



ECOWAS EXECUTIVE  
SECRETARIAT



WAEMU COMMISSION

Technical Steering Committee,  
Regional Poverty Reduction Strategy for  
West Africa

**REGIONAL INTEGRATION FOR  
GROWTH AND POVERTY REDUCTION  
IN WEST AFRICA:  
STRATEGIES AND PLAN OF ACTION**

*A Regional Strategy Paper Prepared by  
the WAEMU Commission and the  
ECOWAS Executive Secretariat*

*Done in  
Abuja and Ouagadougou  
December 2006*



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## **ACRONYMS AND ABBREVIATIONS**

ACP	African, Caribbean and Pacific Group of States
ADB	African Development Bank
AGOA	African Growth and Opportunity Act
AIDS	Acquired Immunodeficiency Syndrome
AUF	Agence Universitaire de la Francophonie [Association of Francophone Universities]
BCEAO	Banque Centrale des Etats de l'Afrique de l'Ouest [Central Bank of West African States]
CAAO	<i>Confédération des Artisans d'Afrique de l'Ouest</i> [Confederation of West African Artisans]
CAMES	African and Malagasy Council on Higher Education
CEMAC	Central African Economic and Monetary Community (CAEMC)
CET	Common External Tariff
CFC	Common Fund for Commodities
CILSS	Permanent Interstate Committee on Drought Control in the Sahel
CMP	Common Monetary Policy
CNPE	Comité National de Politique Economique [National Economic Policy Committee]
CONFEMEN	Conférence des Ministres de l'Education Nationale des pays Francophones [Conference of National Education Ministers of Francophone Countries]
CRES	<i>Centre régional d'énergie solaire</i> [Regional Centre for Solar Energy]
DC	Developing Country
DDR	Disarmament, Demobilization and Reintegration
DPT	Degressive Protection Tax
EAP	East Asia and the Pacific
EBA	Everything But Arms
ECOPAS	Ecosystèmes Partagés d'Afrique Soudano Sahélienne (Conservation of Protected Ecosystems in Sudano-Sahelian Africa)
ECOWAS	Economic Community of West African States
EDIFACT	Electronic Data Interchange for Administration, Commerce and Transport
EFA	Education For All
FAO	Food and Agriculture Organization
FDI	Foreign Direct Investment
GDP	Gross Domestic Product
GNI	Gross National Income
HDI	Human Development Index
HIPC	Heavily Indebted Poor Country
HIV	Human Immunodeficiency Virus
HS	Harmonized System
ICOR	Incremental capital output ratio
ICRG	International Country Risk Guide
ICT	Information and Communication Technologies
IFAD	International Fund for Agricultural Development
ILO	International Labour Organization
IMF	International Monetary Fund
ISRT	Inter-State Road Transit Convention

ITC	International Trade Center
ITU	International Telecommunications Union
LCBC	Lake Chad Basin Commission
LDCs	Least Developed Countries
MDGs	Millennium Development Goals
MRU	Mano River Union
MTEF	Medium-Term Expenditure Framework
NBA	Niger Basin Authority
NEAP	National Environmental Action Plan
NEPAD	New Partnership for Africa's Development
NFBECC	Non-Formal Basic Education Center
NGO	Nongovernmental Organization
NPV	Net Present Value
ODA	Official Development Assistance
OECD	Organization for Economic Cooperation and Development
OHADA	Organization for the Harmonization in Africa of Business Law
OMVG	<i>Organisation du Bassin du Fleuve Gambie</i> [Organization for the Development of the River Gambia]
OMVS	<i>Organisation pour la mise en valeur du fleuve Sénégal</i> [Senegal River Development Organization]
OPICT	<i>Organisation Professionnelle des Industries Cotonnières et Textiles</i> [Professional Organisation of Cotton and Textile Industries]
ORASEC	<i>Observatoire Régional d'Analyse et de Suivi de l'Espace Communautaire</i> [Regional Analysis and Monitoring Observatory of the Community]
PAR/GRE	<i>Plan d'Action Régional pour la Gestion Intégrée des Ressources en Eau</i> [Regional Action Plan for Integrated Water Management]
PASSEA	<i>Programme d'Evaluation des Systèmes Educatifs Africains</i> [African Education Systems Assessment Program]
PAU	<i>Politique Agricole de l'Union</i> [WAEMU Agricultural Program]
PCA	<i>Politique Communautaire en matière d'Artisanat</i> [Community Handicraft Policy]
PCAE	<i>Politique Communautaire d'Amélioration de l'Environnement</i> [Community Environmental Improvement Policy]
PCS	<i>Prélèvement Communautaire de Solidarité</i> [Community Solidarity Levy]
PEC	<i>Politique Energétique Communautaire</i> [Common Energy Policy]
PHC	Primary Health Care
PIC-AO	<i>Politique Industrielle Commune pour l'Afrique de l'Ouest</i> [Common Industrial Policy for West Africa]
PIP	Public Investment Program
PRGF	Poverty Reduction and Growth Facility
PRSP	Poverty Reduction Strategy Paper
PTBA	<i>Program de Travail et du Budget</i> / Annual Work and Budget Program
RAIS	Regional Agricultural Information System
REC	Regional Economic Communities
RPFS	Regional Program for Food Security
RPRSP	Regional Poverty Reduction Strategy Paper
SADC	Southern African Development Community
SIT	Special Import Tax

SME/SMI	Small and medium-sized enterprises/ small and medium-sized industries
SOPEMI	Système d'Observation Permanent des Migrations [Continuous Reporting System on Migration]
SSA	Sub-Saharan Africa
SSATP	Sub Saharan Africa Transport Policy Program
TLS	Trade Liberalization Scheme
TIFA	Trade Investment Framework Agreement
UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nations Development Program
UNEP	United Nations Environment Program
UNESCO	United Nations Educational, Scientific and Cultural Organization
UNHCR	United Nations High Commissioner for Refugees
UNICEF	United Nations Children's Fund
UNIDO	United Nations Industrial Development Organization
USA	United States of America
USAID	United State Agency for International Development
VAT	Value-added Tax
WA	West Africa
WACH	West African Clearing House
WADB	West African Development Bank
WAEMU	West African Economic and Monetary Union
WAMA	West African Monetary Agency
WAMZ	West African Monetary Zone
WAPP	West African Power Pool
WDI	World Development Indicators
WHO	World Health Organization
WTO	World Trade Organization



## **PREFACE**

Jointly prepared by UEMOA and ECOWAS Commissions, with technical assistance from the World Bank and African Development Bank (ADB), the West Africa Poverty Reduction Strategy Paper (WA-PRSP) is a complement to the National Poverty Reduction Strategy Papers (PRSP).

It represents Member States' recognition of the shortcomings in their national policies on poverty reduction, especially the transnational aspect of most sustainable development issues and difficulties. ECOWAS and UEMOA therefore proposed, in collaboration with Member States, to give the national strategies and regional programmes the requisite consultation and coordination for deepened integration, accelerated growth and reduced poverty to the barest minimum.

The participatory method employed in carrying out the activities, under the supervision of the ECOWAS/UEMOA Joint Technical Committee set up for this purpose, resulted in the definition and implementation of an agenda which led to the adoption of the WAPRSP by ECOWAS Member States, at Abuja in November 2006.

In this paper, a regional mechanism is being proposed for monitoring and evaluation of the implementation, which would be handled by the national units in Member States. Apart from this mechanism, the regional strategy paper covers four major strategic axes.

The first axis focuses on conflict prevention and management, promotion of good political and economic governance.

The second axis is on deepening economic integration. It envisages costs reduction and increased competitiveness with the aim of accelerating diversification and growth. Actions under this axe are economic policies relating to macroeconomic stability, harmonization of trade policies, coordination of development policies and integration of factor market.

The third axis centers on the development and interconnection of infrastructures as a catalyst to the process of integrating the economic space and enhanced competitiveness. The integration of infrastructural services (transport, energy and telecommunications) constitutes the basis of regional integration. It is an important complement to the regional policy of integrating the goods and factor markets.

The fourth axis is on improved human capital and facilitation of its mobility within the region. It is aimed at supporting growth and making it more distributive.

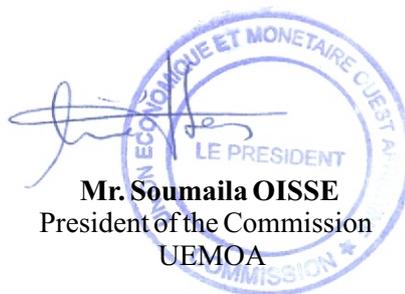
Breaking down the various axes into strategic actions and backing them up with the ECOWAS/UEMOA Priority Programme of Actions is to encourage the yearly update of a programming and a systematic pluriannual budgeting.

Once again, we seize this opportunity to express our sincere appreciation to all the technical and financial partners, especially, the World Bank, African Development Bank, Nigeria and French Cooperation (Coopération Française) for their contribution in the preparation of this paper, which is, first of all, a regional strategic reference framework for a better structuring and harmonisation of the regional development programmes with the national programmes. It is expected that it would enable Member States to have a global overview of the regional

programmes with a view to incorporating them into their national strategies. Finally, to the technical and financial partners, the WA-PRSP is a general framework for the identification of the regional mechanisms in the mobilisation of resources and development financing at both regional and national levels.



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## **EXECUTIVE SUMMARY**

1. Poverty in all its forms is the major challenge facing countries in West Africa and on the continent as a whole. Indeed, the 15 member countries of ECOWAS are ranked among the poorest in the world. More than 50% of the people in the region live on less than one dollar a day. At the same time, countries in the subregion also lag far behind in other dimensions of human development, in particular, education, health, access to drinking water and other basic infrastructure services such as transportation, energy and telecommunications. Even more worrying, the region is plagued by a growing number of “ills” and transnational challenges such as infectious diseases (malaria, HIV/AIDS) and national conflicts, whose effects transcend national borders and destroy what little physical and human capital the countries have accumulated during four decades of development. These persisting problems seriously hamper countries' efforts to accelerate growth and reduce poverty as envisaged in national Poverty Reduction Strategies (PRS) and in the Millennium Development Goals (MDGs).

2. Countries in the subregion are determined to meet this challenge at the national and regional levels. To this end, a number of countries (except Nigeria and countries in conflict such as Côte d'Ivoire, Liberia, and Togo) have already implemented national poverty reduction strategies (PRS) aimed at accelerating growth and reducing poverty, in accordance with the MDGs and the expectations of the people. However, the limitations of national and fragmented approaches are becoming more and more evident with the increase in externalities inherent in the “transnational” nature of the challenges. Conscious of this, the governments of the countries in the subregion mandated regional organizations specifically the Executive Secretariat of ECOWAS and the WAEMU Commission to review regional programs with a view to proposing an integrated approach along with an action plan that will pinpoint and more effectively address the regional dimensions of poverty.

3. This Regional Poverty Reduction Strategy Paper for West Africa (RPRSP-WA) is the response of the regional organizations to this request. The document is designed as a complement to and not a substitute for country PRSPs. It seeks to better refocus regional programs on - and improve their benefits for - the poor, to improve the visibility and usefulness of regional programs in countries and, in fine, to make regional integration a real enabler of the fight against poverty in the subregion. Specifically, the PRSP offers an integrated reference framework that will allow mutual strengthening of national strategies and regional programs in various sectors macroeconomics, trade, infrastructure, social, etc. in order to accelerate growth, deepen integration, and substantially reduce poverty in West Africa.

4. The structure of the RPRSP is similar to that of country PRSPs. Even better, it is meant to be a real “review/revision” of integration policies with a view to sharpening their focus on growth and poverty reduction. The RPRSP comprises three main sections. Part I takes stock of the situation, analyzing the achievements of countries in the subregion in terms of growth, poverty reduction, and social development (Chapter 1), and assessing the magnitude of the challenges to be met to achieve the MDGs (Chapter 2). Part II (Chapters 3 - 5) reviews national and regional strategies aimed at accelerating growth and strengthening the social sector. It proposes measures to increase synergy between national policies and regional programs in order to enhance overall efficiency. Part III (Chapters 6 and 7) addresses issues related to the operationalization of the RPRSP, in particular, the determination of policy priorities, the preparation and implementation of a medium-term programming and macro fiscal management coordination action plan, as well as issues related to monitoring and evaluation.

5. In summary, the RPRSP seeks to offer (i) to regional organizations: a strategic framework within which they can prioritize regional programs and better combine them with national programs in order to maximize the impact of growth and poverty reduction; (ii) to member states: enhanced visibility of all regional programs, which can then be taken into account in preparing national strategies; and (iii) to partners: a strategic framework developed by the two main regional organizations—the ECOWAS Executive Secretariat and the WAEMU Commission—in consultation with member states; this will improve the structuring of external assistance to the countries and to the integration process in order to maximize the effectiveness of such assistance.

### **1. Poverty in West Africa and progress towards the MDGs**

6 Quantitative analyses of the profile and determinants of poverty in West African countries have confirmed that poverty remains the worst “plague” in the subregion. Its incidence is among the highest in the world, and trends recorded over the last two decades are generally worse in West Africa and in the sub-continent compared with the other major regional blocs. Indeed, it is estimated that more than half (60%) of its population, which stood at about 253 million in 2003, lives on less than one dollar per day (compared with 46% for all of sub-Saharan Africa (SSA) and 15% for East Asia and the Pacific (EAP). Life expectancy at birth is still below 50 years (48 years, compared with 69 for EAP), and close to 100 children per 1000 live births die before their first birthday (92% for WA and SSA, compared with 35 for EAP). Close to half of the adult population is still illiterate (44%, compared with 39% in SSA and 14% in EAP), more than 50% of the population in rural areas has no access to drinking water and more than two-thirds live in countries that are experiencing or have experienced serious conflict during the last five years.

7. Moreover, numerous studies on the progress of countries towards the MDGs indicate that advances in the fight against poverty remain modest, fragile, and fall far short of what is required to meet the MDG challenge. Indeed, in spite of the implementation of national poverty reduction strategies (11 countries have adopted full-fledge PRSPs, 2 have interim PRSPs, and the remaining 2 are still preparing their interim PRSPs), progress towards achieving the MDGs remains slow and inconsistent. If current trends continue, a large number of West African countries will certainly not achieve these goals by 2015. An objective-by-objective analysis of progress made confirms this concern.

**8. Halve extreme poverty by 2015.** At the current annual rate of reduction in the incidence of poverty (about 1 point on average), it will take countries in the subregion 25 more years to meet the goal of halving the number of people living below the national poverty line. In some countries, current trends seem to indicate an increase or stagnation rather than a decline in poverty, especially in rural areas,.

**9. Achieve universal primary education.** In light of the performance of education systems in West African countries, the goal of universal education seems even more elusive, despite the substantial progress made in some countries over the last five years. Overall, schools face great difficulty either admitting all school-age children (access problems), or getting them to successfully complete the education cycle (completion problems). Similarly, and with few exceptions such as The Gambia, the objective of **promoting gender equality and empowering women** through the education system also seems unattainable. In most countries of the subregion, several cultural and economic obstacles still seriously hinder the education of girls and the integration of women in the formal economic process. As a case in point, the gap between

girls and boys in terms of access and completion rates in primary education remains significant (about 16% in 2003) and is even wider in secondary education (about 20% in 2003).

**10. Reduce child mortality by two-thirds.** Various analyses on countries' progress towards the MDGs indicate that 37 developing countries made significant progress at the end of the twentieth century to reduce their 1990 child mortality rates by two-thirds before 2015. Unfortunately, reverse trends have been noted in all West African countries. The under-five mortality rate remains very high, at about 188 per 1,000 in 2004, compared with an average of 122 per 1,000 for all poor countries. Cape Verde is the exception, with a rate of 36 per 1,000 in 2004, compared with 283 per 1,000 in Sierra Leone and 259 per 1,000 in Niger. The rate is even stagnant in many countries or rising in conflict countries such as Côte d'Ivoire (194 per 1000) and Liberia (235 per 1000).

**11. Reduce the maternal mortality ratio by three-quarters by 2015.** Like childhood, maternity is unfortunately still far too often associated with vulnerability and mortality in the subregion, and too many women die from pregnancy and childbirth complications. In spite of the countries' stated desire to prevent death and disability among women of reproductive age, maternal mortality rates in the entire subregion remain high when compared with rates in all poor countries. Progress in this area is still precarious and far from what is required to achieve the millennium goals.

**12. Combat HIV/AIDS, malaria and other contagious diseases.** Like extreme poverty and famine, infectious diseases constitute a major challenge for countries in the sub-continent. In particular, various impact assessments have shown that the HIV/AIDS pandemic puts a heavy strain on the economic and human resources of West African countries and represents a major obstacle to the successful implementation of poverty reduction strategies. In spite of the encouraging advances made in some countries (for example, the incidence of HIV/AIDS remained low in Senegal, Mali, and Niger), HIV/AIDS has continued to spread in other countries during the last five years. The average rate remained high in the subregion (4%), but clearly lower (by about half) than in Southern African countries. The major concern here is the rising incidence. In spite of the efforts made in prevention and in antiretroviral treatment, the incidence has hardly declined since the beginning of the 2000s. It is estimated that of the 38.6 million people living with HIV/AIDS in the world in 2005, there were about 5 million adults and children in West Africa and about 24.5 million in sub-Saharan Africa.

13. Apart from the rise in AIDS incidence, there was a concomitant resurgence of malaria in the subregion, which compromised the goal of reducing its incidence by three-quarters by 2015. Consequently, malaria remains the leading cause of death in the population and the primary cause of death among children under five. In 2000 for example, of the 906,000 deaths of children under five, 880,000 (97%) were in sub-Saharan Africa and 360,000 (40%) in West Africa. In terms of the proportion of the total population affected in each country, this disease is taking a heavy toll on almost all West African countries, particularly Ghana (11.3% of the population), Benin (10.4%) and Guinea (9.7%).

**14. Ensure sustainable management of natural resources, in particular access to drinking water.** Most countries in the subregion have national environmental action plans (NEAP). These plans clearly set forth rational natural resources management policies to combat problems related to deforestation, desertification, overgrazing, over-stripping and soil erosion,

coastal and wind erosion and salinization. However, owing to the lack of mobilization of financial resources by financial and technical partners for the implementation of projects and programs identified by the countries, these policies have not been able to halt the continuing degradation of the environment, especially in the Sahel. In some cases, these problems were compounded by the side effects of some aggressive economic development policies and initiatives, such as the expansion of exclusive cotton production areas in Mali and Burkina Faso. In other cases, erosion resulted from the persistent use of extensive and low-yielding production techniques such as transhumance and the excessive forest clearing for fuel wood.

15. In addition to the rational management of natural resources, there is the essential question of access to safe water. Of the approximately 1.1 billion people in the world who have no access to drinking water, 25% of them live in sub-Saharan Africa and 10% in West Africa, where close to half of the population (42%) still do not have access to drinking water. Apart from the problem of access to drinking water, the subregion faces other challenges in the area of environmental protection, in particular waste management, biodiversity conservation, soil fertility management, logging and natural disasters. Only renewed awareness and the accelerated implementation of national plans can help reverse the trends and put the subregion back on the critical path towards achievement of the MDGs. To this end, there is need to operationalize existing NEAPs and help to speed up formulation in countries that do not have one yet.

**16. Develop a global partnership for development.** Significant progress has been recorded in this area at the continental level (African Union, NEPAD) and at the multilateral and regional bloc levels. In particular, and within the context of the World Trade Organization (WTO), emphasis was put on the reduction and elimination of trade barriers through reciprocal actions, including the agricultural subsidies provided by some developed countries. In this same context, Economic Partnership Agreements (EPA) are being discussed between the regional blocs (including ECOWAS) and the European Union. These agreements seek to better coordinate trade with development policies by combining the objective of reducing trade barriers with that of transforming the economies of poor countries and enhancing their integration into the global economy

17. However, and only recently, African leaders deemed these different measures insufficient and ineffective because of the conditionalities tied to their implementation. Hence, they decided to institute the New Partnership for Africa's Development (NEPAD), which is strongly supported by donors. Henceforth, it is through this new partnership that ties between Africa and the rest of the world are being deepened. In spite of these initiatives aimed at promoting development, developed countries still have to make more efforts: for example, by reducing agricultural subsidies, which penalize agricultural exports from African countries. They should also eliminate the remaining non-tariff and protectionist trade barriers which prevent African exports from entering their markets.

18. Debt relief for poor countries is the most outstanding development in "North-South" partnership in recent years. Remarkable progress has been made in this area thanks to the Heavily Indebted Poor Countries' Initiative (HIPC) and the Group of Eight's (G8) recent Multilateral Debt Relief Initiative (MDRI, 2005). Apart from countries in conflict such as Liberia, Côte d'Ivoire and Togo, most countries in West Africa have reached the decision point. Better still, close to half of the countries have already reached the completion point and obtained considerable debt relief, notably Burkina, Benin, Ghana, Mali, and Senegal.

## **2. Priorities of the West African Regional Poverty Reduction Strategy**

19. Regional strategy guidelines and policies can be summarized under four main thrusts, as follows:

- Thrust 1: Management of cross-border challenges, notably conflicts, and promotion of democracy and good governance to strengthen social cohesion within countries;
- Thrust 2: Promotion of subregional economic integration in order to cut costs and enhance competitiveness with a view to accelerating diversification and boosting growth;
- Thrust 3: Development/interconnection of infrastructure to support the economic integration and enhance the competitiveness of the subregion;
- Thrust 4: Increase human capital and facilitate its mobility within the community with a view to supporting growth and making it distributive.

### **Thrust 1: Management of conflicts and promotion of good governance to strengthen social cohesion and enhance the efficiency of policies**

#### **Conflict management and prevention**

20. Of all the major “ills” that plague the subregion, none has been more destabilizing and more impoverishing in all respects than conflicts. In essence, conflicts are also a real “regional” challenge: (i) they stem from causes that are common to all countries in the subregion such as poverty and the various concomitant types of marginalization, as well as poor governance; (ii) their consequences extend well beyond their “sources” and affect neighboring countries (regional “externalities”); (iii) consequently, effective conflict management or prevention is beyond the capacity of any one State, and so requires concerted action or even an integrated approach.

21. In fact, the direct and indirect human and social costs of conflicts in the subregion are considerable, although sometimes difficult to quantify. For example, according to 2003 estimates, two out of three people (65%) in West Africa (ECOWAS) live in a country severely affected by conflict, the highest incidence in all the regional blocs. The human and social consequences are catastrophic and disproportionately affect the poorest social groups, especially the poor, women and children. For example, in 1996 one-tenth of the Liberian population was killed and one-third of the remaining population were refugees - predominantly children and women living outside its borders.

22. Moreover, the effects of conflicts transcend national “sources” and affect neighboring countries. This is the case with vast migratory movements within and beyond national borders. These people live under precarious conditions and in distress, have considerable difficulties integrating into the host society and are uncertain about a quick return to their countries of origin. For example, the conflicts in Sierra Leone and Liberia have created a refugee population that corresponds to 15% of the population of Guinea, one of the main host countries. In Côte d'Ivoire, it is estimated that more than 800,000 people have been displaced and 400,000 residents forced to leave the country. These displacements have very high social and economic costs for the displaced persons, the host community and, more generally, the economies of both “source”

countries and neighboring countries. Such volatile conditions, survivalist behavior, and concomitant violence and abuse are fertile ground for the proliferation of other dreadful “ills” in particular communicable diseases such as HIV/AIDS.

**23. The economic cost of conflicts is equally high and “regional”.** For example, a WAEMU study estimates that the conflict in Côte d'Ivoire has reduced economic growth by some 2 (1.7) to 4 percentage points in relation to the basic trend (about 5% annual average rate) during the last three years. In general, the destruction of economic infrastructure and human capital as well as the systematic diversion of official development spending to defense are factors that discourage private investment, hinder production and trade, and consequently compromise prospects for sustained growth and poverty reduction. Furthermore, conflicts have contagion and pauperization effects which spread rapidly from one country to another in the subregion. For example, according to one conflict analysis (Collier, 2003), when a country is in conflict, there is more than one out of two chances (55%) that at least one of its neighbors will experience conflict in the near future. This phenomenon is even more pronounced in the subregion where there is great mobility and extensive interpenetration of the populations.

24. All in all, on account of their pauperization effects and regional externalities, conflicts are the major challenge facing the subregion and the greatest obstacle to effective implementation of national poverty reduction policies and to progress towards the MDGs. Consequently, conflict prevention and resolution is the top priority of the West African regional poverty reduction strategy.

**25. ECOWAS member states have already made commendable progress with respect to conflict management.** After experimenting with direct and essentially military intervention (the case of ECOMOG in the Liberian conflict), the subregion has gradually put in place a more comprehensive and better “integrated” approach to manage conflicts. This new approach emphasizes effective prevention and rapid resolution of conflicts and manages the return to peace and development through the reintegration of combatants into economic, political, and social life. Important achievements include the establishment for all of ECOWAS of the “Mechanism for Conflict Prevention, Management and Resolution, Peace building and Security”. This mechanism includes an early warning system as well as a deployment and support system for peace building operations. In addition, ECOWAS has become particularly proactive and has acquired considerable experience in “Preventive Diplomacy and Mediation”, which it almost always implements in cooperation with the United Nations and the African Union. This proactive attitude was particularly evident in the management of conflicts in Sierra Leone, Côte d'Ivoire, and Togo. At the same time, the subregion has also gained considerable know-how in developing and implementing Disarmament, Demobilization, Reintegration (DDR) programs and in providing conflict-related humanitarian assistance.

26. Regional organizations are determined to work closely with member states to strengthen conflict prevention mechanisms and ensure their effective implementation in countries. In the short term, this involves (i) ensuring better implementation at the national level of decisions taken at the regional level; (ii) developing special programs to protect and reintegrate child-soldiers and women combatants into economic and social life; (iii) establishing a common expertise policy on DDR programs in the region; and (iv) strengthening community development, local information networks, and conflict prevention methods at the grassroots.

### **Promotion of good political governance**

27. Studies and country experiences have shown that conflicts often stem from two key factors that form a vicious circle: on the one hand, extreme poverty and different forms of inequality, marginalization and alienation which disproportionately affect some social groups; and, on the other hand, poor governance in the management of national wealth and of public goods and services (economic governance) and also in the exercise of political power (political governance). Indeed, it has been noted that most conflicts in the subregion broke out either as a result of the inequitable distribution of wealth (e.g. conflicts in oil-producing countries), or as a consequence of pressure from the renewed forces of multipartism and democracy. Some leaders try to stem such pressure by using various ploys (arbitrary amendment of the constitution for electoral purposes, blatant manipulation of the electoral process, etc.); while others opportunistically take advantage of the situation by playing on regional, ethnic, religious and other differences for electoral ends, thereby generating or exacerbating social tensions.

28. Populations, governments, and regional organizations have become aware of this perversion of the democratic process and are determined to promote the advent of democracy from the grassroots to the center and good governance to defuse tensions, strengthen social cohesion and effectively prevent conflicts. In this regard, it is encouraging to note that several post-conflict countries in the subregion have already set up important mechanisms to consolidate the democratic process. Examples include the Institute for Peace and Conflict Resolution and the National Action Plan for Conflicts in Nigeria; the Independent Electoral Committee in Benin, Ghana, and Niger; facilitation of the population's access to the judiciary system and the establishment of the National Reconciliation Commission in Ghana, etc.

29. It is encouraging to note that these experiences have already borne fruit. For instance, in spite of some shortcomings, the electoral process has been considerably strengthened over the last ten years in several West African countries that have held at least two successive presidential elections without any notable upheavals (Benin, Burkina Faso, Ghana, Mali, Niger, Nigeria, and Senegal). These elections have sometimes led to a peaceful change of power at the helm of State, notably in Ghana, Benin, Mali, and Senegal. Such experiences need to be consolidated, studied and replicated in all countries of the subregion in order to promote democracy and thus improve political governance.

30. At the regional level, and in keeping with African Union (AU) provisions, the organizations aim to involve states in a process that seeks to harmonize constitutions and electoral laws (duration and length of tenure, eligibility conditions, etc.) in order to promote political convergence and develop a culture of democracy and diversity in the subregion. Such harmonization mainly concerns electoral institutions and procedures (for example, expanding the reach of the Independent Electoral Commission and limiting presidential terms of office) and, above all, the reaffirmation of citizens' rights and freedoms and implementation of measures to protect and promote such freedoms. To facilitate this process, regional organizations are striving towards the development of private opinion poll institutions and activities. The objective is to promote the emergence of a more educated and informed public opinion by developing a real information market that reveals public preferences on candidates to public office, the quality of public services and the management of public affairs.

31. In this regard, and on the recommendation of the Heads of State, WAEMU launched an important initiative, namely the creation of an Inter-parliamentary Committee (IPC/WAEMU) to

consolidate democracy. The specific aim of the IPC is to reinforce the electoral process in member states and work closely with ECOWAS on the effective prevention and rapid resolution of conflicts in the subregion. The WAEMU Inter-parliamentary Committee comprises five (5) members per State, appointed by the parliament of each member state. Through dialogue and debate the Committee helps to promote good governance and contributes to conflict prevention and resolution by investing fully in the democratic lives of states. The actions of the IPC include assessing the sociopolitical condition in states, supervising elections by sending observers, and setting up a mediation structure in case of conflict, namely the Parliamentary Committee for Peace (PCP/WAEMU).

32. The challenge for regional structures is to avoid parallelism of effort or “duplication” and seek greater synergy and better sharing of responsibilities between WAEMU and ECOWAS initiatives in the areas of conflict prevention and consolidation of democracy. Considering the substantial progress already made within ECOWAS and the key role played by Nigeria and Ghana, it is desirable that ECOWAS actions be adopted in this area.

33. For their part, all member States have already integrated the abovementioned major principles into their national laws, and subscribed to them within the framework of the African Union and the UN Charter. The challenge, once more, lies in implementation; in honoring commitments made and effectively factoring them into the national policies, culture and practices. This is the crucial task that regional organizations intend to focus on in the medium term and under the RPRSP.

#### **Promotion of good economic governance**

34. Efficient and transparent management of national wealth and public services helps to accelerate development and foster social cohesion, and thus constitutes a key instrument for simultaneously combating poverty and preventing conflicts. Economic governance comprises several components, which include (i) direct administrative management (strategic management from planning to budgeting, public finance management the mobilization and allocation of resources and the effective execution of budgets and actions); (ii) management of public services (social, infrastructure, in a more or less deconcentrated or decentralized manner); and (iii) indirect support for private sector development by boosting competition, markets, and the general business environment.

**35. Strategic planning with PRSP and results-based management.** Countries in the subregion have experienced important innovations since the adoption of PRSPs and have gradually moved towards strategic management based on objectives and performance. This process was supported by development partners, in particular the World Bank. Indeed, after abandoning the five-year development plans of the 1960s and 1970s, and transiting through a period of short term financial management focused on fiscal consolidation, the countries have gradually returned to strategic management under the new generation of PRSPs.

36. Significant efforts have been made in some countries to break down the PRSP into sectoral strategies and better match State budgeting with the needs and priorities of such strategies. In particular, Ghana, Burkina Faso, and Benin have implemented Medium-Term Expenditure Frameworks (MTEF) as well as sectoral program budgets which improve allocation of budget resources to sectors and ministries while covering the needs of PRS priority programs. In the process, special attention is paid to the essential issue of monitoring and evaluation. More

importantly, PRSPs, sectoral strategies, MTEFs, and program budgets come with monitoring indicators that make it possible to set targets and measure progress towards attainment of such targets (including the MDGs) during implementation of the relevant programs, projects, and actions. This integrated line of management instruments (PRSPs, sectoral strategies, MTEF, program budgets, and statistical and institutional mechanisms for monitoring and evaluation) henceforth constitutes the bedrock on which states have gradually re-established strategic planning and are moving towards objectives-oriented and performance-based management.

37. The targeting of common goals (universal education, reduction of mortality, macroeconomic stability, and sustained growth, etc.) and assurance of greater efficiency in State actions through harmonization of standards and the general implementation of results-based management principles and instruments can considerably boost economic and social convergence among countries in the subregion. Hence, concerted efforts must be made with regional organizations and development partners in order to encourage the generalization of this strategic approach to all countries in the subregion.

38. However, it is also important to emphasize that strategic management essentially remains the prerogative of national governments. Consequently, in accordance with the principle of subsidiarity, regional efforts should focus on harmonizing strategic objectives, raising awareness among states, and facilitating the sharing of experiences with a view to promoting emulation and a convergence of strategic visions, objectives, policies, and management instruments, which would lead, in fine, to a convergence of outcomes, notably in terms of growth and social development. Consequently, the Commission and the Secretariat should take the lead and organize awareness-raising forums for states and facilitate the sharing of best practices in strategic management. In particular, the respective experiences of Ghana, Burkina Faso, and Benin should serve as examples that can be studied, reinforced, and emulated.

**39. Public finance management.** A similar approach should be adopted in the other areas of administrative management, particularly public finance management. Over the last ten years, states have made considerable efforts in this area through structural reform programs. In particular, countries made significant progress in the areas of transparency, accountability, and integrity in public finance management. Such progress stems from the implementation of national good governance and corruption control programs by the States, often with support from development partners. In this regard, financial control consolidation institutions were created or reinforced, and most countries have an audit office with different levels of autonomy (autonomous audit offices in Burkina Faso, Guinea Bissau and Senegal, or an Audit Bench within the Supreme Court in Benin, Côte d'Ivoire, Mali, Niger, etc.). In all cases, efforts have been made to lend financial and political independence and autonomy to fiduciary control institutions.

40. This process is supported by regional efforts. For example, WAEMU has prepared a guide for the audit offices in an effort to harmonize auditing procedures. Similarly, a code of transparency in public finance management has been adopted as well as a West African Accounting System (SYSCOA) to standardize public accounting practices and improve the traceability of spending. Moreover, most ECOWAS countries also participate in major complementary activities to combat corruption and enhance public finance management efficiency. For example, countries have strengthened their public procurement systems to make them more transparent and more competitive. Also, a number of countries participate in the

international initiative to fight money laundering and, to this end, have created National Financial Information Processing Units (CENTIF).

