11</sup>
<b>March-June 2004</b>	The UN reports human rights abuses in northern areas under FN control, including extortion, arbitrary tax collection, forceful abductions and summary executions. <sup>12</sup>
<b>April 2004</b>	French-Canadian journalist Guy-André Kieffer, who had been investigating corruption, disappears in Abidjan. UN peacekeeping troops under Opération des Nations Unies en Côte d'Ivoire (ONUCI) replace MINUCI personnel and incorporate 1,300 ECOWAS troops.
<b>June-August 2004</b>	The UN reports increased insecurity in the north following clashes on 20 and 21 June between rival factions of the FN in Bouaké and Korhogo, and human rights abuses by the FN in the aftermath of these clashes. <sup>13</sup>
<b>August-December 2004</b>	The UN reports continuing gross human rights violations throughout the country, in both government and FN-controlled areas, as well as in the <i>zone de confiance</i> . <sup>14</sup>

<b>November 2004</b>	<p>Government forces stage attacks in the north; nine French soldiers are killed in Bouaké. In retaliation, French troops destroy most of the Ivorian military's aircraft, leading to serious clashes between French peacekeepers and Ivorian military and civilians. 57 people killed in Abidjan during clashes between the Jeunes Patriotes (a pro-Gbagbo militia) and French troops.</p> <p>UN Security Council Resolution 1572 imposes an arms embargo.</p>
<b>December 2004-March 2005</b>	<p>The UN reports that "a climate of impunity for human rights violations exists nationwide and the severely compromised administration of justice allows the perpetrators – including military and law enforcement personnel, the various militias and unidentified armed groups – to operate freely".<sup>15</sup></p> <p>Some 17,000 people seek refuge in Guinea and Liberia.</p>
<b>March-June 2005</b>	<p>The UN reports grave human rights abuses throughout the country, including summary and extra-judicial executions, rape, sexual violence and extortion by the FN and affiliated militias, the national security forces, pro-government militias and other armed groups.<sup>16</sup></p>
<b>April 2005</b>	<p>New agreement between the government and the FN signed in Pretoria, South Africa.</p>
<b>May-June 2005</b>	<p>At least 70 people killed and over 100 injured by unidentified assailants; 9,000 displaced in the west.<sup>17</sup></p>
<b>June-September 2005</b>	<p>The UN reports 500,000 internally displaced people.<sup>18</sup></p>
<b>December 2005</b>	<p>Charles Konan Banny, governor of the Banque centrale des Etats de l'Afrique de l'ouest (BCEAO), sworn in as interim prime minister.</p> <p>The UN Security Council adopts Resolution 1643 to ban imports of rough diamonds from Côte d'Ivoire, renews the arms embargo, and sets up a panel of experts to monitor the embargoes on diamonds and arms.</p>
<b>January 2006</b>	<p>At least ten people killed in attacks by unidentified assailants on two military camps in Abidjan.</p> <p>Pro-government youth demonstration in Abidjan demands the departure of UN and French peacekeeping troops.</p> <p>Five killed, ten injured and several UN offices torched in anti-UN protests in the western town of Guiglo. 400 UN staff evacuated from the country.</p>
<b>February 2006</b>	<p>Eleven people shot or hacked to death by unidentified assailants in the west.</p> <p>200 peacekeeping troops from the UN mission in Liberia sent to Côte d'Ivoire for two months.</p> <p>The UN Security Council imposes an asset freeze and travel ban on pro-government militia leaders Charles Blé Goudé and Eugène Djué, and FN commander Martin Fofié Kouakou.</p>
<b>August 2006</b>	<p>The FN pull out of the demobilisation, disarmament and reintegration (DDR) programme.</p> <p>The UN announces that presidential elections set for October 2006 are likely to be postponed.</p>
<b>September 2006</b>	<p>Eight people dead and 44,000 hospitalised following environmental pollution from toxic waste in Abidjan. The cabinet resigns over the scandal and a new cabinet is set up; Banny remains prime minister.</p> <p>The leader of the Front populaire ivoirien (FPI, President Gbagbo's party) calls for the withdrawal of French troops.</p>
<b>October 2006</b>	<p>Hundreds of protesters in the main rebel-held northern town of Bouaké demand the departure of President Gbagbo.</p>
<b>November 2006</b>	<p>UN Resolution 1721 reinstates the president and prime minister for a further 12 months.</p>
<b>March 2007</b>	<p>Political agreement between President Gbagbo and Guillaume Soro signed in Ouagadougou. Guillaume Soro is appointed prime minister.</p>

# 3. Background

**“If the crisis persists, there will be an economic and social tragedy.”**

*Pierre Schori, outgoing head of the UN operation in Ivory Coast (ONUCI), January 2007.<sup>19</sup>*

Although a peace agreement between President Laurent Gbagbo’s government and the Forces Nouvelles (FN) rebel group was signed in 2003, setting up a government of national reconciliation, Côte d’Ivoire’s population and access to natural resources, including cocoa, have remained split between two zones. Formerly the economic powerhouse of West Africa, Côte d’Ivoire is no longer an island of stability surrounded by countries plagued by conflict; it is now a country in crisis itself and a threat to regional security. The conflict has created new political and economic realities and a sharp polarisation between the north and the south. The welfare of the population and the development of the country have been among the first casualties of the crisis. The proportion of the population living in poverty has risen to 42-44%,<sup>20</sup> and in 2006 the World Bank added Côte d’Ivoire to its core list of “fragile states”.

Although fighting officially ended in May-July 2003, and no attacks by government forces or the FN have been reported since November 2004, the renewal of hostilities remains a real possibility. Knowing that they lack legitimacy, the president, whose mandate was extended for a second time in 2006, and the FN rebels, who continue to hold on to half the country’s territory through military means, could easily resort to violence again if they feel they are in danger of losing any of their current power. Crucially, the status quo, and the unaccountability that goes with it, suits the economic interests of both parties, providing all the main actors with opportunities to accumulate more wealth, not least through the lucrative cocoa trade.

Triggered by a September 2002 army-led rebellion, the Ivorian conflict stemmed partly from anger among the northern population at pervasive discrimination against them by southerners, in particular by the Ivorian armed forces. In the opinion of many northerners, the



Demobilisation, disarmament and reintegration (DDR) in western Côte d’Ivoire, 3 August 2006

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treatment of Alassane Dramane Ouattara, leader of the Rassemblement des républicains (RDR) opposition party, is representative of a pattern of discrimination on the basis of identity. Having been excluded from contesting the 1995 presidential elections, Alassane Ouattara was barred from standing in the 2000 elections on the grounds that he was not Ivorian. The contest was ultimately won by Laurent Gbagbo, a southerner, leader of the socialist party Front populaire ivoirien (FPI) and long-standing opposition leader under the former president, Félix Houphouët-Boigny.

## The role of France

After the September 2002 uprising, French troops positioned themselves between the warring parties.<sup>ix</sup> French troops, known as the Force Licorne, have since guarded the *zone de confiance* (“trust zone”), the demilitarised area between the FN-held north and the government-held south. France’s role in the conflict has been controversial. France refused to intervene to support the government in crushing the September 2002 armed uprising, and instead acted as a mediator in the peace talks, which resulted in the 2003 Linas-Marcoussis peace agreement. The Linas-Marcoussis agreement aimed to reunite the country, disarm the warring parties and enable elections to take place in

<sup>ix</sup> France, Côte d’Ivoire’s former colonial power, already had military troops permanently based in the country.

October 2005. Both the rebels and the presidential camp perceived France's intervention as partisan and accused France of siding with their opponents. UN peacekeeping troops were sent to Côte d'Ivoire in April 2004, but French forces remained in the country. Their presence provided the presidential camp with a pretext for mobilising Ivorian youths in anti-French attacks. In November 2004 Ivorian forces attacked several FN positions in the north; strikes on the town of Bouaké killed nine French peacekeepers and an American civilian. France retaliated by destroying most of the Ivorian military's aircraft. In the aftermath of these events, tension and violence increased in Abidjan, leading to the most serious clashes between French troops and Ivorian military and civilians since the country's independence in 1960.

### Tensions and violence in the west

Tensions between northerners and southerners found a particular echo in the west of the country, where most of Côte d'Ivoire's cocoa is cultivated. In December 1998, the issues of identity and access to resources found an outcome in a new land law reserving ownership of land for Ivorians.<sup>21</sup> This law replaced Houphouët-Boigny's 1967 decree, which stated that "the land belongs to he who cultivates it",<sup>22</sup> giving legitimacy to northerners who had moved to cocoa-producing regions to cultivate cocoa. As the Ivorian economy entered a period of crisis during the 1980s, competition for land ownership and for revenues generated by cocoa increased. High rates of urban unemployment drove many youth to return to their villages in the south-west. However, by this time, much of their family's land had been allocated to foreigners and northerners, referred to as "allogenuous" (*allogènes*)<sup>x</sup>, and it became almost impossible for them to make a living off the land. The *allogènes* became the scapegoats for the financial difficulties encountered by indigenous populations and came under increasing pressure to leave.<sup>23</sup> After losing the right to vote in 1990, non-Ivorians were now deprived of their rights to land. News of the law sparked unrest in the countryside. At the end of 1999, about 15,000 Burkinabe and northern Ivorians left the south after bloody clashes between "foreigners" and "indigenous people" in Tabou, in the south-west.<sup>24</sup>

<sup>x</sup> The term describes people who came from other parts of Côte d'Ivoire and neighbouring countries, especially Burkina Faso, to work on the cocoa and coffee plantations. See Amnesty International report: *Côte d'Ivoire: Threats hang heavy over the future*, 26 October 2006.

### The main political actors



Laurent Gbagbo -  
Côte d'Ivoire's president

#### Laurent Koudou

**Gbagbo:** President of Côte d'Ivoire since 2000; former president of the Ivorian socialist party, Front populaire ivoirien (FPI); a history professor imprisoned twice under the former president, Félix Houphouët-Boigny.

**Charles Konan Banny:** Former prime minister and minister of finance (December 2005-2007); former governor of the Banque centrale des Etats de l'Afrique de l'ouest (BCEAO, Central Bank of West African States), 1994-2005.

**Alassane Dramane Ouattara** (also known as "ADO"): President of the opposition party Rassemblement des républicains (RDR); former deputy managing director of the International Monetary Fund (1994-99), prime minister of Côte d'Ivoire (1990-93) and governor of the BCEAO (1988-1990).

#### Guillaume Kigbafori Soro:

Prime minister since 29 March 2007; Secretary-General of the Forces Nouvelles (FN) and former minister of reconstruction and reinsertion in the government of national reconciliation; former head of the FPI-student union, FESCI (1995-98).



Guillaume Soro,  
Secretary-General of  
the Forces Nouvelles.

**Henri Konan Bédié:** President of Côte d'Ivoire from 1993 to 1999; president of the Parti démocratique de Côte d'Ivoire (PDCI), the former single party.

With the 2002 conflict, these ethnic tensions took on a regional dimension. In November 2002, during the Liberian civil war, both the Ivorian government and rebel groups reportedly used Liberian mercenaries to boost their ranks. Acts of violence reminiscent of the Liberian war, such as killings, mutilation, sexual



*Blé Goudé, leader of the Jeunes Patriotes militia, at home after leading four days of violent protests, wearing a Nelson Mandela T-shirt to meet the press. His group, which supports President Gbagbo, had taken to the streets in Abidjan to protest against what they saw as interference by the UN in the country's internal affairs, Abidjan, 20 January 2006*

violence against women and girls, and forced labour, were perpetrated against the western population.<sup>25</sup> According to the UN, between 1,500 and 2,500 Liberians fought for the government of Côte d'Ivoire, while almost 1,000 were thought to have fought among the ranks of Ivorian rebels.<sup>26</sup> Both sides recruited children to fight.<sup>27</sup>

The western part of the country is still characterised by instability and violence, in part instigated by several pro-Gbagbo militia groups that describe themselves as "self-defence units". Liberian combatants or ex-combatants remain present in at least one pro-government militia, the LIMA FS.<sup>28</sup> In January 2006, following days of anti-UN rioting in Abidjan and the western town of Guiglo by youths angered by an international mediators' decision to terminate the parliament's mandate, nearly 400 UN staff were evacuated from the country.<sup>29</sup> Attacks on UN personnel prompted the UN Security Council to send 200 peacekeeping troops from the UN mission in Liberia to Côte d'Ivoire for two months.<sup>30</sup>

During the conflict, both the FN and the government have used militias, which have been responsible for serious human rights abuses.<sup>31</sup> Pro-government militias, in particular, retain significant capacity and potential to create unrest and insecurity. There have been allegations that the presidential camp financed some of the pro-government militia groups that have

been responsible for acts of violence. In mid-June 2006, two days after incidents of violence by the pro-government militia Groupement des patriotes pour la paix (GPP), some members of the Ivorian National Assembly gave around 2m CFA (US\$3,850) to the "patriotic movements", including militias led by Charles Blé Goudé and Eugène Djué, both of whom are subject to UN sanctions. This sum was to be divided between the following movements, each receiving 500 000 CFA (US\$970): Femmes patriotes; Conareci; Alliance des jeunes patriotes (Blé Goudé's group), and the Front national de libération totale de la Côte d'Ivoire (the military branch of the UPLTCI, Djué's group).<sup>32</sup> A month after this payment, on the orders of the FPI president, Pascal Affi N'Guessan, members of the Alliance des jeunes patriotes disrupted public hearings

organised as part of the identification process.<sup>33</sup> Opposition supporters retaliated, and the incidents resulted in two deaths.<sup>33</sup> Eugène Djué told Global Witness: "nice people, who are not all necessarily Ivorians, give us weapons to defend ourselves". When asked about his sources of funding, he stated that God was giving money and weapons.<sup>34</sup>

The 2005 Pretoria agreement requires all parties to disarm and dismantle militias. The UN Panel of Experts on Côte d'Ivoire, which is monitoring the implementation of the arms embargo, reported a low level of weapons handed in by disarming pro-government militias in the west of the country – about one weapon for every ten fighters.<sup>35</sup> Each person going through the demobilisation, disarmament and reintegration (DDR) process receives a US\$970 disarmament reward, an amount generous enough to buy at least one more gun. It is likely that many weapons are still in circulation.

### Hopes raised?

In December 2005, hopes were raised when Charles Konan Banny, governor of the Banque centrale des Etats de l'Afrique de l'ouest (BCEAO, the regional

**xi** The public hearings are part of a process to provide identity documents to the millions of Ivorians who do not have them (an initiative recommended under the 2003 Linas-Marcoussis peace agreement).



central bank), was sworn in as interim prime minister as the culmination of arduous negotiations to find a prime minister “acceptable to all”.<sup>36</sup> Banny had the difficult mission to unify Côte d'Ivoire, organise an identification process for millions of people without identity documents, and disarm militias and FN forces, as set out in the 2003 peace agreement – all before elections planned for October 2006.<sup>37</sup> To form his government, he also had to battle to gain control of the Ministry of Economy and Finance, which had been under the rule of Paul Antoine Bouhoun Bouabré, an influential member of the FPI, the party of President Gbagbo, since 2001.<sup>38</sup> As a starting gift, Banny received support from the UN in the form of Security Council Resolution 1584, which renewed an existing arms embargo and banned imports of rough diamonds from Côte d'Ivoire.<sup>39</sup> However, with anti-UN protests in January 2006, progress appeared to have been reversed. In response, the UN Security Council imposed an assets freeze and travel bans against three political figures: pro-government militia leaders Charles Blé Goudé and Eugène Djué, and the FN commander in Korhogo, Fofié Kouakou.<sup>40</sup> To date, the UN Security Council has refrained from imposing sanctions on others. Despite these steps by the UN, both parties to the conflict have continued to delay and obstruct the identification process and the DDR programme. The FN pulled out of the DDR programme in August 2006, complaining

that President Gbagbo had changed the rules of the identification process. International actors and observers increasingly recognised that the key Ivorian players have deliberately procrastinated because they have little incentive to solve the crisis or reunite the country.

After the UN concluded that it would be impossible to hold elections by the October 2006 deadline, the polls were postponed for a further 12 months. Following recommendations from both ECOWAS and the African Union, it was decided President Gbagbo remain in office for an additional 12 months and the prime minister was given extended powers.<sup>41</sup>

**“There are financial benefits, there is corruption and trafficking of all kinds. I would say you certainly have people who are now in very comfortable, profitable situations because of the absence of law and government authority”.**

*Gérard Stoudmann, UN High Representative for Elections in Côte d'Ivoire, November 2006.*<sup>42</sup>

However, in March 2007, President Gbagbo and the Secretary General of the FN, Guillaume Soro, signed a new political agreement in Ouagadougou, in Burkina Faso, calling, among other things, for the removal of the “zone de confiance”.<sup>43</sup> The agreement states that elections should take place in ten months' time. At the end of March, Guillaume Soro was appointed Prime Minister and in April, the “zone de confiance” started being dismantled. Hopes are high, but despite the peace agreement signed between the government and the FN and the arms embargo imposed by the UN, both sides still have troops, money and weapons at their disposal<sup>xii</sup> and identification and disarmament have not yet taken place. At the time of writing, it is too early to know to which extent this new agreement will be implemented or what its impact will be.

**xii** Although most of the Ivorian air force was destroyed during the November 2004 French strike, the 2006 UN panel of experts' report highlighted the continued maintenance/servicing and testing of a Mi-24 by the Forces armées nationales de Côte d'Ivoire (FANCI), the national army.



Demobilisation, disarmament and reintegration (DDR) process in western Côte d'Ivoire, 3 August 2006

All images © Global Witness



Dresses made out of chocolate at the Salon du Chocolat, Paris, October 2006



Cocoa pods from Côte d'Ivoire at the Salon du Chocolat, Paris, October 2006



Dress made out of chocolate at the Salon du Chocolat, Paris, October 2006

### The war economy and the importance of natural resources

The economic agendas of both parties to the conflict have been among the main obstacles to a lasting resolution of the crisis. The further extension of President Gbagbo's mandate has allowed him and his entourage to continue enjoying the advantages of what one observer called a "constitutional dictatorship".<sup>44</sup> In the government-held zone, cocoa, oil, timber and coffee account for a significant proportion of the government's budget. The Ivorian economy and national finances have always suffered from a lack of transparency, but the current crisis has further facilitated corruption and lack of accountability in the exploitation of natural resources.

The postponement of elections has also benefited the FN. Presidential elections, when they eventually take place, would end the partition of the country, thereby jeopardising the FN's political and economic prospects. The northern area currently under FN control has its own significant share of resources, as the partition of the country resulted in the partition of

the cocoa belt. An estimated 10% of Ivorian cocoa production is now under the control of the FN. The FN also benefit from the production of cotton (most of which is grown in the north), coffee, and particularly diamonds, which provide "an important income" for the FN, according to the 2005 report of the UN Panel of Experts on Côte d'Ivoire.<sup>xiii</sup> An earlier Global Witness investigation found that diamonds from FN-controlled areas were sold in neighbouring Mali and Guinea and presented as originating from these countries, rather than from Côte d'Ivoire – a clear breach of the Kimberley Process, the international diamond certification scheme.<sup>45</sup> The FN deny extracting "direct benefit from diamonds production".<sup>46</sup> Nevertheless, there is a department overseeing diamonds at the Centrale, the economic and financial management structure of the FN zone, and the UN Panel of Experts reported a militarily organised production operation of diamonds in Bobi, in the FN zone. Diamonds from the FN zone are subject to a UN embargo, but the UN Panel of Experts reported in 2006 that diamonds from the FN zone were still leaving Côte d'Ivoire and being sold on the international market, notably via Ghana.<sup>47</sup>

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Demobilisation, disarmament and reintegration (DDR) process in western Côte d'Ivoire, 3 August 2006

#### Côte d'Ivoire's natural resources

- Cocoa
- Oil
- Cotton
- Diamonds
- Coffee

<sup>xiii</sup> The UN Panel of Experts has produced two reports, one in 2005 and one in 2006, covering issues such as arms flows and the financing of the conflict through natural resources such as cocoa and diamonds.

# 4. Overview of the cocoa trade

## 1 The role of Côte d'Ivoire on the international market

Côte d'Ivoire is the world's biggest producer of cocoa beans, the main ingredient for chocolate.<sup>48</sup> In 2005-2006, Ivorian production accounted for around 40% of world production – around 1.38m tonnes, none of which is fair-traded or organic.<sup>49</sup> Two cocoa harvests take place during the year, with the main harvest spanning October to March. Despite the conflict, Côte d'Ivoire's production levels have varied only slightly. Cocoa is the country's main economic resource, representing on average 35% of the total value of Ivorian exports, worth 750 bn CFA (US\$1.4bn) per year.<sup>50</sup> Of a total population of around 16 million, 3 to 4 million people work in the cocoa sector.<sup>51</sup>

After being lightly cleaned and dried in Côte d'Ivoire, about 83% of the harvested cocoa beans<sup>52</sup> are exported from San-Pédro and Abidjan harbours to the main processing centres in Europe and North America, where they are processed (roasted and ground). The Netherlands and the United States are the world's two leading cocoa-processing countries; they are also the main destinations for Ivorian cocoa. Roasted cocoa beans are ground to obtain cocoa mass, which is heated to become cocoa liquor. Cocoa liquor is then pressed to obtain cocoa butter on one hand and cocoa mass, later transformed in cocoa powder, on the other. Chocolate comes from cocoa liquor, to which extra cocoa butter is added, along other ingredients such as milk, sugar, emulsifying agents and vegetable oil.

About 17% of Ivorian cocoa production is processed in Côte d'Ivoire, before being exported as cocoa liquor, butter and powder.<sup>53</sup> Four large multinational companies – the American companies ADM and Cargill, the French company CEMOI and the Swiss company Barry Callebaut – as well as the Ivorian company Pronibex have invested in cocoa-processing capacity in Côte d'Ivoire, as a result of government policies to encourage exports of semi-finished products. Some of the companies involved in this scheme benefit from tax reductions and are able to bypass tonnage limits applied to unprocessed cocoa bean exports.

## The development of cocoa under French colonial rule

Côte d'Ivoire was already producing cocoa before it became a French colony in 1893. After developing an interest in exploiting timber, then cotton, the French colonial authorities focused on cocoa as an export product.<sup>54</sup> Cocoa production expanded in the early 1900s, with the French authorities corrupting local chiefs, evicting communities from forests in the south and forcibly displacing tens of thousands of people, mainly from the north and from Haute-Volta (which later became Burkina Faso) to work on the cocoa plantations. Small Ivorian cocoa farmers protested against the higher cocoa prices paid to French plantation owners, as well as against the French appropriation of the labour force. They eventually found their champion in Félix Houphouët-Boigny, a cocoa farmer himself, who formed the Syndicat Agricole Africain (SAA), an agricultural union, in 1944. Within a year, he was elected as Côte d'Ivoire's representative to the French parliament and secured a law ending forced labour in 1946. He went on to become the first president of independent Côte d'Ivoire in 1960.

## The ICCO

The International Cocoa Organization (ICCO) is an organization composed of both cocoa producing and cocoa consuming countries. Established in 1973 and based in London, the ICCO's aim is a sustainable world cocoa economy. Its decision-making body is the International Cocoa Council.<sup>55</sup> Côte d'Ivoire contributes about 20% of the ICCO budget.<sup>56</sup> The UN Panel of Experts on Côte d'Ivoire reported the reluctance of the ICCO to meet the panel, as well as the fact that the ICCO did not plan to include revenue transparency in its agenda.<sup>57</sup>

## 2 Prices

Given the country's leading position on the international cocoa market, the onset of the conflict in Côte d'Ivoire caused a sharp increase in the price of cocoa, although only for a brief period. In October 2002, in the immediate aftermath of the coup attempt, while the rebels were advancing towards the ports of Abidjan and San-Pédro, the price of cocoa reached its highest level since the 1970s and 1980s (\$2,367 per tonne).<sup>58</sup> This sharp increase was also related to a reduction in world stocks of cocoa beans.