41. However, as in the case of strategic management, regional organizations plan to refocus and sequence their efforts in order to provide effective support for national programs. They intend to focus on awareness-raising and facilitation through exchange forums and the harmonization of standards and practices, rather than on developing regional initiatives in parallel with national programs. In particular, greater regional effort is needed to reconcile/harmonize practices between WAEMU countries and the rest of ECOWAS, especially in procurement reform, and also to encourage countries to participate in regional initiatives aimed at promoting governance, such as the African Peer Review Mechanism (APRM), following Ghana's example.

42. **Management of public services** is another aspect of economic governance where the regional framework can encourage emulation. As in the preceding cases, countries in the subregion have implemented major structural reform programs that have improved the management of public services. Within the framework of the PRSP, in particular, decentralization policies have been implemented to bring services closer to users, thus improving the quality and efficiency of, and access to, services. These reforms concern basic social services such as education and health, as well as the management of infrastructure services such as roads, electricity, and water. Once more, these areas are already covered under national programs and regional support should take the form of awareness-raising and sharing of experiences and best practices among countries.

43. **Promoting competitiveness and creating an enabling environment for private sector development** is another component of economic governance and a pillar of national strategies. In this area, more than in the preceding cases, regional strategy can play a decisive role to complement national policies. This involves enhancing competitiveness, promoting consolidation and cutting costs within the subregion. This is precisely the objective of the market integration policies (for goods, services and factor markets), which are summarized in the following sections.

**Thrust 2: Promotion of regional economic integration in order to cut costs and enhance competitiveness with a view to accelerating diversification and boosting growth**

44. To achieve substantial and sustained poverty reduction, income per capita needs to increase by at least two percentage points above the “vegetative” level at which all the countries in the region have stagnated (~1 to 2 per year over the last five years). To this end, and concomitantly with the increased focus on the abovementioned major cross-border challenges, countries in the subregion are determined to step up economic integration in all its forms—macro, trade, infrastructure, etc. so as to make it a real lever of diversification and growth. The key objective of this strategic pillar is to create a large, open economic community that will generate economies of scale and promote competition through the free movement of operators, factors, and goods. Such a “defragmented” community, which is also more competitive, will boost local and foreign private investments and, consequently, accelerate diversification and enhance growth. This strategic pillar comprises: (i) macroeconomic policies aimed at strengthening macroeconomic stability; (ii) trade policies aimed at integrating the goods and tradable services market; and (iii) factor market development and integration policies.

### **Consolidation of macroeconomic stability**

45. Macroeconomic stability is essential for containing inflation, thereby maintaining purchasing power, reducing investment risks, and creating conditions conducive to sustained income growth. Regional policies concern the harmonization of monetary, fiscal, and budgetary policies in order to promote macroeconomic convergence and stability. In particular, monetary policies aim to maintain a stable and credible exchange rate that also enhances economic competitiveness. Fiscal and budgetary policies seek to consolidate public finance, reduce indebtedness and reorient direct public spending towards productive sectors and social sectors in order to boost growth and development.

46. The subregion has made significant progress in harmonizing macroeconomic policies, especially within WAEMU. Such progress includes (i) an integrated monetary policy managed by the BCEAO; (ii) greater harmonization of domestic taxation and customs duties; and (iii) a formal multilateral surveillance process to control public finance imbalances and promote convergence. Since 2000, the WAEMU model has become the benchmark for macroeconomic cooperation policies within ECOWAS. In this context, important regional programs have been launched by the ECOWAS Executive Secretariat to strengthen macroeconomic policies within the Community. Here again, with the regional framework and policies in place, the challenge lies in effective rigorous implementation by the states.

**47. Consolidating the macroeconomic framework.** This involves strengthening the Multilateral Surveillance mechanism by consolidating the Convergence Pact and fine-tuning convergence criteria within WAEMU. Moreover, with the advent of the PRSPs and Medium Term Expenditure Frameworks (MTEF), greater attention should be paid to sectoral allocation of expenditure (for example, what goes to infrastructure and to social sectors), and the ensuing consistency between investment spending and operating expenditure.

48. At the level of ECOWAS, the Secretariat intends to continue the policy of harmonizing convergence criteria with WAEMU through the effective implementation of the multilateral surveillance mechanism within the Community. Such harmonization is also necessary for monetary policy convergence for non-WAEMU countries. To this end, the Secretariat needs to double its efforts to strengthen and enhance the operation of National Coordination Committees (NCCs) which are similar to the NEPCs within WAEMU.

**49. Strengthening monetary policy convergence.** The objective is to pursue the elimination of monetary non-tariff barriers in order to create a conducive environment for the introduction of a single currency within the ECOWAS space. To this end, the gradual liberalization of currency markets in key countries (Ghana and Nigeria) and exchange rate adjustments within the framework of structural adjustment programs have largely contributed to the equilibrium of these rates, thus promoting the convertibility of the current account transactions of most member states. In the short term, the priority is to strive for greater convergence in the macroeconomic policies of member countries of the “secondary” monetary area (specifically Ghana and Nigeria) in order to lend greater credibility to the secondary monetary area creation project. Subsequently, efforts should be made to ensure greater convergence between the two areas to hasten the ultimate creation of a single currency.

**50. Harmonization of tax policies.** Within WAEMU, and in addition to the implementation of a common external tariff (CET), significant efforts have also focused on harmonizing

legislation on VAT, excise taxes, and taxation of oil-products and SMEs. In the medium term, member states plan to set up a rigorous reform surveillance mechanism to ensure effective implementation of reforms. Harmonization efforts in the other ECOWAS countries do not yet feature clearly and formally on the agenda, although tax ratio targets have already been defined as part of efforts to identify convergence criteria. An important study, currently underway, on indirect taxation in member states in the West African Monetary Zone (WAMZ) should lead to a formal process for fiscal harmonization in these countries.

### **Greater integration of the goods and services market**

**51. Effectively reduce barriers to regional and global trade.** Stepping up regional and global trade is the main lever for speeding up economic transformation, increasing investments, and accelerating growth. More specifically, promoting exports from the region to a global market that is more competitive and much larger than the poor, fragmented and thus narrow markets in the subregion also speeds up economic transformation. Meanwhile, the effective promotion of exports or increase of imports requires a significant improvement in the overall competitiveness of the subregional economy. The regional organizations and member states are well aware of this imperative and are determined to create a real common market that is open and competitive, and that serves as a launching pad for operators to integrate the global economy. To that end, they plan to strengthen and, above all, more efficiently implement common policies on trade, tariffs, financial market integration and other areas, within WAEMU and the entire ECOWAS region.

52. As noted elsewhere, there is a worrying gap between the effervescence of agreements and protocols and the reticence or timidity of member states in effective implementation. Indeed, WAEMU has made commendable advances in setting up the CET and adopting attendant measures to the community trade liberalization scheme (harmonization of customs and statistics instruments such as certificates of origin, customs and statistics nomenclature and customs declarations). However, outcome indicators show effective implementation is still well below target. For example, import calculations indicate that effective tariffs and protective rates in the region are still high, and are generally closer to 20% than to the simple mean of 15% targeted by the CET. Furthermore, in spite of considerable efforts by regional organizations, there are still numerous non-tariff obstacles that particularly impede cross-border trade, which involves a large number of small operators, especially women.

53. The top trade policy priority for WAEMU, therefore, is the effective implementation of the CET and consolidation of measures to facilitate trade among the countries. In this regard, the Commission and member countries intend to redouble efforts to implement the following specific measures: (i) establish a trade surveillance mechanism based on implementation, outcome, and impact monitoring indicators; (ii) accelerate work to harmonize legislation on customs codes and customs exemptions; and (iii) accelerate the effective implementation of laws on competition in all countries in the Union.

54. They also intend to focus more attention on facilitating trade within the Union, including cross-border trade. To that end, emphasis should be laid on the implementation of the following priority programs: (i) the community program to build control posts on both sides of the border between member countries; (ii) the program to simplify and harmonize administrative procedures and port transit; (iii) the program for infrastructure corridors, including an observatory of abnormal practices along these corridors; (iv) the regional program to facilitate inter-State road transport and transit (ISRT); and (v) the interconnection of customs and ports computer systems.

55. Some non-WAEMU ECOWAS countries have already undertaken major trade policy reforms under adjustment programs. This should be expanded to other countries. Specifically, Ghana has liberalized trade and considerably simplified its tariff structure, thus cutting down its simple mean rate and dispersion to WAEMU levels (about 15%). In contrast, and despite recent efforts, Nigeria which accounts for about half of the subregion's GDP, population, and trade is still lags behind Ghana and WAEMU, with respect to the implementation of trade reforms. It is essential that Nigeria move fast to close this gap in order to lend credibility to the ECOWAS free trade area and envisage rapid progress towards a customs union with the possible implementation of a subregional CET.

56. The implementation of trade facilitation measures should also enhance cross-border trade, which is often “informal”, and involves “small operators”, especially women and the poor. In particular, a non-negligible proportion of the population in Benin and Niger “live” on cross-border trade with Nigeria.

**57. Establish standards to facilitate subregional export trade.** Most products marketed within or exported from the subregion (e.g. agro-industrial products) are “raw” or semi-processed. The greatest obstacle faced by these products in penetrating international markets is non-tariff in nature; namely, the issue of quality standards. Even in the absence of tariffs, quality standards have become more and more strict, particularly on the European market, and especially on perishables (fruits and vegetables, meats, etc.) or handicraft, which constitute the main exports of West African countries, in addition to traditional cash crops (coffee, cotton, cocoa). Issue related to standards and certification also concern subsistence crops marketed in the subregion, such as plantain, cowpea, cassava and livestock products. This explains why promoting regional and global trade requires a substantial community effort to establish quality standards and subregional mechanisms for certification and accreditation of product quality.

58. There are two aspects to this issue. The first is to provide exporters in the region with training and information on the norms and standards in countries outside the area, and also facilitate the product certification process for them; and the second is to define and standardize quality norms for subregional products and institute an accreditation system. In both cases, significant progress has been recorded in recent years, especially in WAEMU. A good example to emulate is Burkina Faso. WAEMU has worked closely with Burkina Faso to establish standards for Burkinabe products. A body (FASONORM, 2001) was set up for this purpose, with the following mission: (i) standardization (definition and dissemination of standards); (ii) certification (managing product quality and compliance with standards) and (iii) awareness-raising, information, and advice to operators on standards in Burkina and in markets outside the area. To this end, a standards data base was developed and is available on “Trade Point” for consultation by operators. This is one example of a best practice and should be extended to the rest of the Community.

#### **Greater integration of factor markets and consolidation of the private sector**

**59. Enhance the financial market and develop financial products for the poor.** Enhancing the financial market and expanding it to the poor, especially in rural areas, is a major challenge for diversification and inclusive growth in the subregion. The weak investment rate in countries of the subregion (about 20% of GDP in 2003) is attributable primarily to insufficient domestic savings, credit, and foreign investment (only 2% of GDP). Promoting diversification to accelerate growth requires a higher investment rate and greater capital efficiency. To this end,

countries in the subregion are determined to integrate and consolidate the financial market. As with the goods market, the objective is to defragment and thus expand financial markets, to diversify products and thus reduce risks. This would generate scale effects and competition, thus helping to cut costs and improve the quality of services, and promote long-term financing instruments to support investment and growth.

**60. The subregion has made substantial progress on financial systems, especially within the WAEMU area.** WAEMU has an integrated financial market, comprising (i) a payments system that is being modernized, and (ii) a regional stock exchange (trading shares, bonds, and treasury bills). The entire subregion has also experienced a boom in credible regional financial institutions, in particular commercial banks such as ECOBANK and BOA, and development banks such as the WADB (West African Development Bank) in the WAEMU area and the BIDC in ECOWAS.

61. In the medium term, the main challenge is to develop long-term financial products for investments and to do so within the framework of ECOWAS. To that end, it is important to pursue efforts to improve the operation of the WAEMU regional stock exchange and, above all, to promote its interconnection with the markets in Ghana and Nigeria. This will expand the list of companies registered on the different markets through cross-listing, thus mobilizing more substantial resources, notably from Nigeria. This will also make it possible to better identify risks and use the stock exchange as a springboard for facilitating foreign investment, especially for major industrial projects or infrastructure.

62. Such greater interconnection should also be accompanied by the facilitation of payment mechanisms between the CFA zone and the rest of ECOWAS, and the harmonization of financial product taxation policies in the subregion. In this vein, bringing the WADB and the BIDC closer would be desirable, to allow a greater scale of operations, a wider and more diverse area of intervention, and thus increased efficiency for long-term financing. These structures should be encouraged to enter into partnerships (consortium) with private regional institutions such as ECOBANK and BOA to finance major integration projects for the subregion.

63. In parallel with efforts to consolidate the “formal” market, more attention should be paid to the development of appropriate financial products for small operators and the poor. Indeed, one of the main obstacles impeding the integration of poor and rural communities into the economic process is limited access to credits for financing investment or production and marketing activities. During participatory consultations in countries of the subregion this obstacle and infrastructure were often cited as two of the greatest causes of marginalization and perpetuation of poverty. Hence, the expansion of financial services to poor communities and rural areas constitutes the linchpin of the inclusion strategy in country PRSPs.

64. The key issue is, knowing what can be effectively done at the regional level to complement national policies within the context of an integrated financial market. In this regard, there are two major types of institutions whose mission is to mobilize savings and facilitate access to credit for the poor. These are (i) microfinance institutions, which are essentially private, national, and governed by common banking regulations (for those that are located within WAEMU); (ii) financial branches of post and telecommunications (P&T) companies, which remain public or semi-public; and (iii) the Banque régionale de solidarité (BRS), which covers WAEMU countries and which is subregional, although it is “autonomous” national branches.

65. However, considerable doubts remain as to the long-term sustainability and efficiency of a market in which public or community structures such as the BRS cohabit with private microfinance structures. That is why the subregion needs to step back and reconsider the various options so as to identify the most efficient and sustainable ways of expanding the financial market to poor and rural communities. One possible solution for facilitating access to savings and credits is to provide “incentives” to the formal financial system or private microfinance institutions to perform that service. For example, this can be done by setting up preferential mechanisms for the refinancing of certain types of credits at the central bank. A complementary solution would be to use the resources of a structure like the BRS to refinance microfinance operators, thus encouraging them to expand their services to poor communities. Finally, the States can envisage cooperation/integration mechanisms between the BRS and the P&T financial services, which already have the logistical capability to reach remote and poor areas. It is important that the approaches adopted at the regional level comply with the guiding principles of community intervention, notably subsidiarity and compatibility with private sector growth.

**66. Facilitate the free movement of persons and access to productive activities.** From the Malian Empire (14<sup>th</sup> and 16<sup>th</sup> centuries) to the colonial period (1850-1960), West Africa has always been the arena of vast migratory movements, particularly in the Sudano-Sahelian region. With the advent of colonization, the need to develop new territories also fuelled migratory movements in the subregion. After the Second World War, ambitious plantation development programs generated huge migratory flows, particularly from the Sahel to the forest and coastal areas. This process grew in tandem with environmental difficulties, in particular the droughts of the 1970s and 1980s in the Sahel which sparked an intense migratory drive towards coastal countries. Economic difficulties and conflicts in some countries also amplified inter-country migratory movements in the subregion. According to different sources of data, approximately 4% of the West African population is affected by cross-border displacements and, in the large urban centers of coastal countries (Abidjan, Accra, etc.), approximately one-quarter of the population is made up of migrants. The causes are numerous and complex: rural-urban migration, agricultural colonization, displacement due to conflicts or simply the search for better economic conditions.

67. In general, “voluntary” migration (that is, the search for better economic opportunities) leads to the concentration of labor in development “hubs”. Consequently, such migration is conducive to economic transformation and the acceleration of growth in host country/areas. In return, remittances from migrant workers to their home countries/areas and their contribution to savings and investment are important mechanisms for redistributing growth dividends to such countries/areas. Hence, migration is a factor of economic transformation, growth and poverty reduction.

68. However, the difficulties encountered by host countries in managing migratory flows can also aggravate poverty and breed tensions. Since migrants are not effectively integrated into the economic system, they often find themselves crammed in “enclaves” of poverty in peri-urban areas, especially in coastal cities. This puts a considerable strain on social infrastructure and services, which are often deficient in such areas; it also aggravates exclusion and marginalization and fuels prejudice, tensions, and conflict in the population. These problems tend to worsen and degenerate into sporadic crises when the host country is facing economic difficulties or political tensions.

69. Considering its positive effects on economic transformation, growth and redistribution of growth dividends, and in mitigating the risk of tension and conflict, more consistent management of migration is a priority for the West Africa regional poverty reduction strategy. It is also encouraging to note the significant gains already made in this area by ECOWAS. A protocol is in place to promote the free movement of persons and guarantee their transit rights and right of establishment from one country to another. These measures have had a positive impact on migratory movements (for example, the right of Community citizens to travel within the region without a passport or visa, the right of establishment and to work, etc.).

70. The challenge lies in reaffirming these fundamentals, strengthening the protocol, and, above all, ensuring scrupulous implementation by member states. To this end, the regional framework first needs to be reviewed this involves clarifying the economic and political rights of migrants, citizenship conditions in the host country, conditions for holding public office, etc. Second, national laws need to be aligned on the regional framework in order to harmonize practices and guarantee the same rights for all peoples throughout the West Africa region.

71. In addition to these fundamental components, it is important to prepare a subregional urbanization/development strategy for effecting a redeployment of the population that is more in line with available economic opportunities and for ensuring better occupancy/development of the regional territory. An example is the implementation of an “incentive” strategy for redeploying the population through the integrated development of some cross-border areas (e.g. Khorogho/Odienne/Bobo-Dioulasso for fruits and vegetables) and river basins (e.g. the Niger basin for rice production).

**72. Facilitate access to employment and to property.** Beyond the migration-related issues discussed above, ECOWAS member states must also address other equally important aspects of labor market integration. This involves not only the right to work, but also access to income-earning assets. Unlike tourists and refugees, migrants are on a quest for income-earning activities, as employees or private operators in the agricultural, industrial and services sectors. In this regard, private workers and operators do not enjoy equal privileges from one country to another because of the heterogeneity of labor market laws. Harmonization is necessary to ensure that migrants have the same rights to income-earning activities in all countries in the Community. The Commission and the Secretariat plan to launch a comprehensive study on this topic, comparing current laws to propose an action plan that aligns them with the regional framework and the key objective of labor market integration.

**73. Facilitate access to land.** This is a special case of easing access to income-earning assets. To facilitate the integration of migrants in rural areas, the subregion should review and harmonize laws on access to land i.e. use and ownership. In this area as well, studies also reveal great heterogeneity in various national legislations, which undermines the very foundation of regional integration and a common agricultural policy. The promotion of exports in new agricultural sub-sectors (for example fruits and vegetables), import substitution (for example rice and cereals) and the growth of manufacturing industries processing agricultural products require a substantial improvement in methods and scale of production. This is only possible if operators that are well-trained and better-equipped can freely settle in areas that are suitable for profitable crops and become the agents of “industrial” agriculture. Consequently, the challenge for the subregion is to organize a real market for land to attract producers and investors to areas that yield the most profitable crops for export or for import substitution.

74. In 2003, after the Bamako Regional Conference on “Rural Lands and Sustainable Development in West Africa”, CILSS was mandated to help West African countries to prepare a Subregional Land Charter. In the same year, this recommendation was endorsed by the Heads of State, CILSS and ECOWAS. The Charter is currently being drafted in CILSS. The harmonization of land policies will require: (i) the definition of land-use and ownership conditions; (ii) the establishment of village land registries, specifying the boundaries of community land, as well as the conditions for leasing them to non-community operators; and (iii) better sensitization of the land market to land prices and lease conditions, as in urban areas. Concomitantly, it is important to harmonize national laws at the regional level and to guarantee legal redress for operators in case of dispute. This will help defuse tensions and prevent conflicts within the population, especially between “indigenous” and “non-indigenous” populations.

**75. Institutional support for the private sector, especially SME/SMIs.** As noted above, West Africa is still perceived as an unattractive environment for foreign direct investment (FDI), which is the recognized catalyst for transformation and growth. The share of FDI in the GDP of ECOWAS is only 2.2%, compared with 2.1% for all of sub-Saharan Africa, and this share is even less significant when investments in the mining sector and in infrastructures are excluded. This stems from constraints in the subregional business environment such as the small size of the markets, instability and political risks, insufficient liberalization, bureaucratic red tape, poor governance (corruption, deficient legal and judiciary system, etc.), as well as infrastructure services that are expensive, irregular, or of unsatisfactory quality (water, electricity, transport, telecommunications). This is compounded by the rigidity of the labor market, characterized by unskilled labor, a heavy tax burden that penalizes formal sector operators and the poor development of the financial market.

76. The countries have made commendable efforts to implement structural reforms in order to create an environment that is conducive to business. The regional effort will supplement these country reforms and extend them to the rest of the subregion, thereby increasing their scope, visibility, credibility and, consequently, effectiveness. The integration of markets and the harmonization of policies, discussed above, are the cornerstone of this effort.

77. Beyond these strategies, the mission of regional organizations is also to help build the institutional capacity of the private sector in the subregion. Specifically, this involves strengthening organizations that represent the private sector (Associations of Chambers of Commerce, etc.), facilitating trade and encouraging joint ventures. In this regard, special attention should be paid to SMEs/SMIs. Actions are underway in this area and should be strengthened. For example, the WAEMU Commission, WADB, and BCEAO recently conducted a study on the promotion and financing of SMEs. This resulted in an action program to promote and strengthen the institutional capacity of SMEs in the Union. Moreover, under the “Information and Dialogue” section of the private sector component of PARI II, the Commission was granted financing to support subregional consultations. This made it possible to support the creation of the Professional Organization of Cotton and Textile Industries (OPICT), which seeks to promote the textile industry in the subregion.

### **Thrust 3: Development/interconnection of infrastructure to foster the economic integration and boost the competitiveness of the region**

78. The integration of infrastructure services—transport, energy, and telecommunication—is the third priority component of the regional strategy. Since it seeks to link up markets, it stands as a

core supplement to the policy on the integration of goods and factor markets. This imperative has also been felt at the continental level, as evidenced by NEPAD's comprehensive infrastructure component.

79. By analogy with the distinction made above between goods markets and production factors (labor, finance, land, etc.) markets, there is need to distinguish between: (i) the development (construction, maintenance, and interconnections) of infrastructure as a factor of production; and (ii) the integration of the derivative services markets. The first case (the development of physical capacities to serve the subregion) in turn involves three types of investments: (i) infrastructure investments, which constitute national property and do not require "physical" links, but serve the interests of the subregion and the rest of the world (e.g. sea ports and airports); (ii) national investments, but which are best developed in coordination with other States to improve "exportation" of the resulting services to the subregion (e.g. power plants and dams for interconnection electricity grids, the ECOWAS road network, etc.); and (iii) "joint" investments that involve several beneficiary states and private structures (for example, Nigeria-Ghana gas pipeline, and the development of the Senegal and Niger river basins).

80. The second case involves the integration of the infrastructure services market, which falls within the framework of trade integration, specifically, trade facilitation policies (transport and transit between states and with the rest of the world). Priority actions related to these two aspects of regional cooperation on the development and integration of infrastructure services are outlined below for each type of infrastructure.

### **Transport**

81. **Road transport.** Substantial effort has been made within ECOWAS to develop an extensive road network for the entire subregion. Specifically, about 90% of the priority network of "ECOWAS roads" has been completed. On the whole, states have made a great deal of effort to keep these roads in good condition and the linkages (between countries) are well developed compared with other regions of the continent such as the CEMAC zone. In particular, remarkable progress has been made in the transatlantic (Dakar-Lagos) and "trans-Sahelian" (Dakar-Bamako-Ouaga-Niamey-N'Djamena) road programs in terms of miles built, and the quality and maintenance of the network.

82. In the medium-term, these gains need to be consolidated on three levels: (i) the completion of important segments that are still missing; (ii) the allocation of adequate resources by states for maintenance of the network to avoid otherwise higher rehabilitation costs; and (iii) the elimination of various impediments to movement on the network, in particular the numerous and arbitrary checkpoints. The regional organizations are aware of these challenges and intend to double their efforts to encourage member states to honor their commitments in order to improve traffic fluidity, especially on the major community road network. WAEMU has also envisaged a rural road network interconnection program, which will open up access to some cross-border areas and should clearly fall within the framework of integrated regional development projects for such areas.

83. Beyond coordinating road infrastructure development, the subregion has also made laudable efforts in facilitating subregional road transport. In particular, ECOWAS and WAEMU have designed a West African Regional Inter-State Road Transport and Transit Facilitation Program (TTRIE). This important program was supported by the World Bank under the Sub-

Sahara African Transport Policy Program (SSATP) and also falls under the implementation of the NEPAD short-term action plan. The TTRIE seeks to lower transport costs and boost the competitiveness of member states. Short-term and medium-term priority actions include: (i) effective enforcement of the provisions of the Convention on Inter-State Road Transit (ISRT); and (ii) adoption of standards on the Electronic Data Interchange for Administration, Commerce and Transport (EDIFACT). Furthermore, the various WAEMU countries are constructing twin checkpoints on both sides of the border to facilitate inter-State transactions.

**84. Maritime transport.** As with the road sector, and consistent with the principle of subsidiarity, the development of competitive port infrastructure that meet the needs of the subregion remains the responsibility of coastal states. Such States are also responsible--through national programs--for stepping up structural reforms to liberalize port services and cut transit costs and layover time. Regional efforts should continue to focus on inter-state aspects, notably pursuing reforms to simplify, harmonize, and streamline administrative and transit procedures in ports. Medium-term priority actions include: (i) the computerization of the entire port system and the setting-up of a network of computer systems for customs and port authorities; and (ii) the setting-up of a computerized system that will allow networking between systems and between states.

**85. Air transport.** Since the collapse of Air-Afrique and the implementation of far-reaching reforms by states, the subregion has recorded major developments in the air transport sector. New national and private airlines have emerged or developed (Air Burkina, Air Ivoire, Air Senegal, Ghana International Airways, Bellview, Virgin Nigeria, etc.) and market competition has intensified. The Yamoussokro Declarations (I and II) are the blueprints for integrating the air transport market in the subregion. In fact, since 2002, WAEMU countries have adopted a Common Air Transport Program. This program seeks to open up the air space of the Union and to develop an efficient transport system based on the international standards set out by ICAO. Medium-term priority actions include: (i) extending the Common Air Transport Program to other WAEMU and ECOWAS member states; and (ii) accelerating the implementation of the program in countries, through (1) the effective implementation of the priority action program, (ii) the establishment of a surveillance and tracking system in the sector, and (3) the speeding-up of efforts to harmonize legislation on the Community's civil aviation code.

**86.** The **rail transport network** is rather underdeveloped in West Africa. However, a study is currently underway (Africarail) to link the hinterland of the subregion with coastal areas in an effort to open-up access to landlocked countries like Burkina Faso and Niger.

### **Energy**

87. The subregion has a huge energy potential, which is concentrated in a few countries (namely, Nigeria (oil and gas), Ghana, Côte d'Ivoire and Guinea (hydro-electricity)), and under exploited (gas flaring in Nigeria, untapped potential in Guinea). Increased energy trade would contribute to the development/use of this potential and provide low-cost electricity to the subregion, especially to landlocked countries. For instance, for some years now, the lion's share of Niger's electricity supply is generated from connections with Nigeria, an arrangement that has substantially stabilized production and cut average power production costs for NIGELEC (the additional power generated by NIGELEC's thermal plant is more costly owing to high oil import costs). In Burkina Faso, the towns of Bobo-Dioulasso and Pô are powered by interconnections with Côte d'Ivoire and Ghana. Extension of the interconnection to Ouagadougou will

substantially cut power production costs in Burkina Faso.

88. In this respect, the subregion should finalize the various energy exchange projects; and in particular, make the requisite interconnections for the West African Power Pool. ECOWAS has prepared a master plan to harness the energy potential in the subregion; it was adopted by member states and focuses on energy exchange by the Power Pool. Moreover, many transnational energy projects to transport electricity (CEB-NEPA links) and natural gas (West African Gas Pipeline Project) are underway or being finalized. The key task in the medium-term is to harmonize the regulatory frameworks in order to develop a genuine energy market in the subregion. A Memorandum of Understanding on Energy has been prepared and is pending adoption by member states. The region is also putting in place a regional regulatory system while a specialized WAPP development agency has been established.

89. In addition, the region's statistics on access to energy are among the lowest in the world. For example, out of fifteen countries, only four have a global electricity access rate that is above 20%, while conventional biomass accounts for 80% of total energy consumption. Given the little interest in energy matters in the subregion, the lack of investments in the sector, and the importance of energy to human and economic development, the region is striving to give a fresh impetus to energy issues by, inter alia, seeking to improve conditions of access to energy for rural and peri-urban communities.

90. It is for this reason that ECOWAS prepared and adopted a regional policy to improve rural and suburban access to energy services (White Paper). This policy includes a regional action plan and an investment program focused on the achievement of the MDGs by 2015. The implementation of this program is based on an institutional and multi-sector framework established in all the member states, on building regional capacity to support and assist member states in developing and implementing requisite investment programs, and on the mobilization of funds at the regional level to support states in their investment programs.

### **Telecommunications**

91. States have made remarkable efforts over the last decade to reform the telecommunications sector in ECOWAS and WAEMU. Most of the countries have reviewed their sectoral policies, gradually liberalized the sector, including partial privatization of the state operator, and adapted their legal and regulatory instruments. At the regional level, the ECOWAS priority program INTELCOM I and II are the key initiatives. Ninety-five percent of INTELCOM I has been funded and implemented while INTELCOM II is underway. This priority program was supported through: (i) the establishment of a telecommunications regulatory framework; (ii) the creation of an association of regulatory agencies to ease harmonization; and (iii) the establishment of a telecommunications data management system.

92. In the medium-term, regional efforts should focus on developing a real market for telecommunications services. In particular, mobile telephony is in high demand in countries in the subregion. To improve the quality of services and cut costs for customers, installation and operating modalities need to be reviewed in line with the integration of service markets. Specifically, the regulatory framework should be reviewed to allow operators to market their services throughout the subregion after setting up shop in the country of their choice. This will stimulate competition and lead to the installation of modern and adequate capacities to achieve economies of scale. Similarly, mobile telephone operators should ease roaming across the

subregion. The setting-up of national and regional internet interchange points as well as high-speed internet capacity are equally envisaged. These products will help reduce the cost of communications and consolidate the market, expanding services to various areas and social groups such as youths, students, farmers, etc.

93. Concurrently, regional efforts should focus on “linking” the subregion to the major transnational networks with a view to strengthening capacity and reducing costs. This specifically applies to optical fiber and satellite connections. Major projects are underway in these areas and can benefit from regional facilitation.

**Thrust 4 : Strengthening human capital and facilitating movement throughout the community to support growth and make it distributive**

94. Strengthening the social sector is crucial not only in sustaining diversification and growth, but also in optimizing its impact on poverty reduction. Indeed, boosting growth as envisaged in the PRSP and MDGs calls for sustained improvement in labor productivity, which in turn depends on the pace of human capital accumulation. Human capital accumulation is determined by improvements in the general level of education and health of the labor force. In general, the development of basic education and health is the responsibility of states fulfilled through sectoral strategies. However, a number of important activities in these areas may be more effectively addressed at the regional level. With respect to education, regional actions can effectively supplement national strategies on two fronts: (i) the improvement of education quality (norms, standards, certification systems) and harmonization of standards and qualifications; and (ii) the facilitation of inter-state cooperation to effectively build capacity in very specialized domains of higher and technical education. With respect to health, regional action should focus on inter-state cooperation to combat communicable diseases transmitted by vectors (e.g. malaria and onchocerciasis) or through human behavior (e.g. HIV/AIDS) that can spread from one country to another.

**Education**

95. According to PRSP sectoral strategies, countries in the subregion have adopted universal access to education as their key medium-term priority. Accordingly, and on account of their high per-student costs, secondary, higher and technical education have been relegated to the background. This causes considerable problems of access and quality and is the primary reason for the rather low rate of transition from primary to secondary and from secondary to higher education. However, most countries in the subregion are aware of the importance of secondary, technical, and higher education in human capital formation. This explains why they have resorted to a number of regional programs to build capacity and reduce costs through sustained cooperation or joint development initiatives.

96. In this regard, the subregion has experimented with two types of programs: (i) the development/consolidation of common vocational training institutions (engineering schools like ESIE in Abidjan or management schools like CESAG in Dakar); (ii) the introduction of Centers of Excellence and facilitation of access to these institutions for deserving students (for example, ENSEA in Abidjan); and (iii) the harmonization of programs and qualifications as well as their recognition throughout the subregion.

97. These various experiments have produced mixed results. However, studies have shown

that the difficulties do not stem from the relevance of the programs or from their academic quality, but rather from managerial and, specifically, financing factors. WAEMU and ECOWAS therefore intend to pursue this policy, enhancing these programs and mobilizing the required funds. Furthermore, the regional organizations plan to broaden the scope of their common actions beyond support for existing structures and create new common higher education and vocational schools for key specialties in the subregion and support the development of designated Centers of Excellence. At the same time, regional organizations will implement common actions to facilitate the process of mutual recognition of qualifications and the establishment of quality standards as well as program accreditation structures and mechanisms within the subregion. In addition to these capacity building efforts, measures will be taken to facilitate the movement of workers skilled or unskilled across the subregion. These combined efforts will help to tailor the number and qualifications of workers to labor market needs.

### **Combating communicable diseases**

98. Although the countries of the subregion participate in international health initiatives, several challenges still need to be addressed at the regional level. These include establishing a reliable health information system to give early warning of epidemics, curbing the spread of the HIV/AIDS pandemic and facilitating access to essential generic drugs for the underprivileged. Key regional medium-term priority actions include: (i) setting up a subregional health information and early warning system on epidemics among member states; (ii) harmonizing basic health care development and capacity-building actions, in particular research and development for the treatment of malaria; (iii) promoting essential generic drugs and improved traditional treatment; and (iv) controlling drug quality.