Since then, world cocoa prices have not suffered further disruptions. Continuing instability and violence in Côte d'Ivoire in late 2004 led to only a slight price increase. In October 2006, the price of cocoa on the world market hovered around US\$1.52 (780 CFA) per kg.<sup>59</sup> The price for cocoa growers in Côte d'Ivoire, called the "farmgate" price, is indicatively fixed at 400 CFA (70 US cents)/kg<sup>60</sup> but, in reality, farmers receive between 200 CFA (35 US cents)/kg and 320 CFA (56 US cents)/kg, depending on the stage of the harvest.<sup>61</sup>

## 3 Export destinations

More than 90% of Ivorian cocoa is exported to Europe<sup>xiv</sup> and North America. The European Union is the main destination, accounting for more than 60.1% of exports for 2005-2006. For the October 2005-September 2006 harvest, the five largest importers of Ivorian cocoa were the Netherlands, with 30.6%,<sup>62</sup> the United States, with 21.3 %, <sup>63</sup> France, with 10.9%,<sup>64</sup> Estonia, with 8.2%<sup>65</sup> and Belgium, with 4.8%.<sup>66</sup>

## 4 Companies buying or exporting cocoa from Côte d'Ivoire

Ninety companies were granted export agreements in 2005 for the 2005-2006 harvest.<sup>xv</sup> <sup>67</sup> Ten exporters accounted for more than half the purchases, buying 60.1%, or 623, 815 tonnes, between them.<sup>68</sup>

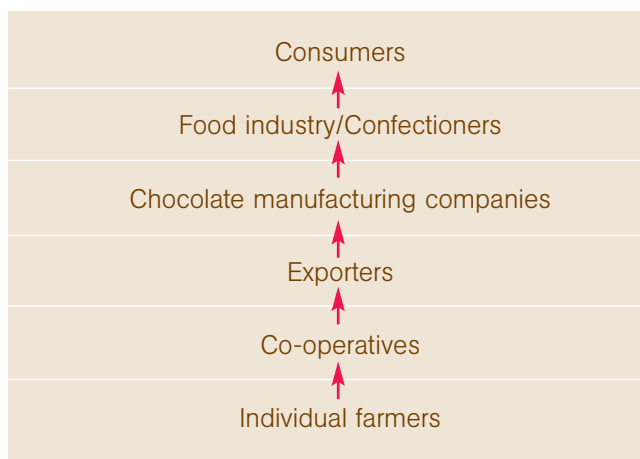
The biggest exporters are grouped together in an association, the Groupement Professionnel des Exportateurs de Café-Cacao (GEPEX, Professional Grouping of Coffee and Cocoa Exporters), while smaller exporting companies are grouped together in the Union des Opérateurs de Café-Cacao (UNOCC, Union of Coffee and Cocoa Operators). Ivorian

exporting co-operatives are grouped together in the Union des Coopératives Exportatrices de Côte d'Ivoire (UCOOPEXCI, Union of Exporting Cooperatives of Côte d'Ivoire).

Under Ivorian law, a single exporter can buy only a limited tonnage of cocoa beans during the main harvest, about 20% of the total production. There are no limits during the small harvest, from April to September.<sup>69</sup> For the harvest in 2005-2006, Outspan Ivoire SA, a subsidiary of Olam, a company owned by Kewalram Chanrai Group, headquartered in Singapore, was the main exporter, handling almost 107,700 tonnes of cocoa beans.<sup>70</sup> The second largest exporter was Cargill West Africa, a subsidiary of American company Cargill.<sup>71</sup> The largest European exporter, Tropival, a subsidiary of British company ED & F Man Holdings Ltd, comes in third position,<sup>72</sup> while another American company, ADM, comes in fourth position. PROCI, owned by French group Touton, and Cipexi, owned by Dutch company Continaf Holding B.V, a member of the Amtrada Holding BV group, were the fifth and sixth largest exporters during the 2005-2006 harvest.<sup>73</sup> The graph below gives figures for the first half of the 2005-2006 harvest (October - March) and therefore presents a slightly different picture of the rankings of the various exporters.

The largest transporter and freight agent of Ivorian cocoa, transporting nearly 55% of the market, is SAGA-CI, part of the French group Bolloré.<sup>74</sup>

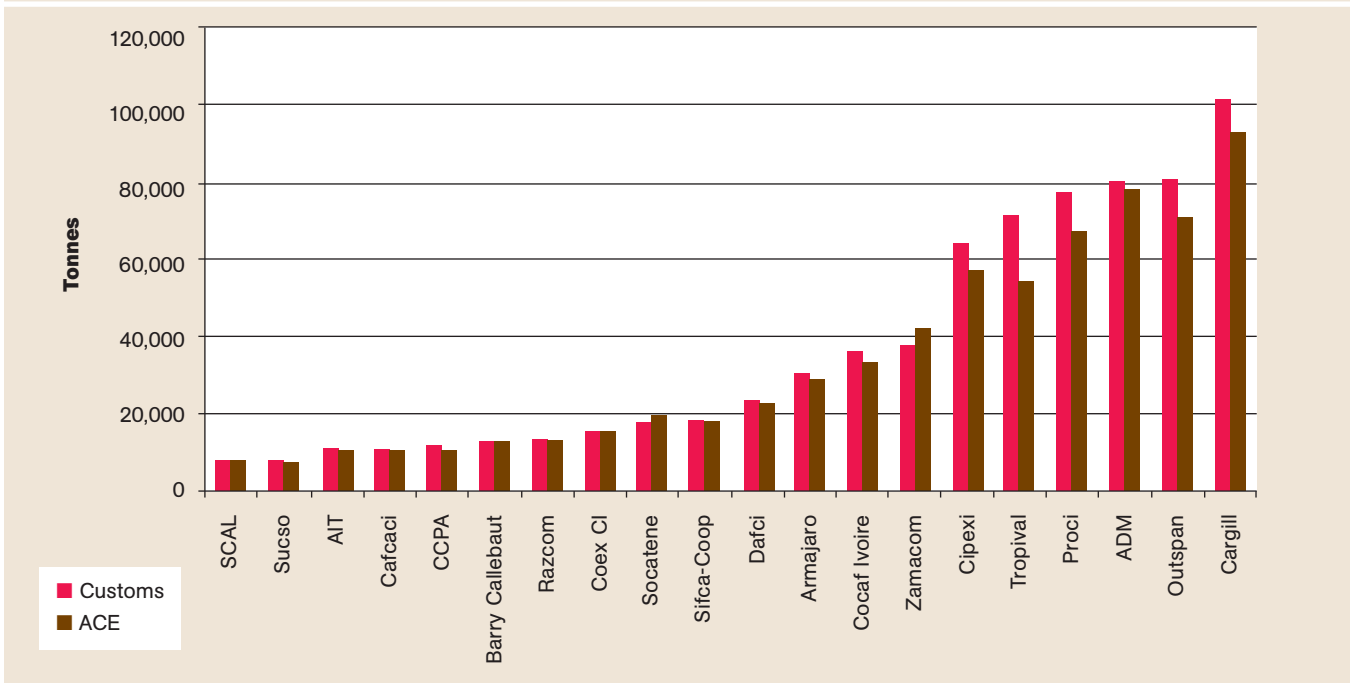
Chocolate manufacturing companies usually supply the industry with blends of cocoa, of various origins, either as powder, butter or as the final product: chocolate. In most cases, therefore, it is extremely



<sup>xiv</sup> Exports to EU and non-EU member countries amounted to 73.63% in 2005-2006.

<sup>xv</sup> There are no available records of buying or exporting activities for 32 of them.

## Exports of cocoa beans from Abidjan and San-Pédro ports, October 05-March 06



Sources: Côte d'Ivoire customs; ACE Rapport sur le contrôle des poids de cacao à l'exportation

difficult to ascertain that a particular product is made exclusively from Ivorian cocoa. However, as Ivorian cocoa accounts for such a large share of world production and is included in numerous blends, it is likely to be used, in some proportion, in many different products sold to consumers around the world.

For example, Unilever is the world's biggest ice cream manufacturer, with an annual turnover of €5 billion.<sup>75</sup> Under the name Heartbrand (the Wall's brand in the UK), it sells Carte d'Or, Cornetto, Ben & Jerry's and other ice creams to almost 40 countries. One of its best-selling products is the Magnum ice cream, which sells around 1bn units each year.<sup>76</sup> A representative of Barry Callebaut, a Swiss company which buys around 10% of Ivorian cocoa production, told Global Witness that it supplied chocolate to Unilever, including for the Magnum brand.<sup>77</sup>

Global Witness asked a number of chocolate confectioners whether any of their chocolate came from Côte d'Ivoire. Several of them told Global Witness that it did, and that their suppliers included Valrhona, a French company,<sup>78</sup> and Cocoa Barry, a subsidiary of Barry Callebaut.<sup>79</sup>

CEMOI, a French company that processed 24,500 tonnes of cocoa products at its Abidjan factory in 2005-2006, uses Ivorian chocolate for confectionery such as Ourson, a bear-shaped marshmallow covered in chocolate which is popular in France.<sup>80</sup> It also supplies chocolate manufacturers with industrial products.

One of the few products to specify that it is partly of Ivorian origin is a chocolate bar called "Afrique de l'Ouest" (West Africa), produced by Jeff de Bruges, the leading network of franchised chocolate shops in France.<sup>81</sup> The wrapping lists Côte d'Ivoire and Ghana as its countries of origin.<sup>82</sup>

## 5 Cocoa institutions since 2000: an increase in taxes and levies

In August 2000 a decree on the mission of the state in the commercialisation of coffee and cocoa was passed by General Gueï's government.<sup>xvi</sup> This decree envisaged the creation of two new structures to govern the cocoa and coffee trades: the Autorité de Régulation du Café et du Cacao (ARCC) and the Bourse du Café et Cacao (BCC).<sup>83</sup>

<sup>xvi</sup> On 24 December 1999 an army mutiny turned into a military coup and brought General Robert Gueï to power.

When Laurent Gbagbo was elected president at the end of October 2000, the Autorité de Régulation du Café et du Cacao (ARCC) had already been created by decree in early October. President Gbagbo's government then set up another four cocoa institutions by July-August 2001. The structure and functions of the ARCC, the BCC, the Fonds de Régulation et de Contrôle du Café et Cacao (FRC), the Fonds de Développement et de Promotion des activités des Producteurs de Café et de Cacao (FDPCC) and the Fonds de Garantie des Coopératives Café et Cacao (FGCCC) are outlined in Appendix I. The institutions' main roles are to regulate the cocoa trade and support cocoa farmers.

The multiplication of cocoa institutions has affected the number of levies paid by exporters. In order to fund the new institutions, the agriculture and finance ministers introduced new levies on each kilogramme of exported cocoa and coffee. These levies,<sup>xvii</sup> financing the ARCC, BCC, FRC, and FDPCC, reached their peak in January-March 2003, totalling 141.9 CFA (27 US cents)/kg; in 1999, levies were just 15.5 CFA (3 US cents)/kg.<sup>84</sup>

For the 2006-2007 harvest, the levies, financing the same four institutions but with a slightly different breakdown,<sup>xviii</sup> amount to 49.11 CFA (10 US cents)/kg.<sup>85</sup>

The proliferation of levies has had a direct impact on the price paid by exporters to cocoa farmers, as exporters have transferred the cost of levies to the farmers. An EU financial audit (see text box) noted that the levies more than covered the cost of running the cocoa institutions and recommended that they be reduced.<sup>86</sup>

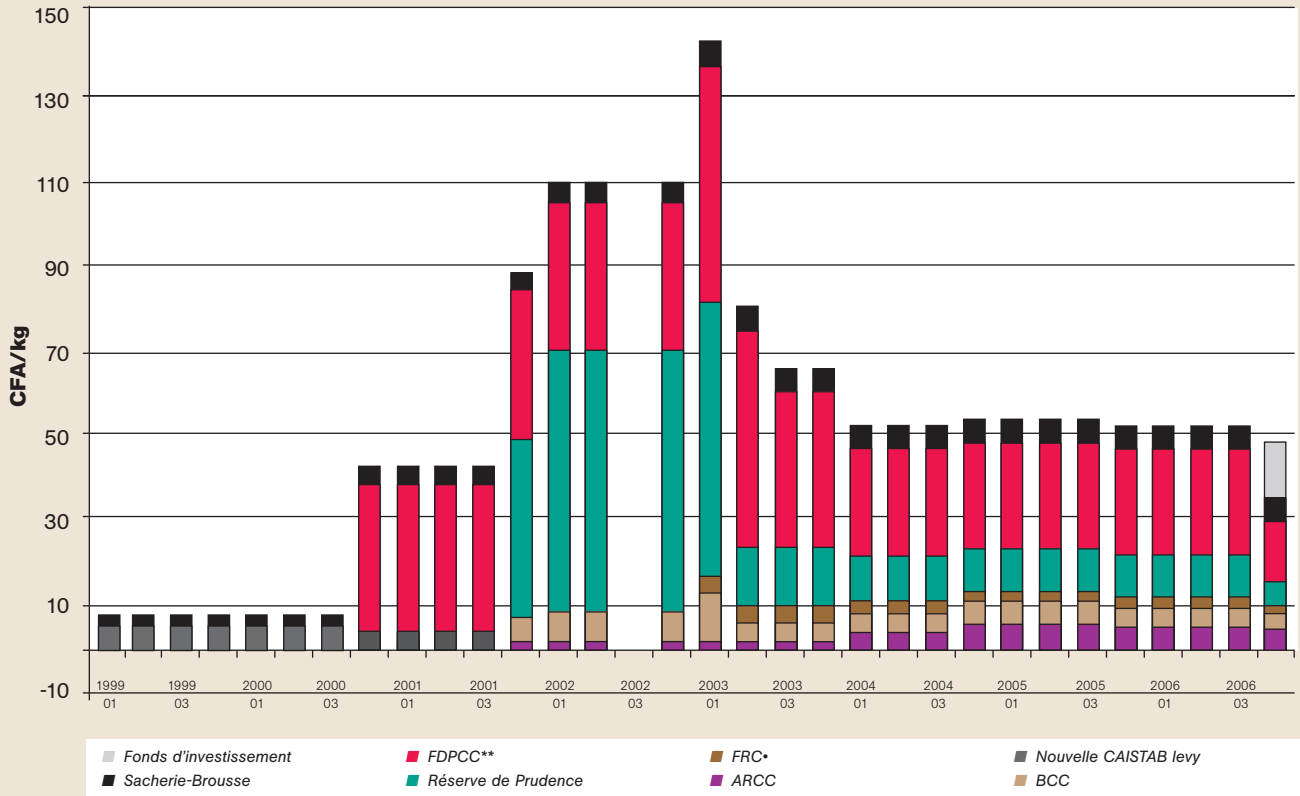
### Barry Callebaut

Barry Callebaut, a Swiss company and the world's leading manufacturer in chocolate products, began export and processing activities in Côte d'Ivoire in 1964.<sup>87</sup> The company is a minor exporter of cocoa beans (13,000 tonnes from the 2005-2006 harvest, in June 2006), but its Saco-Chocodi factory in Abidjan produced 69,500 tonnes of cocoa products by June 2006, which it then exported, mainly to Europe.<sup>88</sup> Barry Callebaut supplies chocolate to industrial clients and food manufacturers, such as Unilever and Poulain (owned by the Cadbury-Schweppes group),<sup>89</sup> as well as chocolate confectioners, the latter through its own brands: Callebaut, Cacao Barry, Carma, Luijckx, Van Leer, Van Houten, Caprimo and Bensdorp. Barry Callebaut also has its own line of chocolate products with brands such as Sarotti in Germany, Jacques in Belgium, Chocolat Alprose in Switzerland, and Brach's in the USA.<sup>90</sup> The company generated revenues of US\$4.05bn and profits of US\$115.6m for the fiscal year ending in August 2004.<sup>91</sup> In June 2006 an Ivorian cocoa institution, Bourse du Café et Cacao (BCC), launched the "Chocolat du Planteur", a niche market product.<sup>92</sup> Made from Ivorian cocoa from different regions and produced by Barry Callebaut, the Chocolat du Planteur is distributed in France, Germany and Côte d'Ivoire.<sup>93</sup>

<sup>xvii</sup> ARCC; BCC/FRC; BCC; FRC, Réserve de Prudence; FDPCC, Sacherie-Brousse.

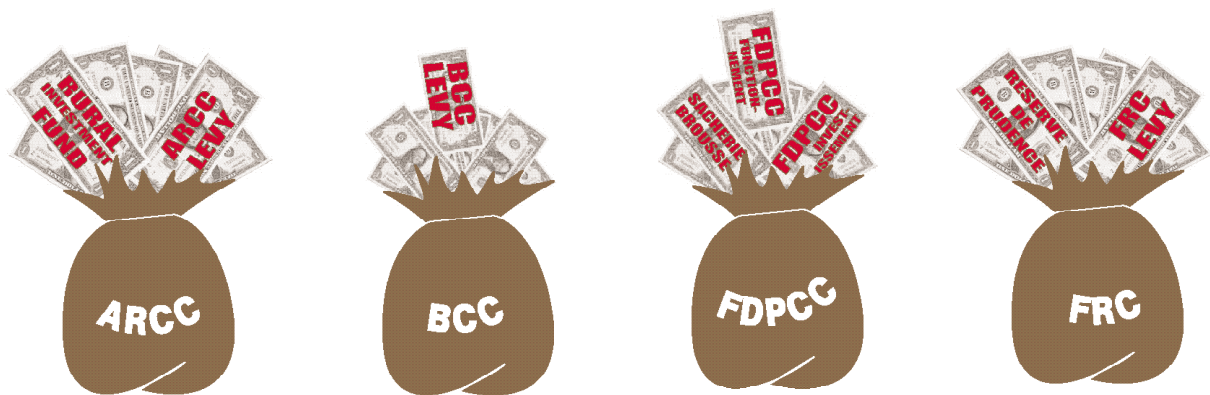
<sup>xviii</sup> ARCC; BCC; FRC, Réserve de Prudence; FDPCC-Fonctionnement; FDPCC-Investissement; Rural Investment Fund; FDPCC, Sacherie-Brousse.

### Levies on cocoa exports, 1999-2006



Sources: N'Guessan-Gestion des filières café et cacao en Côte d'Ivoire; ARCC Notes to exporters in 2005 and in 2006.  
 \* in January-March 2003, the FRC levy became distinct from the BCC levy.  
 \*\* from October 2005, the FDPCC's levy was split in two between FDPCC-Investissement and FDPCC-Fonctionnement.

### Levies in 2006-2007



## The EU Audits

The European Union (EU)<sup>xix</sup> had earmarked funds for the cocoa sector in its 1999 Stabex program.<sup>xx</sup> Before financing the sector and at the request of the Ivorian presidency, the EU conducted financial and legal audits of the Ivorian cocoa sector. The financial audit covered the period October 2000 to June 2003 and was finalised in September 2004. The EU financial auditors noted that “the underlying will to do everything to prevent the full realisation of the mission was evident at all levels of the hierarchy, despite appearances to the contrary”.<sup>94</sup> In August 2003 the chairman of the BCC asked the officials of all the cocoa institutions to forbid the auditors access to their structures.<sup>95</sup> The EU auditors noted a lack of clarity about the total amount of levies collected by the cocoa institutions, as well as their use.

The EU legal auditors encountered a similar reluctance on the part of the cocoa institutions to provide information. A draft of the legal audit was leaked by the French press in January 2006, but at the time of writing, it has not yet been officially published, despite having been given to the Ivorian authorities in September 2006.<sup>96</sup> The EU legal auditors were concerned by the failure of the cocoa institutions to respect their statutory

obligations, as well as by the peculiar legal status of the BCC and the FRC and their overlapping missions. Based on a preliminary report by the EU financial auditors, several donors, including the EU, the World Bank and the IMF, sent a joint memorandum to the government. The memorandum recommended that the government suspend the Réserve de Prudence and FDPCC levies, and lower all the other levies. The recommendations were not implemented.

In April 2005 the heads of EU missions in Côte d'Ivoire sent a letter to the Prime Minister, Seydou Diarra, copied to President Gbagbo, along with a request by the German ambassador for a meeting between the President and all EU ambassadors in Côte d'Ivoire. The letter, seen by Global Witness, stressed the difficulties faced by the auditors and the fact that the government was not “properly fulfilling its oversight duty to ensure transparency in the accounts of the regulatory organizations and the respect of their legal obligations”. By the end of 2006, President Gbagbo had not replied to the letter or to the request for a meeting.

On the basis of the audits' findings, the EU decided not to finance the cocoa and coffee sectors in Côte d'Ivoire.

In addition to levies for cocoa institutions, the government has imposed taxes on cocoa. These taxes from the cocoa trade are an important source of revenue for the Ivorian government. Under President Gbagbo, the export tax known as the Droit unique de sortie (DUS) increased from 120 CFA (23 US cents)/kg to 220 CFA (40 US cents)/kg within three years<sup>97</sup> (see chart), and the registration tax rose from 2.3% to 5% of the Cif price.<sup>xxi</sup> In 1999 the combined total of the DUS, registration tax, tax for the Nouvelle CAISTAB<sup>xxii</sup> and the Sacherie-Brousse (a levy to provide bush bags to farmers) amounted to 135.5 CFA (26 US cents)/kg. In January-March 2003, before the reconciliation government was operational, it reached a peak of 361.9 CFA (70 US cents/kg).<sup>98</sup> For the

main harvest in 2005-2006, collections from the DUS amounted to 178.7 bn CFA (US\$343m) and registration taxes amounted to 35.7 bn CFA (US\$68.5m).<sup>99</sup> In 2006 the UN Panel of Experts on Côte d'Ivoire found a contract between the government of Côte d'Ivoire and an unnamed company revealing that for the 2005-2006 cocoa harvest, some exporting companies had paid at least US\$20m in advance for the DUS.<sup>100</sup> Tropival confirmed that in 2005-2006, advance payment had been requested from all exporters.<sup>101</sup> The person representing the state of Côte d'Ivoire in this contract was the then finance minister, Paul Antoine Bouhoun Bouabré. The use of the money raised is not known.

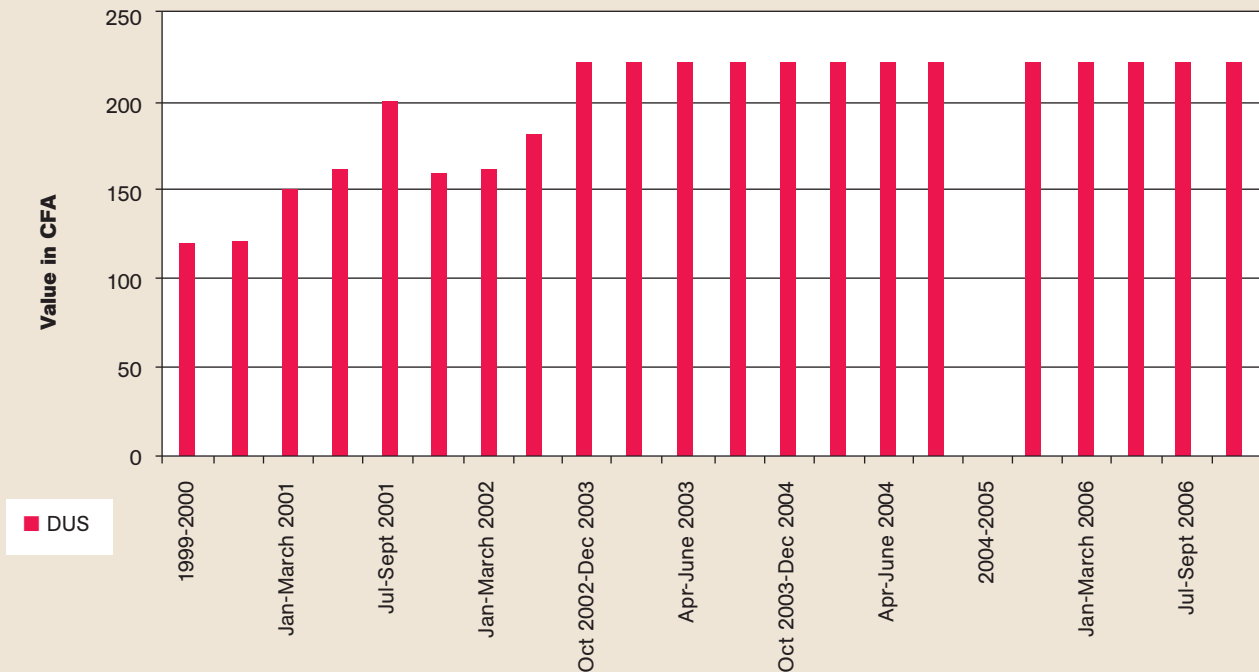
<sup>xix</sup> EU member states, including France, have disengaged from providing bilateral aid to Côte d'Ivoire. The EU itself has stopped making loans to Côte d'Ivoire but is still giving grants.

<sup>xx</sup> Stabex is an EU compensatory finance scheme to stabilise export earnings.

<sup>xxi</sup> The Cif (Cost, Insurance and Freight) price includes the price invoiced at the port of loading, plus the costs of insurance, transport and freight.

<sup>xxii</sup> The Nouvelle CAISTAB was a body responsible for ensuring the commercialisation of cocoa.



**Droit Unique de Sortie (DUS), 1999-2006****The DUS and the registration tax**

The DUS is an export tax applied to cocoa as well as other products. Its cost varies according to the product. In October 2002 the finance minister increased the DUS on cocoa from 180 CFA (35 US cents)/kg to 220 CFA (40 US cents)/kg, following an increase in the world market price of cocoa, triggered by the conflict in Côte d'Ivoire. The price of cocoa has since gone down but the DUS has remained at the same level, much to the displeasure of cocoa farmers. When the tax and levies go up, farmers lose out, as the exporters simply pass on the increase to farmers so that they can maintain their profit levels.<sup>102</sup> Despite having stated in 2003 that the DUS should not exceed 20% of the export price,<sup>103</sup> the World Bank has not taken a position on the current level of the DUS, which is more than 20%, as it brings in much-needed funds to the Treasury.

The registration tax, a tax paid by exporters on the basis of the Cif price of cocoa, was raised in 2003-2004. In 2006, it is 5% of the Cif price, instead of the World Bank-recommended level of 2.5%.<sup>104</sup> In October 2006 the average Cif was 826 CFA/kg; the registration tax amounted to 41.3 CFA (8 US cents)/kg.<sup>105</sup>

For 2006-2007 the combined total of the DUS, the registration tax and the cocoa institutions' levies amounts to 310.4 CFA (60 US cents)/kg, which in many cases exceeds the price per kilogramme paid to the cocoa producer.<sup>106</sup> The combination of the DUS and the registration tax means that exporters pay 261.3 CFA (52 US cents) into the Treasury for each kilogramme of cocoa exported.

# 5. Cocoa, conflict and political instability

## 1 The government's use of the cocoa trade to fund armed conflict

**“Mister President (...) do you have the means to tell the rebels they should give up their weapons?”**

**“I have the means. It is the international community that is stopping me from using these means. When I came to power, I found a country where the army was not an army. This is what enabled the rebellion to take over by force. Now, we are equipped. With the November 2004 crisis, the French only destroyed planes. Today, we are able to disarm the rebels by force. But we have entered a system where there are too many agreements. (...) If I had to do it again, I would have started by buying weapons immediately instead of waiting. This is what I did afterwards anyway. Things might have turned out differently.”<sup>107</sup>**

*Interview with Laurent Gbagbo, August 2006.*

## 1.1 The cocoa sector's gifts to the war effort

### THE ISSUE:

Côte d'Ivoire's national cocoa institutions, with the assent of the biggest exporters' union, have directly contributed to the war effort by providing the government with money, vehicles and weapons, using money from cocoa levies. These payments and gifts coincided with a period when some of the worst human rights violations by government forces took place (see graph). A World Bank official told Global Witness: “We know that the revenues collected from cocoa are used to fund the military.”<sup>108</sup> This is an obvious deviation from the cocoa institutions' official role, which is to regulate the cocoa trade and support cocoa farmers. Today, profits from the sector remain a potential “weapon of war” and little has been done to break the links between the cocoa trade and the armed conflict.

Three cocoa institutions have directly contributed at least 10.6bn CFA (US\$20.3m) to the war effort: the Autorité de Régulation du Café et du Cacao (ARCC), the Bourse du Café et Cacao (BCC) - whose board included two representatives of the biggest exporters' union, the Groupement Professionnel des Exportateurs de Café-Cacao (GEPEX), ADM Cocoa SIFCA's general manager<sup>xxiii</sup> and the director of Dafci, at the time owned by French company Bolloré<sup>xxiv</sup> - and the Fonds de Développement et de Promotion des Activités des Producteurs de Café et de Cacao (FDPCC). They have also given vehicles to the Forces de Défense et de Sécurité (FDS, the national security forces).<sup>xxv</sup> To do so, they used money from levies paid by cocoa exporters. Such initiatives and deviations from the official role of cocoa institutions were facilitated by the lack of transparency and absence of checks and balances in the cocoa sector (see Section 6.2, below).

The chairmen of the FDPCC and the BCC have publicly admitted giving money to President Gbagbo, even though it is not the prerogative of either institution to finance the defence of the country. The FDPCC chairman, Henri Amouzou, presented several cheques (on national television<sup>109</sup>) for a total of 10.2bn CFA (\$20.5m) to President Gbagbo in October 2002.<sup>110</sup> An inside source told Global Witness that this was a joint decision by the boards of all the cocoa institutions and that exporting companies represented on the boards “thought it was a good idea”; he described this as a “political decision”.<sup>111</sup>

The biggest exporters' union, the GEPEX, whose members include multinational companies such as Cargill and European companies such as ED & F Man Holdings Ltd, was represented on the board of the Bourse du Café et Cacao (BCC), one of the national

<sup>xxiii</sup> Global Witness sent a letter to ADM on 2 January 2007. In a reply dated 14 March 2007, ADM stated that Cocoa Sifca's general manager was the GEPEX representative on the board of the BCC from 2002 to July 2003.

<sup>xxiv</sup> Global Witness sent a letter to Bolloré on 17 January 2007 asking it to respond to these allegations but had received no reply at the time of writing.

<sup>xxv</sup> The FDS includes the national army, the national police force and the gendarmerie.

cocoa institutions that took this decision. Global Witness has written to several companies who are members of GEPEX, as well as to ADM and Bolloré, to ask for clarification on their role in this decision. ADM, Cargill, Barry Callebaut and Tropival, ED & F Man Holdings Ltd's subsidiary in Côte d'Ivoire, replied to Global Witness denying any knowledge of a 10.6bn CFA payment to the government, as well as involvement in any debate around this payment.<sup>112</sup> However, an inside source in the cocoa sector told Global Witness that from the start of the war in September 2002 to the beginning of 2003, all businesses, including the GEPEX, were asked to contribute to the government's "war effort", and that the list of contributors was read daily on the media.<sup>113</sup> The BCC chairman, Lucien Tapé Doh, said in August 2003 that "the totality of Ivorian farmers took on their responsibility and insisted on giving an important sum of money to the president to defend Ivorian people".<sup>114</sup>

It is unclear whether he was referring to the 10bn CFA given in October 2002 by the head of the FDPCC or to another gift.<sup>115</sup> In a speech in December 2002, President Gbagbo thanked cocoa farmers for their gift of 10bn CFA.<sup>116</sup>

In an interview in September 2004, Henri Amouzou acknowledged the purchase of weapons with money from cocoa farmers for the "reinforcement of the capacity of FDS loyalists". He said that "the decision to take money to go and buy weapons was debated amongst all cocoa bodies" and that they had reached a consensus on this point.<sup>117</sup> Amouzou claimed that "we did not buy weapons for President Gbagbo but to ensure the protection of farmers' lives and possessions in the war zone".<sup>118</sup>

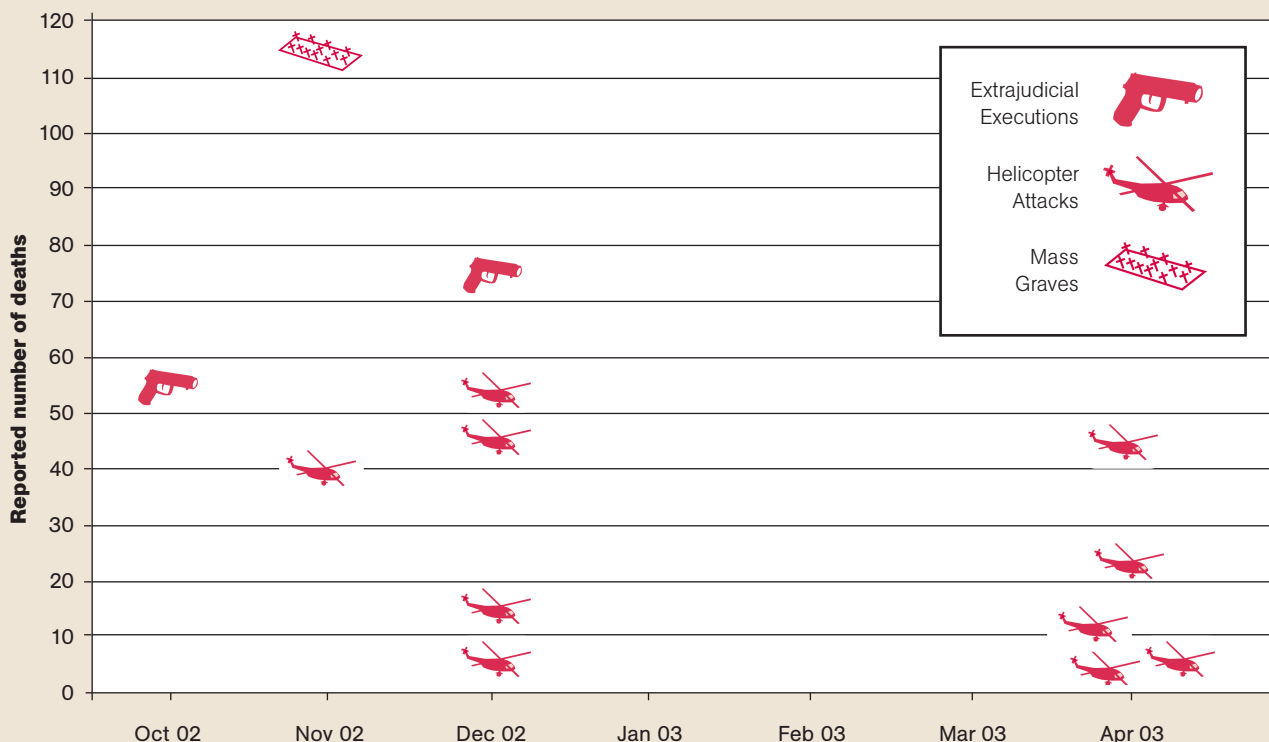


*A security guard from the Jeunes Patriotes militia escorting Jeunes Patriotes leader Blé Goudé, close to a roadblock at the French Embassy. The group, which supports President Gbagbo, had taken to the streets in Abidjan to protest against what they saw as interference by the United Nations (UN) in the country's internal affairs, 19 January 2006*

The regulatory body of the cocoa sector, the ARCC, gave 40m CFA (US\$76,700) to the Ivorian army, the Forces Armées Nationales de Côte d'Ivoire (FANCI), in 2002.<sup>119</sup> According to a cocoa sector expert, this gift was in addition to the 10bn CFA given by the FDPCC (see above).<sup>120</sup> As with the other cocoa bodies, the financing of the army is not the prerogative of the ARCC. Its functions are to regulate competition in the cocoa trade and grant exporting agreements to exporters.

In October 2005, an Ivorian newspaper reported that the FDPCC, in addition to providing 10bn CFA for the "peace effort" listed under the category of "social actions", had given several vehicles to the national security forces.<sup>121</sup> The secretary of the FDPCC, Théophile Kouassi, confirmed to Global Witness that the FDPCC had given pick-up trucks to the FDS for the purpose of improving security in western zones such as Guiglo.<sup>122</sup>

### Main incidents of human rights violations against civilians by government forces in the principal cocoa growing region, October 2002-April 2003<sup>123</sup>



**14-20 October 2002:** 56 people killed.  
The executions by the government's Anti-Riot Brigade (BAE) took place after government forces retook the town of Daloa.

**27 November 2002:** 40 people killed.  
A Mi-24 helicopter bombed the Vavoua-Diafla-Pélézi zone and the town of Vavoua.

**28 November 2002:** 120 people killed.  
Government forces attacked the village of Monoko-Zohi, near Vavoua. French soldiers later discovered a mass grave containing about 120 bodies.

**1-18 December 2002:** Unknown number of victims.  
Government forces committed massacres between 1 and 18 December after recapturing the town of Man near the border with Liberia, which was occupied in late November by the rebels. Several people were killed and others disappeared after being arrested by government soldiers.

**6 December 2002:** One person killed.  
A Mi-24 attacked Zanzra and fired rockets at a school.

**23 December 2002:** Unknown number of victims.  
A Mi-24 launched an attack on the village of Pélézi.

**31 December 2002:** 11 people killed and several injured.  
Two Mi-24s bombed the village of Menakro, in central Côte d'Ivoire. President Gbagbo agreed to ground the helicopter gunships and stop using mercenaries after the French government strongly condemned the incident.

**January 2003:** Unknown number of victims in helicopter attacks.

**6 April 2003:** Unknown number of victims.  
A Mi-24 attack on the road, south of Danané.

**10 April 2003:** 2 people killed and 7 injured in helicopter attacks.

**14 April 2003:**  
The town of Zouan-Hounien was attacked by two Mi-24 that targeted the Catholic mission. At least four civilians were killed and more than twenty injured, many of them sick children.

**15 or 16 April 2003:**  
Mi-24 attacked Danané and Mahapleu. About 21 died in Danané. Five were killed and 40 injured in Mahapleu.

**16 April 2003:** 9 people killed and 20 injured.  
The market of Vavoua was bombed by 2 Mi-24.



Ivorian MI-24, November 2002

© Private

## 1.2 Cocoa revenues directly controlled by the government

### 1.2.1 Gift and loan from the Fonds de Régulation et de Contrôle du Café et Cacao (FRC)

#### THE ISSUE:

Until at least April 2003, when the reconciliation government became operational, the FPI government controlled almost all cocoa-generated revenues, held at the Banque nationale d'investissement (BNI), and diverted 20bn CFA generated by levies on cocoa. In addition, during the same period, a series of financial transfers from an FDPCC account – the purpose of which was not specified – took place following the outbreak of the conflict. Cocoa levies are para-fiscal; they are owned by the cocoa institutions, which, except for the ARCC, claim to be private companies. The level of these cocoa levies is fixed by the government. As the status of cocoa institutions remained elusive, so did the status of the levies, and there was an absence of clarity about who was authorised to control them. This legal confusion, which continues to this day, allowed the government to allocate money from cocoa levies to itself.

Until 2002-2003, all the money from cocoa levies paid by exporters was lodged in several signature bank accounts. Most were held at the Banque centrale des Etats de l'Afrique de l'ouest (BCEAO),<sup>xxvi</sup> the common central bank for the West African Monetary Union (WAMU), but some were held at the Caisse autonome d'amortissement (CAA – see box), the state bank.

In October 2002, the CAA transferred 10bn CFA (US\$19m) from the Réserve de Prudence account to an FRC account at the CAA.<sup>124</sup> This transfer was made on the instructions of the finance minister, Paul Antoine Bouhoun Bouabré (who was appointed minister for planning and development in 2005) and the agriculture minister, Sébastien Dano Djédjé.<sup>125</sup> The FRC subsequently lent this money, at an interest rate of 6.5%, to the Ivorian state<sup>xxvii</sup> for the “war effort”,<sup>126</sup> and the funds were channelled to an account held by the presidency's financial services (Service Financier de la Présidence de la République- SFPR), also at the

CAA. The lending agreement, signed at the end of November 2002 and seen by the EU auditors, stated that the loan was made on the initiative of the cocoa farmers and after consultation with the board of the FRC, although the EU auditors were unable to confirm this.<sup>127</sup> The loan was to be reimbursed in a single lump sum after 12 months; it is not clear if the reimbursement was made in 2003-2004.

For the 2000-2001 and 2001-2002 harvests, the levies allocated to the FRC/BCC, FDPCC, Sacherie-Brousse and Réserve de Prudence were deposited in the following signature bank accounts at the BCEAO and CAA (see CAA box opposite):<sup>xxviii</sup>

BCEAO no 3062000 AOO 07018  
Fond Dev Prom Acti. Fil. Caf.Cac

BCEAO no 3062000 AOO 07019  
Sacherie-Brousse Café-Cacao

BCEAO no 3062000 AOO 07020  
Réserve de Prudence Café-Cacao

BCEAO no 3062000 AOO 07021  
Bourse Café-Cacao (BCC)-FRC

CAA no 918 01 03 69 ARCC  
Réserve de Prudence Café/Cacao<sup>128</sup>

Between 28 November and 19 December 2002, under the instructions of the same two ministers, six transfers for a total of a further 10bn CFA were made from the same CAA account to an account held by the FRC, also at the CAA. Global Witness received a copy of a letter dated 26 November 2002 addressed to the CAA, signed by both ministers, asking the head of the CAA, Victor Jérôme Nembéléssini-Silué, to organise the transfer of this money. A letter from the FRC authorised the transfer of the 10bn CFA to the presidency's financial services account, also at the CAA.<sup>129</sup>

**xxvi** A public international institution, the BCEAO issues monetary signs for the eight member states of the West African Monetary Union (WAMU). It is also responsible, among other things, for keeping the Treasury accounts of the member states and for the management of their monetary policy.

**xxvii** On 4 October 2002 a letter signed by the chairman and the executive director of the FRC authorised this money to be sent to the presidency.

**xxviii** As the cocoa institutions do not consider these signature accounts as their own accounts, they did not keep records of transactions relating to them. They only kept track of money they received from these signature accounts into the institutions' own accounts.



View of Abidjan, Côte d'Ivoire's economic capital

The UN Panel of Experts counted the 10bn CFA loan and the 10bn CFA gift from the FRC as contributing to the September 2002–December 2003 government's expenditure on security and defence.<sup>xxix</sup> It is likely that in the case of this loan and gift, the government simply appropriated the money and that the cocoa institution to which the funds belonged, the FRC,

acted as an intermediary or a cover. Through the signature accounts, the government already controlled money from the cocoa trade, as the finance minister and the agriculture minister were the only official signatories. It was under their instructions that the money was transferred first from the Réserve de Prudence account to the FRC account, then from the FRC account to the presidency's financial services bank account; all three accounts were held at the CAA. From the 2002–2003 harvest onwards, the government's direct control over cocoa revenues diminished, as from then on, only money from two levies, those for the FDPCC and Sacherie-Brousse, went through these CAA ministerial signature accounts.

### 1.2.2 FDPCC's money unaccounted for

In addition to the FRC's gift and loan to the government, a series of financial transfers – the purpose of which was not specified – took place following the outbreak of the conflict in September

## Concerns about the CAA and the BNI

The Caisse autonome d'amortissement (CAA), a national financial body created in 1959 and responsible for managing the public debt, became a state company and a bank in 1998.<sup>130</sup> In 2001 a presidential decree appointed a new board for the CAA and appointed Victor Jérôme Nembéléssini-Silué as its new president and director.<sup>131</sup> In 2002 the World Bank suspended an Emergency Recovery Credit (ERC) to Côte d'Ivoire, in part because of the state of the CAA's finances.<sup>xxx 132</sup>

The CAA had given credits to the state for several decades.<sup>133</sup> The IMF noted that in September 2003, the CAA's non-performing credits amounted to 196bn CFA, of which 170bn (or 80% of all non-performing loans) were loans to the state.<sup>134</sup>

The Banque nationale d'investissement (BNI) replaced the CAA in 2004.<sup>135</sup> For the World Bank, the BNI is one of the three areas in most urgent need of reform in the country, along with the oil

and cocoa sectors. A May 2006 World Bank memorandum recommended that the BNI should not make further loans to the government, as the government already had a 150.7bn CFA (US\$294m) debt with the BNI.<sup>136</sup> A World Bank official told Global Witness that the Bank was interested in the BNI "because the government is the owner of the BNI. The BNI's collapse could generate big problems in the cocoa sector. The resources in the BNI are not only resources of the government but also of other companies – state government enterprises like the ARCC".<sup>137</sup> The EU, which was worried about the CAA's solvency, transferred all its accounts out of it.<sup>138</sup>

The BNI has capital of 20.5bn CFA (US\$39.5m), divided into shares, all of which are held by the state.<sup>139</sup> The BNI was 279bn CFA (US\$535.5m) in credit, according to its end-year statement of 31 December 2004.<sup>140</sup>

**xxix** From September 2002 to December 2003, expenditures increased to 146.3 bn CFA (US\$282.5m), including 87bn CFA (US\$168m) on military hardware. For 2006, the UN Panel of Experts reported a slight decrease in military expenditure.

**xxx** The World Bank is planning to finance the demobilisation, disarmament and reintegration (DDR) process for US\$100m, once Côte d'Ivoire's US\$304m arrears to the Bank have been paid off. Côte d'Ivoire has been raising money for this purpose through Treasury Bonds.

	Financial transfers September-December 2002				Financial transfers January-March 2003	
<b>Amount</b>	17.1bn CFA in three transfers	1.4bn CFA	14.2 bn CFA in two transfers	4 bn CFA	5bn CFA	25bn CFA
<b>From</b>	FDPCC account at the BCEAO	FDPCC account at the BCEAO	FDPCC account at the BCEAO	FDPCC account at the BCEAO	FDPCC account at the BCEAO	FDPCC account at the BCEAO
<b>Beneficiary</b>	FDPCC account	BCC account	FDPCC account	FDPCC account	Unknown	FDPCC account
<b>Date</b>	25 Sept 2002	27 Sept 2002	18 Oct 2002	19 Nov 2002	6 Feb 2003	14 March 2003

2002. These transfers, most of which were made from the Fonds de Développement et de Promotion des activités des Producteurs de Café et de Cacao (FDPCC) account at the BCEAO, a signature account, to another FDPCC account, possibly held in a commercial bank, amounted to a total of 70.4 bn CFA (US\$140.2m).<sup>xxxii</sup> As the FDPCC refused to meet the EU auditors, no information relating to their spending is available and the EU auditors did not receive any explanation or justification for the transfers.<sup>141</sup> The BCEAO, where the funds were previously lodged, is the bank of the West African Monetary Union and is therefore regarded as the primary financial institution in the region. Some of this money might have been used to finance the FDPCC 10bn CFA gift to the presidency, as well as the purchase of weapons and vehicles for the presidency mentioned above.

From the end of March 2003 it became more difficult to organise transfers from these signature accounts because of political changes. The 2003 Linas-Marcoussis peace agreement set up a government of reconciliation in which all political parties were represented. After months of delays, opposition ministers from the Rassemblement des républicains (RDR) took up their post on 18 March 2003. Amadou Gon Coulibaly, a member of the RDR, became the new Minister of Agriculture and one of the BCEAO accounts' signatories.<sup>142</sup>

<sup>xxxii</sup> Transfers to the FDPCC account amount to 60.3bn CFA (US\$120.3m).

### 1.3 Links between the BNI and an arms dealer

#### THE ISSUE:

Some of the national cocoa institutions' revenues are held at the Banque nationale d'investissement (BNI), whose only shareholder is the government. The BNI owns 25% of a building company, Lev Côte d'Ivoire (Lev-Ci),<sup>143</sup> and the BNI's director, Victor Jérôme Nembéléssini-Silué, is also the chairman of Lev-Ci. Lev-Ci is majority owned by a Dutch-registered company which, under another name, facilitated the purchase of military helicopters to the Ivorian government. The delivery of these military helicopters to the Ivorian government through this company was negotiated by an Israeli arms dealer, wanted in Peru for alleged corruption, who is also one of the board members of Lev-Ci. As director of the BNI, it is the responsibility of Victor Jérôme Nembéléssini-Silué to ensure that the BNI is not involved in any malpractices. Global Witness recommends that if, after investigations, substantial evidence of malpractices is found, the BNI and its director sever all relations with this company.