99. With respect to HIV/AIDS, priority regional actions include: (i) ensuring regional institutional coordination of AIDS control programs; (ii) harmonizing treatment and care standards and protocols; (iii) managing essential drug procurements by institutionalizing bulk purchases, and (iv) facilitating cooperation between member states and non-member states on possible local production of anti-retroviral drugs.

### **3. Strategy implementation, monitoring and evaluation**

100. For the effective implementation of the PRSP, a Priority Action Plan (PAP) needs to be prepared, funded through sliding multiyear budgeting (Medium-Term Expenditure Framework), reviewed annually and adjusted periodically (for instance, every three or five years). A statistical and institutional mechanism would also be needed to monitor and evaluate the implementation of various components of the strategy.

### **Multi-year Programming**

101. As indicated earlier, the WAEMU Commission and the ECOWAS Secretariat plan to make the regional PRSP the common strategic reference framework for regional integration and cooperation policies, with a view to accelerating integration, growth, and poverty reduction in West Africa. However, although they share a common vision, both organizations also represent countries that are at different levels of economic integration, and their respective charters also contain very unique specificities. Consequently, for operational purposes, it is important to translate the common components of the regional PRSP into distinct priority programs for ECOWAS and WAEMU, respectively; making each program consistent with the mandate of

each organization, its level of integration and the focus of its coordinating structures (the Commission and the Secretariat). That is why, in accordance with the principle of variable geometry, which governs the regional integration process, both organizations agreed to implement the regional PRSP by developing separate yet complementary and convergent Priority Action Programs.

**102. The WAEMU Regional Economic Program (REP).** While preparing the regional PRSP, the WAEMU Commission undertook a comprehensive review of all its programs and projects with a view to defining medium-term priorities under a Priority Action Program (PAP) known as the Regional Economic Program (REP). The REP was modeled on the intervention areas of the RPRSP, which serves as its strategic reference framework. The programs and projects were also costed and outlined in a medium term expenditure framework (MTEF). The REP also includes a resource mobilization strategy for financing programs, an apportionment of responsibilities between states and regional bodies, and a monitoring mechanism.

**103. ECOWAS Priority Action Program.** The ECOWAS Secretariat also designed a priority action program (PAP) to set out its priorities and implement the RPRSP. The PAP is modeled on the intervention areas of the RPRSP, which serves as its strategic reference framework. It covers all on-going programs and projects as well as new ECOWAS priority programs for the years ahead (3 to 5 years). Considerable effort was also made to cost the programs and prepare a medium term expenditure framework for the PAP. Thus, the PRSP and the PAP provide the Secretariat with a strategic and operational reference framework for strategic planning and the results-based management it is currently implementing.

### **Monitoring and Evaluation Mechanism**

104. The effective implementation of priority programs under the strategy requires a regional mechanism that can monitor national poverty and development trends, monitor the implementation of PAP programs and projects, and assess the efficiency of poverty reduction actions taken by West African countries and regional bodies. Specifically, the monitoring/evaluation system will be gradually strengthened to: (i) analyze trends in household living conditions and social indicators in countries; (ii) monitor the country performances and assess the degree of economic, social and political convergence; (iii) monitor the implementation of regional programs and plans of action defined in the WAEMU/REP and ECOWAS/PAP; and (iv) analyze the impact of policies implemented under integration programs.

105. With respect to statistics, the monitoring and evaluation mechanism of the Regional Poverty Reduction Strategy has two components, namely: i) a system for collection, analysis and monitoring of poverty and human development indicators and trends at country level, (ii) mechanisms for monitoring the implementation of the WAEMU and ECOWAS PAPs, and (iii) an impact assessment system (IAS) for poverty-reduction policies, programs and projects.

106. At the institutional level, a two-tiered system (regional and national levels) will be put in place to ensure implementation of the Regional Poverty Reduction Strategy. To this end, regional organizations intend to establish a joint unit (**Regional Poverty Reduction Unit, RPRU**) to coordinate the implementation and monitoring of the PAPs. The RPRU will comprise members of the ECOWAS/WAEMU Technical Committee as well as resource persons from national PRSP monitoring teams. The duties of the Unit will include: (i) monitoring and analyzing social and economic indicators in the subregion; and (ii) evaluating the implementation of national

programs and conducting an annual review of progress made in the implementation of PAPs; (iii) identifying studies to be carried out to assess the impact of integration policies on growth and poverty reduction, and supervising conduct of studies. The RPRU will also be responsible for organizing a Regional Forum on Poverty in collaboration with the states. The Forum will serve as a platform for sharing experiences and know-how, and also for identifying needs and preparing capacity-building programs for the effective implementation of national and regional growth and poverty-reduction strategies.

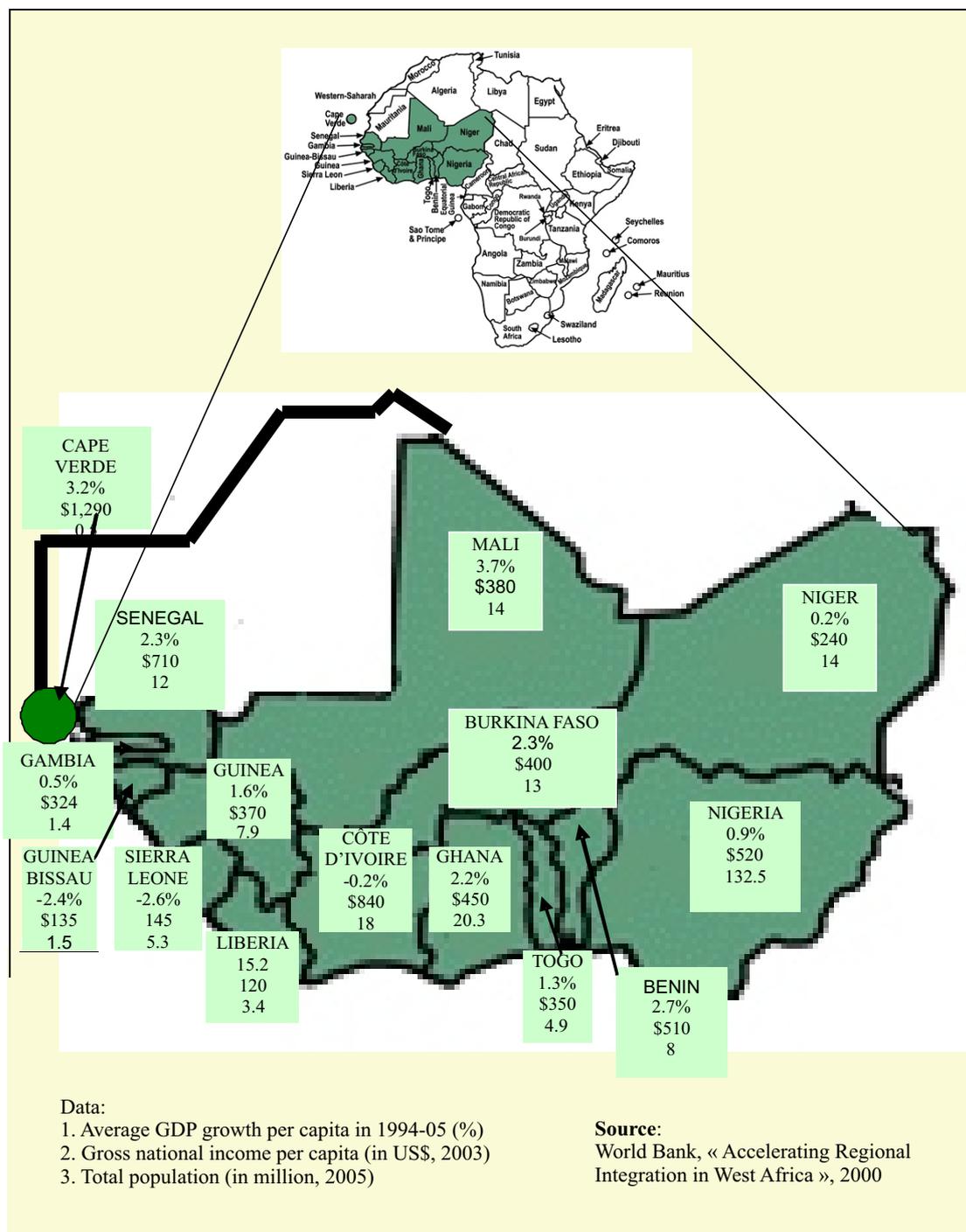
## **PRIORITY ACTION PROGRAM FOR IMPLEMENTATION OF THE REGIONAL POVERTY REDUCTION STRATEGY**

ECOWAS Programs	WAEMU Programs
<b>Thrust 1: CONSOLIDATE GOVERNANCE, PEACE AND SECURITY</b>	
<b>1.1: Strengthening political governance</b>	
<ul style="list-style-type: none"> <li>• Promotion of democracy, governance and the rule of law (including the functioning of the ECOWAS Parliament)</li> <li>• Promotion of the emergence of institutions (including opinion polls)</li> </ul>	
<b>1.2: Prevent, Manage and Settle Conflicts</b>	
<ul style="list-style-type: none"> <li>• Operationalization of the ECOWAS Protocol on Peace and Security</li> <li>• Setting-up of the ECOWAS standby force</li> <li>• ECOWAS programs on the Early Warning Mechanism</li> <li>• DDR Programs (including child soldiers and female combatants)</li> <li>• Humanitarian and refugee management affairs</li> </ul>	<ul style="list-style-type: none"> <li>• Program on elections observation and conflict prevention and monitoring missions</li> </ul>
<b>1.3: Strengthening Economic Governance</b>	
<ul style="list-style-type: none"> <li>• Reinforcement of the functioning of the ECOWAS Court of Justice (recourse by operators with regard to compliance with regional competitiveness and statutory frameworks)</li> <li>• Reinforcement of good governance with ECOWAS institutions</li> <li>• Promotion of strategic planning and results-based management</li> <li>• Promotion of good governance in finances and public services</li> </ul>	<ul style="list-style-type: none"> <li>• Program for consolidation of the Audit Offices</li> <li>• Program for the strengthening of National Financial Information Processing Units (CENTIF)</li> <li>• Program on the enhancement of competitiveness activities for WAEMU and its Member States</li> <li>• Support Program for implementation of the West African Accounting System (SYSCOA)</li> <li>• Regional Procurements Reform Program</li> <li>• Program on the reinforcement of legal organization and equipment of community legal structures</li> </ul>
<b>Thrust 2 : CREATE AN ECONOMIC COMMUNITY</b>	
<b>2.1: Macroeconomic policies</b>	
<ul style="list-style-type: none"> <li>• Strengthen the ECOWAS operational mechanism for multilateral surveillance</li> <li>• ECOWAS monetary program (WAMA)</li> <li>• Harmonization of indirect tax systems within WAMZ</li> <li>• Consolidation of the regional statistical database</li> </ul>	<ul style="list-style-type: none"> <li>• Program to consolidate the multilateral surveillance mechanism</li> <li>• Program to harmonize the public finance legal and statutory frameworks</li> <li>• Program to consolidate the regional statistical system</li> </ul>
<b>2.2: Trade policy</b>	
<ul style="list-style-type: none"> <li>• ECOWAS trade liberalization schedule</li> <li>• Common external tariff (CET) and facilitation of trade</li> <li>• Trade surveillance</li> <li>• Harmonization of competitiveness policies</li> <li>• ECOWAS programs on standardization and quality control</li> </ul>	<ul style="list-style-type: none"> <li>• Continuation with the trade surveillance mechanism (institution of the CET, reinforcement of monitoring/evaluation)</li> </ul>
<b>2.3 : Financial policies</b>	
<ul style="list-style-type: none"> <li>• Integration of the regional financial market: micro finance, regional banks, investment climate</li> <li>• Setting-up of a Diaspora Investment Fund</li> </ul>	<ul style="list-style-type: none"> <li>• Regional Microfinance Support Project</li> <li>• Stock exchanges</li> <li>• Regional banks (RSB, WADB)</li> </ul>

<b>2.4 : Labor market policies</b>	
<ul style="list-style-type: none"> <li>• Reinforcement of the Protocol on free circulation of persons</li> <li>• Subregional land charter</li> </ul>	
<b>2.5: Private sector policies</b>	
<ul style="list-style-type: none"> <li>• ECOWAS framework for private sector development</li> <li>• Opportunities forum</li> <li>• Consolidation of private sector structures (SME/SMI)</li> </ul>	<ul style="list-style-type: none"> <li>• Pilot program for development and structuring of enterprises</li> <li>• SME/SMI development and promotion program</li> <li>• Setting-up of the Fund to boost production and encourage cotton fiber processing</li> <li>• Setting-up of a Regional Investment Fund for Textile Industry Development within WAEMU</li> <li>• Promotion private agricultural investments in Niger, Mali and within WAEMU</li> </ul>
<b>2.6 : Agriculture and Rural Development</b>	
<ul style="list-style-type: none"> <li>• Implementation of ECOWAP (including food security)</li> <li>• Cross-border transhumance program</li> </ul>	<ul style="list-style-type: none"> <li>• Pilot land reform program (study)</li> <li>• Reinforcement of food security within member -states (irrigation, stockbreeding, aquaculture, agricultural extension)</li> <li>• Rural water supply program through the development of 3000 boreholes in Member-States.</li> </ul>
<b>2.7 : Environment and natural resources</b>	
<ul style="list-style-type: none"> <li>• ECOWAS Floating Plants Control Program</li> <li>• Regional Meteorological Program</li> <li>• Subregional Action Program (SRAP) on Desert Control in West Africa</li> <li>• Regional initiatives on the management of shared resources (water, natural resources, environment) within the subregion.</li> <li>• Regional Support Program for Coastal Surveillance Services (including a regional maritime fishing code)</li> </ul>	<ul style="list-style-type: none"> <li>• Common Environmental Improvement Policy (CEIP)</li> <li>• Regional Coastal Erosion Control Program</li> <li>• Regional Program to combat the silting of River Niger and floating aquatic plants</li> </ul>
<b>2.8 : Industry</b>	
<ul style="list-style-type: none"> <li>• Common Industrial Policy of West Africa (CIP-WA)</li> <li>• Building of negotiating capacities of EPA</li> </ul>	
<b>2.9 : Territorial development</b>	
	<ul style="list-style-type: none"> <li>• Balanced development of community territory (development plan, cartography)</li> <li>• Regional cross-border cooperation program</li> </ul>
<b>THRUST 3: DEVELOPMENT OF COMMUNITY INFRASTRUCTURE</b>	
<b>3.1 : Transport</b>	
<ul style="list-style-type: none"> <li>• Regional Program for Facilitation of Inter -State Transport and Road Transit in West Africa (ISRTT): ISRT, EDIFACT</li> <li>• ECOWAS Program for the Development of Inter-State Highways</li> <li>• Transport Facilitation Program</li> <li>• Reforms relating to the simplification, harmonization and optimization of administrative and port transit procedures.</li> <li>• Study on the interconnection of ECOWAS railway networks</li> <li>• Transport link between the hinterland and the coast</li> <li>• Joint WAEMU-ECOWAS Air Transport Program</li> <li>• Air transport safety</li> <li>• Airport performance</li> </ul>	<ul style="list-style-type: none"> <li>• Construction/Completion of road segments within member -states of the Union (see technical specifications)</li> <li>• Special Guinea Bissau Program</li> <li>• Regional facilitation Program</li> <li>• Rail Networks Interconnection Project of West Africa</li> <li>• Rehabilitation of the Dakar-Bamako railroad</li> <li>• Upgrading and standardization of the airport infrastructure in member-states</li> <li>• Additional financing of the Community Air Safety Coordination Mechanism (COSCAP)</li> <li>• Improvement of civil aviation safety in member countries.</li> <li>• Project to set up a subregional airline</li> </ul>

<b>3.2 : Energy</b>	
<ul style="list-style-type: none"> <li>West African Gas Pipeline Program (WAGP)</li> <li>ECOWAS regional regulation</li> <li>West African Power Pool (WAPP)</li> <li>Regional policy on access to energy services in rural and semi-urban areas</li> </ul>	<ul style="list-style-type: none"> <li>Project on the interconnection of the Mali -Côte d'Ivoire priority electrical power grids</li> </ul>
<b>3.3 : Telecommunications</b>	
<ul style="list-style-type: none"> <li>Enhanced implementation of INTELCOM II</li> <li>Promotion of ICTs in the ECOWAS region, including the regional telecommunications database</li> </ul>	<ul style="list-style-type: none"> <li>Setting-up of a high -speed intra-community telecommunications network</li> <li>Community action program for the promotion of ICTs within WAEMU</li> </ul>
<b>THRUST 4 : HUMAN DEVELOPMENT</b>	
<b>4.1 : Health</b>	
<ul style="list-style-type: none"> <li>ECOWAS health policy and action plan</li> <li>Regional epidemic control strategy</li> </ul>	<ul style="list-style-type: none"> <li>Regional program to support capacity -building in health, phytosanitary and zoo -sanitary control and surveillance</li> <li>Building the institutional capacities of laboratories controlling the quality of veterinary drugs sold within WAEMU</li> <li>Regional HIV/AIDS control program</li> <li>Regional network of centers of reference for high-level specialized care and surgery</li> <li>Regional malaria control program</li> </ul>
<b>4.2 : Education</b>	
<ul style="list-style-type: none"> <li>ECOWAS Strategy in the area of education</li> <li>Promotion of centers of excellence</li> <li>Standardization of certificates</li> </ul>	<ul style="list-style-type: none"> <li>Program to support the enrolment of girls in disadvantaged cross-border areas in member-states of the Union</li> <li>Creation of centers of excellence (higher education)</li> <li>Support to higher education system reform in member-states of the Union</li> </ul>
<b>4.3 : Child development</b>	
<ul style="list-style-type: none"> <li>ECOWAS child development program</li> </ul>	
<b>4.4 : Youth</b>	
<ul style="list-style-type: none"> <li>Regional program for youth development and training</li> <li>Increased development of sports activities</li> </ul>	
<b>4.5 : Gender</b>	
<ul style="list-style-type: none"> <li>Greater empowerment and training of women</li> </ul>	
<b>THRUST 5: BUILDING PLANNING CAPACITY</b>	
<b>5.1 : Planning</b>	
<ul style="list-style-type: none"> <li>Strategic planning</li> <li>Programming, budgeting</li> <li>Capacity-building</li> </ul>	<ul style="list-style-type: none"> <li>Strategic planning</li> <li>Programming, budgeting</li> <li>Capacity-building</li> </ul>
<b>5.2 : Resource mobilization</b>	
<ul style="list-style-type: none"> <li>Resource mobilization program</li> </ul>	<ul style="list-style-type: none"> <li>Project on institutional capacity -building for resource mobilization and monitoring/evaluation</li> </ul>
<b>5.3 : Monitoring and Evaluation</b>	
<ul style="list-style-type: none"> <li>Monitoring mechanism</li> <li>Information system (including database)</li> <li>Human resources</li> </ul>	<ul style="list-style-type: none"> <li>Monitoring mechanism</li> <li>Information system (including database)</li> <li>Human resources</li> </ul>

**Chart 1. West African Countries**



**Table 1.**  
**Social indicators for Select Countries in West Africa, (2005)**

	Land area		Population				Poverty	
	(% ECOWAS)	Total (million)	% of total ECOWAS	Urban (% pop.)	0-14 yrs (% pop.)	GNP per capita, (US\$)	% pop With less than \$1/day	
Benin	1.9	8.0	3.0	44.5	45.0	510	45	
Burkina Faso	4.6	13.0	4.9	17.6	46.9	400	60	
Cote d'Ivoire	5.4	18.0	6.8	44.9	41.5	840	35	
Guinea Bissau	0.6	1.5	0.6	33.9	44.4	135		
Mali	20.9	14.0	5.3	32.3	47.2	380	70	
Niger	21.3	14.0	5.3	22.1	48.9	178	75	
Senegal	3.3	12.0	4.5	49.6	43.6	710	40	
Togo	1.0	6.0	2.3	35.1	43.2	350	66	
Cape Verde		0.5	0.2	65.7	41.6	1,290		
Ghana	4.0	22.0	8.3	37.1	41.9	370	45	
Guinea	4.1	9.0	3.4	28.9	43.6	370	40	
Liberia		3.4	1.3	46.7	44.1	120		
Mauritania	17.3	2.8	1.1	61.7	42.6	374	45	
Nigeria	15.6	136.5	51.2	46.6	44.0	560	60	
Sierra Leone		6.0	2.3	38.7	43.6	220		
WAEMU	59.0	86.5	26.9	34.8	45.1	390	45	
CEDEAO	5940 *	266.7	100.0	41.8	44.2	340	60	
SSA	23628 *	741	278	36.1	43.7	510	--	
Low & middle income	57993 *	5436	2039	42.8	50.8	1250	--	
Low income		5436	2039	30.3	36.8	440		
World		6438	2414	48.2	28.9	5520		

Source : ADI 2005, WDI 2005, World Bank, and Authors  
\* : in square km

	Health			Education		
	Life expectancy at birth	Infant mortality rate (per 1,000 births)	HIV infection (% of pop. Age 15-49)	Literacy (% pop. Age 15+)	Primary enrolment ratio (%)	Secondary enrolment ratio (%)
Benin	53.0	91	1.8	61	109	17
Burkina Faso	42.8	107	2.0	77	46	7
Cote d'Ivoire	45.1	117	1.1	54	78	24
Guinea Bissau	45.5	126	--	62	--	--
Mali	40.6	122	1.7	60	58	10
Niger	46.4	154	1.1	83	44	7
Senegal	52.3	78	0.9	61	80	16
Togo	49.7	78	3.2	40	121	27
Cape Verde	69.2	26	--	24	121	--
Ghana	54.4	59	2.3	26	79	39
Guinea	46.2	104	1.5	76	81	12
Liberia	47.1	157	--	44	--	--
Mauritania	51.0	77	0.7	59	88	16
Nigeria	44.9	98	3.9	33	119	33
Sierra Leone	37.4	166	1.1	--	--	--
WAEMU	47	109	4.4	62	77	15
ECOWAS	48	104	2	54	85	19
SSA	45.6	101.0	6.7	59.3	--	--
Low & middle income	64.7	58.9	1.2	78.2	--	--
Low income	58.3	79.1	2.1	61.0	--	--
World	66.9	56.8	1.0	78.3	--	--

Source : ADI 2005, WDI 2005, World Bank, and Authors

**Table 2.**  
**Macroeconomic Stability indicators in ECOWAS member-countries, 2001-2005**

Country	Growth rate			Inflation			Budget balance <sup>1</sup> (net of HIPC)			Current operations balance (net of grants, % of GDP)		
	2001	2003	2005	2001	2003	2005	2001	2003	2005	2001	2003	2005
Benin	6.2	6.7	2.9	4.0	1.7	3.7	1.0	0.6	-1.4	-6.3	-5.1	-7.2
Burkina Faso	6.1	7.9	7.1	4.9	1.7	4.5	-2.1	-0.4	-4.2	-14.4	-13.9	-13.2
Côte d'Ivoire	0.1	-2.2	/	4.4	3.4	/	1.3	0.0	/	-0.9	4.7	/
Guinea Bissau	0.2	-0.6	3.5	3.3	1.6	3.4	-3.0	-4.6	-5.9	-36.2	-12.0	-10.3
Mali	11.8	7.4	6.1	5.2	-1.3	6.4	0.2	-5.3	-7.3	-12.5	-8.7	-9.2
Niger	7.1	4.4	6.8	4.0	-1.8	7.8	-7.9	-7.5	-7.5	-5.8	-7.6	-9.6
Senegal	4.7	6.5	/	3.0	0.2	/	-0.8	0.7	/	-6.7	-7.9	/
Togo	0.2	5.2	1.2	3.9	-0.9	6.8	1.2	2.4	-2.4	-14.2	-8.9	-11.1
WAEMU	3.9	3.0	/	4.1	1.5	/	0.4	0.4	/	-6.3	-3.8	/
Cape Verde	3.5	4.7	5.8	1.1	1.2	0.4	9.4	-3.5	-6.3	-9.9	-17.1	-8.0
Gambia	4.9	6.9	5.0	8.1	17.0	3.2	-9.8	-4.7	-8.6	-5.1	-13.6	-20.8
Ghana	4.2	5.2	5.8	21.3	26.7	15.1	-8.5	-4.4	-3.0	-6.1	-3.5	-12.4
Guinea	3.6	1.2	/	1.1	12.9	/	-7.8	-6.1	/	-3.4	-4.1	/
Liberia	4.2	-31.3	5.3	19.4	10.3	6.9	-1.2	0.9	-0.1	/	-16.2	-55.8
Nigeria	4.7	10.9	6.9	16.5	14.0	17.9	-5.4	-1.3	9.9	4.2	-2.7	12.6
Sierra Leone	5.4	9.3	7.3	3.4	7.5	12.1	-	17.8	-8.3	-2.7	-9.4	-14.1

**Sources :** WAEMU Commission and the ECOWAS Executive Secretariat

## **Introduction**

1. The main challenge facing countries in West Africa (WA) and in the sub-continent as a whole is poverty in all its forms. Indeed, the 15 countries in the subregion are ranked among the poorest in the world. More than 50% of the people in the region live on less than one dollar a day, the highest incidence in all the regions on the continent. At the same time, countries in the subregion also lag far behind in other aspects of human development, in particular, education, health, access to drinking water and other basic infrastructure transportation, energy and telecommunications, and security. Furthermore, the region is plagued by a growing number of “ills” and transnational challenges such as infectious diseases (malaria, HIV/AIDS), national conflicts, including civil wars, which have a spillover effect in neighboring countries and destroy the little physical and human capital that countries have accumulated. These persistent problems seriously hamper countries' efforts to accelerate growth and reduce poverty as envisaged in country Poverty Reduction Strategy Papers as well as in the Millennium Development Goals (MDGs).

2. Countries in the subregion are determined to meet this challenge, at the national and regional levels. To this end, most of them have made poverty reduction the central theme of their national development strategies. To date, 11 of the 15 countries in the subregion have prepared Poverty Reduction Strategy Papers (PRSP)<sup>2</sup>. The PRSP provides a strategic framework for growth and poverty reduction, in which the countries themselves define: (i) their own medium-term development program through a national consultative and participatory process; (ii) specific objectives that are evaluated using the international standards outlined in the MDGs; and (iii) a medium-term macro-economic and budgetary framework that aligns resources with sectoral strategy priorities and funding needs.

3. However, it is increasingly obvious that given the interconnections among countries and the proliferation of the transnational “ills” mentioned above, national programs alone cannot enable countries to attain the stated growth and poverty reduction objectives. There is a growing realization that growth and poverty have significant contagion effects, which constitute the primary justification for the regional integration strategy. In the specific case of Africa, these “externalities” are magnified by the small size and excessive fragmentation of the economies as well as the significant number of common “goods” or “ills” and of cross-border or regional problems. Consequently, there is an urgent need to find concerted and collective solutions to common problems and to take proactive action based on integrated national and regional strategies rather than act in an ad hoc and reactive manner to crises. This will help improve general coherence and synergies among national programs, subregional programs, and continent-level programs such as NEPAD.

4. To this end, West African States mandated the ECOWAS Secretariat and the WAEMU Commission to prepare a regional poverty reduction strategy to strengthen the national programs of member states. In this regard, the two institutions have established a Technical Steering Committee to guide the preparation of the strategy. With technical and financial support from the World Bank, the Committee prepared a two-phase action plan for the preparation and implementation of the PRSP. In phase one, the Committee built its capacities to analyze poverty and country PRSPs. It also reviewed national poverty reduction strategies (country PRSPs) and

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<sup>2</sup>As at the end of December 2004, the following countries had finalized a complete PRSP: Benin, Burkina Faso (two versions), The Gambia, Ghana, Guinea, Mali, Niger, and Senegal. Côte d'Ivoire and Nigeria have completed an interim PRSP.

regional integration programs in West Africa. This review was discussed with the PRSP teams of member countries during an important forum on poverty in West Africa, held in Accra in November 2003. The outcome of this meeting was a resolution to prepare a regional poverty reduction strategy paper (RPRSP) during phase two of the action plan.

5. Like country PRSPs, the RPRSP is a comprehensive regional reference framework that will help strengthen national strategies and regional programs in various sectors-macro, trade, infrastructure, social, etc. in order to accelerate growth, integration, and poverty reduction in West Africa.

Consequently, the RPRSP: (i) offers regional organizations, a strategic framework within which they can enhance prioritization of regional programs and better combine them with national programs to maximize the impact of growth and poverty reduction; (ii) provides member states with enhanced visibility of all regional programs, which can then be factored into the preparation of their national strategies; (iii) provides partners with a strategic framework developed by all member countries, that will enhance the organization of external assistance to the countries and to the integration process in order to maximize the efficiency of such assistance.

6. On account of its multifaceted nature, the RPRSP is an important document that will facilitate dialogue among regional organizations, between countries and these organizations, and among countries, regional organizations, and external partners.

7. The structure of the RPRSP is similar to that of country PRSPs. However, it is meant to be an “Integration Policy Review” focused on growth and poverty reduction, like the World Bank's *Development Policy Review*. It comprises three main sections:

8. **Part 1 takes stock of the situation**, analyzing the country achievements in the subregion in terms of growth, poverty, and social development (Chapter 1) as well as the magnitude of challenges to be addressed before achieving the MDGs (Chapter 2). **Part II (Chapters 3-5) reviews national/regional growth and poverty reduction policies and strategies**. It focuses on how to enhance the formulation of national policies and regional programs to establish synergies that will accelerate growth and maximize social impact. This analysis is organized according to central themes: Chapter 3 reviews integrated strategies to diversify economies and accelerate growth-macro, trade, infrastructure, and so on; Chapter 4 focuses on “inclusion” strategies-education, health, gender, labor market, and so on which promote the participation of the poor in growth, thus improving its distributive effects; Chapter 5 addresses the major regional challenges whose management will determine the success or failure of the national and regional strategies. These challenges include migration and conflicts in the subregion.

9. **Part III (Chapters 6- 8) examines the operationalization of the RPRSP**, in particular, questions related to the definition of the priorities of the strategy (action plan or medium-term regional plan, WAEMU, and ECOWAS), medium-term macro fiscal management (programming of activities and financing of programs), and the strategy's monitoring and evaluation mechanism. A series of annexes is also included-statistics, action matrices and summaries of background studies.

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**PART I:**

**POVERTY IN WEST AFRICA AND PROGRESS  
TOWARDS THE MILLENNIUM  
DEVELOPMENT GOALS (MDGS)**

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## CHAPTER 1

### **Poverty and Human Development in West Africa**

10. **Methodology.** The region is confronted with a problem of approach when it comes to analyzing, formulating, and implementing policies: West Africa is neither a confederation nor a simple collection of independent states. It is considered a region undergoing gradual and selective integration, with groups of countries and sectors that are more “advanced” than others in the integration process. From the analytical standpoint, this implies that the subregion cannot, in any relevant way, be considered as the “sum” or a mere “composite” of its member states. Admittedly, the countries face many similar problems, some of which justify an “integrated” approach in analyses as well as in action. However, there are also pronounced differences in national conditions policies, and areas of intervention. That is why it is important to refrain from the type of “integrationist zeal” that may, in its eagerness to “wipe out” boundaries, end up proposing strategies and actions that only a “federal government” can effectively implement. It was to avoid such pitfalls and comply with the fundamental principles of subsidiarity that a “hybrid” approach was adopted in the analyses and reform proposals contained in this document.

11. The proposed approach consists in considering the regional program as the sum of all national programs, on the one hand; and as a supplement to and a convergence framework for national programs, on the other hand. In accordance with this approach, the analyses in the document are structured to show how, and in what specific areas (strategic areas), countries are similar/different or are complementary and to what extent (“cooperation”, harmonization”, or “integration”<sup>2</sup>) it is feasible for them to join forces to better coordinate their efforts and achieve greater efficiency in meeting the challenge of growth and poverty reduction.

12. Pursuant to this approach, this first chapter on the dimensions of poverty does not seek to conduct a detailed or “integrated” microeconomic or demographic analysis of poverty in the subregion, as is done in country analyses of the profile and determinants of poverty. It neither engages in a comprehensive juxtaposition of the regional micro analysis conducted in each country, nor welds all the States into a single “unit” of analysis and decision as if West Africa were a real federation. The objective of the chapter is much more modest: (i) using national studies, it seeks to identify the common traits and remarkable differences between countries with respect to the various dimensions and determinants of poverty; (ii) in the process, the “regional dimensions” in which structured regional effort can effectively complement and strengthen national programs are highlighted, where necessary. This approach lays the groundwork for the review of national and regional policies in Chapters 3 - 5.