"Bankrupt",<sup>144</sup> "opaque",<sup>145</sup> "not really a bank"<sup>146</sup> – these were some of the terms used to describe the BNI when Global Witness enquired about the role of this institution during its investigations in Côte d'Ivoire. Concerns about the BNI's lack of transparency, solvency and investments directly affect the cocoa sector, as the BNI still holds the accounts of cocoa institutions, notably the Réserve de Prudence and the FDPCC-Investment accounts.<sup>147</sup> Observers have

expressed concern that the BNI is not sufficiently independently accountable from the president and government that it cannot be guaranteed that funds from the cocoa institutions held at the BNI might not be used for political or defence purposes.<sup>xxxii 148</sup>

### Victor Jérôme Nembéléssini-Silué

Appointed head of the BNI by President Laurent Gbagbo in 2001, Victor Jérôme Nembéléssini-Silué previously worked as Special Advisor to the finance minister, Paul Antoine Bouhoun Bouabré.<sup>149</sup> Until 2003 he was a board member of the Ivorian cocoa exporting company Sidepa, a company belonging to the chair of the FGCC. <sup>150</sup> Victor Nembéléssini-Silué is also a member of the board and the executive committee of Afreximbank.<sup>151</sup> Since 1998, he is also the president and director, as well as majority shareholder, of Nembel Invest, a private investment project in Côte d'Ivoire, with estimated costs of US\$9.623m.<sup>152</sup>

In 2003, the CAA, then headed by Nembéléssini-Silué, became 25% owner of a building company called Lev-Ci operating in Côte d'Ivoire. Since at least December 2003, Victor Nembéléssini-Silué has been the chairman and a board member of Lev-Ci.<sup>153</sup> Another of its board members is Moshe Rothschild (see box), an Israeli arms dealer wanted in Peru for alleged involvement in arms trafficking and corruption during the period of the Fujimori government;<sup>154</sup> Rothschild's accounts in Switzerland have been frozen by the Swiss government as a result of these allegations.<sup>xxxiii 155</sup>

Between late 2002 and July 2004, before the UN imposed an arms embargo on Côte d'Ivoire, Moshe Rothschild brokered an arms deal in which two Mi-8Vs helicopters were sold to the Ivorian army, through two companies called Eco Trends Limited and Golden Creek.<sup>156</sup> Global Witness's research revealed that one of the trading names of Golden Creek is HTM Beheer, a company that also trades as Lev-Ci and Lev Group, the majority owner of Lev-Ci.<sup>157</sup>

<sup>xxxii</sup> Global Witness sent a letter to Nembéléssini-Silué on 9 February 2007 asking him to respond to these allegations, and received a reply on 26 February 2007. According to Nembéléssini-Silué, "these concerns are unfounded", as "monitoring mechanisms are non-governmental. They are conducted by both private national agencies and by an international institution".

<sup>xxxiii</sup> Global Witness sent a letter to Moshe Rothschild on 5 February 2007 asking him to respond to these allegations but had received no reply at the time of writing.

### Moshe Rothschild

Moshe Rothschild Chassin, nicknamed "the lord of bribes" by a Peruvian newspaper, is wanted in Peru for illicit sales of equipment worth US\$500m, ranging from telephone-tapping devices to MiG-29 fighter planes.<sup>xxxiv 158</sup> In December 1993, the then president of Peru, Alberto Fujimori, authorised the purchase, without bids, of replacement parts for army helicopters and vehicles from Mobetek, a company owned by Moshe Rothschild.<sup>159</sup> In 2005, an article in the Israeli newspaper Haaretz reported that in order to transfer the bribe proceeds to several bank accounts, Moshe Rothschild used a multitude of companies, including front companies, registered in the Virgin Islands and the Bahamas.<sup>160</sup> The former head of the Peruvian intelligence services, Vladimiro Montesinos, is currently standing trial in Lima for this bribery case, the biggest corruption scandal of President Fujimori's term in office. Moshe Rothschild, however, who is described as a millionaire in an Israeli newspaper article, lives in Tel Aviv, Israel, a country with which Peru does not have an extradition treaty.<sup>161</sup> He also owns a firm called RTCM, which invests in communications in Sierra Leone.<sup>162</sup> This company may be linked to another company owned by HTM Beheer (see below), RTCom Sierra Leone.

### Who owns Lev-Ci?

Although in 2004 the Ivorian commercial register states that Lev-Ci is jointly administered and owned by the Lev Mendel Group and the CAA,<sup>xxxv</sup> later superseded by the BNI, Global Witness discovered that the Lev-Ci was one of the trading names of HTM Beheer BV, a company registered in 1990 in the Netherlands, which currently also trades as Lev Group, Golden Creek Ltd, and RTCom Sierra Leone.<sup>163 xxxvi</sup>

<sup>xxxiv</sup> Global Witness sent a letter to Moshe Rothschild on 5 February 2007 asking him to respond to these allegations but had received no reply at the time of writing.

<sup>xxxv</sup> In early February 2004 several Ivorian newspapers alleged that the Lev Mendel Group was planning to have an important stake in the CAA, when there were plans to privatise it and turn it into the BNI. However, the CAA/BNI remained in the hands of the state and was not privatised.

<sup>xxxvi</sup> The Curaçao Commercial registers reveals HTM Beheer BV has been managed since April 2006 by First Alliance Trust NV, a Dutch trustee company. The 100% shareholder of HTM Beheer BV since 2002 has been Euro Trade Services NV, a company based in Curaçao, in the Dutch Antilles. Since December 2005 Euro Trade Services has been managed by a Curaçao trustee company, NMT Curaçao NV





The owners of all these companies are hiding behind an opaque structure. The common denominator between several of these companies is the presence of Moshe Rothschild (see diagram). A former director of Lev-Ci, Nathan Peled, claimed during a press conference in September 2006 that Lev-Ci was in fact owned by Moshe Rothschild and another Israeli.<sup>xxxvii 166</sup>

Lev-Ci has suffered financial difficulties. According to Lev-Ci's former general director, Nathan Peled, the BNI, which owns 25% of Lev-Ci, allowed Lev-Ci a 5.5bn CFA (US\$11m) overdraft facility for a construction project at San Pédro harbour, which was originally to have been carried out by Gold 2000, an Ivorian building company, with World Bank funds.<sup>167</sup> A 2006 PricewaterhouseCoopers audit reportedly revealed that 7bn CFA (US\$13.5m) had been embezzled from Lev-Ci.<sup>168</sup> Nembéléssini-Silué and Lev-Ci's former general director, Nathan Peled, have accused each other of embezzlement and of inflating invoices for material bought by Lev-Ci in Israel.<sup>169</sup> In February 2006, Lev-Ci's board, chaired by Victor Nembéléssini-Silué, suspended Lev-Ci's general director, Nathan Peled, and sacked him in August 2006.<sup>170</sup> However, in his letter to Global Witness, Nembéléssini-Silué stated that he had filed an official complaint with the judicial authorities against Nathan Peled but claimed that most of the material in question was in fact bought in Israel by the Israeli majority shareholder of Lev-Ci, Lev Group.<sup>171</sup> It is not known how this alleged embezzlement may have affected the BNI. Global Witness was not able to confirm the substance of the allegations of embezzlement against Nathan Peled or Nembéléssini-Silué.

Aside from the allegations of embezzlement from Lev-Ci, there is a clear conflict of interest with the BNI lending money to a company it partly owns, while the state bank director is also chairing the company.

In a letter dated 9 February 2007, Global Witness put these allegations to Victor Jérôme Nembéléssini-Silué. Nembéléssini-Silué sent a detailed reply on 26 February 2007, stressing he held no share in the BNI or Lev-Ci and that it is not illegal for a bank, whose head is also the company's chair, to lend money to this company. He stated that he had met Moshe Rothschild in Israel while he was a Special Advisor to

the finance minister, Paul Antoine Bouhoun Bouabré, before he became head of the BNI in November 2001. Nembéléssini-Silué stated he had no particular relations with Moshe Rothschild, besides the fact that both of them were on the board of Lev-Ci since 2004. According to Nembéléssini-Silué's letter, the Lev-Mendel group nominated Moshe Rothschild as a member of the board of Lev-Ci, and since 2006, Moshe Rothschild was represented on the board by his lawyer. Nembéléssini-Silué said he was not aware of the fact that Moshe Rothschild was wanted in Peru for alleged involvement in arms trafficking and corruption nor that he had negotiated the delivery of military helicopters to the Ivorian government. Nembéléssini-Silué stated that if it was confirmed that Moshe Rothschild was wanted in Peru, he would inform the board of Lev-Ci.<sup>172</sup>

Global Witness considers it is the responsibility of Victor Jérôme Nembéléssini-Silué, as the chair of Lev-Ci, to know the credentials of members of the board. Checks should be made to ensure that individuals facing criminal charges – in this case, an arms dealer wanted for alleged corruption – are not on the board. It is also his responsibility and duty as director of the BNI to ensure the BNI does not have a stake in a company which under another name, facilitated the purchase of military helicopters to the Ivorian government.

In future, donors should be careful in choosing the companies they finance for infrastructure projects, in order to ensure that money cannot be diverted for other purposes. In a meeting with the World Bank, Global Witness provided it with information about Lev-Ci, but received no response. Global Witness believes the matter should be of interest to the World Bank, as it had previously lodged money in the BNI, possibly until July 2004,<sup>xxxviii</sup> and some of this money could have been funnelled into Lev-Ci. The World Bank has not ruled out lodging money in the BNI in the future.<sup>173</sup>

#### 1.4 Helicopters for cocoa? The Gambit affair

In 2003 a major cocoa contract was signed between a European company, Gambit Investment Ltd, and an Ivorian cocoa co-operatives' association. There have been allegations that the cocoa was traded for military helicopters, in a deal facilitated by Christian Garnier.<sup>174</sup> Christian Garnier, Gambit's Africa director, is described

<sup>xxxvii</sup> Global Witness sent a letter to Moshe Rothschild on 5 February 2007 asking him to respond to these allegations but had received no reply at the time of writing.

<sup>xxxviii</sup> The World Bank had project money lodged in the BNI until it pulled out of the country in 2004. The money was then frozen and finally repatriated to World Bank headquarters.

as a French arms dealer by the French intelligence newsletter *La Lettre du Continent*, but told Global Witness that he was military advisor to President Gbagbo at the time of these events.<sup>175</sup> Garnier confirmed to Global Witness that he had provided two helicopters to the Ivorian government before the French peacekeeping operation was deployed, as an anticipated payment for a large quantity of cocoa.<sup>176</sup> Garnier read out to Global Witness an authorisation from the then Defence Minister and now President Gbagbo's Special Advisor on Defence, Security and Military Procurement, Kadet Bertin, dated 12 November 2002, for Garnier to buy and deliver arms for a value of US\$100 million to the Ivorian government, without having to hand over payment.<sup>177</sup>

Global Witness saw two contracts, one for cocoa for a total of 300,000 tonnes for 2002/03 and 2003/04, the other for coffee. Both contracts were signed on 10 February 2003 by Gambit Investment Ltd, the "department of African affairs of Sitara International Finance Holding S.A", represented by Christian Garnier, and a cocoa co-operatives' association, the Confédération Ivoirienne des Cacao-Caféiculteurs et Vivriers (CI2CV).<sup>178</sup>

Christian Garnier told a *Radio France Internationale* (RFI) journalist that Gambit was a Luxembourg company,<sup>179</sup> but Global Witness did not find such a company registered in Luxembourg, nor in the British Virgin Islands, Monaco, France or Belgium.<sup>xxxix</sup> However, Global Witness confirmed that, as stated on the cocoa contract, Gambit Investment Ltd was an offshoot of Sitara International Finance Holding S.A, a holding company registered in Luxembourg, which according to its website has "assets exceeding US\$ 4bn" and "represents a large international Investment Fund disposing of a multibillion amount in US Dollars".<sup>180</sup> In a telephone conversation with Global Witness, Sitara's director, Axel Schlosser, confirmed that the cocoa and coffee contracts were negotiated for the benefit of Sitara by Hans Brinks, a German national who, Global Witness discovered, had been fined in 1999 in the US for "fraudulent misappropriation of about \$12m that had been invested in commodity pools".<sup>xi 181</sup> However, Sitara's director stressed he had become aware of the military aspect of the contracts only after they had been signed, and after Hans Brinks had died.<sup>182</sup> Axel Schlosser told Global Witness he had therefore quickly pulled out of the deal, after a visit to Côte d'Ivoire where he met people working for the government.<sup>183</sup>

Before receiving the cocoa, Garnier claimed that he had paid a large advance to the co-operatives with which he had signed the contract.<sup>184</sup> It is not known what happened to this money. According to Garnier, only a small amount of cocoa was actually delivered.<sup>185</sup> Global Witness was unable to identify which helicopters might have been bought through the deal.<sup>xii</sup> Global Witness recommends that this deal be investigated as part of a future audit of the cocoa sector.

## 2 Use and abuse of cocoa revenues by the Forces Nouvelles

### THE ISSUE:

Individuals within the Forces Nouvelles (FN) have enjoyed financial as well as political rewards as a result of the conflict and the country's partition. They have a vested interest in prolonging the crisis: once the country is reunited, they may lose their control over natural resources and financial assets. As a significant source of the FN's finances, the cocoa trade has effectively contributed to delaying a resolution of the crisis.

### 2.1 Making money out of cocoa: the proliferation of taxes

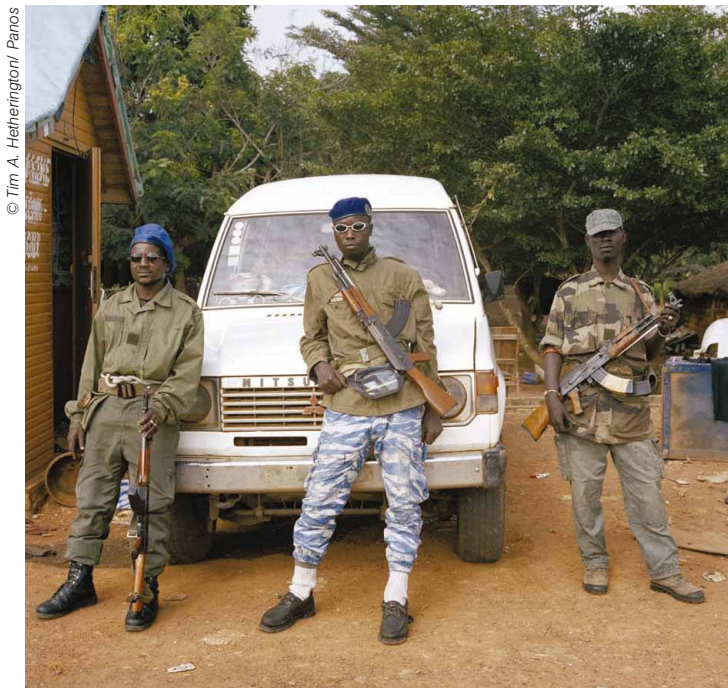
Cocoa is a substantial source of revenue for the FN. Global Witness estimates that since 2004, the FN have derived an average of around 15.1bn CFA (US\$30m) per year from the cocoa trade.<sup>xiii</sup> This figure was obtained by calculating the total of all the taxes and export agreements as well as the number of trucks taxed (about 3,250 trucks) for the estimated yearly cocoa production (see Appendix II).

**xxxix** Through telephone calls to the British Virgin Islands and Monaco registries of companies in August 2006 and February 2007, Global Witness confirmed that there is no company called Gambit registered in the British Virgin Islands or Monaco. According to the French and Belgian registries of companies online, Gambit is not registered in these countries either.

**xi** In 1998, Hans Brinks and Jerry Slusser were both sentenced to pay civil monetary penalties of respectively \$770,000 and \$10 million, the largest ever assessed in a litigated Commission administrative proceeding.

**xii** The information on the Ivorian air force contained in the UN Panel of Experts' report in 2005 does not provide conclusive evidence on this point.

**xiii** Global Witness was unable to obtain the official FN revenue figures, as the director of the Centrale could not provide them.



Soldiers of the rebel group MPC (Mouvement Patriotique de Côte d'Ivoire), now known as the Forces Nouvelles (FN).



Trucks with laissez-passer in FN-controlled zone between Bouaké and Korhogo, September 2006

According to an FN estimate,<sup>xliii</sup> annual cocoa production in the FN zone is 130,000 tonnes and is worth 104bn CFA<sup>186</sup> (US\$203m). This represents a tenth of Côte d'Ivoire's total production and up to 3.6% of world production. The FN was quick to seize the opportunity to start taxing cocoa.

### FN taxes on cocoa in 2006

- export tax (equivalent of the Droit unique de sortie, DUS): 150 CFA (30 US cents)/kg
- cocoa purchase agreement: 100m CFA (US\$193,500) per year
- escort tax: 5,000 CFA (US\$9.6) per truck per trip
- laissez-passer: 15,000 CFA (US\$29) per truck per trip

Initially, from September 2002 onwards, FN troops and rebel commanders developed a survival strategy based on extortion. It was reported that during a single week in August 2003, the FN made 69m CFA (US\$137,600) from sales of fuel and taxes on convoys.<sup>187</sup> Economic operators were made to pay "protection" taxes to travel in the FN-controlled zone. No truck could travel without an FN escort – usually one or two soldiers claiming to protect vehicles from attacks by bandits (*coupeurs de route*) and ease the way through the numerous FN checkpoints along the roads. This was later institutionalised as an "escort tax", costing 5,000 CFA (US\$9.6) and paid to the escort.

At the end of 2002, in addition to the protection taxes, cocoa was subject to a tax of 50 CFA (10 US cents) per kilogramme. The trucks were weighed on a weighbridge in Séguéla and the tax was paid to Séguéla's FN commander, Zakaria Koné.<sup>xliv</sup> The weighing system in Séguéla was abandoned in early 2003 in favour of a standard payment of 2m

<sup>xliii</sup> Quoted in an AFP article on 9 January 2006, Moussa Dosso, the FN National Secretary for the Economy and Finance, estimated cocoa production in the FN zone at 130 000 tonnes a year. However, in a meeting with Global Witness, the director of the Centrale estimated it at 20-25% of total Ivorian cocoa production (hence about 325 000 tonnes a year).

<sup>xliv</sup> Unlike other taxes, which were paid to the DIRMOB, the FN's finance body which was later replaced by the Centrale.

CFA (US\$3,870) per truck (which works out at approximately the same rate per kilogramme), paid at the start of the route, in Man or Vavoua.<sup>188</sup>

In 2004 the system of extortion became more institutionalised. The FN set up a centralised system whereby all taxes were paid to the Centrale, a new structure combining customs and tax functions (see box). They imposed the equivalent of the government's "Droit unique de sortie" (DUS) on cocoa.<sup>189</sup> Since 2004,<sup>190</sup> the FN has reportedly demanded 100 CFA/kg<sup>191</sup> or 4m CFA (US\$7,740) for each cocoa truck – double the payments made to zone commanders. The FN exit tax is also much higher than the average transport tax on regular goods of 65,000 CFA (US\$126) per truck.<sup>192</sup> In 2006 the head of the FN, Guillaume Soro, told the UN Panel of Experts that cocoa was taxed at 150 CFA (30 US cents)/kg, a lower rate than taxes and levies in the government-controlled zone, in order to be more competitive.<sup>193</sup> However, a cocoa exporter commented that the FN taxation on cocoa was now too high for the trade to be profitable and that "it took the fun out of it".<sup>194</sup> Taxes and levies imposed in the government-controlled south are generally higher, although the gap is gradually narrowing. As another cocoa exporter explained, with the combination of transport costs of 15 CFA (3 US cents)/kg<sup>195</sup> and bribes at checkpoints, the cost of transporting cocoa reaches about 40 CFA (7 US cents)/kg before the FN taxes are levied. Once the official or unofficial taxes of 150 CFA (30 US cents)/kg on the FN side and as much as 75-100 CFA (15-20 US cents)/kg in Burkina Faso<sup>196</sup> have been added, it brings the cost of a kilogramme of cocoa to around 290 CFA, excluding the purchase cost from the farmer. This is more than the DUS and the registration fees charged in the government-controlled south, and is close to the combined total of 310 CFA (60 US cents)/kg payable in the south for the DUS, registration tax and the cocoa levies.

In addition, cocoa buyers have to obtain a purchase agreement in order to buy cocoa. Every year, around ten accredited buyers each pay 100m CFA (US\$193,500) to the FN for this agreement. The annual revenue accruing to the FN from this source therefore totals around 1bn CFA (US\$1.9m).

Each truck must also display a "laissez-passer", a certificate allowing it to travel in the FN zone. This costs 15,000 CFA (US\$29) for each trip in the zone.

Aside from these official FN taxes, individual FN soldiers levy their own unofficial taxes at checkpoints. Global Witness investigators were told that soldiers demanded that truck drivers pay them 25-30 CFA (5-7 US cents)/kg in roadside bribes when transporting cocoa from northern Côte d'Ivoire to Lomé, in Togo. This "checkpoint economy" is not a unique feature of the FN zone. It also exists in the government-controlled zone. In both parts of the country, road users have no choice but to pay these bribes, which soldiers often exact at gunpoint.

### The Centrale

The Centrale is the official FN recipient of all import and export taxes in the FN zone.<sup>197</sup> Created in March 2004, the Centrale is the economic and financial management structure of the FN zone, combining customs and tax functions. The Centrale reports to the FN National Secretary for the Economy and Finance (Moussa Dosso), who happened to be the Minister for Trade in the national reconciliation government until April 2007.

The Centrale has about 150 staff, including civilians and military, deployed at the zone's borders, in offices in major towns and at checkpoints. In each of the 10 FN sub-zones, it also has one representative, a "régisseur", who works with the tax officials.<sup>198</sup>

The Centrale is organised into three departments:<sup>199</sup>

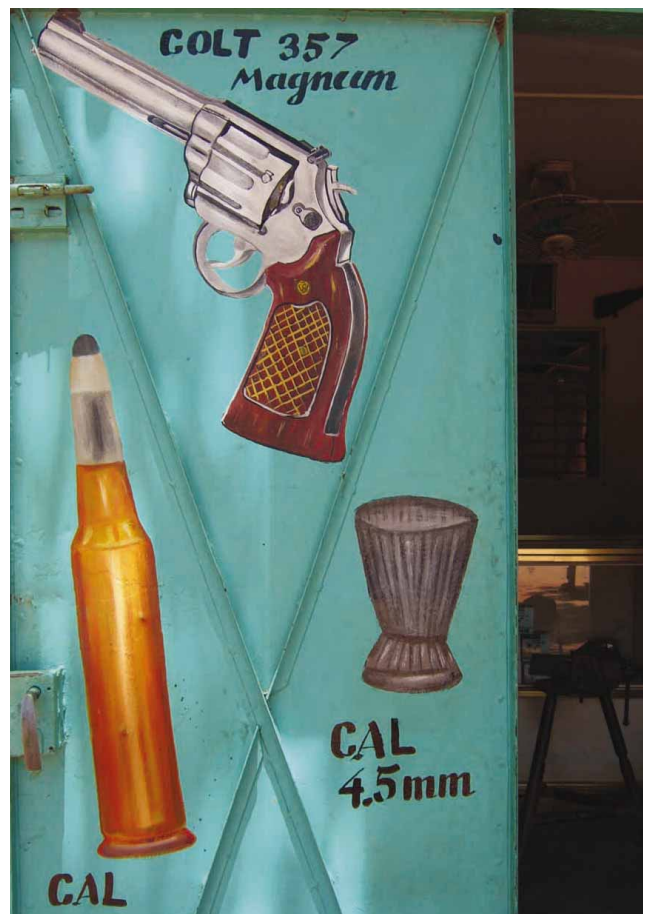
- 1** The Cross-border Resources Department, which manages cross-border flows at Côte d'Ivoire's borders with Mali and Burkina Faso.
- 2** The Agriculture and Forest Department.
- 3** The Hydrocarbures Department, responsible for fuel, gas and diamonds, and for managing cross-border flows at Côte d'Ivoire's borders with Guinea and Ghana.

## 2.2 “All the money, we do not know where it goes.”<sup>200</sup>

Despite having effectively taken on the role of a state by collecting taxes, the FN do not see it as their responsibility to fund public services such as health and education, and do not channel the money they raise to develop the areas under their control. With the exception of emergency services provided by the non-governmental organisation Médecins sans Frontières at the Centre Hospitalier Universitaire (university hospital) in Bouaké, people have to pay for their own hospital treatment and other services.<sup>201</sup> Although they claim to be defending the interests of the northern population, and to occasionally distribute drugs to hospitals, the FN, through their actions, demonstrate complete lack of accountability towards the local population, particularly concerning economic and financial matters.<sup>202</sup> The taxes they have imposed are an added financial burden on an already weakened and vulnerable population. Residents in the FN zone do not know what happens to the money raised through these taxes; many do not even know about the existence of the Centrale.<sup>203</sup> One cocoa trader told Global Witness he did not know where all the money in the FN zone was going. He added: “If you talk, they break your head. This is Africa, therefore we keep quiet.”<sup>204</sup> Truck drivers, truck owners and traders in the FN zone agreed to talk to Global Witness only on condition of anonymity, reflecting a similar fear to that encountered in the government-controlled areas (see Section 7).

The taxes levied by the Centrale serve primarily to finance the FN as a movement and help to keep its troops relatively quiet. Money from the “laissez-passer”, a proportion of which is raised from the cocoa trade, helps to feed and equip the political and military branches of the FN. According to some sources, individual FN soldiers are supposed to be paid a “soap bonus” (prime de savon) of 5,000 CFA (US\$9.6) per month out of the funds from the laissez-passer; however, other sources have denied this.<sup>205</sup> The exit tax has financed the purchase of computers and travel of FN officials within the zone or abroad.<sup>206</sup>

Given the importance of the cocoa trade in the FN-held areas and the significant amounts of money it enables the FN to raise, it is likely that some of the money derived from the cocoa trade has contributed, and could still be contributing, to funding the purchase of weapons and other means for the FN to boost its military capability. Despite a UN arms embargo in



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Arms shop in Bobo-Dioulasso, Burkina Faso, June 2006

force since November 2004, Wattao Ouattara Issiaka, the deputy chief of staff and second-in-command of the FN, announced in September 2006: “We are now more ready than two years ago (...) We have, more than yesterday, the human and material means to go to Abidjan, in case of conflict.”<sup>207</sup> Global Witness investigators were able to confirm that it is relatively easy to buy weapons, such as Baikal pistols, across the border with Burkina Faso, in Bobo-Dioulasso and

### Checkpoints on the cocoa route

The cocoa follows one of two routes from western Côte d'Ivoire to the border with Burkina Faso. At each checkpoint, the escort hands over envelopes containing CFA 2000 (US\$3.92) to FN soldiers (this is in addition to the taxes listed above).

#### Route 1

From Vavoua to the border with Burkina Faso, there are the following 19 checkpoints over a distance of approximately 520 kilometres. Some are located at the entrance to towns, others further along the road, far out of town.

- 1 Vavoua
- 2 Séguéla
- 3 Diarabala
- 4 Kani
- 5 Fadiadougou
- 6 Morondo
- 7 Gbémou
- 8 Boundiali
- 9 Ponondougou
- 10 Siempurgo
- 11 Séguétiélé
- 12 Tarato
- 13 Korhogo
- 14 Sédiogo
- 15 Ouolo
- 16 Sinématiali
- 17 Ferkessédougou
- 18 Ouangolodougou
- 19 Lalareba

#### Route 2

From Man to the Burkina Faso border, a distance of approximately 660 kilometres, there are 21 checkpoints:

- 1 Man
- 2 Biankouma
- 3 Touba
- 4 Koro
- 5 Borotou
- 6 Bako
- 7 Odienné
- 8 Tiémé
- 9 Madinani
- 10 Boundiali
- 11 Ponondougou
- 12 Siempurgo
- 13 Séguétiélé
- 14 Tarato
- 15 Korhogo
- 16 Sédiogo
- 17 Ouolo
- 18 Sinématiali
- 19 Ferkessédougou
- 20 Ouangolodougou
- 21 Lalareba

Ouagadougou.<sup>208</sup> In July 2006 the UN Panel of Experts obtained a copy of an end-user certificate for the purchase of 450,000 rounds of ammunition and 200 RPG rockets, dated June 2005; the panel believed it was a fake, based on an original signed by the Burkina Faso Minister of Security.<sup>209</sup> The panel was not able to confirm whether the military equipment cited in the document was ever delivered, or to whom.

By the FN's own admission, the exit tax on cocoa already contributes substantially to the purchase of

### Cocoa route to Burkina Faso



- Cocoa production zone
- Zone de confiance
- Forces Nouvelles
- Government-controlled zone

vehicles for FN troops.<sup>210</sup> The UN Panel of Experts saw such vehicles in Bouaké and heard reports that they were being imported and driven from Burkina Faso into Côte d'Ivoire.<sup>211</sup>

As mentioned above, Global Witness estimates that from the cocoa trade alone, the FN extract about 15.1bn CFA (US\$30m) per year. Their revenues from other sources are not known.<sup>212</sup> The Centrale authorities admitted deriving a surplus from all the taxes they levy, claiming that they saved this surplus for periods of recession.<sup>213</sup> Some of the money is also allocated to "strategic spending". The Centrale's director was evasive when it came to explaining what "strategic spending" entailed and how much money was allocated to it.<sup>214</sup> Decisions on "strategic spending" are taken by a FN management council under the chairmanship of Guillaume Soro. All FN commanders sit on this management council, alongside other officials.

There is currently no oversight or control over the use of the large sums at the disposal of the FN. Global Witness investigators were able only to document revenues generated by taxes on cocoa. However, all trucks circulating in the FN-controlled zone are subject to both protection and transport taxes. Businesses and traders, however small, also have to pay a range of taxes. For example, an ice cream vendor has to pay 1,500 CFA (US\$3) per week simply to be able to operate in the zone.

### 2.3 Personal enrichment of Korhogo's zone commander

Korhogo is a particularly profitable and strategic zone, as all cocoa trucks going to Burkina Faso pass through the town of Korhogo. It is also close to the borders with both Mali and Burkina Faso. In addition to the money pouring into the Centrale, individual FN soldiers and their leaders operate an extortion racket and zone commanders use their zone's resources to enrich themselves. One such commander is the Korhogo zone commander, Martin Fofié Kouakou, a former soldier and a loyal supporter of Guillaume Soro. Some of the worst human rights abuses in Côte d'Ivoire since the conflict began took place under Kouakou, when he was sector commander in Korhogo.<sup>215</sup> After the Korhogo massacre (see box), Kouakou was rewarded by the FN hierarchy and appointed Korhogo zone commander.<sup>216</sup>

In February 2006 the UN Security Council placed economic sanctions on Kouakou on the basis that "forces under his command engaged in recruitment

#### The Korhogo massacre

In July 2004 a UN investigation team unearthed at least 99 dead bodies, mainly men, from three mass graves in Korhogo.<sup>217</sup> Most bodies were found naked, with their hands tied. Several victims had been shot in the head; some had also been shot in the legs. The FN claimed that the deaths had been caused by a bus accident. However, UN investigators found that the victims had been arrested during or after violent clashes within the FN, between the factions of Guillaume Soro, led by Kouakou, and Ibrahim Coulibaly, an army sergeant who fronted the rebellion in its early days.

of child soldiers, abductions, imposition of forced labour, sexual abuse of women, arbitrary arrests and extra-judicial killings, contrary to human rights conventions and to international humanitarian law; obstacle (...) to the peace process as defined by Resolution 1633".<sup>218</sup>

The UN sanctions, involving an assets freeze and travel ban, are unlikely to affect Kouakou, as most of his wealth derives from sources within Côte d'Ivoire. He has exploited to the full the strategic location of Korhogo. He is rumoured to have at least two houses in Bouaké as well as houses in Korhogo and Burkina Faso.

Commanders also receive a "sovereignty bonus" from the Centrale.<sup>219</sup> Global Witness was unable to confirm the exact amount of these bonuses, as not all zone commanders are paid the same amount and there are fears that if the amounts were made public, this would lead to tensions between commanders.<sup>220</sup> The size of the payments may be related to the financial and strategic importance of the zone.<sup>221</sup> These bonuses may also be a way for the Centrale to ensure that individual commanders do not interfere with the Centrale's tax collection system. The Centrale authorities implied there had been difficulties in retrieving money in some zones, with zone commanders failing to pass it on to the Centrale.<sup>222</sup>

In 2006 the UN Panel of Experts reported that, apart from an account in an Ivorian bank, Kouakou had a bank account in Burkina Faso – the UN sanctions supposedly prohibit him from travelling to that country – although the report did not provide details of the amount of money in the account.<sup>223</sup>

The case of Martin Fofié Kouakou is not only of concern in itself but signals a broader threat to the future of a reunited Côte d'Ivoire. After several years of entrenched impunity and economic predation in the north of the country, those



Fofié Kouakou, Korhogo zone commander, Korhogo, March 2007

who have benefited from the system may be reluctant to revert to a semblance of governance. The Centrale's attempts to institutionalise extortion and centralise resources may be creating conflicts of interest among zone commanders, as well as between the commanders and the Centrale.



### 3 Exports of cocoa from the FN-controlled area

#### THE ISSUE:

The FN have imposed a cocoa blockade, preventing northern cocoa from transiting south through the *zone de confiance*, so that they can secure the taxes for themselves. Global Witness estimates that at least 77,500 tonnes of cocoa are exported every year from the FN zone, first to Burkina Faso, then to Togo. The willingness of companies to make payments in order to trade in products from the FN-controlled zone is an additional incentive for the FN to keep a stranglehold on northern cocoa and to resist reunification of the country. Companies buying cocoa from neighbouring Togo, through which much of the Ivorian cocoa from the FN-controlled area is exported, may be buying Ivorian cocoa.

#### 3.1 The FN's cocoa blockade

The FN have adopted a policy of blocking cocoa from entering the government-controlled zone in the south.<sup>224</sup> Since November 2004 they have prevented cocoa beans from Man and Vavoua from being transported to the government-controlled harbours of Abidjan and San-Pédro.<sup>xiv</sup> FN officials control the movement of cocoa by checking trucks in Boundiali.<sup>225</sup> FN authorities told Global Witness investigators that the loyalist bombing of Bouaké in November 2004 triggered this cocoa blockade.<sup>226</sup> They claimed that even before the bombings, they knew that a percentage of cocoa revenue from the north was being given to President Gbagbo's side to buy weapons. The FN authorities believed that cocoa was used as a "weapon of war" by the government and that their embargo strategy would prevent the FN zone from being "bombed again with what was produced here".<sup>227</sup>

The *zone de confiance* between the government and the FN zones, however, is not cocoa-proof. The FN has admitted that cocoa grown both in the north and the south was crossing the *zone de confiance* in both directions.<sup>228</sup> (As taxes in the FN zone are lower than

those imposed by the government, there is an incentive to transport cocoa from the government-controlled area to the north.) The FN do not oppose this, stating: "If you pay the taxes, you can enter", although they deny encouraging it.<sup>229</sup> In 2005 a source in the government zone, in Fangolo, witnessed cocoa from the south being transported to the north.<sup>230</sup> The UN Panel of Experts also reported seeing cocoa trucks about to cross from the south to the north, near Yamoussoukro.<sup>231</sup> To travel between the two zones, operators have to pay soldiers from the national army, the Forces Armées Nationales de Côte d'Ivoire (FANCI).<sup>232</sup> A cocoa syndicate complained about extortion by the security forces.<sup>233</sup> Global Witness was also told that FANCI soldiers demanded 40,000 CFA (US\$75) per truck to escort vehicles from the *zone de confiance* to Abidjan.<sup>234</sup>

#### 3.2 The role of Burkina Faso

Evidence gathered by Global Witness shows that most Ivorian cocoa from the FN area, at least 77,500 tonnes per year, is transported to Burkina Faso, and from there to Togo. One businessman interviewed in Burkina Faso said resourceful traders in Korhogo had progressively established a specific route for transporting cocoa through Burkina Faso.<sup>235</sup>

Most of the cocoa transported from the FN zone to Burkina Faso is first conditioned <sup>xlvi</sup> in Bobo-Dioulasso, in southern Burkina Faso, before being taken by road directly to Lomé harbour.<sup>236</sup> Some Ivorian cocoa transits via Burkina Faso to Togo without being conditioned first. In Bobo-Dioulasso, Global Witness investigators saw cocoa being unloaded from Ivorian and Burkinabe trucks, mostly onto Togolese trucks, in the "*cour de transit*", one of the five or six places where cocoa is unloaded.<sup>237</sup> It is then sent to be conditioned in Lomé before being exported outside Africa.

Several conditioning plants have been set up in warehouses in Bobo-Dioulasso since the cocoa blockade. Global Witness investigators found that there were at least two conditioning plants (one of them mechanised) in Bobo-Dioulasso in June 2006 and visited one of them. A third warehouse had closed in 2005 due to the high financial cost of dealing in cocoa.<sup>238</sup>

<sup>xiv</sup> Restrictions on the circulation of people and goods between the north and the south were first imposed in September 2002 by the government and lasted for about a year.

<sup>xlvi</sup> The process involves drying the cocoa, cleaning it and repackaging it.

Two inside sources told Global Witness that Soeximex, a French company<sup>239</sup> and a member of the Federation of Cocoa Commerce,<sup>xlvii</sup> bought the seven machines in the plant, as well as Ivorian cocoa.<sup>240 xlviii</sup> After seven reconditioning machines have packed the cocoa in international standard bags,<sup>xlix</sup> the bags are transported to Lomé harbour, in Togo, where Soeximex has a representative.<sup>241</sup>

In a letter to Global Witness, Soeximex, which is based in Saint-Denis (Paris), confirmed that it trades in cocoa in Abidjan and Lomé, as well as other ports in West Africa, but denied any involvement in “local organisations”.<sup>242</sup> Global Witness estimates that at the current cocoa price of 800 CFA (US\$1.5)/kg, the factory could have an annual turnover of between 47.2bn CFA (US\$93.1m) and 53.6bn CFA (US\$105.7m). On the basis of local information that ten trucks were arriving at the warehouse each day, and given the capacity of the machines,<sup>243</sup> Global Witness estimates that between 59,000 and 67,000 tonnes of cocoa, transported by 1,680 trucks,<sup>244</sup> passed through this plant during the six months of the main cocoa harvest, from October 2005 to March 2006.

Assistance from within the Ivorian government may have facilitated Soeximex's trade in the FN-controlled area and Burkina Faso. An article in the newspaper *Le Courrier d'Abidjan* alleged that Adama Bictogo – the Rassemblement des républicains (RDR) national secretary responsible for relations with political parties, an adviser to the agriculture minister (who is also a member of the RDR) and a political adviser to the Ivorian prime minister<sup>245</sup> – had facilitated the export of cocoa beans from the FN-controlled zone for Soeximex, in exchange for payment.<sup>246</sup> In an article in another newspaper, Adama Bictogo denied that he had traded in the FN zone, while insisting that, in any case, it is not illegal to trade there.<sup>247</sup> Cocoa traders confirmed to Global Witness that Adama Bictogo was effectively running the factory in Bobo-Dioulasso.<sup>248</sup>

**xlvii** The Federation of Cocoa Commerce is an international association that aims to regulate the trade in cocoa beans and cocoa products and encourage uniformity in commercial trade practices. See FCC website <http://www.cocoafederation.com/arbitration/panels/paris.jsp>

**xlviii** Global Witness sent a letter to Soeximex asking for a response to this and other allegations. In its reply dated 5 January 2007, the company rejected the information contained in Global Witness's letter but did not specify which particular statements were inaccurate or misleading.

**xlix** The weight of bush bags varies; an international standard bag weighs 65 kg

**I** Adama Bictogo could not be reached for comment.

One of the plant managers told Global Witness that those running the plant were not responsible for bringing cocoa to Bobo-Dioulasso and that because of the FN cocoa blockade on transporting cocoa to the south, people were forced to operate in Burkina Faso and send cocoa through Lomé harbour in Togo.<sup>249</sup> By buying Ivorian cocoa from the FN zone and paying the FN taxes and exporting agreement, Soeximex is effectively contributing to the status quo whereby the FN is maintaining the blockade and holding onto the northern part of Côte d'Ivoire.

In a letter dated 5 January 2007, Global Witness put these allegations to Soeximex. The company's lawyer sent a short reply on 12 January 2007, stating the company traded in cocoa “with the utmost transparency and completely legally”. The letter stated that Global Witness's information was “inaccurate, often fanciful, and indeed libellous”. However, Soeximex's reply did not address the specific points in Global Witness's letter. Global Witness sent a follow-up letter on 9 February 2007 stating it would still welcome a constructive response from Soeximex. Global Witness had received no reply at the time of writing.

Global Witness investigators visited the second warehouse, which had no machines, and had apparently been operating for at least two years.<sup>250</sup> Based on information gathered about the number of trucks (estimated at around 300) arriving at the warehouse between October 2005 and March 2006, Global Witness estimates<sup>ii</sup> that 10,500 to 12,000 tonnes of cocoa were processed by up to 100 women at this plant in 2005/06.<sup>251</sup> Global Witness was told that the cocoa came from Man and Vavoua.<sup>252</sup> Cocoa in bush bags marked “FDPC” or “Tropival” in the warehouse indicated that the cocoa had come from Côte d'Ivoire. Once conditioned, the cocoa beans were stored in bags which bore no company name or details of origin, and were then sent to Lomé. Global Witness investigators were told that the owners of the warehouse and the cocoa were not Burkinabe, but they were unable to confirm their identity or nationality.

**ii** Trucks have a capacity of 35-40 tonnes and can carry about 500 bags each. They are often overloaded in order to cut costs, so the actual amount of cocoa arriving at the plant may be higher

The cocoa trade in Burkina Faso is also characterised by a lack of transparency. Burkina Faso is not a cocoa-producing country, so its cocoa trade involves the import and re-export of cocoa from other countries. However, Burkina Faso's government does not provide import and re-export statistics for cocoa.<sup>253</sup> The Burkina Faso National Institute of Statistics (Institut National de la Statistique, INSD) supplied Global Witness with an import-export table for 2005 that did not contain figures for cocoa imports and exports. Strangely, however, in 2004, Burkina Faso declared the export of 11,750 tonnes of what was almost certainly Ivorian cocoa, most of it to back to Côte d'Ivoire.<sup>254</sup> Global Witness was unable to obtain an explanation for this declaration. If cocoa conditioned in Burkina Faso was going back to Abidjan, taxes would have to be paid to the government of Côte d'Ivoire and to cocoa institutions. Such an operation would not be profitable. Information from local sources, backed up by cocoa export and re-export figures from Togo, indicates that most of the large quantities of Ivorian cocoa that transit through Burkina Faso are destined for Togo, not Côte d'Ivoire.

The president of the Ivorian National Assembly, a member of President Gbagbo's Front populaire ivoirien (FPI), claimed that cocoa exports from the FN-controlled zone via Burkina Faso were fraudulent.<sup>255</sup> However, Burkina Faso, Togo and Côte d'Ivoire are all members of the Union économique et monétaire ouest-africaine (the West African Economic and Monetary Union- UEMOA), which encourages the free circulation of people and goods in the region. Unless the Ivorian government asks for derogation from the UEMOA to prohibit cocoa from being exported to another UEMOA country (which it has not done), cocoa, like other goods, can circulate freely within the UEMOA zone.<sup>256</sup>

Global Witness was unable to confirm the revenue generated by the cocoa trade for the Burkina Faso government. One source reported to Global Witness that at one point, between December 2002 and 2005, a new tax of 1m CFA (US\$1,950) was imposed by the government on every cocoa truck travelling through Burkina Faso.<sup>257</sup> Another source mentioned that taxes in Burkina Faso were between 3m CFA (US\$5,850) and 4m CFA (US\$7,795)<sup>iii</sup> per truck.<sup>258</sup> However, at

least two sources told Global Witness that the transit tax was only 10,000 CFA per cocoa truck.<sup>259</sup> Taxes paid to the Burkina Faso customs at the border with Togo are generally lower and depend on the value of the goods.<sup>260</sup> According to transporters, payment on cotton, which is more expensive than cocoa, is 20,000 CFA for five containers (US\$39 for 90 tonnes).<sup>261</sup> At the borders, buyers often deal with formalities and payments through freight agents.

### 3.3 The role of Togo

**“The government of Togo hasn't called for Ivorian cocoa to come here; it just happened.”**

*Cocoa official in Togo, July 2006*

Cocoa from the FN-controlled zone, transiting through Burkina Faso, leaves West Africa from Lomé harbour, in Togo. Togolese customs reported that in 2005, some 55,000-63,000 tonnes of Ivorian cocoa left from Lomé, both as an export and a re-export product (see box).<sup>262</sup> ED & F Man, a UK-based trading company, reported that 2004-2005 “exports” from Togo exceeded 70,000 tonnes, more than twice the 2003-2004 total.<sup>263</sup> However, given that about 67,000 tonnes are processed in one warehouse in Burkina Faso and between 10,500 and 12,000 tonnes in another, and that cocoa production in the FN zone amounts to at least 130,000 tonnes, it is possible that some cocoa exports or re-exports, originally from the FN-controlled zone, have not been captured by the data provided.

#### 3.3.1 Cocoa exports

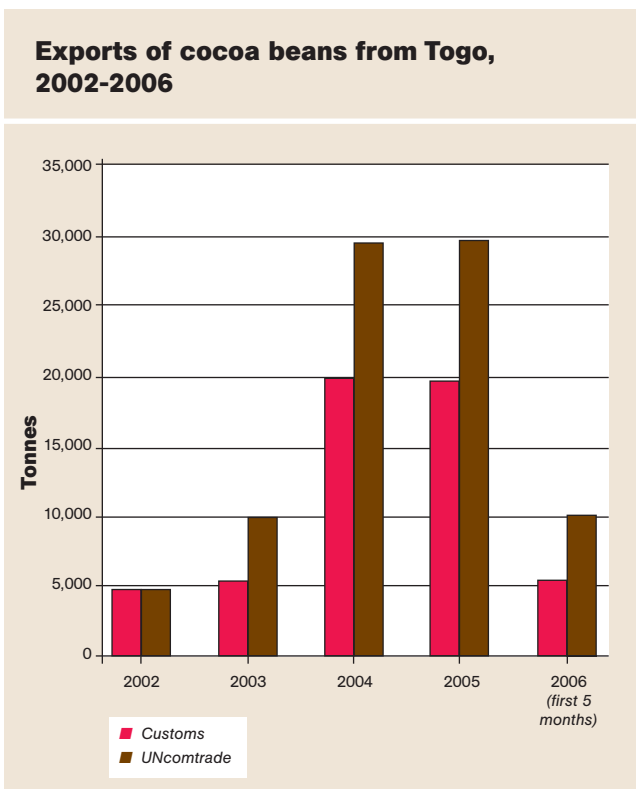
Traditionally, Togo and its neighbour, Ghana, each receive a percentage of each other's cocoa production, owing to a porous border and a discrepancy in price between the two countries. However, the increase in Togo's cocoa exports over the last few years stems from an increase not in Ghanaian cocoa but in Ivorian cocoa from the FN zone.<sup>264</sup> In 2002 Togo's cocoa bean exports hovered around 5,000 tonnes, a similar figure to normal annual Togolese production levels. In 2003, according to official data provided to Global Witness by Togolese customs, Togo's cocoa production doubled, and in both 2004 and 2005, its cocoa exports were at least

<sup>iii</sup> Taxes of 75 to 100 CFA/kg.

Togolese cocoa	Ivorian cocoa	Ivorian cocoa
Conditioned in Togo Exported as Togolese cocoa	Transits through Burkina Faso Conditioned in Togo Exported as Togolese cocoa	Conditioned in Burkina Faso Re-exported from Togo

four times higher than normal production. In the first five months of 2006, cocoa exports amounted to the total exports for an average normal year. In response to a request by the Togolese government, the Direction Qualité et Métrologie (DQM-Metrology and Quality Services) started distinguishing Togolese cocoa from cocoa of foreign origin when controlling the quality of “Togolese” cocoa. Ivorian cocoa is considered to be of slightly lower quality and hence easily distinguishable.<sup>iii</sup>

Twenty-three Togolese exporters were registered with the Comité de Coordination pour les Filières Café et Cacao (CCFCC) in 2006 (see table. Only 22 names were available).