#### **A. The Magnitude of Poverty in West Africa**

##### **A.1. Overview**

13. **A kaleidoscope of dimensions.** Poverty is a chronic or temporary state of relative or absolute destitution and insecurity that affects some social groups. This destitution may manifest itself through several economic and social dimensions: (i) income poverty - that is, inadequate resources for a minimal level of consumption; (ii) food and economic insecurity and, in general, “extreme” vulnerability to natural disasters (for example, climate) and economic crises (for

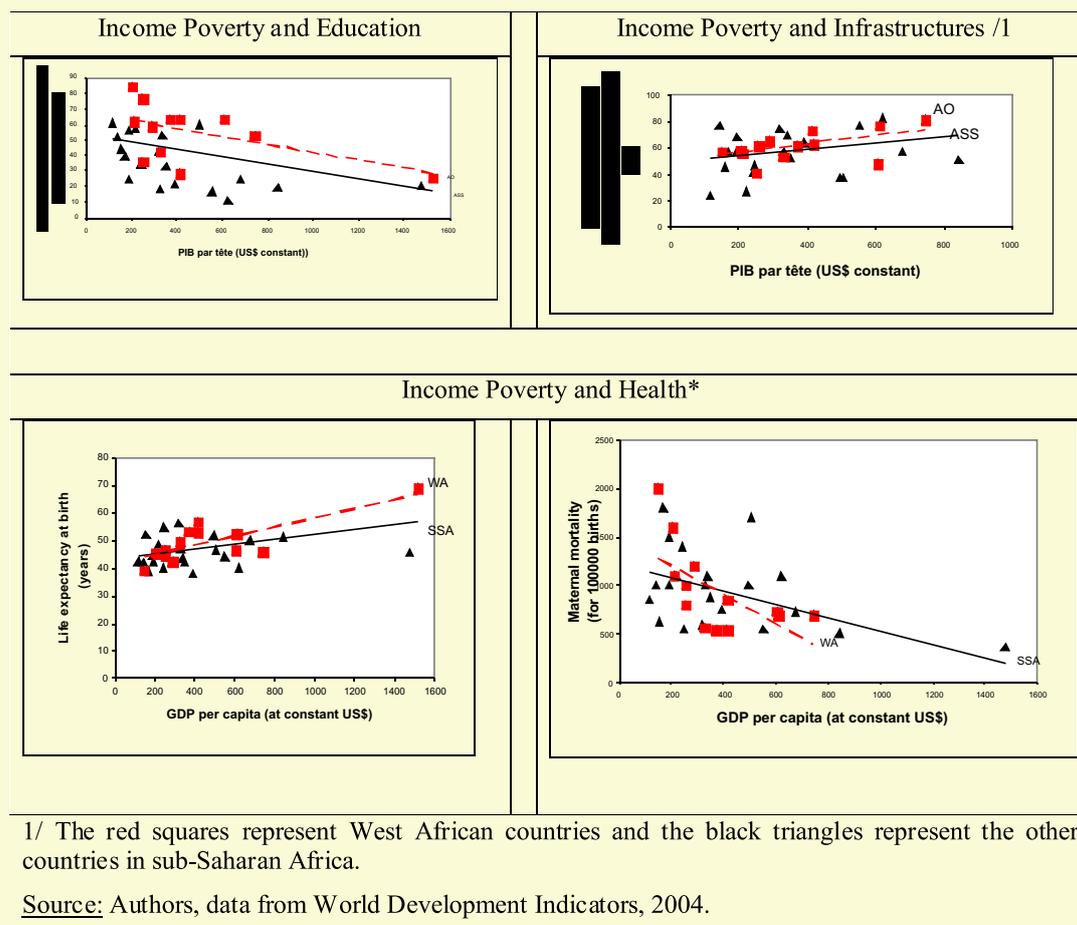
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<sup>2</sup>See Humphreys, N'cho et al, (*Accelerating Regional Integration in West Africa*, World Bank, 2001) for an in-depth discussion of the different degrees (depth) of regional integration, from simple “cooperation”, more or less structured, between states, to “deep” integration, which includes integration of markets and institutions, to confederation, which includes political integration.

example, terms of trade); (iii) limited access to essential social services (education, health, etc.) and to basic infrastructure services (water, roads, etc.); and (iv) social insecurity - that is, vulnerability to the arbitrary power of the government and to conflicts.

**Box 1. Correlation Between the Different Dimensions of Poverty in the World**

There is a strong correlation between the different dimensions of poverty – food insecurity, limited access to social services, to infrastructures, etc. – and the monetary dimension.



14. These different dimensions of poverty are strongly correlated in a tangled cause-effect relationship. In particular, there is a strong correlation between the monetary dimension and the “human resources” dimension (education, health, etc.). For example, limited access to education, health, water, and roads is a major constraint to improvements in labor productivity and access to income-generating activities, especially the most profitable sectors; this compromises opportunities for sustained income growth and perpetuates income poverty. Furthermore, poor communities are often marginalized and dispersed, with weak organizational capacity and, hence, little power to exert social and political pressure. They are therefore particularly vulnerable to abuse by public authorities (social insecurity), and less likely to attract public spending on education, health, and roads; this, in turn, exacerbates problems of access and marginalization. These examples clearly illustrate the correlation between the monetary, social

and political dimensions of poverty.

15. **Analysis of these different dimensions reveals a particularly worrying situation.** In spite of their diversity, these different dimensions are interdependent and all lead to the same observation about the magnitude of poverty in West Africa. It is by far the worst scourge of the subregion: (i) its incidence is among the highest in the world; (ii) trends during the last two decades are generally worse in West Africa and in the sub-continent than in other major regional blocs; and (iii) the spread of conflicts poses the most serious obstacle to national poverty reduction policies in the region.

16. **Indeed, of all the regional blocs, West Africa has the highest incidence of poverty.** Thus, it is estimated that out of a population of approximately 240 million in 2002, (i) more than half (approximately 60%) lives on less than a dollar a day (compared with 46% for sub-Saharan Africa (SSA) as a whole and 15% for East Asia and the Pacific (EAP)); (ii) life expectancy at birth is still less than 50 years (48 years compared with 69 years for the EAP), and 100 children per 1,000 live births will before their first birthday (92 for West Africa and SSA compared with 35 for EAP); (iii) close to half of the adult population is still illiterate (44% compared with 39% in SSA and 14% in EAP), and more than 50% of the population has no access to drinking water in rural areas; and (iv) more than two-thirds of the population lives in countries that are experiencing or have experienced serious conflict over the last five years (**Error! Reference source not found.**).

### **Box 2. Poverty Mapping**

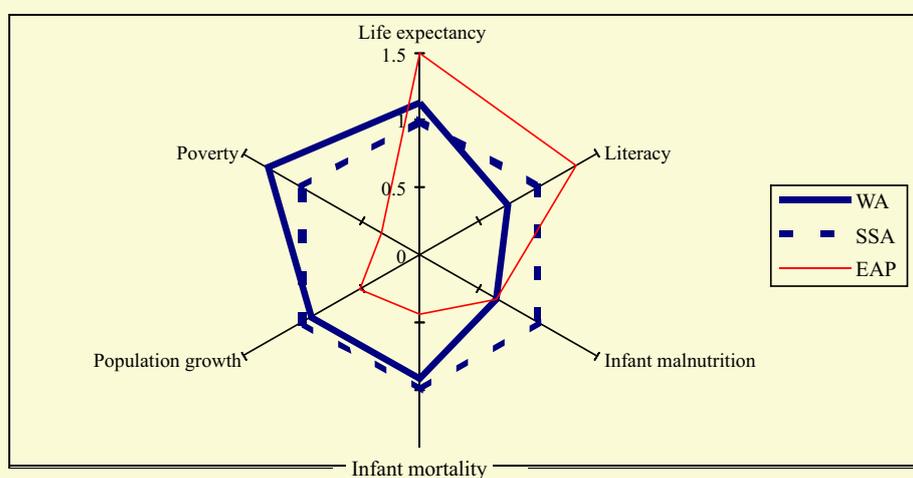
The results of a study on the poverty profile or an assessment of the geographical determinants of poverty are generally published at a higher geographical level (region, province, etc.), since it is hardly possible to do better with household surveys. However, development policies are sometimes implemented at lower levels. For example, NGOs or the government (national or local) may intervene in a district or village. Even if the level of poverty in a region is known, there are often significant disparities within the same region. It is therefore important to have poverty level estimates at the lower levels.

A poverty mapping of ECOWAS countries is under preparation in collaboration with the World Bank and the statistics institutes in the countries. It is based on combined data from a general population and housing census and a household survey. The method consists in modeling household income (consumption) on data from the survey, which also features in the census. These variables are then used in the census to estimate household incomes. This data is then aggregated at the level of the desired localities to estimate the levels of poverty and inequality in order to prepare a mapping. Preliminary results have been obtained and the project is expected to be completed end-2005.

**Table 3.**  
**Select Human Development Indicators, by Region**

2002	West Africa (WA)	Sub-Saharan Africa (ASS)	East Asia and Pacific (EAP)
Life expectancy at birth (years)	48	47	69
Literacy rate, (% of young between 15-24)	53	72	95
Malnutrition rate, weight (% of children from age 0 to 5)	15	23	15
Mortality rate, under 5 (per 1000)	87	95	42
Population growth (%)	2.5	2.7	1.4
Population living on less than \$1 per day (%)	60	46.3	15.3

Source : The World Bank, WDI



17. Furthermore, while poverty has declined in most of the other regional blocs, its trends in West Africa and in the rest of sub-Saharan Africa are unfavorable and alarming. West Africa is one of the regions where poverty has declined the least over the last three decades (Table 4), probably because of growth volatility, the prevalence of conflicts, and the inadequacy of social policies. For example, while overall income in the subregion grew by approximately 4% over the 1995 to 2001 period, the rate of income poverty remained relatively unchanged. However, there are significant disparities between countries: while almost all countries in the region recorded positive growth on average over the period, the poverty rate remained stagnant in some countries, in particular in Burkina Faso (1994-1998) and in Côte d'Ivoire (1993-1998), and rose in others, such as Nigeria and Ghana. All in all, with respect to trends in the 1980s and 1990s, the gains recorded in the other dimensions were modest (for example, life expectancy, child mortality), or even sometimes negative (for example the rate of malnutrition among children).

**Table 4.**  
**Long-term trends of some social indicators in West Africa**

1970-2004	GNP per capita			Life expectancy			Literacy rate		
	(Const. 2000 US\$)			Years			% population over 15 years old		
	1970	2004	Ratio 2004/1970	1970	2004	Gain	1970	2002	Gain
Benin	308	389	1.26	45	53	8	11	40	29
Burkina Faso	162	257	1.59	41	43	2	7	12.8	5.8
Cape Verde	627	1328	2.12	57	69	12	21	48	27
Côte d'Ivoire	840	583	0.69	45	45	0	46	85	39
Gambia	285	344	1.20	37	53	16	10	39	29
Ghana	296	285	0.96	50	54	4	29	74	45
Guinea	346	433	1.25	37	46	9			
Guinea-Bissau	178	137	0.77	36	46	9	12	41	29
Liberia	844	120	0.14	47	47	0	18	56	38
Mali	195	260	1.34	39	41	2			
Mauritania	353	396	1.12	43	51	8	9	25	16
Niger	325	174	0.54	38	46	8	6	17	11
Nigeria	344	361	1.05	43	45	1	20	67	47
Senegal	469	504	1.07	42	52	11	15	39	24
Sierra Leone	280	206	0.73	35	37	2			
Togo	316	294	0.93	45	50	4	22	60	38
Cameroon	448	651	1.45	46	48	2	30	71	41
Congo, DR	327	89	0.27	46	45	-1	23	64	41
South Africa	3104	3307	1.07	54	46	-8	70	86	16
India	207	538	2.59	50	63	13	78	40	-38
Tunisia	827	2315	2.80	56	73	18	70	29	-41
WA	342	359	1.05	42	47	5	19	61	42
SSA	533	536	1.01	45	46	1	28	65	37
EAP	169	1140	6.73	60	70	9	56	90	34
Low-income countries	242	448	1.85	48	58	10	34	58	24

Source: The World Bank, WDI

## **A.2 Monetary Dimension**

18. Although there are considerable differences in natural resource endowment from one country to another, the proportion of poor populations is still high in all countries of the subregion, and the disparities between micro-regions are even more pronounced than that between countries. For example, apart from Côte d'Ivoire and Senegal, most coastal countries (e.g. Togo, Benin, Ghana, Nigeria) have an average income of US\$300 to US\$400 (Table 4). Similarly, although national poverty lines vary from one country to another, the incidence of poverty is generally high in the subregion as a whole. The most striking aspect is probably the great variability in incidence between different geographical areas. For example, the incidence of poverty doubles as one moves from urban areas to rural areas in four out of nine countries for which data is available. Even more remarkable are the disparities between “geographical areas” (Table 5). For example, the average income per capita in coastal areas (coastal to Savannah) is 50% higher than in the Sudano-Sahelien areas, and the average rate of poverty is close to four times lower in coastal areas than in Sahelian areas.

**Table 5.**  
**Incidence of Poverty in ECOWAS Countries**

Country and Period	Zones		All
	Urban	Rural	
Benin: 2002	23.6	28.5	28.5
Burkina Faso: 2003	19.9	46.4	46.4
Cap Verde: 2001	12	37	37
Côte d'ivoire: 2002	24.5	38.4	38.4
Gambia: 2001	Na	47.0	47.0
Ghana: 1998-1999	22.8	42.6	42.6
Guinea: 2002	n/a	49.2	49.2
Guinea-Bissau: 1994	n/a	88.0	88.0
Liberia:	n/a	n/a	na
Mali: 1998	30.1	63.8	63.8
Niger: 1994	52.0	63.0	63.0
Nigeria: 1996	58.2	65.6	65.6
Senegal: 2001	45.7	57.1	57.1
Sierra Leone: 1990	74.0	82.0	82.0
Togo: 1995	n/a	72.6	72.6

Sources: Country PRSPs, World Bank Report (2001), Master Plans of WAEMU member States, and ADB Report (2002)

19. These micro-regional disparities are also apparent in the other dimensions of poverty, in particular education, health, and access to water and road infrastructure. This important fact reveals the existence of “geo-economic” “enclaves of poverty”, many of which are probably found in cross-border areas; hence, it would be quite opportune to adopt the subregional approach as a backup to national strategies.

20. The considerable inequalities in income distribution also confirm the disparities between groups and regions within a country. Indeed, of all the regional blocs, West Africa has one of the highest monetary inequality rates. For example, in most of the countries in the subregion, the GINI coefficient (Table 6) is around 50% (9 out of 13 countries), and the income ratio of 20% of the richest to 20% of the poorest is well beyond 10, except for Senegal and Ghana. These marked inequalities often indicate the existence of “enclaves of poverty” (such as landlocked areas or marginalized regions) and are a major obstacle to the efficiency of poverty reduction strategies because they limit the impact of growth on effective reduction of poverty.

**Table 6.**  
**Gini Coefficient and Inequalities in ECOWAS Countries**

Country and Period	Gini Coefficient	Inequalities(Q5/Q1)
Benin: 1999-2000	53.0	n/a
Burkina Faso: 1998	59.8	10.0
Cap Verde: 1993	43.0	n/a
Côte d'Ivoire: 1998	36.7	13.0
Gambia: 1992	47.8	n/a
Ghana: 1998-1999	39.6	5.0
Guinea: 1994	40.3	7.4
Guinea-Bissau: 1994	56.2	n/a
Liberia:	n/a	n/a
Mali: 1998	50.5	12.2
Niger: 1994	50.5	20.5
Nigeria: 1996	50.6	12.7
Senegal: 2001	30.0	7.5
Sierra Leone: 1990	62.9	57.6
Togo: 1995	n/a	n/a

Sources: Country PRSP, World Bank Report (2001), Master Plans of WAEMU member States, and ADB Report (2002)

21. In spite of the encouraging growth results, changes in the incidence of poverty in countries of the subregion remain limited. For example, Benin and Burkina Faso recorded about 2.3% income per capita growth between 1995 and 2000 (Table 7). However, over this period, the average poverty rate declined by only three points in Benin and hardly changed in Burkina Faso<sup>3</sup>. In the case of Nigeria and Côte d'Ivoire, the rate seems to have increased while income per capita

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<sup>3</sup>However, the change in methodology from one survey to another does not allow a comparison of figures. In the case of Burkina Faso, a study conducted during preparation of the “Poverty Review” showed that, whereas the poverty rates calculated by the INSD indicated a rise in poverty between 1998 and 2003, a change in methodology led to the conclusion that there was an 8 point reduction in poverty.

stagnated. In contrast, significant progress was noted in some countries, like Senegal and Ghana, which are countries with less income distribution inequality and that have experienced relative institutional and political stability in recent years. This reveals two important aspects of the dynamics of poverty: (i) persistent inequalities limit the distributive effects of growth and thus constitute a major handicap to the efficiency of poverty reduction policies; (ii) stability and social stability are necessary for sustained growth, the reduction of inequalities, and thus the efficiency of poverty reduction strategies.

**Table 7.**  
**Income per capita Growth and Poverty in Select African Countries**

Country	Real GDP Per Capita Growth Rate	Percentage of the population living below the national poverty line		
	1995-2000	1	2	1995-2000
Benin (1994/95 and 1999-00)	2.3	33.0	30.0	-3.0
Burkina Faso (1994 and 1998)	2.3	44.5	45.3	+0.8
Côte d'Ivoire (1995 and 1998)	1.9	36.8	33.6	-3.2
Ghana (1991/92 and 1998/99)	2.0	52.0	42.6	-9.4
Nigeria (1992 and 1996)	0.4	42.8	65.6	+22.8
Senegal (1994 and 2001)	2.7	57.9	53.9	-4.0

Source: World Development Report 2000/2001 Attacking Poverty and National PRSPs

The dates in the country column correspond to years 1 and 2 of the poverty threshold measure

### **A.3. Other dimensions of poverty**

22. As indicated above, the quality of human resources and access to social services are “dimensions” of the state of poverty and major determinants of the dynamics of poverty. The ability to read and write; good health; and access to education, medical care, and other essential amenities like drinking water, electricity, roads, etc.-are some of the many indicators of the quality of life and are, hence, measures of well-being or poverty. At the same time, these factors also determine the quality, productivity-and hence income-of labor as well as access to markets and income-generating activities. They thus constitute the determinants of income growth and of poverty. For this reason, particular attention is paid to these dimensions, both in national policies and in regional programs. The following analyses of these non-monetary dimensions confirm the magnitude of poverty in West Africa and indicate the scale of the challenges that the governments and populations must address on several fronts, simultaneously, in order to accelerate growth and reduce poverty.

**Table 8.**  
**Key Human Resource Indicators**

Country	Health Indicators		Education Indicators (elementary)					
	Infant Mortality Rate		Births Attended by Skilled Health Staff (%)		Net Enrolment Rate		Completion Rate	
	1990	2004	1990	2004	1990	2004	1990	2004
Benin	185	152	..	..	41	83	18	49
Burkina	210	192	..	..	38	29	40	20
Côte d'I.	157	194	..	..	68	45	56	41
Mali	250	219	..	..	21	46	10	44
Niger	320	259	15	..	..	22	39	15
Senegal	148	137	47	58	43	66	42	45
Togo	152	140	..	..	61	64	79	35
Gambia	154	122	44	..	..	48	75	44
Ghana	122	112	44	47	54	58	63	65
Guinea	240	155	30	56	27	64	19	48
Nigeria	230	197	31	35	58	60	72	75

Source: MDG Database 2006, World Bank.

### **Education**

23. But for a few exceptions (Cape Verde) and in spite of the relatively different conditions in the various countries, the illiteracy rate remains invariably high in the subregion as a whole. However, encouraging trends have been noted in the percentage of children in education. For example, primary enrollment ratios have increased by 20 to 25 points on average over the last 15 years, in particular since the implementation of PRSPs. But a closer analysis shows that, in general, this positive increase in the enrollment ratio is attributable to an improvement in access to education, although this is not always accompanied by improved efficiency in the education system. Indeed, completion rates remain low in a number of countries, especially when compared to the rise in gross enrollment ratios. For example, Table 9 shows that the completion rates in countries like Burkina Faso, Niger, or Guinea Bissau are still lower than 30% while their enrollment ratios exceed 50%. At the secondary school level, the subregion has made progress, but the enrollment ratio remains low (15.5%) compared to the average for the sub-continent (approximately 30%), which is higher than the average of any country in the subregion. The low secondary school enrollments are partially attributable to the lack of dedicated resources, chiefly because efforts are focused mainly on achieving the universal primary education objective.

24. The same “geographical” disparities observed in poverty rates have been noted in all education level indicators. Hence, illiteracy is significantly lower in urban areas than in rural areas. In rural areas in general, there is a strong correlation between poverty and the “aridity” of land: the illiteracy rate rises sharply as one moves from the coastal areas to the Sudano-Sahelian regions. The same differences have been observed in enrollment ratios, which confirms the “micro-regional” dimensions of poverty in West Africa: almost irrespective of countries, some

micro-regions constitute “enclaves of poverty” whose development would benefit from an integrated approach, either between countries (for cross-border areas), or at the level of sectors (multi-sectoral policies to open up landlocked areas) that deal with infrastructures (roads and water), social services (schools, health centers) and production.

**Table 9.**  
**Gender parity and primary school completion rate**

Country	Proportion of girls among in-school population in primary schools		Primary Completion Rate (G = Girls; B=Boys; All= all)						
	1990	2004	1990			Most Recent Year			
			G	B	All	G	B	All	Year
Benin	33.3	42.8	11.3	25.4	18.4	38.3	59.0	48.8	2004
Burkina	38.4	43.2	14.8	25.8	20.4	25.3	33.5	29.5	2004
Côte d'Ivoire	41.4	44.2	31.2	51.6	41.4	33.7	52.1	42.9	2001
Guinea Bissau	35.7	..	..	..	..	19.3	34.6	26.9	2001
Mali	37.0	43.1	7.5	13.4	10.5	29.6	57.9	44.0	2004
Niger	36.1	40.3	10.4	19.8	15.2	20.0	29.8	25	2004
Senegal	42	48.3	32.2	51.0	41.7	41.7	48.7	45.2	2004
Togo	39.5	45.6	22.1	48.0	35.0	55.0	77.6	66.3	2004
Cap Verde	-	48.6	49.0	54.1	51.4	95.3	95.6	95.4	2004
Gambia	40.6	51.1	33.5	55.1	44.3	45.8	61.6	53.7	1999
Ghana	45.2	47.4	54.9	70.4	62.8	59.9	70.6	65.4	2004
Guinea	31.5	43.3	8.7	28.1	18.7	38.8	57.6	48.5	2004
Liberia	..	..	..	..	..	..	..	..	..
Nigeria	43.2	44.7	..	..	..	68.2	81.8	75.2	2004
Sierra Leone		42.2	..	..	..	..	..	..	..

Source: Edstat, 2006

### **Health and malnutrition**

25. Health indicators reveal a particularly worrying condition and disturbing trends (Table 10). Indeed, since 1960 life expectancy in the subregion as a whole has increased by 10 years only, compared with 7 years in the sub-continent and 30 years in EAP. National trends are even more striking. Between 1970 and 2002, life expectancy remained almost stagnant in a number of coastal countries--Côte d'Ivoire, Liberia, Nigeria, Sierra Leone, Togo and Sahelian countries Mali, Burkina Faso. This is attributable primarily to the AIDS pandemic, whose incidence is high in these countries compared with other countries, but also to conflicts.

26. **Mother and child health.** Maternal and child health indicators show the same worrying trends. According to national estimates, the maternal mortality rate ranges from 210 deaths (Ghana) to 910 deaths (Guinea Bissau) per 100,000 live births. However, the range for most countries is between 500-700 deaths per 100,000 live births, which is particularly high compared with other low-income countries. Similarly, the infant mortality rate remains high in the

subregion and has even risen in countries such as Côte d'Ivoire reflecting, once more, the effects of the AIDS pandemic and of the persistence of infectious diseases such as malaria.

27. **Malnutrition.** This scourge affects more than one-third of under-five children in the region; almost one child out of two in Cape Verde (55.4%), Niger (50%), and Mali (40%); but is lower than 30% in the coastal areas. This is due primarily to income poverty which causes chronic malnutrition, and to recurrent food insecurity problems experienced by Sahelian countries because of adverse weather conditions. However, some of the malnutrition indicators, notably the “proportion of children exhibiting stunted growth” and “underweight children at birth” (Table 10), indicate that malnutrition is indeed chronic and is far from being a specificity of the Sahelian areas. In this case, these two indicators clearly show that Benin, Côte d'Ivoire, Ghana, or Guinea are hardly different from Burkina Faso, Mali, or Niger. More detailed analyses of a number of countries (for example, Senegal and Benin) reveal that the malnutrition problem is persistent to a large extent because it is multi-sectoral in nature and because little attention is given to it in health development strategies and, more generally, in the PRSs<sup>4</sup>.

**Table 10.**  
**Key Malnutrition Indicators in West Africa**

	Proportion of the population suffering from malnutrition (%)	Proportion of under-five children exhibiting stunted growth (%)	Underweight children at birth (%)	Calorie Intake Kcal/day/Per	Protein Intake Gr/day/Pers
Year	1997-1999	1995-2000	1995-2000	1999	1999
Benin	15	25	15	2489	58,8
Burkina Faso	24	37	18	2376	69,2
Cape-Verde	-	16	13	3166	72,8
Côte d'Ivoire	16	22	17	2582	49,6
Gambia	15	19	14	2598	51,4
Ghana	15	26	9	2590	50,4
Guinea	34	26	10	2133	45,5
Guinea-Bissau	-	28	20	2245	45,6
Liberia	-	-	-	2089	37,2
Mali	28	-	16	2314	66,8
Niger	41	40	12	2064	59
Nigeria	7	46	9	2833	62,7
Senegal	24	19	12	2307	64
Sierra Leone	41	34	22	2017	46,3
Togo	17	22	13	2528	59,6
Mauritania	11	23	-	2703	74,1
Chad	34	28	24	2206	66,3
All 17 countries	..	..		2599	59,9

Source : FAO, UNDP

<sup>4</sup>According to sector experts, less attention is paid to malnutrition when it is subsumed into the health development strategy. They thus recommend the adoption of a national multi-sectoral approach and programs for malnutrition. The experiences of Senegal and of Madagascar clearly show that considerable gains can be achieved from more autonomous management of food/nutrition programs. But the sustainability of this approach still needs to be confirmed (see regional analysis of this issue in Chapter 4).

28. The prevalence of infectious diseases, in particular malaria and HIV/AIDS, is one of the main causes of high morbidity in countries of the region and is certainly the most difficult challenge that countries in the subregion will have to address to improve human resources and promote sustainable human development. With respect to HIV/AIDS in particular, great disparities have been noted in prevalence rates. However, such disparities do not necessarily reflect the “coast/Sahel” dichotomy. The wide differences seem to be attributable to national policies and not to country conditions. In particular, some of the lowest prevalence rates in Africa (less than 2%) have been noted in Senegal (0.9%), Niger (1.1%), or Guinea (1.5%). Meanwhile, prevalence rates are much higher in countries like Côte d'Ivoire (7.1%), Nigeria (3.9%), or Guinea-Bissau (3.8%). In some cases, prevalence can be linked to internal conflict.

**Table 11.**  
**Prevalence of HIV/AIDS in 2005**

Country	HIV/AIDS Prevalence Rate among Adults (15-49 years)
Benin	1.8
Burkina Faso	2.0
Côte d'Ivoire	7.1
Mali	1.7
Niger	1.1
Senegal	0.9
Togo	3.2
Gambia	2.4
Ghana	2.3
Guinea	1.5
Guinea-Bissau	3.8
Nigeria	3.9
Sub-Saharan Africa	6.1
South and South-East Asia	0.6
Latin America	0.5
World	1.0

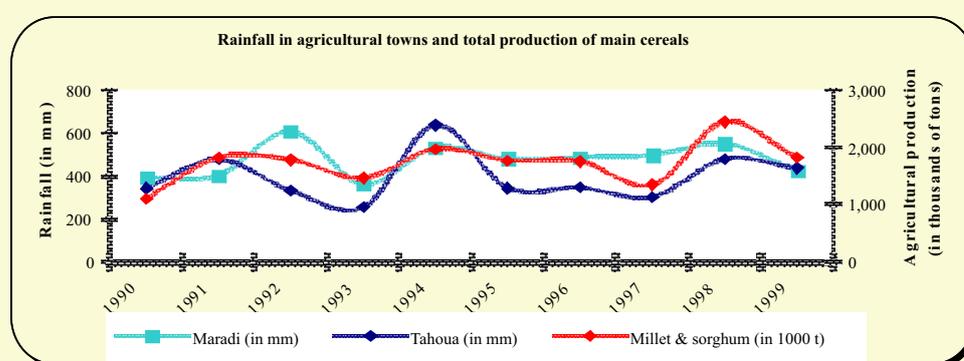
Source: UNAIDS, 2006 Report.

### **Food Insecurity**

29. The vulnerability of the population to natural disasters and the resulting food insecurity are some of the most disastrous dimensions of poverty in West Africa. On account of the extreme poverty of its peoples and its difficult geographical conditions, West Africa is one of the regions that is most vulnerable to food insecurity problems caused by adverse climatic conditions. The Sahel region in particular has experienced consecutive famines as a result of severe droughts in the 1970s and 1980s.

**Table 12.**  
**Natural Conditions and Fluctuations in Agricultural Production: The Case of Niger**

		1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
Rainfall index	Maradi (in mm)	396.5	403.7	606.7	363.4	532.1	481.5	487.2	497.7	550.7	425.7
	Tahoua (in mm)	343.3	478.2	333.2	256.0	635.7	345	347.6	304.0	480.2	437.1
Agricultural production (in 1000 t)	Millet & sorghum	1110.3	1818.7	1787.1	1474.7	1972.0	1769.3	1761.8	1351.9	2441.0	1821.9



Source: Tarno Mamane, "Niger: Study on Sources of Growth", 2004.

30. Food insecurity is indeed more severe in the Sahelian region. It is the combined result of changing and difficult weather conditions, on the one hand, and of inefficient production (and therefore income generation) methods, on the other hand. It is estimated that more than 17 million Sahelians, about a third of the population, still face a chronic hunger or malnutrition problem.

31. The two main causes of food insecurity in coastal countries are household poverty, particularly in urban areas, and conflicts. In fact, conflicts in the subregion, as in the other regional blocs in the continent, considerably aggravate food insecurity. In particular, armed conflicts have greatly contributed to the deterioration of the economic situation in Sierra Leone, Liberia, and Côte d'Ivoire. Studies have shown that the average calorie intake per capita is lowest in all countries engaged in armed conflict. Insecurity disrupts agricultural activities, undermines food circulation and limits access to land. It also results in massive displacements of people thus provoking a decline in agricultural output and shortages in food supply. Over the 1980-2000 period, Sierra Leone's corn farm area and output were reduced by one-third while rice production fell by 50%. Similarly, the rice farm area and output in Liberia declined by 25%.

### Box 3. Chronic or cyclical food insecurity: two sides of the same coin

There are two dimensions to food insecurity in West Africa that must be considered simultaneously in analyzing determinants or in defining food security strategies and policies:

**Chronic or structural food insecurity.** This results primarily from extreme poverty, which is all the more pervasive because agriculture and stockbreeding, pillars of the economy in most Sahelian countries, are facing serious constraints. Moreover, the wealth generated by other sectors is less dynamic and inequitably distributed. Thus, overall, structural household food insecurity is more a problem of access (insufficient income) than of limited supply of foodstuffs on the markets.

**Cyclical food insecurity.** This concerns food shortages that periodically affect some categories of the population with varying intensity (from shortages limited in time and space to generalized crises). Those most vulnerable to this risk of shortage are rural households living in areas where agricultural production is unpredictable because of low and highly erratic rainfall and where alternative sources of income are limited. The poorest urban households also face this risk when there is a sudden spike in food prices. These two dimensions of food insecurity are closely linked. Low incomes increase vulnerability to the risks of food crises, while a succession of several difficult years (with respect to food supply) limits the people's capacity to undertake technical or organizational changes that can improve their incomes. A fortiori, a food emergency, with its negative impact on the human, environmental, and productive capital of a region or country, jeopardizes, sometimes for several years, the possibility of sustainable improvements in food security.

*Source:* CILSS Communication Brief : "Sahel 21: Refus de la misère, le choix d'une sécurité alimentaire durable"

#### Access to drinking water and other basic infrastructure services

32. Access to drinking water and other basic infrastructure services roads, electricity, etc. more clearly shows the disparity between regions, notably between urban and rural areas, and between coastal and northern regions. For example, even in non-Saharan countries like Benin, Togo, Guinea, and Nigeria, the proportion of the population that has access to drinking water is almost two times higher in urban areas than in rural areas.

33. However, there have been encouraging developments since the 1990s, even in rural areas. Indeed, the proportion of the population with access to drinking water increased significantly between 1990 and 2004 in urban and rural areas, although this increase was not enough to close these considerable gaps. Hence, drinking water coverage remains a crucial problem for the entire subregion, particularly Sahelian countries and coastal regions that have gone through the throes of conflict (Guinea Bissau, Liberia, and Côte d'Ivoire). It was further noted that coverage declined in Nigeria between 1990 and 2004.

34. The sanitation situation remains disturbing. For example, only 8% of households in Mali have adequate facilities for evacuating excrement and close to 95% of households use non-

hygienic practices such as traditional latrines to evacuate waste water. Household waste is dumped in illegal landfills, particularly in large metropolitan areas, and this fuels the proliferation of infectious diseases.

**Table 13.**  
**Population with Access to Drinking Water**

	Rural Areas		Urban Areas		Whole Territory	
	1990	2004	1990	2004	1990	2004
Benin	57	57	73	78	63	67
Burkina Faso	34	54	61	94	38	61
Cape Verde	..	73	..	86	..	80
Côte d'Ivoire	67	74	73	97	69	84
Gambia	..	77	95	95	..	82
Ghana	37	64	86	88	55	75
Guinea	34	35	74	78	44	50
Guinea-Bissau	..	49	..	79	..	59
Liberia	34	52	85	72	55	61
Mali	29	36	50	78	34	50
Niger	35	36	62	80	39	46
Nigeria	33	31	80	67	49	48
Senegal	49	60	89	92	65	76
Sierra Leone	..	46	..	75	..	57
Togo	37	36	81	80	50	52

Source: WDI, World Bank

35. In most countries, access to other basic infrastructure services such as transport, energy, post and telecommunications, which determine the quality of life, remains limited for poor communities. In Niger, for example, 96% of rural households and 92% of urban households use fuel wood as the main energy source for cooking and, on average, 80% of energy consumed in the region is biomass fuel. In Burkina Faso, less than 1% of rural households had access to electricity in 1994, while close to 64% of urban households used kerosene lamps for lighting. Only 4 out of 15 countries have a global electricity access rate that is higher than 20% of the population.