Sources: Togolese customs; UN Comtrade

**Companies registered with the CCFCC, 2006**

- 1 Aca Gracias
- 2 Agrimark
- 3 Agro Power
- 4 Alooognim
- 5 Banamba
- 6 Bossiade
- 7 CTCT
- 8 Dolphin
- 9 El Nasr
- 10 GPI – Group Phenix International
- 11 Imexcao
- 12 LCA – Logistiques Commerciales d’Afrique
- 13 Ledi International
- 14 Mans – Maison Africaine de Négoce et de Service
- 15 SEPRAT – Société d’Exportation de Produits Agricoles du Togo
- 16 SIC – Société Internationale de Commerce
- 17 SONIPA – Société de Négoce International et de Participation
- 18 STNPT– Société Togolaise Négoce Produits Tropicaux
- 19 Stoc
- 20 TCT– Togo Commodities Trading
- 21 TOC – Togo Commodities
- 22 Yentoumi

<sup>iii</sup> Togolese cocoa receives an overvaluation on the international market, as it is of superior quality, while Ivorian cocoa often receives a below par rating. In summary, Togo loses in quality (and in the price it can obtain) what it gains in quantity from Ivorian cocoa.

All cocoa exporters in Togo have to register as a Togolese company and pay an annual registration fee of 1m CFA (US\$2,000) to the CCFCC. Foreign companies can set up a Togolese subsidiary. The DQM carries out regular quality control visits to all 23 exporters' stores. These controls have indicated that some exporters sell a mix of Ivorian and Togolese cocoa and pass it off as Togolese. In some cases, what is labelled as Togolese cocoa may in fact be only Ivorian cocoa from the FN zone. In 2005 the Société de Négoce et de Participation (SONIPA), the director of which is also a senior manager at the DQM, exported 4,200 tonnes of cocoa, the equivalent of the entire annual Togolese production for 2002. It is likely that the cocoa exported by SONIPA was at least partly Ivorian, even though it was declared as Togolese. Global Witness investigators discovered piles of empty FDPCC bush bags – indicating that the cocoa had come from Côte d'Ivoire – in a state-owned agricultural products store in Lomé. Parts of this warehouse, known as OPAT, had been rented by SONIPA and Nescao, another exporting company, in 2005.

Global Witness investigators met representatives of a Togolese company, Société Togolaise Négoces Produits Tropicaux, (STNPT), which was exporting an Ivorian-Togolese blend as Togolese cocoa and selling it to Dutch and Polish companies.<sup>265</sup> Product Promotion, a Polish company, was its main customer. On one bill of lading,<sup>liv</sup> Product Promotion was sent containers holding 200 tonnes of cocoa, later identified by DQM officials as Ivorian.<sup>266</sup> Global Witness was told that Product Promotion stores and processes cocoa in Poland, then sends it on to China and other Asian countries.<sup>lv</sup> In 2006 the company also sold cocoa to Theobroma BV, a major Dutch trading company based in Côte d'Ivoire.<sup>267</sup> Another Togolese company, Banamba, traded with Theobroma BV but claimed that it only sold it Togolese cocoa as Ivorian cocoa was of a lower quality.<sup>268</sup>

In 2005 STNPT sold cocoa to a Swiss trading and processing company, Ecom Agroindustrial Corporation Ltd, which owns Zamacom SA, the seventh-largest

exporting company in Côte d'Ivoire in 2005 and 2006.<sup>269</sup> STNPT was set up in 2004. In 2005 it exported more than 3,500 tonnes of cocoa. The owner of STNPT told Global Witness that he bought Togolese cocoa from unions or co-operatives and Ivorian cocoa from traders. He claimed that Togolese and Ivorian cocoa were of a similar quality and similar price, as the cost of transport added to the price of cheaper Ivorian cocoa.<sup>270</sup>

In January 2006, there were allegations in *La Lettre du Continent* that Robert Montoya, a French national and a well-known arms dealer mentioned in the 2005 and 2006 reports by the UN Panel of Experts for providing military helicopters to the Ivorian government, owned a cocoa trading company, Comotrans SA.<sup>271</sup> An independent source told Global Witness that Montoya had confirmed that he traded cocoa in Togo.<sup>272</sup> If he traded in Togolese cocoa after 2003, which Global Witness believes is likely as the above information dates from 2005-2006, he would effectively have been supporting both parties to the conflict. Having sold equipment to the Ivorian national army, the FANCI, another of Montoya's companies would have been providing funds to the FN by buying cocoa from northern Côte d'Ivoire.

Companies buying cocoa described as Togolese could sometimes indeed be buying only genuine Togolese cocoa. However, when buying large quantities, a percentage of it is very likely to be Ivorian cocoa from the FN-controlled zone. Companies have a responsibility to find out the origin of the products they buy. Companies that buy cocoa originating from northern Côte d'Ivoire are contributing to financing the FN.

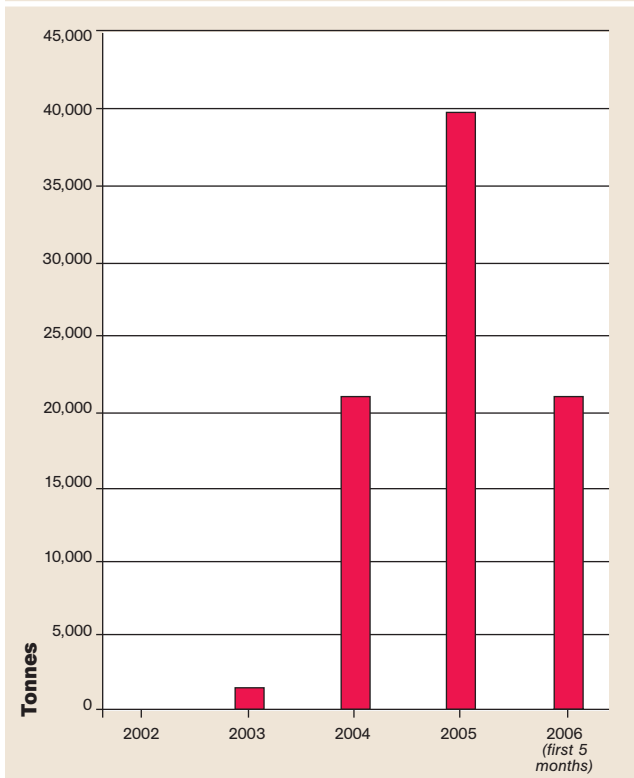
### 3.3.2 Cocoa re-exports

Besides Togolese cocoa exports mixed in with Ivorian cocoa, purely Ivorian cocoa from the FN zone is also re-exported from Togo (see diagram). Several sources told Global Witness that Ivorian cocoa leaving Bobo-Dioulasso's conditioning plants was transported directly to Lomé harbour before being shipped in containers.<sup>273</sup> Transiting products are not recorded by the DQM. Only approved exporters can condition cocoa in Lomé, following DQM quality inspections.<sup>274</sup> There are no reports of new processing factories and warehouses in Togo,<sup>275</sup> nor are there cocoa-transforming factories in the country.

<sup>liv</sup> A bill of lading is a shipping document issued by a carrier acknowledging that goods, in this case cocoa beans, have been received, and stating the name of the supplier as well as the name of the company to which the goods will be delivered by the carrier.

<sup>lv</sup> Global Witness sent a letter to Product Promotion asking the company to respond to these allegations but had received no reply at the time of writing.

### Re-exports of cocoa beans from Togo, 2002-2006



Sources: Togolese customs

Togolese customs statistics covering the years 2001-2006 provide re-export figures for 2003-2006, but no re-exports are recorded for the years 2001-2002. Transiting cocoa products have steadily increased since 2003. In 2005 re-exports from Togo were the equivalent of about one-third of the estimated production of Ivorian cocoa in the FN-controlled northern zone.<sup>lvi</sup> During the first five months of 2006, cocoa re-exports continued and the trade showed no sign of slowing down.

<sup>lvi</sup> Assuming that the figure for Ivorian production in the FN-controlled zone is 130,000 tonnes.

### 3.3.3 Transport

Individual truck owners, as well as transport companies, transport Ivorian cocoa produced in the FN-controlled zone from Burkina Faso to Togo. Global Witness met representatives of two transport companies who admitted carrying cocoa from Côte d'Ivoire or Burkina Faso to Togo. An employee of GETMA, a French transport company, acknowledged organising the storage and transit in Togo of "cocoa from Burkina Faso and from Côte d'Ivoire".<sup>lvii</sup> GETMA did not organise the shipping.<sup>276</sup> An employee of SAGA, a transport company which is part of the French company Bolloré, admitted organising the transit and transport to Togo of "cocoa from Burkina Faso" with the help of its Burkinabe subsidiary, SNTB.<sup>lviii 277</sup>

Drivers from Togo explained to Global Witness that they carried out round trips from Lomé to Côte d'Ivoire and back, transporting different types of goods at different stages of the journey.<sup>278</sup> They leave Lomé for Bouaké or Abidjan, transporting goods such as sugar cane. In Bouaké, they drop the sugar cane, load their trucks with teak and drive to Bobo-Dioulasso. There, the teak is unloaded and put into containers, while conditioned cocoa is loaded in a car park, the "cour de transit", then they drive straight back to Lomé harbour.<sup>279</sup> Trucks in good condition can travel to Vavoua or Man up to 15 times in six months.

### 3.3.4 Taxes in Togo

Togolese customs officials told Global Witness that companies do not pay taxes to Togolese customs for transiting goods, only for exports.<sup>280</sup> However, the SAGA transport company told Global Witness that it pays both transit and export taxes to Togolese customs, and that transit taxes are listed on a customs document, the "re-export declaration". It also pays the authorities of the Lomé Autonomous Harbour (Port Autonome de Lomé), although it is unclear how much as payments depend on the weight and the product.<sup>281</sup>

<sup>lvii</sup> Global Witness sent a letter to GETMA on 31 January 2007 asking the company to respond to this allegation but had received no reply at the time of writing.

<sup>lviii</sup> Global Witness sent a letter to SAGA and Bolloré on 17 January 2007 asking these companies to respond to these allegations but had received no reply at the time of writing.

### 3.4 The role of Ghana

Ghana produces about 20% of the world's cocoa. FN authorities have claimed that some of the big exporters in Côte d'Ivoire employed Lebanese representatives in Vavoua to send Ivorian cocoa to Ghana, but have not disclosed the quantities of cocoa going to Ghana. Historically, farmers from eastern Côte d'Ivoire, which is currently a government-controlled zone, have sent their cocoa across the porous border with Ghana when they could get a better price there. The UN Panel of Experts reported in 2005 that "exporters estimate the amount smuggled to Ghana to be around 150,000 tonnes per season. If we compare the past three main seasons, November 2002-March 2003, November 2003-March 2004 and November 2004-March 2005, for export figures of cocoa beans from Ghana, exports increase each year by more than 30% and in two years have almost doubled."<sup>282</sup> Of at least 20 drivers interviewed by Global Witness in Côte d'Ivoire, Burkina Faso and Togo, only one had transported cocoa from Côte d'Ivoire to Tema harbour, in Ghana, via Burkina Faso; all the rest had transported it to Togo.<sup>283</sup>

### 3.5 The role of Mali

One of the main commercial routes out of northern Côte d'Ivoire goes to Mali. Global Witness did not carry out field research in Mali but was told that the cocoa trade was marginal there. Like Burkina Faso, Mali does not produce cocoa, due to an unsuitable Sahelian climate. There are no cocoa-transforming industries in Mali. Furthermore, there is no reason for Togolese or Ghanaian cocoa beans to transit through Mali, as both Ghana and Togo have harbours. Global Witness was informed that at the beginning of the Ivorian conflict, Ivorian cocoa transited through the airport at Bamako, the Malian capital, but owing to high taxes there, the cocoa traders preferred to export through Lomé harbour, via Burkina Faso.<sup>284</sup>

# 6 Cocoa: A history of mismanagement

## THE ISSUE:

Cocoa, a commodity with a broad international public appeal that gave Côte d'Ivoire its wealth, has partly contributed to the country's downfall. Excessive reliance on the crop left the country vulnerable to changes in the market price for cocoa. The large revenues it generated have fostered an opaque system and have favoured corruption over several decades. By 2006, some of the actors may be different, but patterns of appropriation of cocoa revenues for personal and political gain have barely changed, and there is a continuing absence of accountability.

### 1 The cocoa sector until 2000

Côte d'Ivoire became independent in 1960. By 1978 it was the world's leading producer of cocoa, exporting 380,000 tonnes a year,<sup>285</sup> as a stabilisation system had ensured better prices for farmers and stimulated cocoa production. During this period, revenues from the cocoa trade contributed to the development of the country, although development projects were not limited to cocoa-producing regions. Money from the cocoa trade effectively held the country together; the government managed to buy off discontent by ensuring that different ethnic groups received a share of the revenues. The Caisse de Stabilisation et de Soutien des Prix des Produits Agricoles, known as CAISTAB, was set up in 1964,<sup>286</sup> with the aim of commercialising the cocoa and coffee sectors and guaranteeing a fixed price for farmers through an advance sale system. Another of its functions was to "contribute to the General Functioning Budget and Special Budget for Investment and Equipment of the State".<sup>287</sup>

Although cocoa provided benefits for the country as a whole, the management of public revenues was far from transparent. With a boom in cocoa prices in 1976-1977, state expenditure rose.<sup>288</sup> Surplus spending by the president and the government was classed as "unforeseen expenses",<sup>289</sup> thus bypassing the budget. Encouraged by the abundant revenue generated by cocoa, the government and CAISTAB indulged in corrupt and patrimonial practices. By regularly asking for and receiving money from the cocoa trade via CAISTAB without being made to account for it,<sup>290</sup> the president, Félix Houphouët-Boigny, effectively encouraged those handing him the money to help themselves to a share.<sup>291</sup> The president and his entourage, as well as a number of companies, were obtaining the biggest cocoa-exporting quotas and enriching themselves.<sup>292</sup>

This unsustainable approach to development and governance could last only as long as cocoa prices remained high. In 1985 the world market price collapsed. In 1987 Houphouët-Boigny declared a "cocoa war", imposing an embargo on Ivorian cocoa for two years in an attempt to push up global prices. This was a risky tactic with a perishable crop, and thousands of tonnes of cocoa were lost. Moreover, other cocoa-producing countries benefited from the withdrawal of Côte d'Ivoire from the international market. By 1989 the cocoa price for farmers had more than halved and Côte d'Ivoire's share of the market had been reduced to 20% of world production.<sup>293</sup>

Côte d'Ivoire's debt had soared to US\$15.1 bn by 1990,<sup>294</sup> as a result of high state expenditure and, with the end of the cocoa boom, an increased budget deficit and high inflation. International financial institutions cut education and health programmes in Côte d'Ivoire as part of a strategy to force a reduction in state expenditure. Social discontent manifested itself in opposition protests, strikes and the first army mutiny. In 1981 an International Monetary Fund Extended Fund Facility (EFF) programme was



adopted. The country had to reschedule its debt on several occasions because it lacked the hard currency to repay it. CAISTAB's powers were reduced during the 1990s, owing to increased pressure from international financial institutions for accountability in the cocoa sector. The entrenched culture of corruption, which had lost its power to buy off discontent, had created the conditions for increasing instability. National and international pressure for economic and political reforms further heightened tensions in the country.

After Houphouët-Boigny's death in December 1993, Henri Konan Bédié, the head of the National Assembly, became the country's new president. One month later, France devalued the franc CFA.<sup>lix</sup> Economic turmoil and political instability increased. Politicians started playing the ethnic card to secure access to resources, land and political positions, and the concept of *ivoirité*, an initiative to define who was Ivorian, raised the stakes further. People from the north of Côte d'Ivoire were accused of being foreigners. Tensions were heightened, especially in the cocoa-growing regions, by the 1998 land law, which reserved ownership of land for Ivorians.

Several corruption scandals rocked the government during this period. The reported embezzlement of 18 bn CFA (US\$34.5m) of EU credits for health care projects had implications for CAISTAB. The World Bank, judging the organisation to be unaccountable and wanting to liberalise the cocoa market, used the scandal to liquidate CAISTAB in January 1999.<sup>295</sup> It was replaced by a body in which the state had only a minor stake, the Nouvelle CAISTAB, the role of which was to ensure the commercialisation of cocoa.<sup>296</sup> As a result, cocoa prices were no longer stabilised and, after the liberalisation of the cocoa market, multinational companies expanded their operations in Côte d'Ivoire.

Although one of the aims of the liberalisation had been to improve cocoa farmers' wages, farmers staged their first strike in November 1999, disenchanted with the Nouvelle CAISTAB and demanding a return to the old price stabilisation system.<sup>297</sup>

**lix** The Banque de France (the French central bank) guarantees the convertibility of the West African Franc (CFA), used throughout the West African Monetary Union, and sets the exchange rate of the CFA with the franc (now the euro).

**lx** The liquidation officially ended in December 2001.

On 24 December 1999 an army mutiny turned into a military coup and brought General Robert Gueï to power. In May 2000 the Gueï government announced the liquidation of the Nouvelle CAISTAB,<sup>lx</sup> and in August 2000 a decree on the mission of the state in the commercialisation of coffee and cocoa was passed. This decree envisaged the creation of two new structures to govern the cocoa and coffee trades:<sup>298</sup> the Autorité de Régulation du Café et du Cacao (ARCC) and the Bourse du Café et Cacao (BCC). The ARCC was subsequently created by decree in early October 2000. Later in October 2000, Laurent Gbagbo was elected president and his government set up the other four cocoa institutions in July-August 2001 (see Section 4.5 and Appendix I).

## 2 Mismanagement and unrest in the cocoa sector

### 2.1 An opaque sector

#### THE ISSUE:

The cocoa sector is characterised by a lack of transparency. In 2003 the World Bank noted that “during the conflict, broader governance, transparency and accountability problems emerged in several areas. This is particularly notable in the cocoa/coffee sector.”<sup>299</sup> A World Bank official confirmed to Global Witness that these problems had still not been resolved by late 2006.<sup>300</sup>

The government has shown a lack of political will to increase accountability in the cocoa institutions, especially on the exact level of levies collected and their use. The ARCC is the only 100% state-owned company among all the cocoa institutions. However, according to the EU legal audit, finalised in mid-2006, its accounts have never been audited by the Ivorian Accounts Court, as required by Ivorian law.<sup>301</sup> Global Witness asked the Ivorian Accounts Court for a confirmation, but obtained no answer.<sup>302</sup> An estimate of the levies received by the ARCC in 2005-2006, 7.8bn CFA (US\$15.4m), is available in a confidential report through a private company responsible for weighing cocoa beans, ACE.<sup>303</sup> In addition to its own levies, the ARCC collects exporters' cheques for the FDPCC-Investment, Réserve de Prudence and Rural

Investment Fund levies.<sup>304</sup> The low level of transparency in the ARCC, whose chairman is a member of the president's party, is an indication of the government's lack of commitment to making the cocoa sector less opaque.

A further indication of this lack of commitment was the government's failure to compel cocoa institutions to co-operate fully with the EU financial and legal audits, even though it had significant leverage over them and had itself commissioned these audits. The EU financial auditors stated that they were able to work properly only with the ARCC, and to a certain extent, the BCC.<sup>305</sup> The FDPCC refused the EU auditors access to information. The EU financial auditors were unable to obtain information on transfers of a total of 115bn CFA (US\$222m) between 1 October 2000 and 30 June 2003. Of this total, 70bn CFA (US\$135.3m) was transferred to the FDPCC's account (this includes the 60.3bn CFA from the BCEAO account mentioned previously); 32 bn CFA (US\$62m) was transferred from the BCC to the FRC's eight commercial accounts of the Réserve de Prudence; and a total of 13 bn CFA (US\$25.1m) spent by the ARCC, the FRC and the BCC remained unaccounted for.

A similar scenario occurred more recently when the UN Panel of Experts on Côte d'Ivoire tried in vain to hold meetings with the cocoa institutions. The FRC did not respond to the request to meet the group.<sup>ixi</sup> Although FDPCC officials did meet the UN panel, they refused to provide details of revenues and expenditures.<sup>306</sup> In its 2005 report, the UN panel stated that cocoa institutions had contributed 20bn CFA (US\$38.5m) to crisis-related expenditure and that the Forces Nouvelles were using cocoa "to fund their military activities and personal profit".<sup>307</sup> The panel recommended in its 2006 report that the UN Security Council ensure that the FDPCC and the FRC co-operate with the panel and provide full disclosure of information.

To date, despite the conclusions of the EU audit, transparency in the cocoa sector has not increased. Global Witness was unable to access any information about the cocoa institutions' transactions after June 2003. In addition, all the heads of the cocoa institutions remain in post at the beginning of 2007. President Gbagbo even extended the mandate of the FDPCC's management council,<sup>308</sup> including its chairman, Henri Amouzou, for a further 12 months,

in spite of the FDPCC's failure to report on its use of cocoa revenues to the EU auditors. Elections to the FDPCC assembly, which appoints the management council, were due to be held in February 2007; by

### Cocoa sector audits since 2000

- *Rapport d'inspection des structures et des mécanismes de gestion de la filière café-cacao, campagnes 2000-2001 et 2001-2002*, by the Inspection Générale d'Etat.
- *Etat des lieux des prélèvements dans la filière café-cacao*, by the Bureau National d'Etudes Techniques et de Développement (BNEDT), October 2003.
- *Audit des flux financiers de la filière café-cacao de Côte d'Ivoire*, by Investissement Développement Conseil (IDC), financed by the EU (see Section 4: box on EU audits).
- *Etude diagnostic des organisations et des procédures de la filière café-cacao de Côte d'Ivoire*, May 2006, by law firm Ghelber & Gourdon, financed by the EU (see Section 4: box on EU audits).

early April 2007, they had not yet taken place.<sup>309</sup> Although the World Bank had asked for both the FRC and the FDPCC levies to be suspended<sup>310</sup> and the 2003 EU financial audit recommended that levies charged by cocoa institutions be lowered,<sup>311</sup> the levies have not been suspended, nor have they significantly decreased.<sup>ixii</sup> In fact, for 2006-2007, a new levy, the Fonds d'investissement en milieu rural (Rural Investment Fund), fixed at 12.5 CFA/kg – higher than any other levy – was added to those already in existence.<sup>312</sup> This new levy was not set out in any law, and there were no details as to how it would be managed.

In February 2006, in response to criticisms of lack of transparency, the president set up a new oversight body, the Comité chargé de l'examen et du suivi des projets et programmes de la filière café-cacao, to

<sup>ixi</sup> The FRC did not respond to Global Witness's request to meet either

<sup>ixii</sup> The 2006-2007 combined levies were cut by only 4 CFA/kg in comparison with the 2005-2006 harvest.

oversee the funding of investment by the FDPCC (FDPCC-Investment) and the use of the FRC's Réserve de Prudence funds, both held at the BNI.<sup>313</sup> The usefulness of such a committee is questionable, as those who sign off money for FRC or FDPCC projects are the heads of the cocoa institutions. Although the ministries of agriculture and economy are represented on this committee, along with the heads of the ARCC, the BCC, the FRC and the FDPCC, the decree setting up the committee stipulates that withdrawals from the FDPCC-Investment and the Réserve de Prudence are to be signed by the head of the committee, the ARCC director, Didier Lohoury Gbogou, and either the director of the FRC or the executive secretary of the FDPCC, depending on the project and the amount to be spent.<sup>314</sup> Projects and withdrawals are to be signed off by the Minister of Agriculture, Amadou Gon Coulibaly, and the Minister of Finance, currently Diby Koffi Charles, the former head of the Treasury under the previous finance minister, Paul Antoine Bouhoun Bouabré.