36. The condition and density of road networks also indicates the general insufficiency of basic infrastructure services in the subregion. In general, however, the region is relatively better endowed with major highways than other comparable regions in the sub-continent, such as CEMAC. For example, the major cities in the subregion are almost entirely interconnected by paved roads (for example, Niamey-Ouaga, Niamey-Cotonou, Abidjan-Ouaga, Abidjan-Accra-Lagos, etc.). The three major concerns remain (i) effective maintenance of the network by the countries; (ii) interconnections with national rural networks, including with rural road networks, which need to be expanded; and (iii) greater facilitation of traffic by eliminating non-infrastructure obstacles (see analyses in Chapter 3).

## **B. Determinants of poverty in West Africa**

37. It is important to analyze the determinants of poverty to better understand the dynamics of poverty and, above all, reorient policies towards poverty “factors”, including the geographical and sectoral “enclaves” of poverty and exogenous shocks. In this regard, four major determinants can be identified: (i) “macroeconomic” factors, primarily the sources and sectoral distribution of growth; (ii) “microeconomic” aspects such as demographic (for example,

gender), geographical (coastal or Sahelian areas), socio-economic (employment sector), and infrastructural (access to basic services) variables; (iii) institutional aspects (governance, democracy, and the rule of law, etc.); and (iv) major shocks (conflicts, cyclical shocks), and the major endemics which disproportionately affect the most vulnerable populations. The relative importance of the factors depends on the situation in the country. Analytical work (econometric analysis of income determinants or per capita consumption) is often undertaken to estimate the respective weights of these factors using data from household surveys<sup>5</sup>. The following observations on the whole region are extracted from these various analyses.

**Box 4. Determinants of poverty in West Africa: Lessons from country analyses and an “integrated” regional approach**

Poverty analysis comprises two complementary approaches: a description of the poverty profile (What characterizes the poor? “Who” are the poor? “Where” are they found? In what ways are they poor? income/consumption, education, health, etc.); and (ii) an analysis of the determinants of poverty (What “causes” or perpetuates poverty?). In this regard, national studies have shown that the key determinants of poverty include geographical location (urban or rural, “geo-economic” area), the demographic characteristics of households (size, gender, etc.), the occupation of the household head, the nature and quality of the productive human capital (education, qualifications), as well as physical (land, etc.) and financial factors. This text box summarizes and compares the results of an analysis of two countries in the subregion, namely Burkina Faso and Mali, highlighting their similarities and differences following the procedure described in the methodology. Similarly, an “integrated” study of the poverty profiles of three countries in the subregion - Burkina Faso, Ghana, and Côte d'Ivoire - was conducted. Overall, the country “summaries” and the integrated analysis converge towards the same results.

**Poverty in Burkina Faso.** Several authors have used different econometric techniques to analyze the determinants of poverty; these include the probit model (Fofack, 2002), the logit model (Lauchaud, 2003), and linear regressions. They arrive at the same conclusions:

They confirm *the importance of “geography” (location of households)* as an important factor in determining the incidence of poverty. The geographical location of households partially explains disparities in income per capita and spending. It has been noted that the poverty rate increases as one moves from the south to the Sahel in the north. The mid-eastern region, which is completely located in the Sahelian region, is an exception: its poverty rate is much lower. More detailed analyses indicate that the nature of productive capital (in this case, the livestock in stockbreeding areas) accounts for this difference.

*The demographic characteristics of households* also play an important role. *In particular, “being a woman” seems to constitute a factor of poverty.* Indeed, the per capita consumption levels of female-headed households tend to be significantly lower than those of male-headed households. These inequalities increase from urban to rural areas. For example, in rural areas, the per capita spending of female-headed households is 21% lower than that of male-headed households. The size of the household is also important. An additional child represents a 14% decrease in per capita spending in urban areas and 18-30% in rural areas. Conversely, there is a positive correlation between the number of infants, the total number of children and wealth, which would indicate that well-to-do households tend to have larger families or, perhaps, that large families are in a better position to generate more wealth (the case with labor-intensive agricultural activities).

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<sup>5</sup>See the Poverty Assessment series produced by the World Bank (Burkina Faso, Mali, etc.), as well as the national analyses prepared from surveys on household living conditions by the INS.

As expected, ***the level of education which indicates the quality of human resources also has an important impact on poverty.*** The consumption levels of families whose heads have completed primary education is 13% higher in towns and 22% higher in urban areas than those of families whose heads have no primary education. The marginal gains from secondary and tertiary education are even higher.

***The main sector of activity of the household head is also a major determinant of the level of poverty.*** The consumption of households whose heads are employed in modern sectors is higher than that of households whose heads are employed in the traditional or informal sector. For example, the per capita spending of urban or rural families headed by those employed in the services industry is 31% higher in towns and 44% higher in rural areas than that of families headed by those employed in agriculture. Heads of households who work in industry are also better off than those who work in agriculture, but slightly less so than those employed in services.

**Poverty in Mali.** Similar results were recorded in Mali. ***The geographical distribution*** shows that poverty is much more severe in rural than in urban areas. The same “South-North” disparity in poverty incidence is equally evident at the micro-regional level. The further you move into the Sahelian region (north) the higher the poverty rate rises. The Sikasso area is a well-known exception. Its incidence of poverty is higher, although the region enjoys the best climatic conditions (ideal for cotton-growing) compared to the rest of the country. This is certainly due in part to the fall in cotton prices during 2000-2001, the period during which the survey was conducted. Another reason is massive immigration into the region, which greatly eroded income per capita because of the influx of a generally poor population.

***Education*** is an important factor in determining poverty. In urban areas, the consumption level of a household whose head has completed primary school is 13% higher than that of a household whose head is uneducated. The education of the household head's wife also has a positive impact on the level of consumption.

***The occupation of the household head*** has a major impact on per capita consumption. This is especially true of civil servants. The consumption level of households where the head or the spouse works in the services sector tend to be 14-19% higher than that of households whose head is employed in agriculture.

**Regional aspects based on country analyses: apparent effects of migration.** Beyond the “geographical” characteristics, the Burkina Faso and Mali studies also show the impact of migratory movements in the subregion. Indeed, in both countries, migration to other regions or countries of the region has a positive impact on consumption due to remittances from migrant workers. For example, the Burkina Faso study revealed that household per capita consumption levels were higher for families whose head had migrated during the six months preceding the survey, than for families whose head had not migrated. Similarly, households that had a family member resident in Côte d'Ivoire tended to have a higher expenditure level thanks to the remittances received. The same trend was noted in Mali (the consumption levels of urban households whose heads had migrated during the preceding six months was 6% higher than for households whose heads had not migrated).

**Key lessons from an "Integrated" Approach.**

The foregoing analyses and lessons are drawn from national experiences. Would aggregating data from several countries in the region, using a more integrated approach, confirm these findings, enhance their cogency, or even generate more findings? Such an experiment was attempted by pooling household survey data from Burkina Faso (BF), Côte d'Ivoire (CI), and Ghana (GH).

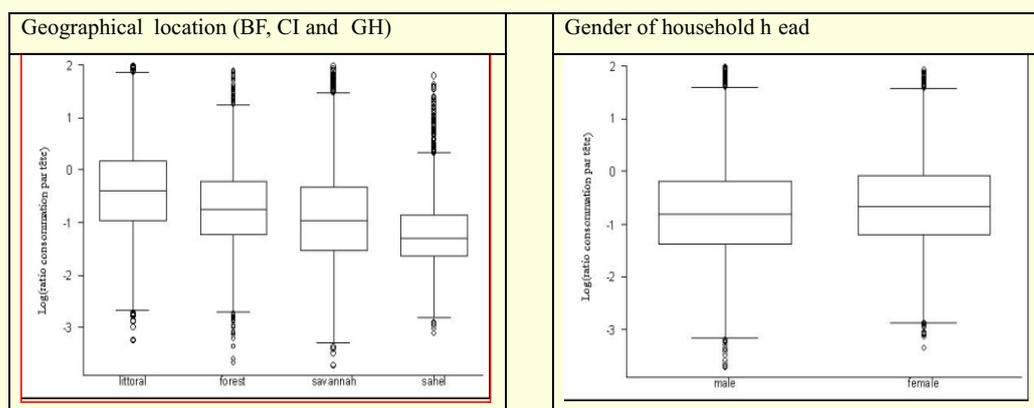
However, the snag in this methodology is how to adjust the various national consumption levels to differences in the average living standards of the countries concerned, and to differences in exchange rate. Addressing this problem requires the “standardization” of household consumption. A common procedure consists in replacing consumption levels with the relative gap between the consumption of each household and the average consumption in the country. The country “dummy variables” will then present the differences in the average levels of consumption between countries. To highlight geographical specificities, national micro-regions are combined into large geo-economic zones: coastal, forest, savannah, and Sahel. The results of such an analysis confirm the aforementioned lessons.

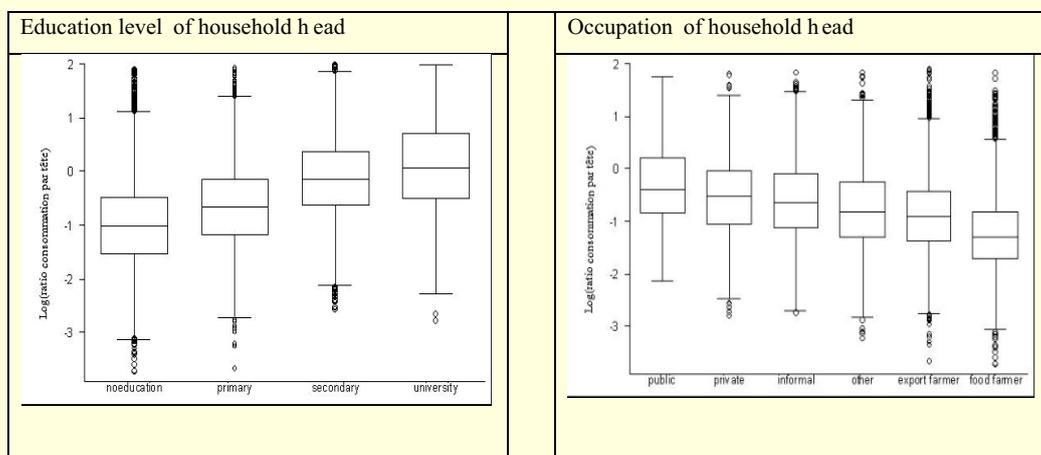
In particular, geographical location has been confirmed as an important factor in the determination poverty levels. As noted above, the level of poverty rises as one moves from the coast to the Sahel, primarily because of changes in conditions conducive to agriculture. Specifically, individual consumption rises by close to 13% in rural areas and by 16% in urban areas located on the coast as compared to forest regions and, in general, as one moves towards the Savannah and Sahel regions, individual consumption levels decrease significantly in urban areas, and even more substantially in rural areas.

As in the national analyses, the level of education of the family head is equally important. The per capita consumption of a family whose head has completed primary education is 13% higher in rural areas and 20% higher in urban areas. The higher the level of education of the household head, the stronger its effect on consumption. The main sector of activity of the head of the household is also an important determinant of the level of poverty. However, a more integrated approach makes it possible to gauge the impact of trade. Indeed, studies show that households whose heads are engaged primarily in the production of export crops (cocoa, coffee, cotton, etc.) have significantly higher consumption levels than households whose heads engage in food crop farming. Finally, access to basic infrastructure (schools, health centers, electricity, and drinking water) has a positive impact on individual consumption, as indicated in the country analyses.

The following charts represent the dispersion of well-being measured by individual consumption for the three aggregated countries (Burkina Faso, Côte d'Ivoire and Ghana). Each chart represents a determinant of poverty used in the regression below.

**Per capita consumption and determinants of Poverty**





Note: The charts should be read as follows: the horizontal lines in the rectangle represent the 75<sup>th</sup> percentile, the median and the 25<sup>th</sup> percentile of the distribution. The bars outside the rectangle represent the minimum and maximum level of the distribution. The smaller the rectangle, the smaller the dispersion of distribution.

Source: The authors, summary done from World Bank "Poverty Reports".

## B.1. Economic growth and poverty

38. In spite of the differences in the initial conditions of countries, there is a general convergence of views on the importance of income growth to poverty reduction. The results of analytical studies confirm the general view that (i) the higher and more sustained (less volatile) income per capita growth is, or (ii) the more “inclusive” growth is (i.e. involving the poor or having positive effects on disadvantaged areas and poor social classes), the greater the impact it will have on poverty reduction. Hence, income growth and its sectoral distribution are the main determinants of poverty. In a way, this relationship is almost self-evident. Since income poverty is defined directly on the basis of income or consumption per capita, this means that there is an obvious correlation between poverty rate levels and the level of average income per capita (growth rate). This is all the more true since growth uniformly affects all sectors and all social classes. Accordingly, the more “isolated” growth is and the lesser its effects on sectors that employ the poor, the weaker the correlation that exists between average income levels and the income trends of the poor, and the lower its impact. For example, at the same average growth rate, growth fueled by agriculture—which employs more than 80% of the rural population—is more distributive and will yield a greater decline in the poverty rate than equivalent growth fueled by the mining sector, which often constitutes an “enclave” in the economies of the subregion.

**Table 14.**  
**GDP Growth Rate Required to Reduce Poverty Incidence by 4 Points per Year**

	Elasticity of Poverty Rate to income per capita Growth	Per Capita Growth Rate	Population Growth Rate	GDP Growth Rate Required
Benin	-1.08	3.70	2.90	6.60
Burkina	-1.01	3.96	2.80	6.76
Côte d'Ivoire	-1.06	3.77	3.10	6.87
Guinea Bissau	-0.88	4.55	2.10	6.65
Mali	-0.81	4.94	2.80	7.74
Niger	-0.62	6.45	3.3	9.75
Senegal	-1.08	3.70	2.60	6.30
Togo	-0.79	5.06	3.10	8.16
Cape Verde	-1.08	3.70	2.20	5.90
Gambia	-0.81	4.94	3.70	8.64
Ghana	-1.01	3.96	2.80	6.76
Guinea	-0.87	4.60	2.70	7.30
Liberia	-	-	-	-
Nigeria	-0.71	5.63	2.90	8.53
Sierra Leone	-0.98	4.08	2.50	6.58

Source : ECA: Economic Report on Africa, 1999

39. Empirical studies on the countries of the subregion and sub-continent confirm the preceding arguments. Indeed, they indicate that in the majority of countries, sustained growth leads to a reduction in the incidence of income poverty, with such reduction being more substantial if the disparities are not wide. Table 14 shows that for the entire region, and excluding the distribution effects, the poverty rate decreases by approximately 1.02 points for each point of sustained average income growth. Similar studies conducted on various sectors (agriculture, industry, etc.) in the countries indicate that this growth impact is stronger when the sector employs a large proportion of the poor.

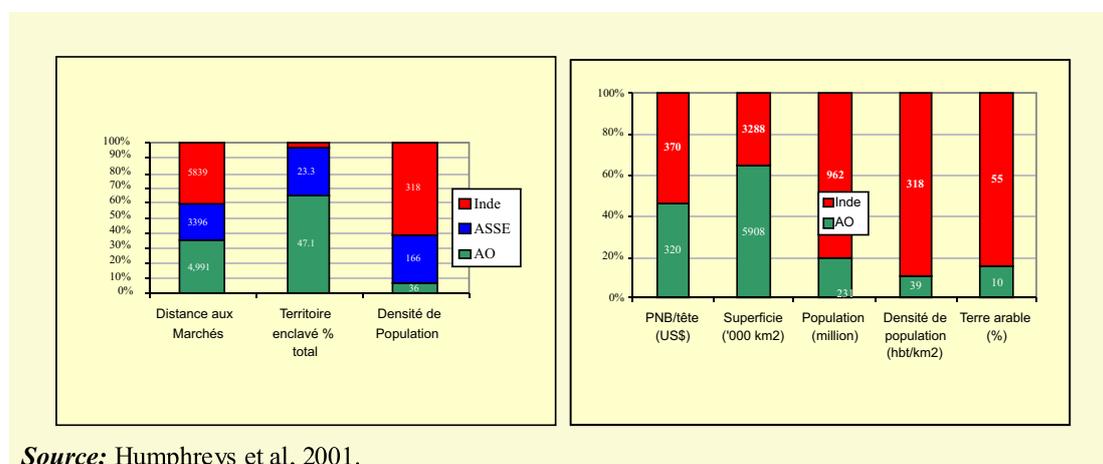
## **B.2. Geography and poverty**

40. In the poorly diversified economies of the region, growth and its sectoral distribution depend on other important factors such as natural conditions. Thus, new theories and empirical studies on growth indicate that "geography" is a decisive factor which accounts, to a great extent, for Africa's relatively low competitiveness and performance, as compared to other continents. For example, according to Bloom and Sachs (1999): "*At the root of Africa's impoverishment ... lies its extraordinarily disadvantageous geography.... (...) Economic policy and governance,*

which receive the largest share of economists' attention, are ... perhaps not the dominant factors that have impeded, and continue to deter, economic growth in Africa. (...) various aspects of tropical geography, demography, and public health are vitally important. Our statistical estimates, admittedly imprecise, actually give about two-thirds of the weight of Africa's growth shortfall to the "non-economic" conditions, and only one-third to economic policy and institutions."

41. Although these conclusions need to be taken in context, this analysis is particularly relevant for West Africa. The factors that impede growth, as mentioned by the authors, predominate in West Africa. In particular (Cf. Chart 1), the subregion is far from the major markets of Europe, America, and Asia; 91% of its land is non-arable, and close to 50% of it is landlocked. Such geographical conditions, combined with low population density, increase infrastructure costs (roads, water, telecommunications, energy, etc.) and perpetuate "enclaves of poverty". Comparison with India clearly illustrates these problems of geography and segmentation.. Barely five years ago, India and West Africa had comparable income per capita (Cf. Chart 2). However, the subregion is almost twice the size of India, but only has one-quarter of India's population and one-tenth of its density. The amount of arable land in India is also five times more than the amount in West Africa. This combination of low income per capita, very arid lands, and low population density leads to excessive segmentation of the already narrow markets and the proliferation of "marginalized" or "destitute" areas. These characteristics limit economies of scale, market competitiveness and, consequently, growth and its distributive effects.

**Chart 2.**  
**West Africa: Difficult geographical conditions**



**Source:** Humphreys et al, 2001.

42. The analyses in Section 1.1 underscored the importance of "micro-regions" coastal, Sudano-Sahelian, etc. in the poverty profile. Similarly, more detailed analyses of data from Cote d'Ivoire, Ghana, and Burkina Faso show the significant impact of "geography" on income per capita and on its evolution. In rural areas, the income per capita follows almost a linear progression from coastal and humid areas to Sahelian areas, in virtually all the countries. The country studies also confirm this assumption. In Mali and Burkina Faso, for example, average

<sup>4</sup>For further information on this discussion, see Humphreys, N'cho et al, "Accelerating Regional Integration in West Africa", World Bank, 2001.

incomes are higher in the Savannah regions, which are more conducive to agriculture, than in the more Sahelian regions in the north. Hence, these analyses confirm that although poverty is often described in terms of its national dimension, it has distinctive “geographical” and regional characteristics that would justify greater coordination and harmonization of national and integration policies.

**Table 15.**  
**West Africa: A Fragmented Region**

	Fragmentation (Balkanisation)				Accessibility				
	Number of countries	Median area per country ('000)	Median population (million)	Median density (pop/km <sup>2</sup> )	Total area (million)	% non-arable	% of area landlocked	% coastal areas (a)	Distance to major markets (b)
<b>Regions</b>									
West Africa	15	260	9.6	36	5,940	91	47.1	0.6	4,991
Saharian Africa	47	274	7.1	25	24,267	90	32.7	1.2	6,237
The "Balkans" (c)	10	56	6.4	81	56		29.4		
South-East Asia	12	331	42	166	7,364		23.3	11.5	3,396
Transition economies	25	..	..	..	24,000			0.9	2,439
Latin America	22	284	10.8	39	19,964	90	7.5	2.3	4,651
<b>Countries</b>									
India	1	3288	962	318	3,288	45	0		5,839
Indonesia	1	1905	200	109	1,905	90	0		5,768
China	1	9597	1227	130	9,597	87	0		2,103
Brazil	1	8547	164	19	8,547	94	0		6,812

Sources: "Accelerating Regional Integration in Africa", World Bank, 2001; Bloom and Sachs, 1999, Table 2.

(a) Km of coastline for a 1,000 km<sup>2</sup> area.

(b) Average linear distance (simple mean) in km from the economic capital to one of the following ports: New York, Rotterdam or Tokyo.

(c) The Balkans include the following countries: Slovenia, Croatia, Bosnia, Yugoslavia (Serbia, Kosovo and Montenegro), Macedonia, Bulgaria, Albania, Greece, Romania, and the European part of Turkey.

### B.3. Economic area of activity and poverty

43. The economic area of activity is also an important determinant of poverty. As the analyses in Section A.1 indicate, there is a marked difference in income per capita between urban and rural areas. For example, in Burkina Faso, more than 50% of agricultural sector workers are poor compared to 2.2% of public sector employees. With respect to the rural sector, more detailed national analyses on some countries in the subregion indicate that households which derive their income primarily from subsistence farming tend to be poorer than those that earn their income from cash crops or who engage in some sort of regional or international trade. This observation also holds true for livestock products, particularly, in the Sudano-Sahelian areas.

44. This observation reveals three major problems that relate to regional integration. The first is the population's access to means of production arable land, capital, etc. which are generally in higher demand for cash crop production than for food crops that are grown mainly for home consumption. This issue is analyzed from a regional perspective in Chapter 3. The second is the role of trade. Of course, the main difference between so-called “cash” crops and others lies in the

level at which they are traded local, regional, or worldwide. This means that poor marketing of products contributes to the impoverishment of farmers. Consequently, policies aimed at facilitating regional and world trade are conducive to improving income and hence reducing poverty.

45. The third problem concerns the quality of human capital. In urban areas, studies have indicated that professional qualifications are usually the primary factor that accounts for income differences. This is manifested in several ways: between the formal and informal sectors, and between managerial staff and unskilled workers in the public, industrial, or tradable services sectors. This observation, once more, underscores the importance of education and of integration policies as determinants of labor productivity and, consequently, of wage income. National policies and related regional policies are reviewed in Chapter 4.

#### **B.4. Gender and Poverty**

46. Country analyses also indicate that income per capita depends on a number of demographic characteristics, notably the size of households and the gender of the household head. In general, poverty increases with the size of the household, particularly in urban areas. For example, in Benin, the incidence of poverty is twice higher in households with more than six members than in households with less than three members. In Senegal, the average size of households in the poorest quintile is more than 10 persons, while households in the richest quintile have less than 8 members. Moreover, the average size of households increases from urban areas to rural areas and from coastal areas to Sudano-Sahelian areas. This is consistent with preceding observations on rising income from one region to another.

47. Gender is a peculiar aspect of poverty in the subregion. Country analyses indicate a higher incidence of poverty among women than among men. This is partially attributable to the fact that more than half the female population work in agriculture. For example, in Senegal in 2000, 86% of women were employed in the agricultural sector, compared with 70% of men. Conversely, only 4% of women worked in industry (compared with 10% for men) and 10% in services (compared with 20% for men). High employment in sectors with low average incomes largely explains the gender-based income disparities in the subregion. These disparities are also evident in the quality of human capital, although the differences are less clear-cut. For example, the illiteracy rate is almost always higher among women than among men (71% compared with 52% in Senegal, 91% compared with 76% in Niger), but life expectancy at birth is almost always higher among women than among men (e.g. 54 years compared with 51 years in Senegal, 48 years compared with 44 in Niger and 44 years compared with 41 in Mali). Finally, these disparities are even more pronounced in the area of social capital, notably, participation in government and in positions of responsibility. For example, women account for only 19% of all representatives in the Senegalese parliament, 12% in Mali, and 1% in Niger.

48. The issue of gender inequality illustrates the importance of socio-cultural and institutional aspects, as well as the importance of access to means of production land, financial capital, human capital as determinants of poverty. Without targeted actions, more than half of the population will remain marginalized, poorly integrated into the formal sectors of the economy and condemned to low-paid jobs in the informal sector. Hence, national programs and regional strategies to integrate women into the society and into the economy need to be fine-tuned and refocused on issues of access to income-earning assets. This important subject is discussed in Chapter 3, which deals with economic and social integration policies.

**Box 5.**  
**Does poverty have a particularly “feminine” face in West Africa? The Case of Nigeria**

In West Africa, poverty is also manifested in gender inequalities. Indeed, women are particularly exposed to the risk of poverty, be it income poverty, lack of access to social services, etc.

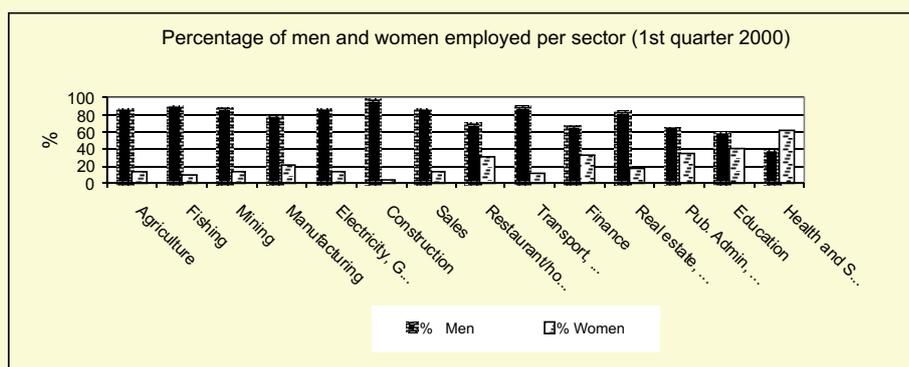
Hence, girls are less educated than boys because of the socio-cultural thinking that the woman’s place is at home, but also because of low family incomes that force parents to prefer enrolling boys in school rather than girls. The example of Nigeria, presented below, shows that in 2000, the percentage of educated women was almost 50% lower than that of men.

Literacy Rate of Men and Women in Nigeria, 1996–2000

Category	1996	1997	1998	1999	2000
National	48	48	54	54	54
Female	39	38	38	37	38
Male	62	63	63	64	64

Source: NCS and CBN Annual Report 2000 (cited in FOS 2001).

These gender disparities are naturally reflected within activity sectors. Women do not easily have access to well-paid jobs since their level of education is generally lower than that of men.



Consequently, female-headed households are generally poorer than male-headed households. This relative poverty can be measured by the type of appliances in the household. As the table below shows, the number of appliances in female-headed households is generally half the number found in male-headed households, regardless of the type of appliance. Similarly, households headed by women have much fewer assets, particularly if such assets are land.

Households that own Household Appliances

	Male-headed households (%)	Female-headed households (%)
Telephone	1.8	1.0
Radio	80.3	52.5
Television	26.1	13.3
Video Recorder	12.5	5.2
Electricity Generator	2.3	1

Source: FOS 2003.

Ownership of income-earning assets in Nigeria by gender

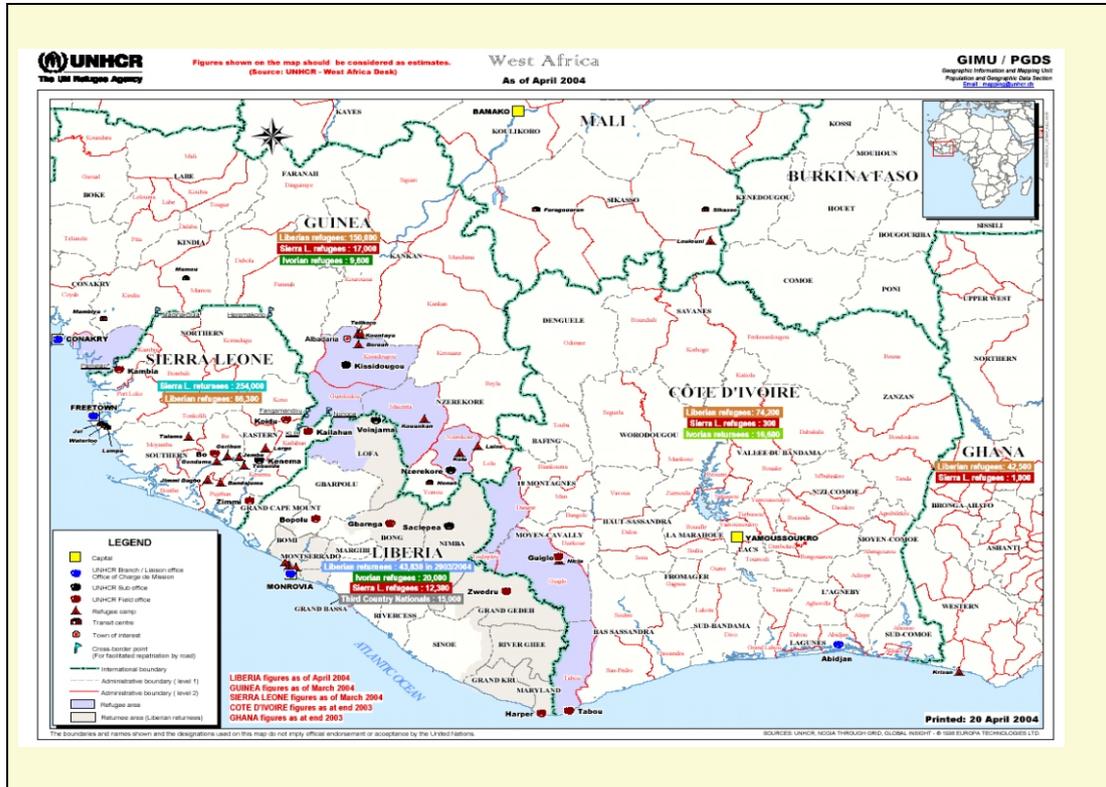
Type of Asset	Households Headed by Men (%)	Households Headed by Women (%)	Gender Gap (%)
Land	73	41	32
Livestock	30	27	3
Housing	67	47	20
Car	6.9	2.4	4.5

Source: FOS 2003., cited in "Nigeria Gender Assessment"

### **B.5. Conflicts and Poverty**

49. Without doubt, conflicts are the most devastating and most impoverishing scourge in the subregion. About ten West African countries have experienced at least one period of conflict or high tension since the 1990s. These various conflicts put an enormous economic, social, and human strain, not only on the countries in conflict, but also on neighboring countries in the subregion. According to Collier et al. (1999), a civil war reduces GDP per capita by 2.2%, destroys the human and material foundations of development, and leaves in its wake a social and political heritage that can compromise progress for several decades to come. Consequently, political and social stability are crucial to the success of economic reforms and of all other sustainable development and poverty reduction programs. In addition to these internal factors, the HIV/AIDS epidemic is a hindrance to the development of West African Countries. Furthermore, experience shows that conflicts and the various types of instability that ensue therefrom, are conducive to the spread of infectious diseases, in particular, HIV/AIDS. This central issue of conflicts is treated in detail in Chapter 3, which deals with the major challenges facing the region.

**Chart 3.**  
**Map of conflicts in West Africa**



## **CHAPTER 2**

### **National PRSPs and the Millennium Development Goals in West African Countries**

#### **A. Update on Country PRSPs in the Subregion**

50. As indicated above, poverty reduction is the major challenge targeted by economic development policies in West Africa. Accordingly, low-income countries, especially those in West Africa, embarked on the preparation of Poverty Reduction Strategy Papers (PRSPs), with support from the Bretton Woods institutions. Their action is also a positive outcome of the summit of sub-Saharan African Heads of State on Africa's economic and social agenda, held in Libreville on January 18 and 19 and of the WAEMU ministerial seminar held in Dakar in July 2000 on accelerating the poverty reduction process in member states.

51. Henceforth, PRSPs constitute the basis for concessional lending and debt relief under the enhanced Heavily Indebted Poor Countries Initiative (Enhanced HIPC Initiative). The PRSP mechanism is in place in most West African Countries and seeks to place greater emphasis on poverty reduction in the decision-making process through open and transparent social dialogue. However, not all countries in the subregion have attained the same level in the preparation of their national PRSPs: Benin, Burkina Faso, Cape Verde, Gambia, Ghana, Guinea, Mali, Niger, Nigeria, Senegal, and Sierra Leone have already adopted a full-fledge PRSP. At present, Burkina Faso has completed its PRSP review and is now consolidating its institutional mechanisms in view of future actions and the effective implementation of defined strategies. The other countries are in an interim or transition phase. This is the case with Côte d'Ivoire and Guinea-Bissau which have prepared an interim PRSP. Togo has also prepared an interim PRSP which has not yet been approved by the IDA and the IMF. Liberia is in a transition phase and is progressing towards the decision to prepare a national PRSP. Table 16 below summarizes the status of PRSP preparation in West Africa.

52. However, it should be noted that some PRSPs contain very few social statistics; and even when such data is provided, it is not recent and needs to be updated. Hence, special emphasis could not be laid on the distributive sectoral sources of growth. The ongoing review of some PRSPs should take these shortcomings into account and strengthen growth strategies. In combating poverty, West African countries have perceived the need to prepare a joint regional poverty reduction strategy to complement the actions of countries in the subregion in accordance with the principles of subsidiarity and externality. The poverty reduction results obtained so far by countries, in relation to the Millennium Development Goals, have not always been encouraging. Similarly, none of the country PRSPs has addressed conflict prevention. Yet, it is obvious that the emergence of conflict can undermine all efforts deployed to reduce poverty. Hence the need to integrate conflict prevention in national PRSPs.

#### **B. Vision and reality: progress of countries towards the MDGs**

53. Despite the implementation of national poverty reduction strategies, progress towards the Millennium Development Goals is slow. If current trends continue, a good number of sub-Saharan African countries will definitely not achieve these goals. This is particularly true for West African countries. An analysis of progress made, objective by objective, confirms this concern.

**Table 16.**  
**Current Status of PRSPs in West Africa**

Member Countries	Phase	Date of Publication	Comments
Benin	Final	September 2002	HIPC completion point in 1 <sup>st</sup> quarter of 2003 and 2 <sup>nd</sup> PRSP being prepared (for 2007)
Burkina Faso	Final	2001	Completion point in 2002 and 2 <sup>nd</sup> PRSP in 2004
Cape Verde	Final	September 2004	Cape Verde is not a HIPC
Côte d'Ivoire	Interim	January 2002	A new Interim-PRSP is planned for 2007 and the decision point should be achieved in 2007
Gambia	Final	2003	Decision point achieved in 2000
Ghana	Final	2003	Decision point in 2005 and 2 <sup>nd</sup> PRSP in November 2005
Guinea	Final	2003	..
Guinea Bissau	Interim	September 2000	Document currently being updated
Liberia	Interim	Under preparation	The decision point can only be achieved by mid-2007, at the earliest
Mali	Final	May 2002	HIPC completion point reached during 1 <sup>st</sup> quarter 2003
Niger	Final	January 2002	HIPC Completion point 2003 and 2 <sup>nd</sup> PRSP in preparation for 2007
Nigeria	Final	December 2005	Nigeria is not a HIPC
Senegal	Final	1 <sup>st</sup> quarter 2003	HIPC completion point 2003
Sierra Leone	Final	March 2005	Decision point reached in 2002
Togo	Interim	2004	The interim PRSP was approved by the Council of Ministers in 2004, but was not submitted to IDA and IMF/the decision point cannot be reached before end-2007

Sources : IMF (2002), country PRSPs and ADB (2003); World Bank (2006)

**Table 17**  
**Gains over 10 years: Ranking of West African countries according to the HDI**

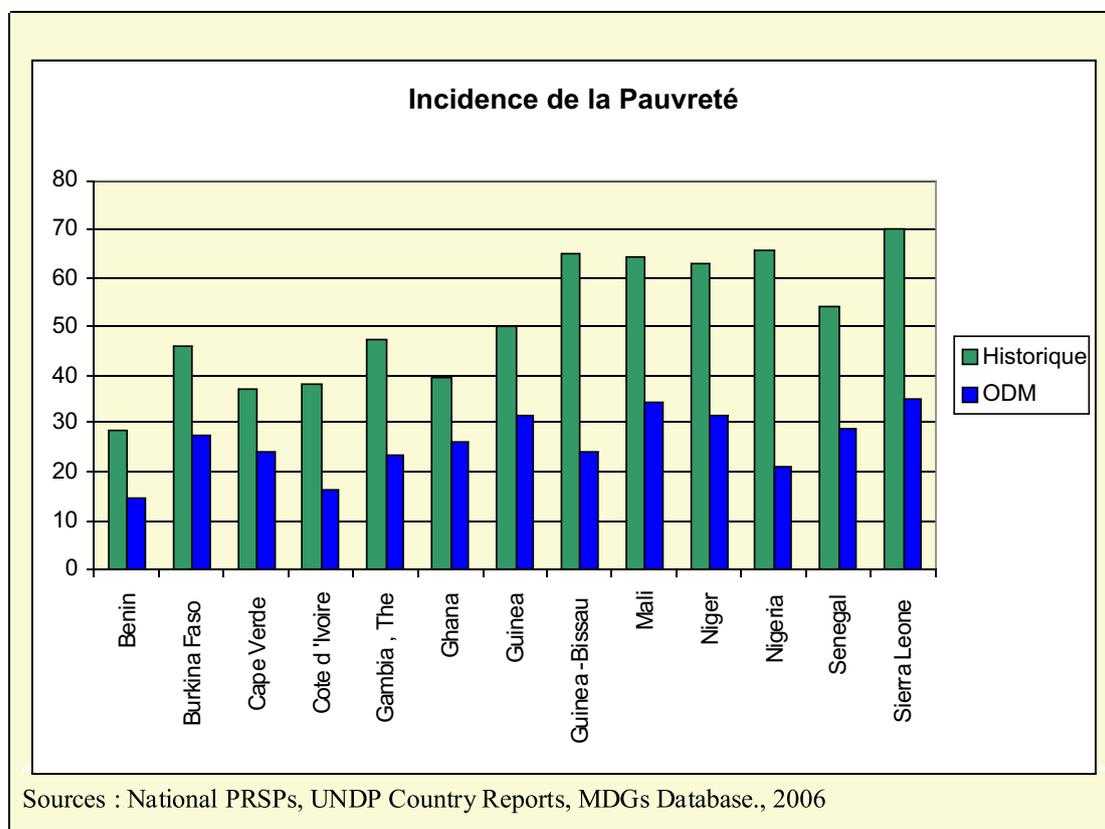
Country	1992		2003	
	HDI	Ranking on 160 countries	HDI	Ranking on 177 countries
Benin	0.111	149	0.431	162
Burkina	0.074	157	0.317	175
Cape Verde	0.437	104	0.721	105
Côte d'Ivoire	0.289	123	0.420	163
Gambia	0.083	154	0.4670	155
Ghana	0.31	119	0.520	138
Guinea	0.052	160	0.466	156
Guinea Bissau	0.088	152	0.348	172
Liberia	0.227	131	na	na
Mali	0.081	155	0.333	174
Niger	0.078	156	0.281	177
Nigeria	0.241	128	0.453	158
Senegal	0.178	137	0.458	157
Sierra Leone	0.062	159	0.298	176
Togo	0.218	132	0.512	143

Source: UNDP (2003): World Report on Human Development, Economica

**Goal 1: Halve Extreme Poverty and Hunger by 2015**

54. The objective of reducing by half the number of people living below the national poverty threshold can only be achieved in 25 years if the average rate of reduction stands at around 1% per year. But in countries like Côte-d'Ivoire, Guinea-Bissau and Nigeria, the current trend seems to point towards an aggravation of poverty.

**Chart 4**  
**Poverty Rates in West Africa for 2003-04**

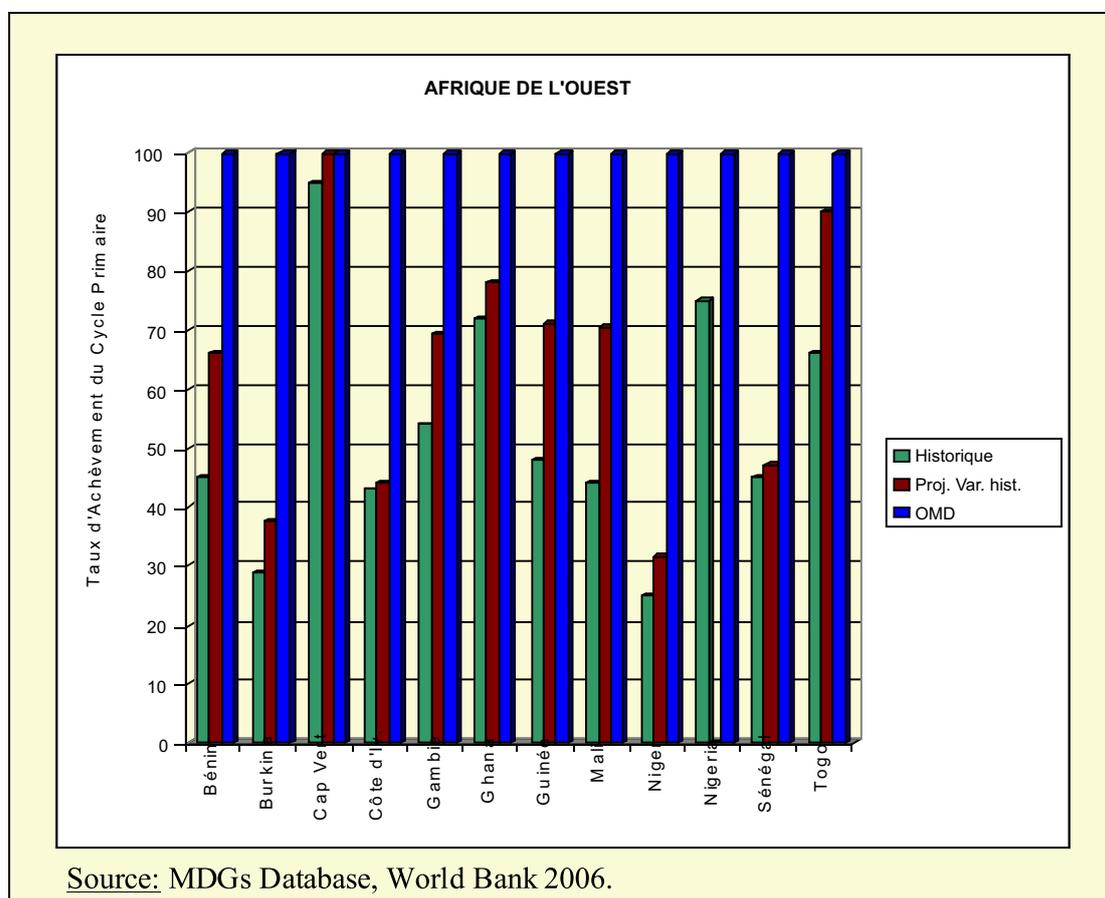


**Goal 2: Achieve universal primary education**

55. Chart 5 below presents an analysis of the status of this goal. For all countries for which data is available, the chart shows the current completion rates relative to the universal education target, as well as the historic growth rate<sup>7</sup> relative to the rate needed to achieve this goal. As these charts show, the performance of all countries in West Africa, except for Cape Verde, is below the minimum required to achieve the universal education MDG. If current trends continue, these countries will not achieve this goal. However, a number of countries in the sample seem to have deployed greater efforts in recent years (since the implementation of national strategies). Should these more positive trends continue over the long term, these countries could come closer to attaining the goal of universal primary education. This is the case with Mali, whose completion rate in 2004 was 44% and could reach 100% in 2015 if the trend observed between 2002 and 2004 5.5 points per year is sustained.

<sup>7</sup>The historic growth rate of the completion rate is calculated based on indicator values for 1990 and 2004 (or available values for the most recent year).

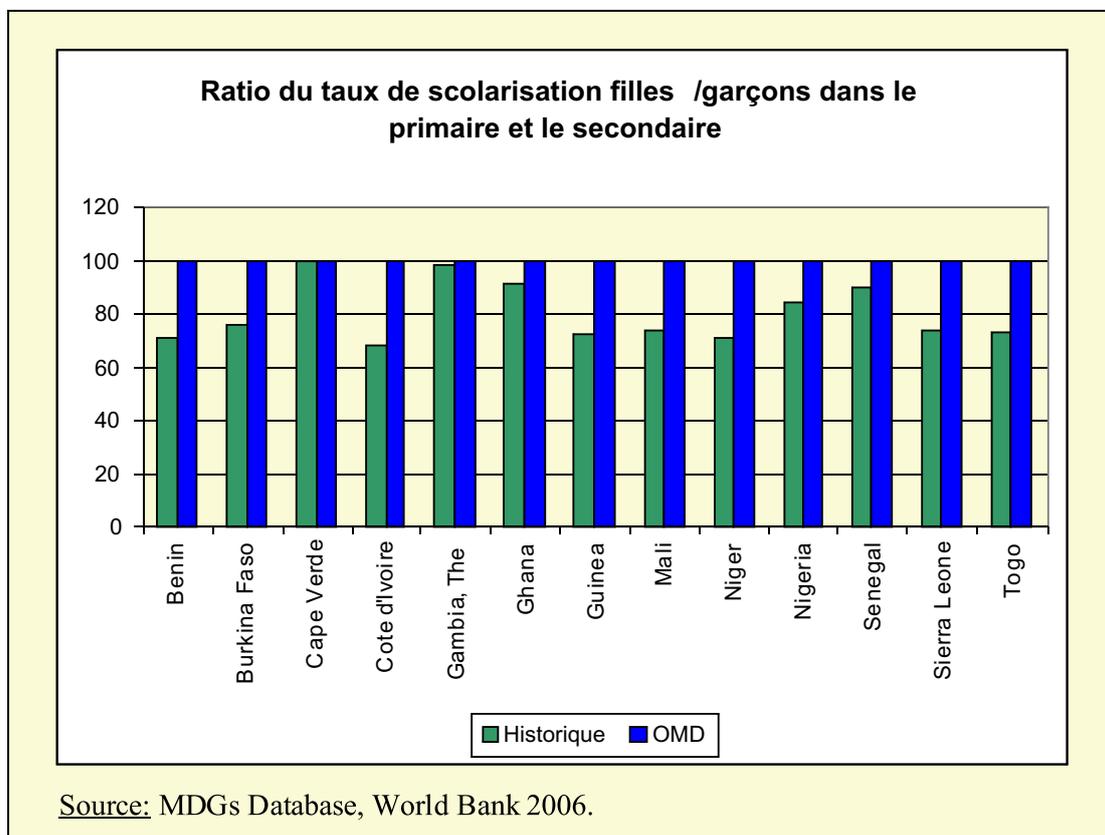
**Chart 5**  
**Universal primary education in West Africa: Completion rates**



**Goal 3: Promote gender equality and empower women**

56. In sub-Saharan Africa, girls have fewer chances of going to school. This is also the case in West African countries where cultural prejudices still persist against girls. For example, it is held that the girl's place is at home rather than in school, or that educating girls promotes failed marriages (while educating boys is guarantee of success). With such prejudices, the objective of closing the enrolment gap between boys and girls at the primary and secondary levels by 2005, and at all levels of education by 2015, hardly seems realistic for West Africa, except for Cape Verde, at least with respect to the first target date. However, countries like The Gambia, Ghana, and Senegal, which have an enrolment ratio of 90% or more, are on the right track with respect to promoting gender equality in primary and secondary education. If these trends continue, these two countries could achieve this MDG. However, schools in all West African countries have enormous difficulties admitting all children of school-going age or keeping them in school until the end of the cycle. Furthermore, gender parity in enrolment ratios and literacy rates will not always be easy to achieve.

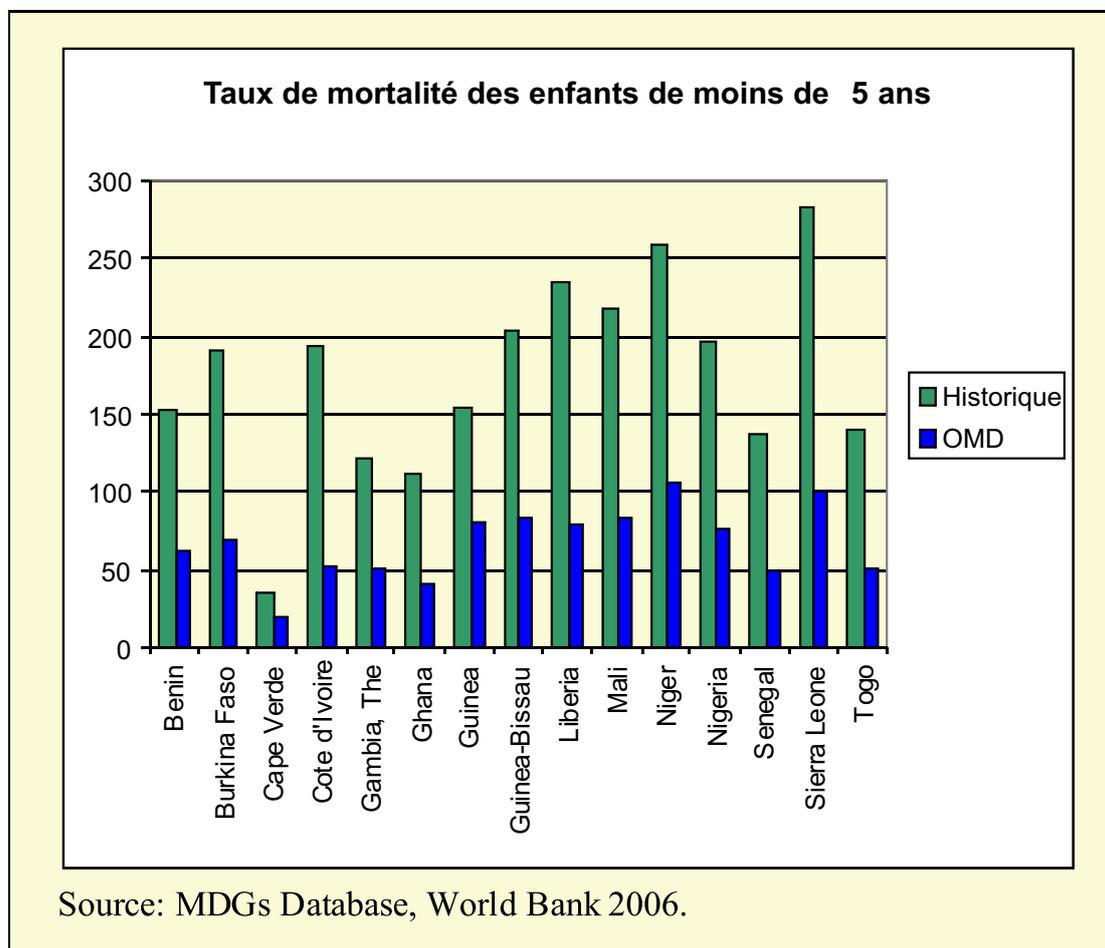
**Chart 6**  
**Gender parity index in primary and secondary schools (2004).**



**Goal 4: Reduce child mortality by two-thirds**

57. Hardly any of the 37 developing countries that made fairly rapid progress at the end of the twentieth century and that were deemed capable of reducing 1990 child mortality rates by two-thirds by 2015, are found in West Africa. Health conditions remain precarious in this part of sub-Saharan Africa. Overall, under-five mortality remains high. The best performance in this area in 2004 was recorded by Cape Verde, with a rate of 36 per 1,000 compared to a record rate of 283 per 1,000 in Sierra Leone and 259 per 1,000 in Niger (see Chart 7). To date, none of the countries in the subregion has achieved a significant reduction in its child mortality rate to be able to meet this MDG by 2015. In some countries, the trend points towards stagnation or a rise in mortality (Côte d'Ivoire and Liberia). Countries in the region must therefore pay special attention to child health so as to speed up the decline in child mortality and progress towards attainment of the MDGs.

**Chart 7**  
**Infant mortality rate (under-fives)**



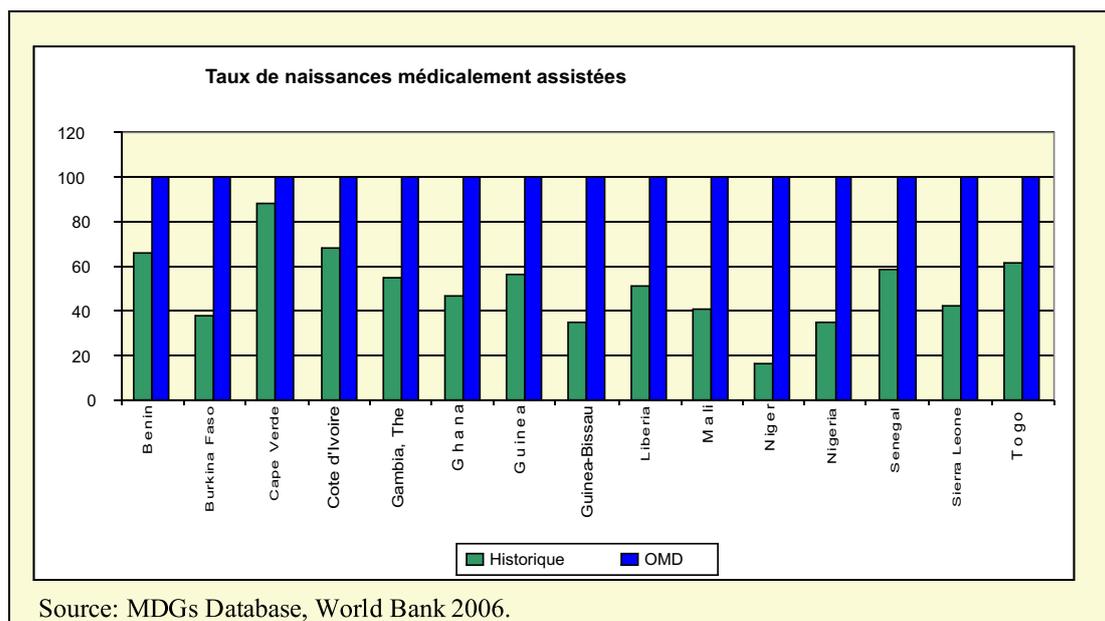
**Goal 5: Reduce the maternal mortality ratio by three-quarters by 2015**

58. Improving maternal health, just like child health, is also a major concern in all West African countries. These countries need to implement effective health policies to ensure that women in West Africa no longer die from pregnancy and childbirth complications.

59. In spite of this desire to prevent death and disability among women of childbearing age, the maternal mortality rate in the entire subregion remains high. In 2000, this rate was 2,000 per 100,000 live births in Sierra Leone. With the exception of Cape Verde, which recorded a ratio of 55 per 100,000 live births, the other countries in West Africa are unlikely to achieve the set targets. The average rates of the countries are reported to be higher than 600 per 100,000. This is attributable to the fact that in rural areas, the majority of women give birth under difficult conditions, unattended skilled health personnel. The proportion of births attended by skilled health personnel remains very low in all countries. It is only Benin, Cape Verde, Côte d'Ivoire, The Gambia, Guinea and Senegal that the proportion of births attended by health personnel is

above 50%. In Niger, this ratio is just slightly above 16%. With respect to the progress needed to achieve the MDG, the current trend is too slow. Between 1993 and 2003, Burkina Faso even experienced a decline in the proportion of births attended by health personnel. Consequently, it seems unlikely that most countries in the region will achieve the goal of reducing maternal mortality.

**Chart 8**  
**Proportion of births attended by skilled health personnel**



### Goal 6: Combat HIV/AIDS, malaria and other contagious diseases

60. Just as in the fight against extreme poverty and hunger, the combat against the HIV/AIDS pandemic in West Africa must be vigorous with the use of appropriate antiretroviral therapy. Indeed, the growing poverty, hunger and diseases resulting from the disastrous consequences of armed conflict have been compounded by the specter of the HIV/AIDS. In fact, 24.5 million of the 38.6 million (64%) adults and children living with HIV/AIDS worldwide are found in Africa. According to the World Health Organization (WHO), the HIV/AIDS epidemic killed 2.8 million people in sub-Saharan Africa in 2005.

61. An analysis of the macroeconomic impact of HIV/AIDS also presents very bleak prospects for Africa, in economic and human terms, because of the disastrous impact of this disease on production, public finance, households and their declining productive capacities, and on the skilled labor force. Hence, the AIDS virus reinforces the vicious circle of poverty and reduces life expectancy. The disease is rife in West Africa with a peak prevalence of 7.1% in Côte d'Ivoire and its lowest prevalence of 0.9% in Senegal, in 2005. If national and regional programs are not implemented to eradicate this pandemic, it may, in the long term, wipe out all social development gains made in countries like Côte d'Ivoire, Nigeria, and Togo where prevalence rates are high. Given the shortage of financial resources and the high cost of treatment, it is unlikely that this MDG will be achieved by 2015.

62. With regard to malaria which has been rife in West Africa for a long time and against which no effective treatment has yet been found, it seems unlikely that this endemic disease will be reduced by three-quarters in less than a generation. Health conditions are, indeed, particularly unfavorable in cities as well as in the countryside. Malaria is the leading cause of under-five mortality. In 2000, for example, 906,000 deaths of under-five children (880,000 of them in sub-Saharan Africa) were reported worldwide. In West Africa, 7 793 959 cases of malaria were reported in 1997 (data for Burkina Faso and Senegal dates from 1995). In terms of the proportion of the total population affected in each country, Ghana is most hard-hit (11.3%), followed by Benin (10.4%) and Guinea (9.7%). The lowest ratios were recorded in Nigeria (0.5%) and Cape Verde (20 cases declared).

63. Given this situation, preventive and rapid treatment should be made accessible to all in order to relieve the suffering of the poor who endure the ravages of this disease. With respect to other contagious diseases, tuberculosis seems to have made a strong comeback, although its treatment had been mastered for the past 100 years. Its proliferation has been fueled by the spread of the HIV/AIDS epidemic, since tuberculosis has been identified as one of the opportunistic infections that take advantage of a weakened immune system. Hence, tuberculosis incidence has risen rapidly in West Africa, with 93,850 reported cases in 2000 for all countries for which data is available. Nigeria and Ghana have the highest number of reported cases, with 25,821 and 10,933 cases, respectively. Cape Verde has the least number with 205 cases. With the renewed outbreak of this disease, if effective treatment is not provided in the different countries, it is also unlikely that tuberculosis will be reduced by three-quarters by 2015 in West Africa.

**Goal 7: Ensure sustainable management of natural resources by reducing by half the proportion of people without access to drinking water**

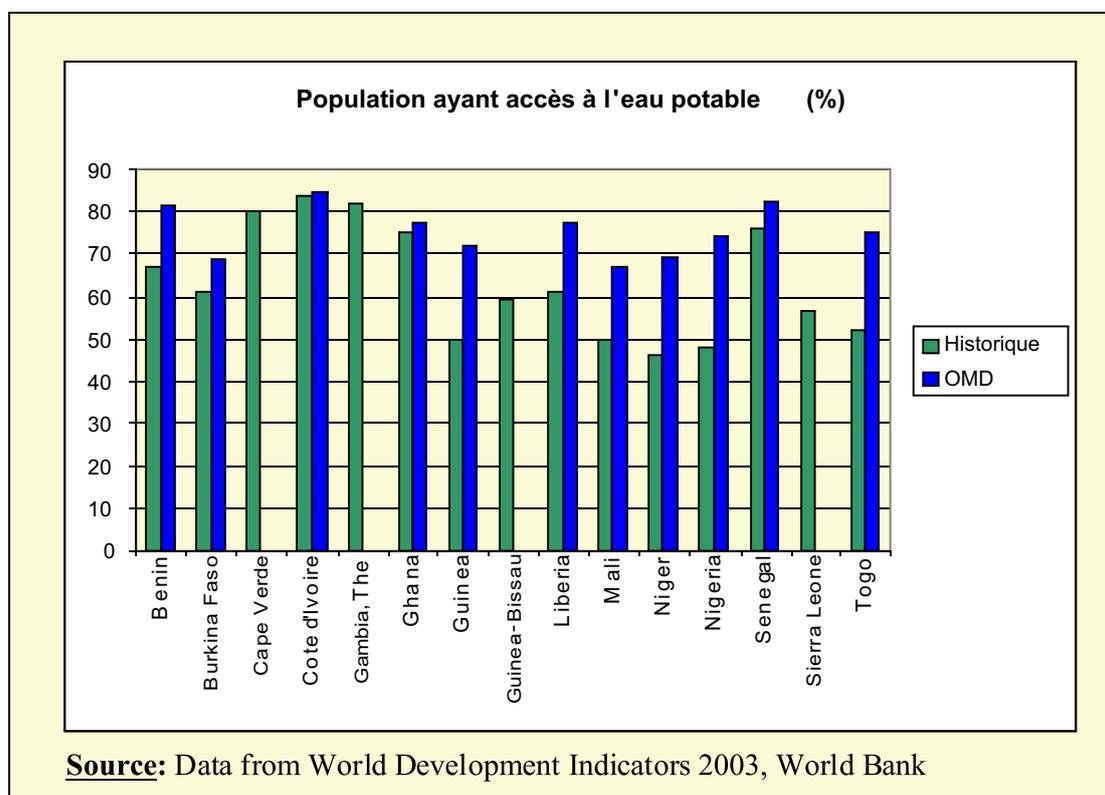
64. Most West African countries, excluding Liberia, Sierra Leone, Côte d'Ivoire and Guinea Bissau (being finalized) have a national environmental action plan (NEAP) that has been carefully prepared with the support of CILSS. Hence, these countries now have rational natural resource management policies to combat problems of desertification, overgrazing, over-stripping and soil erosion, coastal and wind erosion, salinization and water shortage. However, analysis of issues such as the expansion of cotton-growing areas--harmful to the environment--and the persistence of problems related to transhumance and fuel wood shortage, indicate that it will be difficult for countries in the area to ensure the sustainable use of natural resources. Substantial financial resources have been injected into natural resource management, but adequate assessment has not yet been conducted in all countries for want of instruments and appropriate measurement indicators. For example, women in rural areas still have to travel far from home to fetch fuel wood for daily cooking needs. If current initiatives in CILSS are supported by other subregional organizations (WAEMU and ECOWAS) and technical and financial partners they could, by 2015, make it possible to achieve great progress in sustainable natural resource management, in particular: (i) the implementation of NEAPs at country level and of the RSAP/WA at the regional level; (ii) the implementation of the environmental watchdog and surveillance mechanism for conflicts that result from the use of natural resources; the pursuit of Sahel Studies and their extension to all WAEMU and ECOWAS member-countries.

65. These observations on the rational management of natural resources with a view to improving the living conditions of the poor also raise the problem of access to drinking water. Worldwide, 1.1 billion people still do not have access to drinking water; 25% of these people live

in sub-Saharan Africa, notably in West Africa. In fact, in 2004, the proportion of people in West Africa with access to drinking water varied from 46% in Niger or 48% in Nigeria, to 82% in The Gambia and 84% in Côte d'Ivoire (Chart 9). The average for sub-Saharan Africa stands at 56%.

66. Future actions to improve the situation should seek to achieve a drinking water coverage rate of at least 90% in all countries of the region over the next 20 years, to be able to mitigate the harmful effects of man-made actions on the environment. Such actions must ensure the quality of infrastructure, notably in rural areas where sanitary control is almost non-existent. Recent developments indicate that countries like Ghana, Senegal, and Mali could achieve the MDGs if current trends continue. Meanwhile, the situation in Côte d'Ivoire, Togo, Guinea, and Niger is very disturbing because the pace of current trends is not enough to enable these countries to attain MDG 7.

**Chart 9**  
**Access to drinking water (as % of population)**



### **Goal 8: Develop a Global Partnership for Development**

67. The institution of a global partnership for development calls for the strengthening of cooperation and international assistance. The areas covered by such partnership are trade, through the reduction or elimination of some trade barriers (such as agricultural subsidies in some developed countries), preferential conditions and debt relief.

68. On the trade front, initiatives have been launched to support the economies of low-income countries, notably in Africa. In this regard, the United States of America passed the African Growth and Opportunities Act (AGOA). With regard to debt relief, the Heavily Indebted Poor Countries Initiative is already being implemented. Furthermore, the European Community and the United States agreed under the Monterrey Consensus, adopted at the International Conference on Financing for Development, to substantially increase official development assistance (ODA). In the specific case of WAEMU member states, a Trade Investment Framework Agreement (TIFA) was signed in April 2002 with the United States, to promote trade with the Union. In spite of these initiatives aimed at promoting development, developed countries still need to make more efforts. For example, they must reduce their agricultural subsidies which penalize agricultural exports from African countries. They must also eliminate the remaining implicit or explicit trade barriers which prevent African exports from entering their markets. In this regard, cotton-producing West African countries and their counterparts in Central Africa jointly filed a complaint with the World Trade Organization (WTO) about the adverse effect on them of the subsidies granted to local cotton growers by the United States and the European Union.

69. With respect to debt and debt relief, remarkable progress has been made, thanks to the HIPC initiative. Most countries in West Africa have reached the decision point, except for Liberia, Côte d'Ivoire, and Togo. Burkina Faso, Benin, Ghana, Mali, Niger and Senegal have reached the completion point and obtained debt relief. However, it must be emphasized that progress in this area is subject to the preparation of Poverty Reduction Strategy Papers (PRSPs). Most countries in the subregion are making progress in this regard, albeit at varying degrees because of the socio-economic constraints faced by some of them. Of the 22 African countries that have already reached the decision point, 10 are from West Africa. The hope generated by the Monterrey commitment may wane and the related MDG may not be achieved. Indeed, over the last decade, the real value of aid to developing countries has declined 8% (ADB, 2002). It is estimated that to achieve the MDGs, current official development assistance flows need to be doubled. The volume of aid flows to West African countries is low (Cf Table 18 below). Countries in the subregion that are experiencing social or armed conflict are particularly affected by this decline in official development assistance. This is the case with Côte d'Ivoire, Liberia, and Togo.

**Table 18**  
**Partial Results of MDG 8 (in millions of dollars)**

Country	Net Total Official Development Assistance, All Donors				Increase in ODA
	1999	2000	2001	2004	
Benin	211.0	239.0	273.0	376	Increasing
Burkina	398.0	336.0	389.0	615	Declining
Cape Verde	137.0	94.0	76.0	140	Low
Côte d'Ivoire	448.0	352.0	181.0	161	Declining
Gambia	34.0	49.0	51.0	64	Very low
Ghana	609.0	609.0	651.0	1365	Increasing
Guinea	238.0	153.0	251.0	276	Increasing
Guinea Bissau	52.0	80.0	59.0	77	Increasing
Liberia	94.0	68.0	33.0	211	Strong increase at the end of the period
Mali	354.0	360.0	350.0	564	Increasing at the end of the period
Niger	187.0	211.0	248.0	540	Increasing
Nigeria	152.0	185.0	184.0	515	Increasing at the end of the period
Senegal	535.0	423.0	418.0	1048	Increasing
Sierra Leone	74.0	182.0	332.0	358	Sharp increase
Togo	71.0	70.0	46.0	60	Steep decline

Sources: OCDE and ADB (2003): African Economic Outlook, p. 434 and MDG Database for 2004.

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## **PART II:**

### **REGIONAL INTEGRATION, GROWTH, AND POVERTY REDUCTION, MEDIUM-TERM STRATEGIES AND PRIORITIES**

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## **Introduction**

70. An important World Bank study conducted an in-depth analysis on how Africa can overcome the development challenge and “claim its place in the 21st century”<sup>8</sup>. This study concluded that bad governance and conflicts, limited human capital, low competitiveness, poor economic diversification and debt problems constitute a set of “vicious and interrelated circles” that hinder growth, perpetuate poverty and prevent Africa from attaining integration and benefiting from globalization. Consequently, the study recommended coordinated and simultaneous actions on specific fronts in order to meet the millennium challenge. Specifically, the authors suggest that Africa focus “*its development efforts on four groups of issues with strong cumulative interactions*” [tr], in particular (Cf. Chart 10 below): (i) improving the management of public affairs (good governance) and preventing conflict; (ii) investing in people (education, health, etc.); (iii) enhancing competitiveness and diversifying economies; (iv) reducing indebtedness and dependence on aid while strengthening partnerships at the global and regional levels. The study also suggested that well-targeted regional programs (for example regional integration, NEPAD, etc.) in these various areas, can help create synergies and speed up national strategies, thus accelerating growth and poverty reduction.