The government itself plays a central role in the lack of transparency in the cocoa sector, as the story of the Réserve de Prudence shows. Set up in October 2001 by the CIMP, the Réserve de Prudence was intended "to guarantee a minimum price to the cocoa farmers",<sup>315</sup> as the price of cocoa remains volatile. Life for cocoa farmers is harsh. Despite an official "farmgate" price set at 400 CFA/kg by the BCC, farmers usually only receive between 220 and 300 CFA/kg.<sup>316</sup> The stabilised price system, under which the state subsidised a fixed price for farmers, was scrapped when the sector was liberalised. Since then, farmers have struggled to plan around two annual payments for cocoa, without knowing exactly how much they will receive. The Réserve de Prudence was aimed at alleviating such uncertainty. The ARCC collected the Réserve de Prudence levy and deposited it in a holding account at the BCEAO, set up in October 2001 by the then agriculture minister, Alphonse Douati. In April 2002, although the BCEAO account was a holding account, 31.9bn CFA (US\$61.6m) was moved to the CAA, into an ARCC-Réserve de Prudence account,<sup>317</sup> a new account opened by the finance minister, Paul Antoine Bouhoun Bouabré, and the new agriculture minister, Sébastien Dano Djédjé.<sup>ixiii</sup> Douati claimed that he had been removed from his post because he had refused to co-

operate over this transfer.<sup>318</sup> This 31.9bn CFA formed the opening balance of the CAA Réserve de Prudence account. A report by a state auditing institution, the Inspection Générale d'Etat (IGE), stressed that the Ivorian government had no managing right over the Réserve de Prudence money, nor over the BCEAO holding account, and should therefore not have moved the money to the CAA. The IGE report expressed concerns about the capacity of the CAA, as the state bank, to resist possible pressure from the Ivorian government to release the Réserve de Prudence money.<sup>319</sup> Bouabré claimed that the money was moved to the CAA because the state bank was paying a better interest rate than the BCEAO.<sup>320</sup>

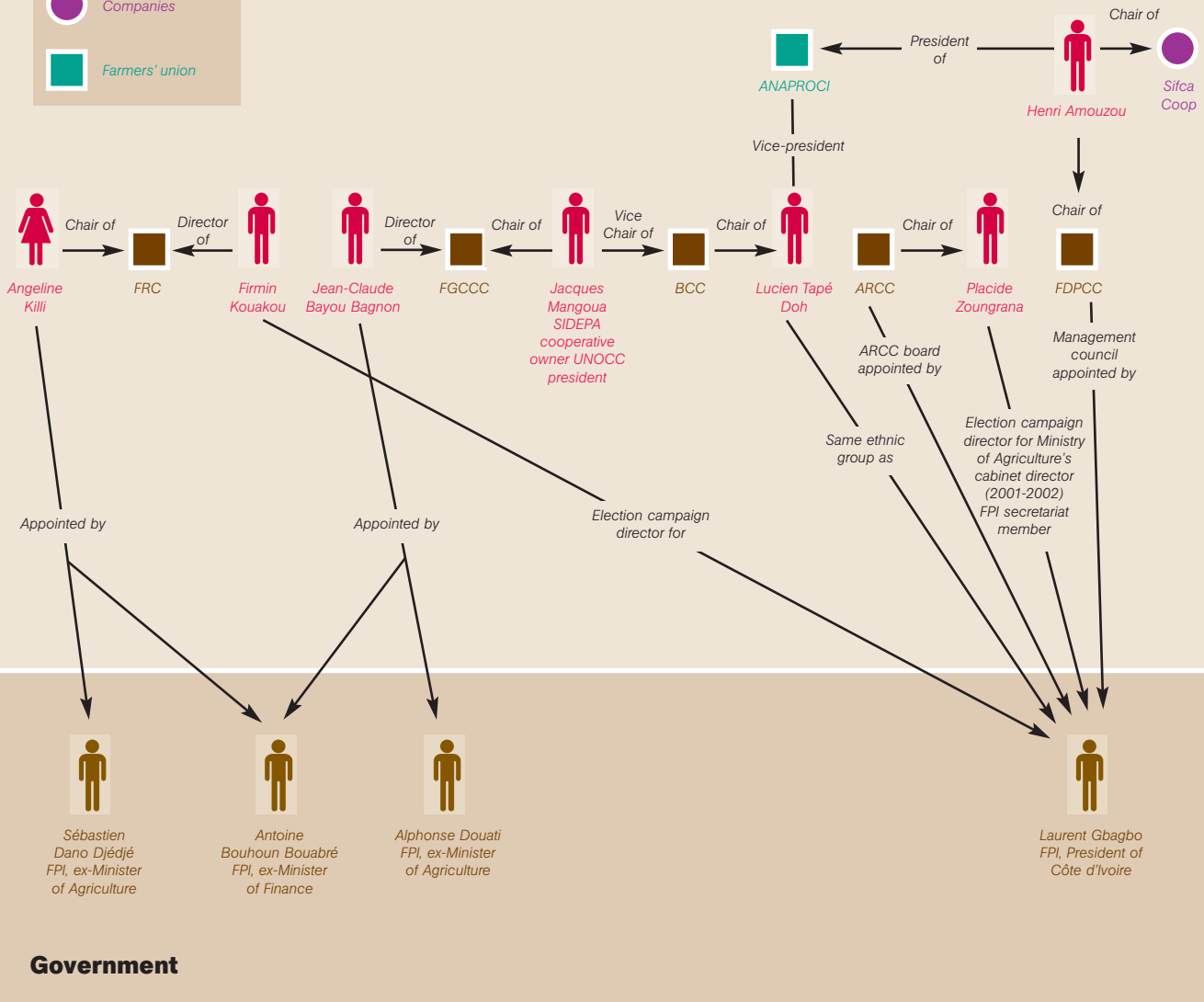
Inside sources in the cocoa sector have reported that some exporting companies have effectively accepted the prevalent corruption and opacity of the sector in order to continue trading. Many are afraid of losing their export agreement delivered by the ARCC. Some companies have actively resisted attempts to increase transparency, such as publishing the amounts they pay for levies and taxes.<sup>321</sup> Publishing their payments would contribute to improving the management of cocoa revenues by the government and the cocoa institutions, as well as increasing the accountability of the government to the people of Côte d'Ivoire, who have the right to know how their natural resources are being used.

## 2.2 FPI political appointees in cocoa institutions

Many of the individuals heading the national cocoa institutions owe a debt of gratitude to the Front populaire ivoirien (FPI), President Gbagbo's political party, as they were appointed by presidential decree or ministerial order. One observer cited this as an example of how the Ivorian constitution has granted too many prerogatives to the president, which in turn has led to a scramble for power: "The constitution is a tool of exclusion of the losers by the winners. That is the story of Côte d'Ivoire."<sup>322</sup> For another observer, one of the original goals of liberalisation – to increase representation of farmers and democratisation of the sector – has been undermined by the actions of senior officials in the cocoa institutions. These officials, most of whom are not even farmers, had settled into their positions and were therefore reluctant to see democratic elections for the leadership of the cocoa institutions.<sup>323</sup> The organisation of a census of cocoa farmers across the country would be a first step towards these elections, but such a census has not yet taken place.

<sup>ixiii</sup> On 25 February 2002 Alphonse Douati was replaced by Sébastien Dano Djédjé, also of the FPI.

### FPI political appointees in cocoa institutions



- The ARCC's chairman, Placide Zoungrana, a member of the FPI secretariat and the election campaign director for President Gbagbo in Toumodi province, served as cabinet director of the Minister of Agriculture until 2002.<sup>324</sup> The five members of the ARCC's board were appointed by presidential decree in December 2003. These members elected their own chairman and appointed the executive director. Their mandate is for three years, renewable only once.
- The 12 members of the BCC's board are appointed by its general assembly for a renewable term of three years. The board appoints its chairman – currently Lucien Tapé Doh, also vice-chairman of ANAPROCI – for an indeterminate period. In an interview in 2004, Henri Amouzou, the chairman of the FDPCC, and at the time, a BCC board member, claimed that the head of the BCC was chosen on ethnic grounds, because he was from the west, like President Gbagbo. Amouzou claimed that he was told by cocoa delegates from the west: “You, the Akan, you ate under Houphouët-Boigny, under Bédié.<sup>ixiv</sup> Now, we have the political power. We share the positions.”<sup>325</sup> Doh is quoted as saying: “It is true that the President of Côte d'Ivoire gave us the cocoa sector... I always told you I was a supporter of the PDCI. But I am for Gbagbo. It is thanks to him that we are alive today. When people say we gave money to Gbagbo. It is true. So what? It is him who gave us the sector.”<sup>326</sup> Two different sources pointed out that Tapé Doh and the former Minister of Finance, Paul Antoine Bouhoun Bouabré, come from the same western town, Issia, where Bouabré is now the election campaign director for President Gbagbo.<sup>327</sup> The BCC's current general director, Tano Kassi Kadio, was also appointed in August 2001 by the board for an undefined period. A later decree stipulates that the director should be appointed through a recruitment process.<sup>328</sup>
- In 2002 the members of the Fonds de Régulation et de Contrôle du Café et Cacao (FRC) general assembly were appointed by the Comité Interministériel des Matières Premières (CIMP), an inter-ministerial body made up of four FPI ministers,<sup>329</sup> including the ministers of finance and agriculture, at the time Paul Antoine Bouhoun

Bouabré and Sébastien Dano Djédjé, respectively.<sup>ixv</sup> The FRC's executive director, Firmin Kouakou, is also the 2007 election campaign director for President Gbagbo in the province of Bouaflé.<sup>330</sup> The reform of the cocoa sector aimed to increase the presence of the farmers in the new structures.<sup>331</sup> However, unlike her predecessor Cissé Lociné, who resigned in mid-April 2002, Angeline Killi, the current chair of the FRC, was not a farmer; she previously worked as a secretary at the Central Bank of West Africa, the BCEAO.<sup>332</sup>

- The members of the FDPCC's management council were appointed by presidential decree in August 2001. These appointments were renewed by decree in February 2006.
- The director of the FGCCC, Jean-Claude Bayou Bagnon, is also a political appointee. He was appointed to his role in 2001 by the then Ministers of Economy and Agriculture, Paul Antoine Bouhoun Bouabré and Alphonse Douati, who are both members of the FPI.<sup>333</sup> Bayou Bagnon himself is also close to the FPI: he is described by the pro-FPI newspaper, Notre Voie, as the “godfather” of one of the Abidjan groups of the FPI (the Youpougou section). He has also contributed 1m CFA (US\$ 1,971) to the Fédération des associations pour le changement de la Côte d'Ivoire (FACCI), an organisation supported by Simone Gbagbo, the wife of President Gbagbo.<sup>334</sup>

### 2.3 Lucrative positions in cocoa institutions

**“It is collective money that has become individual”.**<sup>335</sup>

*Economist in Abidjan, June 2006*

Driving through the opulent and well-guarded mansions of the Attoban-Riviera area of Abidjan, one cannot fail to see the wealth of the cocoa institutions and those working for them. The creation of Côte d'Ivoire's cocoa bodies in 2001 replaced the long-standing actors of the CAISTAB with a whole new set of players, who have exploited the opportunity to the full.

<sup>ixiv</sup> The Akan are an ethnic group which includes the Baoulé, to which Félix Houphouët-Boigny belonged. President Gbagbo is from the Bété minority ethnic group, based in western Côte d'Ivoire. Ethnic origin plays an important role in Ivorian politics.

<sup>ixv</sup> Sébastien Dano Djédjé was Minister of Agriculture from February 2002 to February/March 2003

Board members of the cocoa institutions are very well paid. Over a five-month period in 2001-2002, the BCC spent almost 80m CFA (US\$155,000), on average 16m CFA (US\$31,000) a month, on salary and benefits for the chairman of the board, Lucien Tapé Doh.<sup>336</sup> As a comparison, the president of the country officially earns just under 9m CFA (US\$17,400) a month.<sup>337</sup> In 2001 and 2002, the ARCC spent a total of 402m CFA (US\$777,300)<sup>338</sup> on five board members' wages<sup>339</sup> and attendance fees for meetings, about half the total amount spent on its 50 employees. The substantial remuneration for attendances at board meetings, between 1m CFA (US\$2,000) and 3.3m CFA (US\$6,500), could explain why the ARCC's board members met 57 times in 2001.<sup>340</sup> Similarly, in 2002, the BCC spent about 312m CFA (US\$603,300) on its 12 members.<sup>341</sup>

Top employees of the cocoa institutions are also well paid. According to an inside source, their chief executives receive monthly salaries of 6m-7m CFA (US\$11,600-13,500),<sup>342</sup> whereas an Ivorian newspaper reported that they were paid 9m-12 CFA (US\$17,500-23,300) per month.<sup>343</sup> In 2002, the IGE audit reported that the BCC director was paid 4.5m CFA (US\$8,650) per month and the ARCC director general 3.5m CFA (US\$6,760) per month,<sup>344</sup> not including other substantial benefits. Details of the wages bills of the FDPCC, which receives most of the cocoa levies, and the FRC, were not available.

In addition to their salaries, top employees and board members of cocoa institutions enjoy other advantages. The IGE reported that ARCC executive directors receive a daily allowance of about 300 000 CFA (US\$585) for international trips.<sup>345</sup> Global Witness was told that some senior BCC officials would inflate the number of days they spent on trips in order to receive even more money, and that some got paid simply to travel back to their village.<sup>346</sup>

Expensive cars and big mansions are some of the indicators of this new wealth. An Ivorian journalist told Global Witness that officials of the cocoa institutions would typically buy five or ten apartments, as well as vehicles, as financial security for the future, and distribute them among their families and friends. The FDPCC chairman, Henri Amouzou, complained in 2004 that the head of another cocoa body had distributed several 4x4 vehicles to cocoa farmers from central Côte d'Ivoire.<sup>347</sup> Amouzou himself is reported to own several vehicles, including a Porsche Cayenne and a Hummer H2.<sup>lxvi 348</sup>

The EU financial auditors noted a very high level of spending on the promotional activities of cocoa institutions. The ARCC spent 1.44bn CFA (US\$2.8m) on such activities in 2001-2002, even though promotion is not included in its mandate.<sup>349</sup> The EU financial audit noted that in 2001, some of the ARCC's 238m CFA (US\$465,000) promotion-related payments were made to individuals, not companies.<sup>350</sup>

#### 2.4 Favouritism in export levies: some companies are more equal than others

Global Witness has seen figures relating to the levies paid by each of the export companies for the main harvest of the 2004-2005 and 2005-2006 seasons (see graphs).<sup>351</sup> The figures raise questions about the amounts paid by some exporters, conflicts of interest within the BCC and the oversight role of the ARCC.

The figures show that until the 2006-2007 harvest,<sup>lxvii</sup> large multinational companies paid a levy to the Réserve de Prudence of 10 CFA per tonne of unprocessed cocoa exported, as specified by decree,<sup>352</sup> whereas smaller companies paid considerably less or even nothing to the Réserve. In part, this is explained by the fact that co-operatives and small exporters were exempted from paying the levy to the Réserve by a special meeting of the board of the BCC on 22 April 2003.<sup>353</sup> For the 2006-2007 harvest, the ARCC announced that co-operatives and small exporters would be exonerated from paying the levy to the Réserve de Prudence.<sup>354</sup> This exemption was not formalised in any law or decree.

There is a possible conflict of interest within the BCC: Lucien Tapé Doh is both chairman of the BCC and is reported to be sponsoring several co-operatives that benefit from the BCC's decisions, such as CAGC, CEPROVI-CI and COPAC.<sup>355 lxviii</sup> In addition, the board that approved the decision of exempting some exporters from paying the levy to the Réserve is dominated by members of ANAPROCI, the leading cocoa farmers' group led by Henri Amouzou, of which the vice-chairman is Lucien Tapé Doh.<sup>lxix</sup> All of

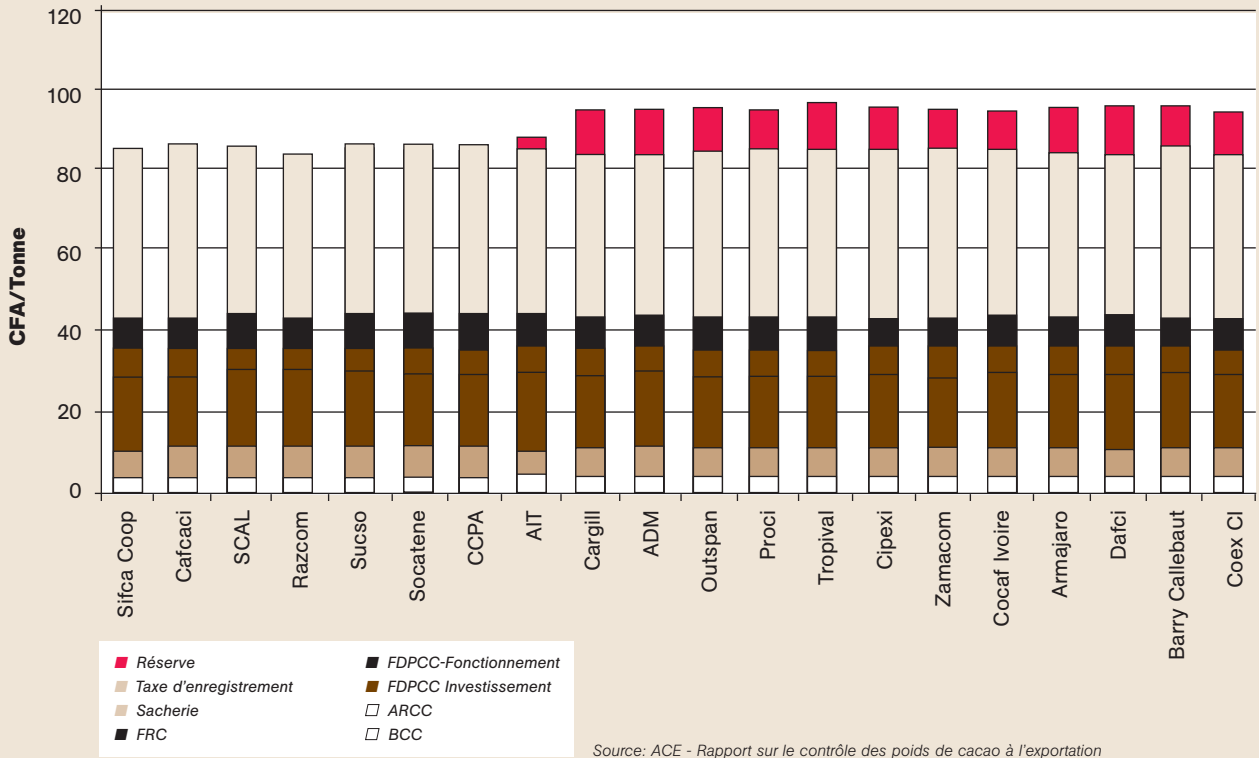
**lxvi** Global Witness sent a letter to Henri Amouzou on 9 February 2007 asking him to respond to these allegations, but had received no reply at the time of writing.

**lxvii** For the 2006-2007 harvest, the Réserve de Prudence amounts to 5 CFA/kg.

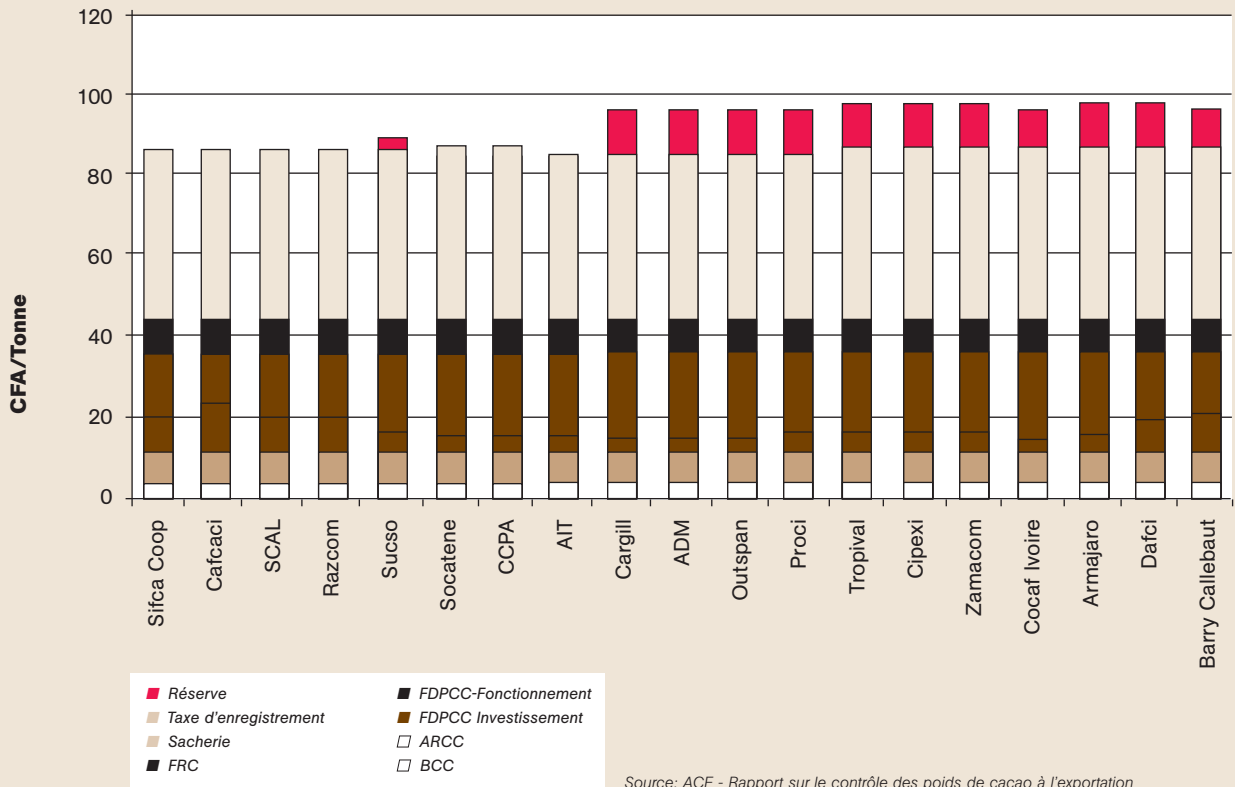
**lxviii** Global Witness sent a letter to Lucien Tapé Doh on 28 February 2007 asking him to respond to these allegations. On 1 March 2007, an assistant to Tapé Doh contacted Global Witness, saying Tapé Doh would not reply in writing but could grant Global Witness an interview in Abidjan. Global Witness had previously sought a meeting with him in Abidjan in 2006 but the meeting had failed to take place.

**lxix** A majority of the members of the BCC's Annual General Meeting are ANAPROCI-affiliated farmers. The board is comprised of members of the Annual General Meeting.

**Levies paid per tonne of unprocessed cocoa exported October 05 - March 06**



**Levies paid per tonne of unprocessed cocoa exported October 04 - March 05**



ANAPROCI's members belong to one of the co-operatives, and Amouzou himself is linked to several of them, including COOPACDI, COOPAYA, and Sifca-Coop.<sup>356</sup>

There might be legitimate reasons for exempting small companies and co-operatives from this levy. However, the variations in the payments raise a number of questions. Why does the amount paid to the Réserve by co-operatives and small exporters vary from company to company? Why does the amount paid by a particular company vary from year to year? For example, AIT paid 0.36 CFA/tonne in 2004-2005 and 2.01 CFA/tonne in 2005-2006. And why did the proportion of money paid to the FDPCC-Investissement fund and to the FDPCC-Fonctionnement costs vary between companies in 2004-2005?

The ARCC is responsible for regulating and controlling competition in the cocoa and coffee sectors. In 2002 the ARCC wrote to the BCC to oppose this tax exemption for small companies and co-operatives.<sup>357</sup> Despite being an institution to which the state has delegated regulating powers, the ARCC was unable to prevent individuals linked to co-operatives from voting themselves a reduction in taxes.

## 2.5 Farmers' anger: legitimate or remote-controlled?

The high financial stakes in the cocoa trade – particularly in relation to the control and allocation of large sums of money – have created confusion, dissent and tension in the sector.

Since the liberalisation of the sector, cocoa farmers have repeatedly complained about the low prices they receive for their cocoa. They have also protested over the low level of financing of co-operatives by the cocoa institutions and the lack of bush bags and pesticides, which are supposed to be provided by the FDPCC.<sup>358</sup> Farmers frequently complain that the lack of financial and technical support from the state is affecting the quantity and quality of cocoa production.<sup>359</sup> The FDPCC may have aggravated the situation by investing farmers' money in non-viable projects. An official from the Ministry of Agriculture told Global Witness: "Usually, the projects of cocoa bodies are far removed from their original objectives."<sup>360</sup> For

example, in 2001, the FDPCC invested in an export company which later went bankrupt.<sup>361</sup> One of the functions of the FDPCC is to provide pesticides and bush bags to farmers. In 2005-2006, the levy for the provision of the bags, the Sacherie-Brousse, amounted to more than 160m CFA (US\$312,000). The World Bank has asked for a complete audit of the Sacherie, notably on the utilisation of the levy collected.<sup>362</sup> In a meeting with the executive secretary of the FDPCC, Global Witness was told that 6.5m-7m bags had been distributed to farmers. Asked about farmers' complaints about the lack of bags, the secretary claimed that some exporters had been keeping the bags and selling them, instead of returning them to the co-operatives.<sup>363</sup>

Discontent among farmers has increased and has taken the form of demonstrations and strikes in Abidjan. One such protest resulted in the government agreeing to release money to several co-operatives. In April 2006 hundreds of farmers demonstrated in front of the Ministry of Agriculture.<sup>364</sup> The farmers, who had initially asked for 17bn CFA (US\$33.2m) or the scrapping of taxes and levies,<sup>365</sup> eventually obtained 3bn CFA (US\$5.8m) from the FDPCC-Investissement and the FRC's Réserve de Prudence accounts at the BNI, approved by the Minister of Agriculture.<sup>366</sup> However, other farmers alleged that some of this money had been embezzled, as it had not been allocated in a transparent way. There have been allegations that some demonstrations were staged by top cocoa officials to get a share of the money for themselves.<sup>367</sup> In October 2006 another demonstration took place, this time organised by ANAPROCI, to protest against the low price of cocoa and to demand a 50% reduction in the Droit unique de sortie (DUS) and registration fees; they also asked for 10bn CFA (US\$19m) to finance co-operatives.<sup>368</sup> Henri Amouzou, the chair of the FDPCC, ANAPROCI and the exporting company Sifca-Coop supported the strike.<sup>369</sup> Since the creation of the oversight body Comité chargé de l'examen et du suivi des projets et programmes de la filière café-cacao, the FDPCC-Investment fund has been out of the FDPCC's control. One of the farmers' demands was for the Comité chargé de l'examen et du suivi des projets et programmes de la filière café-cacao to be scrapped and for the "sovereignty" of the cocoa institutions to be restored.<sup>370</sup> One way of accessing this money is through pressure exerted by demonstrations and strikes. The Ministry of Agriculture, which had already released some money after the April demonstration, was under renewed pressure from

<sup>356</sup> Global Witness sent a letter to Henri Amouzou on 9 February 2007 asking him to respond to these allegations, but had received no reply at the time of writing.



the farmers to make further payments. The Ministry finally allocated 10bn CFA to three structures, for the purpose of financing the commercialisation of cocoa and lending the money to cooperatives. Sifca-Coop, a private company chaired by Henri Amouzou, received 5bn CFA (US\$10m) to finance small cooperatives. Ucoopexci, an exporting cooperatives' union, received 3bn CFA (US\$6m) for exporting cooperatives. The FGCCC received 1,5bn CFA (US\$3m) for the purpose of lending it to large cooperatives.<sup>371</sup>

More generally, the phenomenon of false cocoa co-operatives is a problem in Côte d'Ivoire. It is extremely easy to set up a co-operative, and many have been set up simply as a means of claiming the benefits to which such an institution is entitled, leading to tensions with genuine farmers. In some cases, even genuine farmers may be involved in this type of fraud, alongside their legitimate activities.

©Jacob Silberberg



Farmer with his daughter on his back sifts through cocoa he has stored for safe-keeping, Brudume, 30 April 2004

# 7. Dangerous cocoa: How the cocoa sector is ruled by violence and fear

**“Money doesn’t like noise.”<sup>372</sup>**

*President Laurent Gbagbo, October 2004*

Corrupt practices are widespread in the cocoa sector and those benefiting from this corruption want to keep their deals quiet. Investigating and reporting on this secretive sector has proved to be not only difficult, but dangerous.

National and international journalists and human rights organisations have documented incidents of intimidation and violence against those who investigate or speak out about abuses in the cocoa sector, particularly in the government-held area. Cocoa-sector insiders, journalists and auditors have been targeted. Those responsible for these threats and acts of violence have not been brought to justice. The case of Guy-André Kieffer, described below, is emblematic of this climate of fear and violence. His case is always foremost in the minds of those wanting to speak out, leading to a form of self-censorship which has reinforced the silence and opacity surrounding the cocoa sector.

## **The attack on François Kouamé Kouadio (August 2002)**

On 3 August 2002 François Kouamé Kouadio, an Inspecteur d’Etat for the Inspection Générale d’Etat (IGE), a state auditing institution, was badly beaten and left for dead.<sup>373</sup> Two days earlier, he had escaped a kidnap attempt. Kouadio was probably targeted because he was identified as the author of the IGE government-commissioned report on the cocoa sector, which had been presented to the government in May 2002 and leaked to the press in July. The report stated, among other things, that 32bn CFA (US\$69.6m) had been transferred in April 2002 from

the Réserve de Prudence account at the BCEAO to an account at the CAA (see Section 4, 2.2) and warned that the CAA might not be “able to resist (possible) demands for funds from the Ministry of Economy and Finance”.<sup>374</sup> The government reacted strongly to the leaked report. The then Minister of Finance, Paul Antoine Bouhoun Bouabré, said that he was “scandalised” and that he found it “pitiful that people can write things like this”.<sup>375</sup> On 2 August the newspaper *Notre Voie*, which is closely associated with the ruling Front populaire ivoirien (FPI), published a picture of Kouadio.<sup>376</sup> The following day, Kouadio was attacked and beaten up in Abidjan by five people.<sup>377</sup> He has remained in hiding ever since.

Some of Kouadio’s colleagues were reportedly harassed and, subsequently, several IGE employees, including Kouadio himself, lost their jobs.<sup>378</sup> A year later, the head of the IGE was replaced by a top party member of the FPI.<sup>379</sup>

## **The “disappearance” of Guy-André Kieffer (April 2004)**

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*Guy-André Kieffer, who disappeared on 16 April 2004*

On 16 April 2004 French-Canadian journalist Guy-André Kieffer was kidnapped in Abidjan. He was never seen again; he was reportedly tortured to death.<sup>380</sup> Kieffer had worked for a consultancy firm on the reform of the cocoa sector; during this period, he received death threats connected to his work. He then resumed working as

an independent journalist, for *La Lettre du Continent*, a French intelligence newsletter, among others, reporting on various Ivorian scandals and corruption allegations,

including those relating to the transformation of the state bank, the Caisse autonome d'amortissement (CAA), into the Banque nationale d'investissement (BNI);<sup>387</sup> Lev-Ci; and the Gambit contract (see Section 5). The threats to Kieffer continued, culminating in his kidnapping and disappearance.

Judicial investigations into his disappearance are ongoing in both France and Côte d'Ivoire. Their conclusions are not yet known, but several clues point towards some involvement by the Ministry of Finance and the presidency. Kieffer's computer was found in the home of President Gbagbo's brother-in-law, Michel Legré, a contact of Kieffer and the last person with whom he was known to have had a meeting. The French investigation, led by judge Patrick Ramaël, discovered that Legré had had several telephone conversations with the office director of the Minister of Finance and an administrator of the BNI, Aubert Zohoré, just before and after the kidnapping.<sup>382</sup> Legré was charged in France with "kidnapping and sequestration" and in Côte d'Ivoire with "complicity in murder".<sup>383</sup> In judicial records leaked to the press, Legré accused three prominent figures of involvement in the kidnapping: President Gbagbo's 'spiritual adviser', Koré Moïse; President Gbagbo's Special Adviser on Defence, Security and Military Procurement, Kadet Bertin and a key member of the Groupe de Sécurité de la Présidence de la République (GSPR), the president's private security force, Patrice Bailly.<sup>384</sup> Legré, who had been arrested in Côte d'Ivoire in May 2004, was released in October 2005, despite a request from the French judge for him to be sent to France.<sup>385</sup> Kieffer's family has expressed disappointment at what they perceive as the "disconcerting passivity" of the French diplomatic authorities in uncovering the truth about Kieffer's disappearance and bringing those responsible to justice.<sup>386</sup>

### **The kidnap of Xavier Ghelber (November 2004)**

In early November 2004, during anti-French riots by pro-government groups in Abidjan, Xavier Ghelber, a French lawyer, was kidnapped in the city. It is believed that his abduction was related to the legal audit he was conducting on the cocoa sector on behalf of the European Union. He was taken from his room at the Hotel Ivoire by armed men and driven away in a 4x4, together with another white man who had also been kidnapped. After one of the kidnappers made a call from Ghelber's telephone, the men spent a few

minutes parked in front of the president's residence.<sup>387</sup> They then drove to the headquarters of the gendarmerie in Abidjan, where Ghelber and the other foreigner were threatened by a man who pointed a Kalashnikov rifle at them and another who told them: "In any case, we're going to kill you one after the other." A third man said: "If he speaks to his brother, shoot him."<sup>388</sup> Later they were joined by expatriates who had fled their homes during the anti-French riots. It appears that Ghelber then somehow joined this group of expatriates, as French troops came to rescue him and the other expatriates and evacuated them to France.

Xavier Ghelber has since taken legal action in France. The French judge in charge of the case is the same as the one in charge of the Kieffer case, Patrick Ramaël. The judge's preliminary findings indicate that three of Xavier Ghelber's kidnappers belonged to the GSPR, the president's private security force.<sup>389</sup> The investigation in France is continuing.

As a result of such cases, journalists, members of non-governmental organisations and even members of inter-governmental organisations are extremely cautious on the subject of the cocoa trade, both in the rebel-held north and the government-controlled south. Investigating cocoa is "such a huge task, and one can pay a heavy price, especially in the context of the preparation of the elections, since it finances elections", an academic told Global Witness.<sup>390</sup> Few Ivorian civil society groups are working on corruption issues.

A UN official told Global Witness he was keeping out of economic issues and referred to what had happened to Guy-André Kieffer as an example of why one should not be too curious: "In this office our policy is never to look into economics (...) because it's dangerous. We know that in Ivory Coast, money is everything."<sup>391</sup>

### **Fear within the cocoa sector**

**"The cocoa business is very dangerous for the worker."<sup>392</sup>**

*Cocoa sector official, Abidjan, July 2006*

Fear within the cocoa sector is equally evident. Several sources in cocoa institutions interviewed by Global Witness in 2006 stressed that they could not talk

much about the sector because they were afraid and asked not to be quoted in this report. Some were concerned that their telephones were tapped and took precautions before meeting Global Witness investigators. One source stressed that in the cocoa sector, financial matters overrode any other consideration: "In this business, you have no friends. People say: 'I can shoot you, it's not personal, just for business."<sup>393</sup>

These fears extend beyond the borders of Côte d'Ivoire. Individuals in neighbouring countries trading in cocoa from the FN-controlled zone try by all means possible to conceal it from the government. Similarly, people in the FN zone were afraid to talk openly about the cocoa trade.

Specific incidents reported to Global Witness included the following:

- In 2006 a senior staff member at a cocoa institution was kidnapped and badly beaten by unknown armed men, possibly in connection with his criticisms of the cocoa sector.<sup>394</sup>

- In 2005 an employee of a company trading in cocoa from northern Côte d'Ivoire received a threatening e-mail signed by a "patriotic movement".<sup>395</sup> The employee was not willing to meet Global Witness investigators, fearing for the security of his family and colleagues.
- A cocoa buyer explained that he was harassed both by the rebels and the loyalists at the beginning of the conflict. As he had offices and trucks in Man and Vavoua in the FN-controlled area, loyalists accused him of helping the rebels. When he managed to get his trucks out of the northern zone, he was accused by the FN of financing weapons for loyalists, and FN troops stole several of his trucks. He later decided to leave Côte d'Ivoire.

In addition to the fear of physical violence, people fear retaliation from the government in other ways, notably through fiscal control.

- A former senior official at the CAISTAB told Global Witness: "One has to be cautious, because if the government knows who is involved in cocoa trafficking, it can order a payment of back taxes to these people."<sup>396</sup>

## 8. Conclusion

The lucrative cocoa trade has been at the heart of the war economy and continues to serve the interests of protagonists to the conflict, to the detriment of the Ivorian population. For the past four and half years, both sides in the conflict have reaped significant political and economic benefits with impunity. The continuing crisis has encouraged corrupt practices and a lack of accountability in the exploitation of natural resources.

In the long term, such a situation threatens the future of the country and its economy. It is also harming the welfare and security of the population. The absence of control and accountability, the primacy of individuals' short-term financial advantages and the entrenchment of corruption have proved disastrous. The September 2006 scandal of the toxic waste in Abidjan<sup>lxxi</sup> exemplifies many of the characteristics of a country where prominent individuals put the population at risk for the sake of their own economic interests. At the lower end of the "food chain", militia members and soldiers have learned to make a living out of violence and extortion.

International actors, including Côte d'Ivoire's regional neighbours, aid donors and mediators in the conflict, should ensure that the question of economic interests is addressed explicitly in their dialogue with the parties in Côte d'Ivoire. The international community needs to address resource-related conflicts in a way that tackles their particular character: in other words, by proactively addressing the trade that underlies the war, as well as the war itself.

The need for transparency and accountability should equally be placed at the top of the national agenda. As cocoa remains Côte d'Ivoire's most important resource and source of revenue, reform of this sector must be a prominent part of these discussions. Greater transparency and the establishment of independent oversight mechanisms in the sector would contribute significantly to breaking the links between cocoa revenues and the conflict in Côte d'Ivoire.

<sup>lxxi</sup> In September 2006, eight people died and thousands were rushed to hospital in Abidjan after chemical waste from an oil tanker chartered by Trafigura Beheer BV, a commodities trader based in the Netherlands, was dumped across the city by a local contractor.



"Africa's dying", Korhogo, September 2006

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Companies buying Ivorian cocoa can play a positive role in pressing for improvements in the management of cocoa revenues, by refusing to engage in corrupt practices and promoting transparency and accountability.

Civil society also has an important but delicate role to play in the political transition in Côte d'Ivoire. The disappearance of the journalist Guy-André Kieffer, together with threats and attacks against other individuals, has illustrated the very real dangers of denouncing corruption and other abuses in the cocoa sector. Partly as a result of these incidents, the voices of civil society have not been heard, and politicians and rebels have monopolised the discourse on the future of the country. Civil society needs to be given a legitimate place in the resolution of the crisis and in shaping reforms; it should be given the space to represent the views of the population and to act as an independent watchdog of the activities of politicians and industry. As politicians have shown little interest in genuinely involving civil society in this process, the onus falls on the international community to do so. Foreign governments and inter-governmental organisations should engage with and support Ivorian civil society and give it a public voice in debates on the country's political and economic future.

# Appendix I

## Cocoa institutions since 2000

	<b>ARCC</b> <b>Autorité de</b> <b>Régulation du</b> <b>Café et du Cacao</b>	<b>BCC</b> <b>Bourse du Café</b> <b>et Cacao</b>	<b>FRC</b> <b>Fonds de</b> <b>Régulation et de</b> <b>Contrôle du Café</b> <b>et Cacao</b>	<b>FDPC</b> <b>Fonds de</b> <b>Développement et de</b> <b>Promotion des activités</b> <b>des Producteurs de</b> <b>Café et de Cacao</b>	<b>FGCC</b> <b>Fonds de Garantie</b> <b>des Coopératives</b> <b>Café et Cacao</b>
<b>Date of creation</b>	By decree in October 2000 <sup>397</sup>	By decree in 2001 <sup>398</sup>	By decree in 2001, <sup>399</sup> but did not start to operate until 2002. Until then, was the BCC's executive secretariat.	By decree in August 2001. <sup>400</sup>	By decree in August 2001. <sup>401</sup>
<b>Status</b>	State company	Private company of particular type.	Moral body of private law of particular type.	Private company	Limited company. <sup>402</sup>
<b>Role</b>	To regulate and control competition in the cocoa and coffee sectors; to grant or withdraw export agreements to exporters; to ensure there is no exporting monopoly; to assist the state in negotiating international agreements; and until 2002, to collect levies for all cocoa institutions.	To regulate the commercialisation of coffee and cocoa; to improve farmers' revenues and regulate commercial cocoa and coffee operations; to centralise and co-ordinate export operations; to promote cocoa and coffee on the international market; to improve the quality of production and promote small exporting companies; to prepare internal and external commercialisation statistics; <sup>403</sup> to set a minimum farmgate price for cocoa beans each season; and with the FRC, to sign export commitments with exporters.	To ensure financial regulation of the cocoa and coffee sectors. (The FRC was supposed to institute a mechanism to guarantee a minimum price for farmers. The Réserve de Prudence was created to provide the funds for such a mechanism. However, to this day, there is no financial regulation in place.) to control cocoa and coffee purchase and export operations; and with the BCC, to sign export commitments with exporters.	To secure revenue for farmers through investments; to finance farmers' activities through loans; to contribute to developing the sector, through training cocoa and coffee farmers and modernising cocoa plantations; and to reinforce the capacity of the Chamber of Agriculture. <sup>404</sup>	A guarantee fund, it is intended to act as guarantor for the funding of co-operatives by banks.

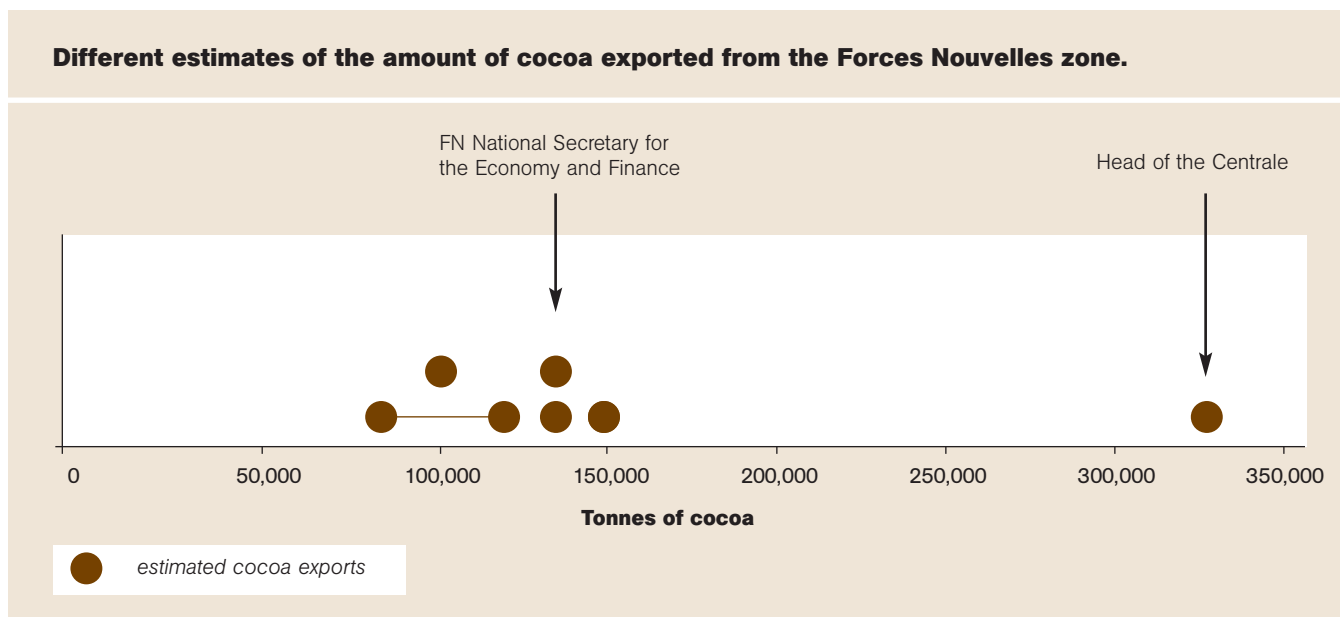
<b>Organisation/ management structure</b>	A board, a chairman and an executive director. <sup>405</sup>	Annual General Meetings, a board, a general director and an oversight council. A government representative, without voting rights, attends the Annual General Meeting and meetings of the board and the oversight council. <sup>406</sup> The 48 members of the general assembly, two-thirds of whom are farmers and one-third exporters, are appointed by inter-ministerial order, after consultation with the farmers' unions, for a three-year period.	Annual General Meetings, a board, a chairman, a general director, a government representative and an oversight council.	A management council, whose chairman is also the chairman of the Association nationale des producteurs de café-cacao de Côte d'Ivoire (ANAPROCI, the cocoa farmers' association). In February 2006, the election of the Annual General Meeting was postponed until February 2007. <sup>407</sup>	Annual General Meetings, a board, a chairman, a general director and a credit committee.
<b>Chairman</b>	Placide Zoungrana, member of the secretariat of the Front populaire ivoirien (FPI) and election campaign director of President Gbagbo in Toumodi. <sup>408</sup> Until 2002, cabinet director of the agriculture minister.	Lucien Tapé Doh, a cocoa planter from the west of Côte d'Ivoire and vice-president of ANAPROCI.	Angeline Kili, "godmother" of the pro-Gbagbo movement "Two million girls for Gbagbo". <sup>409</sup>	Henri Amouzou, a cocoa planter from central Côte d'Ivoire, president of ANAPROCI, chair of exporting company Sifca-Coop. <sup>410</sup>	Jacques Mangoua, vice-president of the BCC, <sup>411</sup> owner of Sidepa SA, <sup>412</sup> and president of UNOCC, the union of non-affiliated exporters.
<b>Director</b>	Didier Lohoury Gbogou, vice-president of the Abidjan football club Africa Sport National.	Tano Kassi Kadio	Firin Kouakou, election campaign director of President Gbagbo in Bouafé. <sup>413</sup>	Théophile Kouassi	Jean-Claude Bayou Bagnon, close to the FPI. Described as the "godfather" of one of the Abidjan groups of the FPI. Contributed 1m CFA (US\$ 1,971) to the Fédération des associations pour le changement de la Côte d'Ivoire (FACCI), an organisation supported by the wife of President Gbagbo. <sup>414</sup>
<b>Source of funding</b>	Financed by levies on each kilogramme of exported cocoa and coffee. International activities financed by state subsidies.	Financed by levies on each kilogramme of exported cocoa and coffee.	Financed by levies on each kilogramme of exported cocoa and coffee.	Financed by levies on each kilogramme of exported cocoa and coffee.	Financed by a previous EU project and some of the funds from the liquidated Caisse de Stabilisation et de Soutien des Prix des Produits Agricoles (CAISTAB).

# Appendix II

## Cocoa quantities and estimated revenues generated by cocoa in the FN-controlled zone per year since 2004

(Global Witness estimates, 2006)

Most estimates range from 80,000 to 130,000 tonnes.<sup>415</sup> One estimate – from the director of the Centrale – was much higher (25% of total Ivorian cocoa exports, or approximately 325,000 tonnes). Estimates from different individuals within the Forces Nouvelles varied considerably.



**Tax revenues:** (all amounts in CFA unless otherwise indicated)

DUS	Agreement	Laissez-passer	Total
15bn	100m	48.75m	15,15bn (US\$30m)

**Revenue from the DUS:**

Northern production	130,000 tonnes (3,250 trucks)
Tax per 40-tonne truck	
6m CFA (a50 CFA/kg)	15bn CFA

**Revenue from the laissez-passer:**

Northern production	130,000 tonnes (3,250 trucks)
Laissez-passer	
15,000 CFA	48,75m CFA



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- <sup>264</sup> Global Witness interview with foreign official, Lomé, July 2006
- <sup>265</sup> Global Witness interview with STNPT owner, Lomé, July 2006
- <sup>266</sup> Bill of Lading seen by Global Witness, Lomé, July 2006
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*Demobilisation, disarmament and reintegration  
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