71. West Africa and SADC are certainly the most advanced subregions with respect to regional integration. Despite the usual incoherencies and disagreements, countries in the subregion have demonstrated a clear and sustained willingness to combine their regional programs and national policies in order to more effectively tackle the challenges of economic transformation and growth. The next two chapters make a critical review of these programs in order to highlight areas of convergence and divergence and recommend ways to strengthen them. Chapter 3 reviews national and regional policies that address “Cluster 3”. These are policies aimed at creating an open and integrated economic community in order to boost competition, attract investments, accelerate economic diversification, and thus fuel growth in the subregion. They include macroeconomic and trade policies, strategies for developing financial markets and infrastructure, as well as targeted strategies to support sectors with a high potential for distributive growth, in particular the rural sector (agriculture, the craft industry, etc. ) and, in general, the private sector.

72. Chapter 4 addresses “Cluster 2”, which concerns national and regional policies aimed at building human capital and promoting inclusion to support growth and improve its distribution effects. It includes policies to develop health, education, and the inclusion of some target and “marginalized” groups, in particular women. Finally, Chapter 5 deals with two central issues that are subregional in nature: (i) the issue of migration and the integrated development of the labor market; and (ii) the prevention of conflicts and the promotion of harmony, peace and security (“Cluster 1”), which are indispensable for social cohesion and the consolidation of the institutional base in each country. These two issues constitute pre-requisites as well as opportunities for reinforcing regional integration and the efficiency of growth and poverty reduction policies.

73. The analyses are based on the general procedure described in the introduction in the first part of this document. For each “strategic area”, four important questions are addressed:

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<sup>8</sup>“Can Africa Claim its Place in the 21st Century?” World Bank, Washington D.C., May 2000.

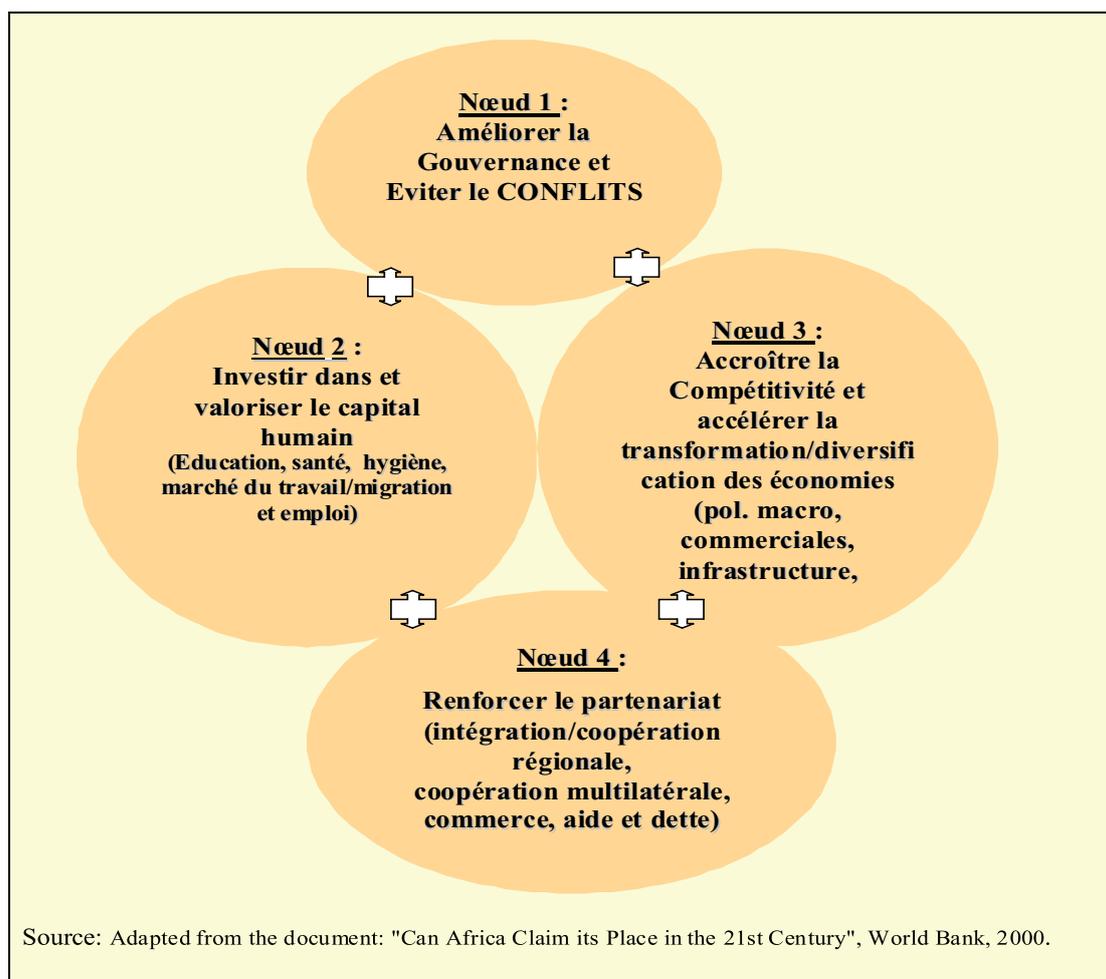
74. **Relevance:** (i) In what way is this area “strategic” for growth and poverty reduction; and (ii) why, beyond national policies, would a regional approach be relevant and what would be its value-added?

75. **Regional programs:** What is the nature of the formal regional arrangements under ECOWAS, WAEMU, or sub-groups (CILSS, etc.)?

76. **National policies in the regional context:** What progress have countries made in implementing regional policies and what are the areas of convergence and divergence noted?

77. **Medium-term priorities:** What should be done to improve the impact of policies on growth and poverty, and what priority actions should be taken in each area to increase overall consistency such that regional programs serve as “contours” (coherence and convergence framework) and as effective complements to national growth and poverty reduction strategies in West Africa?

**Chart 10**  
**Integration and sustainable human development clusters in Africa**



## **CHAPTER 3**

### **Conflict prevention and promotion of governance**

78. From the historic standpoint, sub-Saharan African countries, in particular, those in West Africa, are relatively young states that are particularly fragilized by a multiplicity of ethnic groups, regional and sociological disparities, extreme poverty, limited human resource capacity, weak institutions and poor governance. This poses a major dilemma: on the one hand, there is urgent need for these countries to consolidate themselves into nations and achieve the high level of social and political unity needed to rally the people behind national strategies and to effectively pool and direct the resources of government, the private sector and civil society towards boosting development; on the other hand, the abovementioned characteristics—poverty, weak human resource capacity, weak institutions and poor governance—are also factors of “entropy” that cause stagnation and conflict and can lead to the disintegration of the society rather than its unification and advance towards development. Stagnation and disintegration are major obstacles to the efficiency of national development programs and regional integration.

79. To break out of this vicious circle, the subregion needs to adopt a proactive strategy, at the national and regional levels, to promote governance, contain and prevent conflicts in order to promote social cohesion and thereby, enhance the effectiveness of integration, growth, and poverty reduction policies. Promoting governance has a political dimension (strengthening of democratic institutions and prevention of conflicts) and an economic dimension, notably the improvement of national economic management (strategic planning, budgeting, decentralization, etc.) and consolidation of the business environment to encourage private sector growth (competition, legal and regulatory framework, etc.).

#### **A. Strengthen political governance and prevent conflicts**

##### **A.1 Integration, growth, and poverty reduction challenges**

80. Of all the major “scourges” that plague the subregion, none has been more destabilizing and more impoverishing in all respects than conflicts. Conflicts are also in essence a real “regional” challenge: (i) they are fueled by elements present in all countries of the subregion, in particular poverty and all its attendant forms of marginalization, as well as poor governance; (ii) their consequences transcend their “source” and affect neighboring countries (regional “externalities”); (iii) consequently, this calls for concerted action or even an integrated approach since effective management or prevention is beyond the capacity of any single country.

81. In fact, the direct and indirect human and social costs of conflict in the subregion are considerable, though difficult to quantify sometimes. For example, according to 2003 estimates, two out of three persons (65%) in West Africa (ECOWAS) live in a country severely affected by conflict, the highest incidence among the various regional blocs. The human and social consequences are catastrophic and disproportionately affect the most marginalized groups, in particular the poor, women and children. Similarly, in 1996 one-tenth of the Liberian population was killed and one-third of the remaining population were refugees (predominantly children and women) living out of the country. In addition, the effects transcend national “borders” and affect neighboring countries. This is the case with the vast migratory movements within and beyond national borders. These migrants live under precarious and distressing conditions, finding it difficult to integrate into their host societies and uncertain about a speedy return to their countries of origin.

82. For example, the conflicts in Sierra Leone and in Liberia have created a refugee population that corresponds to 15% of the population of Guinea, one of the main host countries. In Côte d'Ivoire, it is estimated that more than 800,000 people have been displaced and 400,000 residents have been forced to flee the country. These displacements generated very high social and economic costs for the displaced populations, the host population and, in general, the economies of "source" countries and neighboring countries. These precarious conditions, survivalist behavior and attendant violence and abuse create an environment that is conducive to the spread of other dreadful "ills", notably transmissible diseases such as HIV/AIDS.

83. **The economic costs of conflict are equally high and "regional".** For example, a WAEMU study estimates that the conflict in Côte d'Ivoire has reduced economic growth by about 2 (1.7%) to 4 percentage points relative to the base trend (about 5% annual average rate) over the last three years. In general, the destruction of economic infrastructure and human capital as well as the systematic diversion of public development spending towards destruction and defense all constitute factors that discourage private investment, hinder production and trade, and thus undermine prospects for sustained growth and poverty reduction in the medium term. Furthermore, conflicts have contagion and pauperization effects which spread very quickly from one country to another in the subregion. For example, according to one conflict analysis (Collier, 2003), *when a country is in conflict, there is more than one out of two chances (0.55) that at least one of its neighbors will experience conflict in the near future.* This phenomenon is even more pronounced in the subregion because there is great mobility and extensive interpenetration of national populations.

84. All in all, due to its pauperization effects and regional externalities, conflicts are the major challenge facing the subregion and the greatest obstacle to the effective implementation of national poverty reduction policies and progress towards the MDGs. Consequently, *conflict prevention and resolution is a top priority for West Africa's regional poverty reduction strategy.*

## **A.2 Regional Programs**

85. **ECOWAS member states have already made commendable progress in conflict management.** After experimenting with direct intervention through an essentially military approach (the case of ECOMOG in the Liberian conflict), the subregion has gradually instituted a more comprehensive and better "integrated" approach to conflict management. This new approach emphasizes effective prevention and rapid resolution of conflicts as well as management of the return to peace and development through the economic, political, and social reintegration of combatants.

86. The major achievements for ECOWAS as a whole include the establishment of the *"Mechanism for Prevention, Management, and Resolution of Conflicts, Peace building and Security"*. This mechanism includes an early warning system as well as a deployment and support system for peace-keeping operations. In addition, ECOWAS has become particularly proactive and has acquired considerable experience in *"Preventive Diplomacy and Mediation"*, which it almost always implements in concert with the United Nations and the African Union. This proactive attitude was particularly evident in the management of conflicts in Côte d'Ivoire, Togo and Sierra Leone. At the same time, the subregion has also gained considerable experience in the development and implementation of *"Disarmament, Demobilization, Reintegration"* (DDR) programs and in humanitarian assistance. Within WAEMU, the Inter-parliamentary Committee (IPC), the legislative organ of the Union, is fully involved in the resolution of internal

and external conflicts (mediations, election observer missions, dialogue between governments and the opposition). An internal warning mechanism for conflict prevention and monitoring was set up in March 2004. Hence, a Parliamentary Peace Council was set up within the IPC. This Council regularly reviews political trends in Member States of the Union, especially those that are in a crisis situation.

### **A.3 Medium and long-term priorities**

87. Regional organizations are determined to work closely with member states to strengthen conflict *prevention* mechanisms and ensure their effective implementation in countries. In the short term, this involves (i) ensuring better implementation of regional decisions at the national level; (ii) developing specific programs to protect and reintegrate child-soldiers and female combatants into economic and social life; (iii) establishing a common know-how policy on DDR programs in the region; and (iv) boosting community development, local information networks, and grassroots conflict prevention methods.

88. In the long term, the strategy seeks to *promote democracy and good governance* in order to defuse tensions and effectively prevent conflicts. The exorbitant cost of conflicts in the subregion clearly confirms the fact that, as in health, prevention is much better than cure. In this regard, studies have shown that conflicts often stem from two key factors, namely: extreme poverty and different forms of inequality, exclusion, and alienation that disproportionately affect some social groups; and, poor governance in the management of public wealth and in the exercise of political power. Indeed, it has been noted that most conflicts in the subregion broke out either as a result of the inequitable distribution of wealth (e.g. conflicts in oil-producing countries), or as a consequence of pressure from the renewed forces of multipartism and democracy. Some leaders try to stem such pressure by using various ploys (arbitrary amendment of the constitution for electoral purposes, blatant manipulation of the electoral process, etc.); while others opportunistically take advantage of the situation by playing on regional, ethnic, religious and other differences for electoral ends, thereby generating or exacerbating social tensions. The population, governments, and regional organizations have become aware of this perversion of the democratic process and are determined to promote the birth of democracy from the grassroots to the center and good governance to reduce tensions and prevent conflicts.

89. In this regard, it is encouraging to note that several countries in the subregion, that have been victims of conflict, have already set up important mechanisms to bolster the democratic process, such as the *Institute for Peace and Conflict Resolution and the National Action Plan on Conflicts* in Nigeria, the *Independent Electoral Committee* in Benin and Niger, and facilitation of citizens' access to the judiciary system and establishment of the *National Reconciliation Commission* in Ghana. These experiences can be further studied and extended to all countries in the subregion.

90. At the regional level, regional organizations aim to engage states in a process to harmonize constitutions and electoral laws (duration and number of tenures, eligibility conditions, etc.) in order to promote political convergence and the growth of a dynamic culture of democracy and diversity in the subregion. Such harmonization also concerns electoral institutions and procedures (for example, getting each country to set up an Independent Electoral Commission).

91. In this regard, and on the recommendation of the Heads of State, WAEMU launched an

important initiative, namely an Inter-parliamentary Committee (*IPC/WAEMU*) to consolidate democracy. The IPC specifically seeks to consolidate the electoral process in member states and work closely with ECOWAS for the effective prevention and rapid resolution of conflicts in the subregion. The WAEMU Inter-parliamentary Committee comprises 5 (five) members per state, appointed by the parliament of each member state. Through dialogue and debate it strives to promote good governance, and contributes to conflict prevention and resolution by investing fully in the democratic activities of states. The actions of the IPC include assessing the sociopolitical condition of states, supervising elections by sending observers, and establishing a mediation structure in case of conflict (the Parliamentary Committee for Peace (*CPP/WAEMU*)).

92. The challenge for regional structures is to avoid parallelism of effort or “duplication” and seek greater synergy and better sharing of responsibilities between WAEMU and ECOWAS initiatives in the areas of conflict prevention and consolidation of democracy. Considering the substantial progress already made within ECOWAS and the key role played by Nigeria and Ghana, it is desirable and certainly more effective that WAEMU actions support and consolidate those of ECOWAS.

93. For their part, all member States have already integrated the abovementioned major principles into their national laws, and subscribed to them within the framework of the African Union and the UN Charter. The challenge, once more, lies in implementation; in honoring commitments made and effectively factoring them into the national policies, culture and practices. Beyond the institutional mechanisms, this entails combining national and regional efforts to promote a culture of transparency, of citizens' rights and freedoms and the implementation of mechanisms that protect and promote such freedoms. To that end, regional organizations are striving to facilitate the emergence of private opinion poll institutions and activities. Their goal is to encourage the emergence of a public opinion that is more aware and better informed, thanks to the development of a real information market on the preferences of the people with respect to candidates for public office, the quality of public services and the management of community affairs.

## **B. Strengthen economic governance**

94. As indicated above, economic governance comprises two main components. The first (administrative management) concerns management of the public sector and services with a view to improving the efficiency of direct public interventions. The second concerns indirect support to private sector development (strengthening competitiveness and markets). Administrative management, for its part, comprises (i) strategic management (from planning to budgeting), (ii) public finance management (mobilization and allocation of resources, and effective execution of budgets and of actions), and (iii) the management of public services (deconcentration and decentralization).

95. **Strategic performance-based management.** Thanks to the support of external partners, countries in the subregion have made significant advances in strategic management since the year 2000. Following the abandonment of the five-year development plans of the 1960s and 1970s, and the transition to a period of short-term financial management based on fiscal consolidation, the countries have gradually returned to strategic management under the new generation of PRSPs. Hence, most countries have drafted their full-fledge PRSPs and reached completion point under the HIPC Initiative, in particular Benin, Burkina Faso, Ghana, Mali,

Senegal, and Niger. Significant efforts have been made in some countries to breakdown the PRSP into sectoral strategies and better align State budgeting on PRSP priorities. In particular, Ghana, Burkina Faso and Benin have implemented medium-term expenditure frameworks (MTEF) as well as sectoral program budgets which ensure better allocation of budget resources to ministries while catering for priority PRSP programs.

96. In the process, special attention is paid to monitoring and evaluation. In particular, PRSPs, sectoral strategies, MTEFs, and the program budgets include monitoring indicators that make it possible to set goals and monitor progress towards such goals, including the MDGs, during implementation of the programs, projects and relevant actions.

97. This integrated line of management instruments (PRSPs, sectoral strategies, MTEF, program budgets, and statistical and monitoring/evaluation mechanisms) henceforth constitutes the bedrock on which states have gradually re-established strategic planning and are moving towards targeted and performance-based management. The targeting of common objectives (universal education, reduction of mortality, macroeconomic stability, and sustained growth, etc.) can considerably promote economic and social convergence among countries. To that end, concerted efforts must be agreed upon with development partners in order to encourage the generalization of this strategy to all countries in the subregion.

98. However, it is also important to note that strategic management essentially remains the prerogative of national governments. Consequently, and in accordance with the principle of subsidiarity, regional efforts should focus on harmonizing strategic objectives, raising State awareness, and facilitating the sharing of experiences to promote a convergence of strategic visions objectives and policies, which would result, *in fine*, in a convergence of outcomes, notably in terms of growth and social development.

99. In this regard, the Commission and the Secretariat should take the lead and organize fora to sensitize states and facilitate exchanges on strategic management best practices. In this case, the respective experiences of Ghana, Burkina Faso, and Benin should serve as examples that can be studied, consolidated, and emulated. Moreover, special attention should be paid to key countries in the subregion such as Nigeria and Cote d'Ivoire, which, for various reasons, are still lagging behind with respect to strategic management.

100. **Public finance management.** In this area, considerable efforts have been made by the States within the framework of structural reform programs supported primarily by the World Bank and the IMF. In particular, the countries recorded significant progress in transparency, accountability and integrity in public finance management. Such progress stems from implementation by the States of national good governance and corruption control programs. Institutions for consolidating financial control were created or strengthened, *inter alia* and most countries have audit offices with varying degrees of autonomy. For example, Burkina Faso, Guinea Bissau and Senegal have independent audit offices. In other countries such as Benin, Cote d'Ivoire, Mali, and Niger, such structures are located within the Supreme Court. In all cases, efforts have been made to ensure financial and political independence and autonomy for fiduciary control institutions.

101. This process is backed by regional efforts. For example, WAEMU has prepared a guide for audit offices in order to harmonize audit procedures. Similarly, a code of transparency in

public finance management has been adopted as well as the West African Accounting System (SYSCOA) to standardize government accounting practices and improve the traceability of spending.

102. At the same time, most ECOWAS countries also participate in important complementary activities to combat corruption and improve public resource management efficiency. For example, countries have strengthened their *public procurement systems* to make them more transparent and more competitive. A good number of countries also participate in international initiatives to combat money laundering and, to this end, have created National Financial Information Processing Centers (*CENTIF*).

103. However, and as in the case of strategic management, regional efforts must be refocused and sequenced to provide effective support to national programs. Emphasis should be put on *awareness-raising and facilitation* through exchange forums and on *harmonization of standards and practices*. To that end, WAEMU implemented its *Procurement Reform Program (PRP)* to ensure better support for national programs.

104. **Management of public services.** As in the preceding case, countries in the subregion have implemented important structural reform programs that have improved the management of public services. In particular, *decentralization* policies have been implemented to bring services closer to users thus improving service quality and access. These reforms concern basic social services such as education and health as well as the management of infrastructure services such as roads, electricity, and water. Once more, these are areas that are already well covered under national programs and for which regional support should take the form of awareness-raising and sharing of country experiences on best practices. This issue will be revisited in Chapter 4, which reviews the integration of infrastructure services and Chapter 5 which focuses on social sectors.

105. **Enhancing competitiveness and promoting the private sector.** The creation of a framework that is conducive to private sector growth is also a component of economic governance and a pillar of national strategies. Regional strategy can play an important role in this area by supporting national policies. This entails enhancing competitiveness, encouraging the creation of larger production units and cutting costs within the subregion. This is precisely the objective of policies aimed at ensuring the integration of goods, services and factors markets. This essential question is treated in Chapters 4 and 5.

## **CHAPTER 4**

### **Creating a competitive common economic community to speed up diversification and growth**

106. The core objective of regional integration is to create a large and open economic community that makes it possible to cut costs, boost competition, attract investments, and thus speed up economic diversification and growth. As demonstrated in the analyses in Chapter 1, more diversified growth, which is consequently more intense and less volatile, is the cornerstone of poverty reduction strategies. In other words, it is by boosting growth that regional integration programs indirectly contribute to poverty reduction in countries of the subregion. This chapter reviews these programs, including those that seek to establish a common and open economic community, as well as infrastructure development programs aimed at facilitating the movement of goods and persons within this community as well as its integration into the global economy.

#### **A. Harmonization of Macroeconomic Policies**

##### **A.1. Integration, Growth and Poverty Reduction Challenges**

- ***Macroeconomic stability, growth, and poverty reduction***

107. Macroeconomic stability is characterized by sustained per capita income growth, low inflation, and positive or steadily improving fiscal and trade balances that result in domestic and external debt reduction<sup>9</sup>. This creates an enabling environment for private investment and growth, and consequently poverty reduction. In fact, low inflation that is concomitant with a relatively stable exchange rate helps to reduce uncertainties, volatility, country risks and, consequently, factor costs. This creates a competitive and predictable environment that boosts private investment and fuels growth. At the same time, sustained income growth and price stability help improve the purchasing power of the people and, therefore, contributes to income poverty reduction.

108. Conversely, excessive budget deficits generate inflationary pressures, especially when they are financed by money creation or unsustainable indebtedness. Indebtedness, in turn, crowds out private investment or productive and social sector spending. Indeed, when the deficit is financed by the domestic financial system, it can absorb a large part of domestic savings and increase the cost of credit, thereby penalizing private investment and possibly compromising growth. Meanwhile, external financing of deficits raises financial costs that end up absorbing a considerable share of public resources and foreign reserves, with a negative impact on the balance of payments.

109. Yet, large external deficits also cause macroeconomic instability a decline in assets, wide exchange rate fluctuations or adjustments, a slowdown in external trade and an increase in external debts that breeds uncertainty and discourages private investment. Hence, regardless of how it is financed, an excessive budget deficit may ultimately compromise both growth and social development. In the medium term, a high structural deficit will, sooner or later, result in increased tax pressures, and this may also penalize private investment and slow down growth.

110. All in all, internal and external imbalances result in macroeconomic instability and call

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<sup>9</sup>See World Bank and IMF “benchmarks” on the subject, in the “PRSP Source Book”, World Bank, 2000.

for adjustments that undermine the implementation of growth and poverty reduction strategies. That is why macroeconomic stability is an essential pillar of national growth and poverty reduction strategies.

- ***Regional integration and macroeconomic stability***

111. The regional approach can facilitate the convergence of national policies, thereby increasing credibility and, consequently, efficiency in various areas of macroeconomic policy, notably: (i) monetary and exchange rate regime management, (ii) public finance management (income mobilization, prudent expenditure management), and (iii) debt management.

112. **Monetary Management.** There are potential benefits from an integrated regional approach: it offers lock-in and joint commitment mechanisms which increase the intertemporal coherence of policies, promotes the convergence of tax and fiscal policies, thus reducing uncertainty and volatility. This enhances the credibility of the currency.

**Box 6. WAEMU monetary policy**

The WAEMU monetary policy is defined by the Council of Ministers and implemented by the Central Bank of West African States.

The main **objective** of this policy, as is the case in all central banks, is price stability. Thus, in a context of total freedom of transfers within the Franc Zone, BCEAO must ensure price stability and the internal and external value of the currency shared by all member states as well as the adequate financing of their economies. To that end, BCEAO has chosen the development of credit variables as its intermediate objective. Hence, it has set up a system for adjusting liquidity within the economy, tending to influence credit expansion in response to changes in the economic situation.

**WAEMU's monetary policy is based on two main instruments: interest rates and reserve requirements.** Recourse to these instruments has been subject to major changes, notably in 1975 and in 1989, with a view to greater efficiency, liberalization of the approach and, concurrently, more flexibility in response to market needs. The current mechanism is based on the following three fundamental principles:

- limitation of the role of central bank money in order to encourage greater mobilization of domestic savings;
- harmonization of monetary management rules with the organization of economic activities and the international environment;
- implementation of flexible monetary management mechanisms within the framework of a progressive liberalization of the credit market, associated with more effective bank surveillance.

**With respect to interest rates,** after the suppression of prime bank rates and of all the related special schemes, BCEAO now has the following key rates:

- a discount rate rate of last resort and, consequently, the highest corresponding to a procedure for definitive purchase of bills for 12 months at most;

- repurchase rate intermediate rate applied to the temporary purchase of bills for 30 days at most;
- a regulated or money market rate; this rate, the lowest, is also, in principle, the main operating rate of the central bank.

The money market operates according to an open market system much like a “Dutch auction” and usually on a weekly basis - where the volume of credits and the interest rate level are determined by the free interplay of demand and supply.

Moreover, each year, the central bank determines the total volume of credits that it can provide to each State. Such credits, as well as those granted to the banking system are limited to an official ceiling. Credit trends are controlled in relation to this ceiling, which constitutes a third type of monetary policy instrument used by BCEAO

**The reserve requirement system** became effective from 1 October 1993, in replacement of the credit control system. The base and legal reserve ratios vary in response to monetary policy imperatives. The ratios are determined in a differentiated manner according to the countries and in relation to changes in the economic monitoring indicators defined by the Central Bank.

### **Box 7. Direct Credits to WAMU Member States**

BCEAO could grant direct credits to member states, which, according to Article 16 of the Central Bank Rules and Regulations, are limited to a maximum of “20% of the national fiscal revenue collected in the previous financial year”. As part of efforts to consolidate the common financial market, the WAEMU Council of Ministers at its session of 24 September 1998, decided that all outstanding statutory advances granted to member-States be completely settled by 31 December 2001, latest. To this end, the Council decided to freeze the ceiling on statutory advances at the level attained in December 1998.

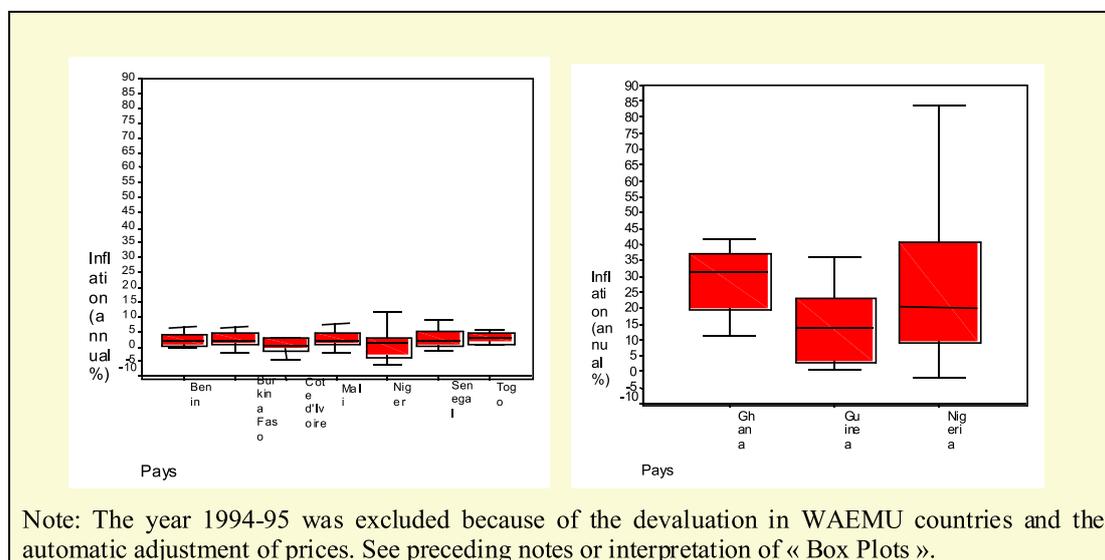
In December 2001, the Council decided, as a precautionary measure, to freeze such advances at the level attained on 31 December 2001, by urging member-states to curb their use of cash advances that exceed the statutory ceiling.

In September 2002, the Council decided to implement a program to consolidate direct BCEAO cash advances to national treasuries. Reimbursement will be spread out over a ten-year period, with effect from 1 January 2003, at an annual interest rate of 3%. This rate will be raised to 6.5% for advances that exceed the statutory ceiling, which shall be reimbursed within 12 months. The gradual elimination of direct cash advances is concurrently backed by a strengthened fiscal consolidation strategy implemented by the States, which have undertaken to refrain from the direct advances provided for under Articles 14 and 15 of BCEAO Regulations, and by the promotion of a policy of regular issuance of government securities. This consolidation of cash advances is enshrined a formal agreement between BCEAO and the States.

113. Important lessons can be drawn from WAEMU's experience. The low inflation in the zone (Chart 11) and the greater harmonization of macroeconomic policies seem to confirm the thesis that belonging to a monetary area and/or adoption of a fixed parity may act as joint commitment mechanisms. The credibility of the system is all the more enhanced since the currency is pegged to a stronger currency and/or since there are lock-in and punitive mechanisms that discourage "deviant" behavior<sup>10</sup>. This increases the inter-temporal consistency of policies, imposes fiscal and budget policy convergence, reduces uncertainties and, consequently, volatility (foreign exchange risks, high and fluctuating interest and inflation rates). In particular, cooperative mechanisms (for example, the WAEMU operations account) and "third-party guarantee" mechanisms (pegging to the Euro and currency guarantee mechanisms, such as the role of the French Treasury) provide a predictable and "disciplined" framework that is reassuring and strengthens the credibility of the currency.

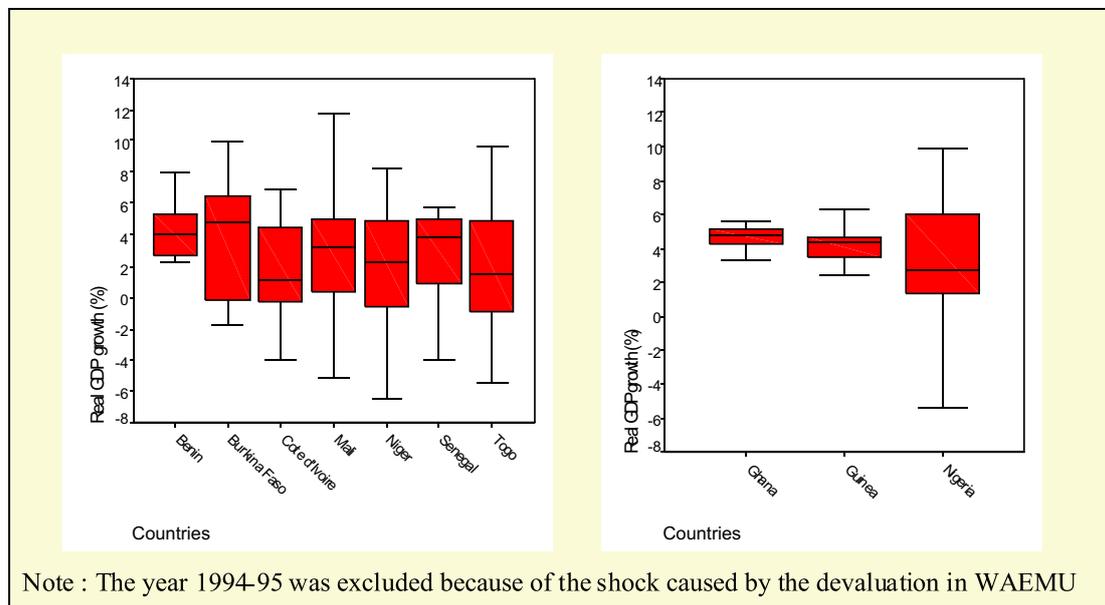
114. Nevertheless, recent trends in the world economy increasingly militate in favor of an expanded economic and monetary area in West Africa. The first trend concerns the gradual emergence of large "floating blocs", each structured around a few dominant currencies, such as the Dollar zone (United States, Latin America, and Asian countries that have voluntarily pegged their currency to the dollar), the Euro zone, etc. A second trend specifically concerns countries that are poor, fragmented and experiencing economic governance problems. Hence, there is need to set up self-discipline mechanisms to implement policies governing taxation and coherence; to ensure the sustainability and credibility of structural reforms; and lend visibility of the economic community. Consequently, an expanded monetary zone that includes WAMZ member-countries may well constitute a wonderful economic opportunity for countries of the subregion.

**Chart 11**  
**West Africa, convergence indicators: average inflation rates, 1983-99**



<sup>10</sup>This is the case with the Franc Zone where pegging to the Euro and the third-party guarantor role of the French Treasury are crucial to the credibility of the system. The ceiling on Central Bank advances to national treasuries was the main instrument used to control the deficit and prevent it from translating into excessive money issue. BCEAO simply stopped granting these advances since 2004.

**Chart 12**  
**West Africa, convergence indicators: average growth rate, 1983-99**



115. **Tax policies:** Whether there is a common currency or not, *the harmonization of tax policies* can only enhance convergence and macroeconomic stability, and promote the homogeneity and competitiveness of the economic community as a whole. Boosting the competitiveness of the economic community requires “reasonable” levels of taxation and, above all, greater policy “predictability” for operators. As such, harmonizing tax policies at the regional level can help provide investors with a homogenous and attractive market and also facilitate the emergence of a common monetary area that will ultimately lend greater credibility to the community. In this area as well, WAEMU's experience holds important lessons for ECOWAS. For example, the CET and WAEMU's tax harmonization policies, notably on VAT, have both helped to reduce the number of levies and homogenized tax bases through harmonized tax exemption policies. This, and a cautious fiscal policy (ceiling on fiscal balances, surveillance of convergence criteria), constitute the pillars of macroeconomic policies aimed at promoting convergence and reducing uncertainty within the zone.

116. However, harmonization is also seriously undermined by the diverse economic conditions in countries. For example, it is one thing for countries to move towards single rates for VAT; but it is much more difficult to agree on a common rate. Oil-producing countries like Nigeria, for instance, may not need VAT rates that are as high as those of non oil-producing WAEMU countries. Hence, there is need for a flexible approach in fiscal harmonization policies and, by implication, in the economic and monetary integration strategy.

117. **Debt management:** Several initiatives have been taken in favor of debt cancellation for poor countries. The Heavily Indebted Poor Countries (HIPC) Initiative launched by the G7 in LYON in 1996 was aimed at slashing the external debt burden of about forty countries down to sustainable levels. The indebtedness of these countries remained high despite the relief measures implemented by the Paris Club to cancel 67% of non-ODA public debt. Adjustments were made

to enhance the HIPC in September 1999 during the G7 meeting of Cologne by extending the list of eligible countries and facilitating the implementation of relief. The multilateral debt relief initiative (MDRI) for the poorest countries adopted during the Gleneagles Summit of July 2005 is aimed at reducing the debt stock of these countries vis-à-vis international financial institutions.

118. All ECOWAS countries, except Nigeria are eligible to the HIPC Initiative and may be entitled to all the attendant benefits. In July 2006, the following six ECOWAS countries attained the completion point: Burkina Faso (2001), Mali and Benin (2003), Niger, Senegal and Ghana (2004). The countries that reached the decision point were declared eligible for the MDRI. Despite these major initiatives, the financing of MDGs remains insufficient and several West African countries still lag far behind in their progress towards attainment of most of the MDGs. Hence, it has been proposed that new financing mechanisms be implemented to supplement official development assistance with additional, predictable and sustainable resources. Two instruments are among the most advanced solutions: the international solidarity contribution on air tickets and the international financial facility for immunization.

119. At the regional level, the debt strategy should encourage the various member states to speed up the process in order to benefit from bilateral and multilateral debt relief and cancellation when they reach completion point. The collective bargaining initiative shall be ideal in forcing non-Paris Club members to grant the same benefits as those granted by Paris Club creditors who have, indeed, advocate this practice in all the approved minutes of their debt-rescheduling meetings.

120. Besides, since the way is now open for these countries to get out of debt on condition that they streamline their macroeconomic framework, the common strategy available to them would be a new regional public debt policy and strategy that is based on IMF and World Bank guidelines. Such an initiative is underway in the Franc Area (WAEMU and CEMAC) and a Settlement Plan is being discussed within the Pôle-Dette Executive Committee. It shall then be discussed within each organization by the countries and then adopted. It lays emphasis on debt sustainability analysis and the mandatory opinion of the National Debt Committee of each country before any loan agreement is signed. It also lays emphasis on strategic guidelines, the setting of general debt management targets, the organization and publication of information flows, the control of debt instruments, definition of the process and procedures for loans and guarantees, consolidation of the debt management coordination mechanism, etc.

### **Box 8. Is Africa's over-indebtedness an insoluble problem?**

According to an UNCTAD study (2000), attainment of the MDGs in Africa requires sustained growth of 7 to 8% per year until 2015, as well as a doubling of ODA. However, the growth and investment capacities of African countries are largely undermined by over-indebtedness, which affects most of them despite implementation of the HIPC Initiative. In fact, the Initiative has shortcomings that limit its impact.

#### **1. Debt relief challenges**

Although intangible hitherto, multilateral debt, which represents one-third of Africa's debt has been undergoing rescheduling under the HIPC Initiative since 1996 and the enhanced HIPC Initiative since 1999. The objective is to reduce indebtedness to a sustainable level in order to free up resources for social sectors and thus contribute to poverty reduction. However, the Initiative which is deemed insufficient and too restrictive, even in its enhanced version, is highly criticized.

##### **1.1. The debt crisis in Africa**

The external debt of Sub-Saharan Africa (SSA) mushroomed from \$22 billion in the early 1970s to \$208 billion in the late 1990s. During the same period, debt servicing surged from \$1.6 billion to \$12 billion. Between 1970 and 2002, SSA received \$294 billion in loans and reimbursed \$268 billion in capital and interest. Yet, the remaining outstanding debt is \$210 billion. This means that **for every \$1 borrowed, SSA reimbursed \$3.2**. The share of public and multilateral debt increased considerably over the period.

Over-indebtedness reduces public investment in material and social infrastructure (in particular in education and health), and also causes a decline in private investment, thus making it impossible to fulfill the conditions necessary for sustainable economic growth, development and poverty reduction.

##### **1.2. Debt relief under the HIPC initiative**

**The HIPC Initiative** provides for multilateral debt rescheduling for the poorest countries, with the objective of reducing their debt to sustainable levels, while promoting poverty reduction. Thus, 42 countries have been identified as HIPC, of which 34 are from SSA. However, countries must fulfill several conditions to become eligible for the program, namely: (i) an income condition (be eligible only to IDA and PRGF financing); (ii) a debt condition (have a debt level deemed unsustainable even after traditional relief); and (iii) must have implemented a macroeconomic stabilization and reform program for three years. However, the Initiative, in its original version, was not potent enough to avoid rescheduling; very few countries (only 6) were admitted to it and relief was very little and too slow.

**The enhanced HIPC Initiative:** The debt sustainability criteria were reduced. Hence, the debt ratio expressed as the NPV of exports was lowered from 200% to 150%; the debt/fiscal revenue ratio was lowered from 280% to 250%; the export/GDP ratio was lowered from 40% to 30%; and the fiscal revenue/GDP ratio was reduced from 20% to

15%. Assistance measures are also concentrated at the beginning of the period. Hence, at the end of 2004, 25 countries had reached the decision point and 7 had reached the completion point.

### **1.3. Implementation of the Enhanced HIPC Initiative**

Although the implementation of debt relief was accelerated between 1999 and 2000 (22 countries reached the decision point between 1999 and 2000 compared to only 6 between 1996 and 1999), the trend seems to have reversed since many countries that had reached the decision point in 2000 are yet to reach the completion point.

Furthermore, the cost of the Initiative for the 34 HIPCs in SSA stands at 39.4 billion dollars, 48% of which is borne by multilateral creditors. However, regional development banks in the South will face serious difficulties meeting these costs. Moreover, some creditors (37 bilateral creditors, 7 multilateral creditors, and a large number of commercial creditors) have refused to participate in the Initiative for several reasons: (i) the Initiative is not part of international law; (ii) some creditors are excluded from the decision process; (iii) there are no “de minimis” clauses, which excludes small creditors; and (iv) some creditors are also HIPCs.

## **2. Eligibility and debt sustainability criteria**

Vulnerability is excluded from the eligibility criteria and this narrows the scope of the HIPC definition. Poverty is conceived only in its monetary dimension and this limits the purview of its analysis. If poverty were measured using the HDI, a number of SSA countries currently excluded from the Initiative would be eligible. In addition, the criteria used are highly criticized as lacking in objectivity and theoretical basis. Moreover, domestic debt is not taken into account, whereas in 10 of the 23 HIPCs which reached the decision point at the beginning of 2004, domestic debt represented a large part of the total public debt (from 17% in Tanzania to 47% in Ghana and 48% in Kenya; meanwhile Kenya's debt is deemed sustainable). One-third of the interest paid by 12 of the 23 HIPCs is on domestic debt (77% in the Gambia and 73% in Kenya). The domestic debt problem is all the more serious in developing countries because it mainly concerns high-interest treasury account debts.

Furthermore, debt sustainability is measured in ratios to allow for international comparison. However, the aggregates used to calculate ratios may not be comparable because of differences in the range or method of calculation (for instance, re-exports may or may not be factored into exports). Nigeria, for example, is not considered a HIPC according to established criteria, whereas its income per capita of \$290 is lower than that of a large number of HIPCs; its HDI of 34 is lower than that of 10 HIPCs; it can only borrow on concessional terms; its poverty rate doubled from 36% to 70% between 1970 and 2000; the NPV of its debt as a percentage of GNP and exports make it a heavily indebted country; and its debt servicing to GNP ratio of 4.9% between 1999 and 2001 is higher than that of at least half of the HIPCs.

## **3. Debt sustainability after relief**

Some of the criticisms leveled at the Initiative question the calculation of the amount of

debt relief which has been deemed insufficient to guarantee long-term debt sustainability, primarily for two reasons. First of all, the debt relief amount was calculated on the basis of growth rates that were considered bullish in relation to historical rates. As a result, the future financing needs of countries were underestimated. Secondly, the relief amount also depends on the discount rate used to calculate the NPV of the debt. The rate used is the currency-specific commercial interest reference rate (CIRR). However, the use of such rates has several disadvantages because it leads to (i) unfair sharing of the burden in favor of creditors in expansion; (ii) volatile estimates of assistance levels and costs since any change in the reference date for debt sustainability analysis will alter the discount rate and, consequently, the NPV of the debt; and (iii) arbitrary use of discount rates for non-OCDE members, since CIRRs are calculated only for OCDE countries.

Furthermore, the idea that the Initiative, in its current version, allows beneficiary countries to generate savings (that can be mobilized for poverty reduction) should be treated with caution because, without this Initiative, these countries would still not be able to honor their commitments. Although, the debt service of the 22 HIPC countries has dropped by one-third compared to levels attained in the years immediately preceding the relief measures, the application of these measures is subject to the payment of arrears, which explains why the amounts paid are higher than those in the preceding years. Cancellation of part of the outstanding debt or of future debt service would have been preferable to debt-service rescheduling.

Finally, debt relief has partially replaced traditional forms of assistance. In fact, while bilateral debt relief could eventually constitute additional assistance, this is less likely for multilateral debt relief because of the financing constraints of these organizations. Multilateral debt relief will therefore be financed at the expense of traditional aid, in particular assistance to non-HIPCs. In 2003, the IDA already recorded an actuarial deficit of US\$8.6 billion because 40% (and 70% within the next 30 years) of the resources available for loans came from reimbursements.

Debt sustainability cannot be envisaged separately. Some elements must necessarily be taken into account. With respect to SSA, this includes achievement of MDGs, in particular halving poverty by 2015. There is need, therefore, to guarantee new inflows of resources (and especially of aid) for achievement of the MDGs.

#### **4. Towards new approaches**

Several suggestions have been made on how to improve the HIPC Initiative:

**Cap the debt-service payments of HIPCs** at 10% of government domestic revenue. This would protect HIPCs against any deterioration in the global economy. However, this would benefit countries with low government revenues, hence the suggestion of capping the debt service at 2% of GDP (Birdsall and Williamson, 2002);

**Establish a 15-year program focused on MDG implementation and cancellation of the entire outstanding debt** of 49 poor countries the 42 HIPCs + 7 non-HIPCs whose HDI was lower than 0.5 in 1997 (Berlage, Cassimon, Dreze and Reding, 2003);

**Tie debt relief to achievement of the MDGs:** In this regard, it is full debt cancellation that should be envisaged, although this represents only half of the resource requirements for Africa's development over the next ten years. Indeed, while the cost of achieving the MDGs in Africa has been estimated at about US\$50 billion (UNCTAD, 2000), total cancellation of the debt of 23 African HIPC's that reached the decision point at the end of 2003 would cost US\$22.5 billion.

Source: UNCTAD Report (2004): Debt Sustainability: Oasis or Miracle?

## **A.2. Regional Policies**

121. The subregion has made significant progress in harmonizing macroeconomic policies, particularly within WAEMU. Such progress entails in particular (i) an integrated monetary policy, (ii) greater harmonization of taxation, and (iii) a formal procedure for multilateral surveillance to control fiscal imbalances and promote convergence. Trends in the year 2000 and beyond indicate that the WAEMU model serves as the reference for macroeconomic cooperation policies within ECOWAS.

- **Monetary Policies**

122. **Integrated monetary management within WAEMU.** As indicated above, WAEMU as well as SACU in South Africa and the Euro area are among the few integrated fixed exchange rate areas in Africa and in the world. The eight WAEMU countries have a common currency (the CFA Franc since 1962) which has been pegged to the Euro at a fixed parity since 2001. Monetary management is fully integrated and is entrusted to the Bank of West African States (BCEAO). Operations account mechanisms enable member states of the Union to build joint reserves in order to facilitate current account transactions and shore up the common currency. To hedge against the risk of fiscal imbalances translating into uncontrolled money creation, Central Bank statutory advances to national treasuries were capped and then totally eliminated in 2004.

123. **Towards a second monetary area for the other ECOWAS countries.** The ECOWAS monetary cooperation program (EMCP) adopted in July 1987 defines the framework for harmonizing the region's monetary and economic policies. Its objective is to create a single currency and a common central bank for the subregion. This program received a fresh boost in 1999 (ECOWAS Summit in Lomé) when, on the initiative of Nigeria and Ghana, and drawing on the example of WAEMU, the six other ECOWAS states began a process of broad-based consultations with a view to creating a second monetary area (the West African Monetary Zone (WAMZ)). The WAMZ envisaged the creation of a single currency in 2003, followed by a possible merger with WAEMU in 2005 (initially planned for 2004.) Just like the Central Bank of West African States (BCEAO) within WAEMU, it is the West African Monetary Institute (WAMI), an independent organ of WAMZ, that is responsible for promoting monetary integration in the subregion. Similarly, it is the West African Monetary Agency (WAMA) that is responsible for implementing the EMCP. Both institutions (WAMA, WAMI) collaborate to sensitize all stakeholders in the process to the need to ensure that the objective of monetary integration within ECOWAS is a shared vision.

- ***Tax policies***

124. WAEMU has made significant progress in harmonizing tax policies within the context of monetary and trade integration. Shortly before the devaluation of the CFA franc in January 1994, WAEMU member states felt the need to strengthen regional macro-economic policies. The objective is to strengthen the foundation of the common currency and to ensure greater coherence between fiscal and monetary policies. Managing the single currency forces governments to acknowledge the fact that economic management in one country has spillover effects on other countries in the Union, hence the need for a more concerted or integrated approach. For example, a burgeoning budget deficit in one member country tends to push up interest rates in the entire area, while increasing recourse to the subregional Treasury bond market exacerbates these externalities. However, it should be noted that the impact on the community varies, depending on the economic weight of the country in deficit. Similarly, fiscal imbalances may trigger a rise in the real exchange rate of the community. Hence, it is important to coordinate fiscal policies in order to avoid a situation where one country makes the rest of the community to bear the costs its fiscal policy errors. That is why WAEMU member states instituted multilateral surveillance of macroeconomic policies as well as the preparation of a Convergence, Stability, Growth and Solidarity Pact among member states.

125. In addition to the institution of a common external tariff (CET) within WAEMU, significant efforts have also been made to harmonize the VAT (Box 11). In particular, most WAEMU countries have adopted single rates (18%) and standardized VAT credit reimbursement procedures in order to cut costs for economic operators, especially exporters and investors.

126. All the other ECOWAS countries have single rates like WAEMU countries, although they vary considerably. As indicated in the table in Box 9, the rates in Sierra Leone and Guinea are close to those in the WAEMU region, while rates in Ghana and Nigeria are much lower (12.5% and 5%, respectively).

127. Perhaps, even more important than the harmonization of tax policies, is the issue of domestic tax rates relative to competitiveness and growth targets, on the one hand, and poverty reduction targets, on the other. The introduction of the CET and the resultant drop in customs revenues requires an increase in domestic taxes, mainly the VAT, to offset the drop in tax revenues. This is all the more necessary because the increase in PRSP spending (social and public investment expenditures) calls for increased mobilization of domestic resources. However, a simultaneous increase in domestic taxes could compromise the objective of boosting economic competitiveness, while raising VAT rates severely taxes consumption and places the burden disproportionately on the poor. Hence, the challenge for the countries is to strike an optimal balance in combining the CET and domestic taxes especially the VAT and above all, to be flexible during the harmonization process. In this regard, policy convergence may be difficult because conditions differ from one State to another. For example, Nigeria and other exporters of oil or other mineral resources can be satisfied with VAT rates that are lower than in other countries.

**Table 19**  
**Tax Revenue Structure**

Country	Tax Revenue (% GDP)	Customs Revenue (excluding VAT/import. % GDP)	Total VAT (% GDP)	Income Tax (% GDP)
Benin (2003)	15.2	3.9	6.0	3.5
Burkina Faso (2004)	11.8	2.1	4.7	2.7
Cape Verde (2003)	19.3	8.5	2.5	6.6
Côte d'Ivoire (2002)	15.5	5.2	4.1	3.2
Gambia (2004)	18.6	N/a	N/a	4.7
Ghana (2004)	22.2	4.8	5.6	5.7
Guinea (2001)	10.4	2.0	2.7	4.2
Guinea-Bissau (2001)	10.1	4.4	3.4	1.9
Liberia (2004)	12.7	N/a	N/a	3.7
Mali (2004)	15.5	4.5	6.8	2.6
Niger (2003)	9.6	5.0	1.1	1.8
Nigeria (2004)	16.0	2.6	1.6	11.8
Senegal (2003)	18.2	3.1	7.7	3.7
Sierra Leone (2003)	15.2	7.7	0.3	3.9
Togo	N/a	N/a	N/a	N/a

Source: IMF Statistical Appendix, 2006.

**Box 9. Harmonization of Value Added Tax (VAT) in West Africa**

To ensure the smooth operation of the future common market, the WAEMU commission took action to harmonize the tax policies of member states. Such harmonization is expected to enhance resource allocation and ensure more equity among consumers within the Union.

In addition, a program to harmonize the internal indirect taxes of member countries was adopted by the Council of Ministers on 3 July 1998, which seeks to harmonize national laws on the value added tax (VAT), excise taxes, oil taxes, and taxes on small businesses, and to define common tax management modalities.

To implement the program, the Council of Ministers adopted Guideline 02/98/CM/WAEMU on harmonizing the laws of member states on the value added tax (VAT).

These guidelines define the harmonized scheme of the value added tax (VAT), applicable by all member states of the Union. The principle of the system is the application of the value added tax on a common tax base and a convergent rate, as a consumption tax for all economic transactions on goods and services, except in the case of the limited list of common

exonerations in the Directive. Apart from this principle, harmonization focused on:

**Tax scope** (general definition, definition of taxable persons, definition of taxable transactions and the place of tax assessment);

**Tax threshold:** The annual turn-over, inclusive of all duties and taxes, which constitutes the tax threshold ranges from CFA.F 30 to 50 million for goods companies and from CFA.F 15 to 25 million for service companies;

**Exemptions:** Apart from exemptions which States may grant within the framework of international relations and the management of projects or contracts funded by external donors, a limited list of non taxable products and services is included in the guidelines;  
Taxable event and liability;

Tax base;

**Tax rate:** each member state sets a single VAT rate applicable on all taxable transactions, and this rate varies between 15% and 20%;

Deductions scheme, and;

**Credit Refund:** conditions for entitlement to VAT credits (refund limits and deadlines) were defined in the guidelines

VAT in West Africa (cont'd)			
Country	Tax Rate	Number of rates	Base Year*
<b>WAEMU</b>			
Benin	18%	Single	June 2004
Burkina Faso	18%	Single	January 2003
Côte d'Ivoire	18%	Single	December 2003
Guinea Bissau	15% (Turnover tax)	Single	March 2002
Mali	18%	Single	August 2003
Niger	19%	Single	January 2004
Senegal	18%	Single	November 2002
Togo	18%	Single	January 1999
<b>Other ECOWAS Countries</b>			
Ghana	12.5%	Single	December 2002
Guinea	18%	Single	December 2003
Nigeria	5%	Single	December 2004
Sierra Leone	17.5% (Turnover tax)	Single	April 2004

Sources: IMF Staff Country Report , 2006  
\* Year of compilation of data

**Box 10. Report on Implementation of Measures Related to the Harmonization of Internal Taxation (VAT and Excise Tax) in WAEMU Countries**

Country	TVA				Application of excise duty
	Single Rate	Coverage	Credit Refund	Exemptions	
BENIN	Yes	Agricultural sector partially covered	non-observance of prescribed deadlines	No additional exemption	Compliant
BURKINA	Yes	Sectors not covered: Railroad transportation, oil products and agricultural sector	Refund for export companies only and non-observance of prescribed deadlines	Exemptions for products manufactured by companies benefiting from the investment code	Compliant
COTE D'IVOIRE	Yes	Transport sector partially covered	non-observance of prescribed deadlines	Exemption granted to companies in the context of major infrastructure projects and to the mining sector	Broadly Compliant
MALI	Non-application of the simplified system		Refund for export companies only and non-observance of prescribed deadlines	Exemption, during prospecting, for companies benefiting from the Investment Code	Compliant
NIGER	Yes	Sectors not covered: Agriculture and Transport sector	Non-effective refund and non-observance of prescribed deadlines	Exemption, during prospecting, for companies benefiting from the Investment Code and use of the prior visa procedure.	Compliant
SENEGAL	Yes, but continuation with flat rate system		Restrictions related to some categories of taxpayers and non-observance of deadlines		Compliant
TOGO	Yes	Oil products not covered	Non-effective refund and non-observance of prescribed deadlines.		Broadly Compliant, though existence of specific duties.

Source: Compiled on the basis of the assessment report on implementation of Directives Nos. 02/98 and 03/98 of 22 December 1998 issued by the Commission in November 2002.

● ***Surveillance Mechanisms***

128. The Multilateral Surveillance Mechanism of ECOWAS provides the framework for implementing the EMCP and monitoring convergence criteria. There are three variants of the multilateral surveillance mechanism in West Africa: these are the ECOWAS multilateral surveillance mechanism executed by WAMA for the region; the WAEMU multilateral surveillance mechanism managed by the WAEMU Commission; and the WAMZ multilateral surveillance mechanism managed by WAMI. The surveillance mechanism is essentially based on the preparation of quarterly reports on country performance by national coordination committees (NCCs) or the national economic policy committees (NEPCs) of WAEMU. Multilateral surveillance is one of the mechanisms traditionally used to ensure that member states of an “integrated” group respect joint commitments and progress towards convergence. WAEMU offers an example of this while ECOWAS uses more flexible forms of supervision, notably the “peer review” system.

129. To ensure convergence of economic policies, WAEMU member states adopted a “macroeconomic stability pact” comprising eight convergence criteria. These criteria fall under two main categories, namely: primary criteria, which include the ratio of the basic budget balance to nominal GDP, the inflation rate, the ratio of total outstanding public debt to nominal GDP and the non-accumulation of domestic and external payments arrears during the current period, and; secondary criteria, which are sound management benchmarks and comprise the wage bill/tax revenue ratio, the ratio of capital expenditure (on domestic resources) to tax revenue, the ratio of the current external deficit (excluding grants) to GDP and the tax ratio.

130. The WAEMU macroeconomic convergence framework is characterized by the adoption of measures aimed at harmonizing the legal, accounting and statistical framework for public finance and taxation. With respect to public finance, six guidelines were adopted on the following six areas: finance laws, General Regulations Governing Public Accounting, State Budget Nomenclature, State Accounting Systems, State Financial Operations Table and the Public Finance Management Transparency Code. With regard to taxation, guidelines were prepared on the harmonization of laws governing VAT, excise duties, and taxes applicable to oil products and small and medium-sized enterprises. Activities to harmonize national accounts were also carried out with a view to improving the comparability of aggregates used to determine convergence criteria.

131. Drawing on the WAEMU model, ECOWAS countries equally defined macroeconomic convergence criteria aimed at reducing the public deficit, inflation, the public debt, as well as State financing by the central bank and coverage of national currencies by foreign assets. There are also secondary criteria related to the wage bill/tax revenue ratio, the ratio of capital expenditure (on domestic resources) to tax revenue, the tax burden and the external current account balance (net of official transfers). In general, these criteria target the same objectives, except that the context in which they are applied varies from one zone to another, the ultimate goal being to harmonize macroeconomic policies (Box 11). In the same vein, the harmonization of national accounts, undertaken by WAEMU was extended to all countries of the region by the ECOWAS Executive Secretariat with support from AFRISTAT.

<b>Box 11. Convergence Criteria for West African Economies and some Surveillance Results</b>	
WAEMU	ECOWAS
<b>PRIMARY CRITERIA</b>	
<p>The ratio of primary budget balance<sup>(*)</sup> to nominal GDP (key criteria): must be higher than or equal to 0% 2008;</p> <p><b>Average annual inflation rate:</b> should be maintained at a maximum of 3% per year as from 2000;</p> <p>Ratio of the outstanding domestic and external debt to nominal GDP: should not exceed 70% in 2008 ;</p> <p><b>Payments Arrears:</b></p> <p><b>domestic payments arrears:</b> non-accumulation of arrears for current management period</p> <p><b>external payments arrears:</b> non-accumulation of arrears for current management period.</p>	<p><b>Average annual inflation rate:</b> must be lower than or equal to 5%</p> <p>Budget deficit (net of grants) to nominal GDP ratio: must not exceed 4%</p> <p>Central bank financing of budget deficit as percentage of tax revenue: must not exceed 10 %</p> <p><b>Gross import reserves:</b> must be above or equal to 6 months</p>
<b>SECONDARY CRITERIA</b>	
<p>Wage bill/tax revenue ratio: should not exceed 35 % by 2008;</p> <p>Public capital expenditure funded by domestic resources/tax revenue ratio: should reach at least 20% by 2008;</p> <p>Ratio of current external deficit (excluding grants) to nominal GDP: should not exceed 5 % by 2008;</p> <p><b>Tax ratio (*):</b> it should be higher than or equal to 17 % by 2008.</p>	<p>Ratio of wage bill to tax revenues: should not exceed 35 %</p> <p>Public capital expenditure funded by domestic resources/tax revenue ratio: should reach at least 20%</p> <p><b>Tax ratio:</b> should be higher than or equal to 20 %</p> <p><b>Real interest rate:</b> should be higher than or equal to 0</p> <p><b>Exchange rate stability</b></p> <p><b>Domestic arrears:</b> no new accumulations of arrears and settlement of old arrears</p>
<p><sup>(*)</sup> Primary budget balance = Total revenue (excluding grants) – current expenditure – Public capital expenditure funded by domestic resources. <sup>(*)</sup> Tax ratio = Tax revenue/nominal GDP.</p>	

### A.3 Convergence of Policies and Performance

132. How do national macroeconomic policies converge towards the regional framework described above? In principle, countries in the subregion have all nominally subscribed to the regional policies, but with varying degrees of commitment and performance in terms of convergence.

133. Within WAEMU, there is great policy convergence which does not usually translate into convergence of results, because of differences in national conditions. Apart from the monetary policy which is integrated and managed by BCEAO, there is an advanced degree of harmonization in tax policies, especially concerning the VAT. However, results remain mixed considering the level of convergence sought. An analysis of country performances shows great variability between States regarding compliance with convergence criteria, as indicated in Box 13 on Multilateral Surveillance Results and Performance over 2000-2005.

134. Criteria compliance assessment shows that two groups of countries stand out, namely: group 1, comprising countries which comply with at least 4 (four) of the eight convergence criteria each year, since 2000 (composed of Benin, Burkina, Mali and Senegal); and group 2, comprising countries facing real difficulties in respecting the criteria (namely Cote d'Ivoire, Guinea Bissau, Niger, and Togo). Similarly, almost all the countries in the Union face structural difficulties in complying with some of the 8 (eight) criteria, notably those relating to the tax ratio and to the current account balance (net of grants) as a percentage of GDP.

135. On the whole, non-compliance with the relevant criteria does not seem to stem from a lack of political will, but rather from a lethargy in economic activity and the extreme vulnerability of economies to external shocks, notably, natural shocks for some (Niger, Burkina, Mali), terms of trade for others (Mali, Burkina, Cote d'Ivoire, etc.), and conflicts (Cote d'Ivoire, Guinea Bissau, Togo). For example, according to IMF analyses, budget slippages in most WAEMU countries are largely a result of deficit trends as affected by economic changes and fluctuations in the terms of trade. On average, according to this study, a percentage point loss in the potential growth rate could lead to a deficit of about 0.3% of GDP, and 0.08% deterioration in the terms of trade.

136. An in-depth analysis of macroeconomic policies in WAEMU countries shows that countries with good performance in respecting the convergence criteria (group 1) are those that have programs with international financial institutions such as the World Bank and the IMF. Such countries have been able to benefit from relative stability to implement fiscal consolidation and structural reforms.

137. However, in relation to the implicit objectives of the convergence criteria, some persistent structural features have been noted in all countries--including non-WAEMU countries that require closer examination by the States. These are (i) a generally low tax ratio as compared to the rising needs of growth and poverty reduction strategies, and consequently; (ii) the manifest difficulties faced by States in controlling their spending.

138. **Poor fiscalization of economies:** The average tax ratio too low to ensure attainment of the convergence target and sustainable financing of the PRSP. Of all the WAEMU countries, only Senegal has succeeded in achieving the average tax ratio of 17%. This again raises the issue of limited economic diversification and low taxation (especially in the agricultural or informal sectors). For example, under its new PRGF program concluded in January 2005, Niger envisaged increasing its average tax ratio from 10% in 2004 to 12% in 2007 in a bid to reach the WAEMU target of 17%. This is necessary because it enables countries to assume greater responsibility for PRSP financing and to promote tax sustainability. However, such an increase (of more than one percentage point per year for three years) appears unrealistic, considering the weakness and volatility of growth as well as difficulties in taxing the rural sector (agriculture and stockbreeding account for more than two-thirds of GDP and are vulnerable to the vagaries of climate). This problem is shared by many countries in the region, notably Benin, Burkina Faso and Mali.

139. Difficulties in increasing the tax ratio stem from the fact that the economies are dominated by agriculture and informal sector activities, characterized by subsistence and, consequently, low on commercial activities. Moreover, budget revenue collection is undermined by tax evasion and major tax exemptions. Only Senegal has been able to maintain a tax ratio that matches the WAEMU target. It is also the only country which - with Côte d'Ivoire - has the highest level of manufacturing and the biggest industrial and urban sectors.

**Box 12. Share of industry in GDP and of tax revenue as a percentage of GDP for some West African Countries**

Country	Fiscal Revenues (%GDP)					Share of Secondary Sector (%GDP)				
	2000	2001	2002	2003	2004	2000	2001	2002	2003	2004
Benin	13.9	13.5	14.4	14.9	14.5	13.9	14.4	14.3	14.4	
Burkina Faso	11.1	10.3	10.7	10.8	11.8	17.6	16.5	18.0	18.4	19.4
Côte d'Ivoire	14.5	15.1	15.4	14.9	15.2					
Guinea-Bissau	11.4	10.1	8.4	9.7	8.3	12.3	12.7	13.1	12.8	
Mali	11.9	12.3	13.8	14.2	15.6	21.5	23.9	25.4	21.6	21.5
Gambia	16.2	13.0	14.1	13.3		10.9	11.2	13.1	12.7	12.1
Ghana	16.3	17.2	17.5	20.2	22.3	25.4	25.2	25.3	25.2	24.7
Nigeria	13.6	16.4	13.0	14.2	16.0	4.3	4.6	5.2	4.6	

Source: The authors

**Box 13. Convergence indicators for WAEMU countries, 1998-2003**

Primary Criteria							Secondary Criteria						
Adjusted primary balance <sup>11</sup> , as % of nominal GDP (>=0%)							Adjusted wages and salaries as % of tax revenue (<= 35%)						
YEAR	2000	2001	2002	2003	2004	2005	YEAR	2000	2001	2002	2003	2004	2005
Benin	1.9	2.2	1.3	0.7	0.6	0.5	Benin	31.0	29.9	31.5	34.0	36.6	38.1
Burkina Faso	0.8	-0.7	-1.4	2.1	0.2	-0.5	Burkina Faso	37.8	42.4	40.0	33.6	34.0	36.2
Côte d'Ivoire	-0.1	1.3	-0.5	-1.9	-1.3	-1.4	Côte d'Ivoire	42.1	41.4	41.6	45.0	44.0	45.0
Guinea Bissau	-2.8	1.4	-7.6	-9.7	-7.0	-7.7	Guinea Bissau	37.8	39.9	83.6	110.7	109.6	103.2
Mali	2.5	-0.2	0.6	3.1	1.3	2.1	Mali	29.2	29.0	29.4	27.3	28.8	25.3
Niger	-1.6	-1.8	-0.6	-0.5	-0.5	0.7	Niger	43.7	34.2	33.8	33.2	31.0	29.5
Senegal	1.4	-0.9	1.2	1.2	1.6	0.9	Senegal	32.5	30.7	31.6	29.4	28.8	29.6
Togo	-2.8	0.5	0.3	2.8	1.4	-1.5	Togo	53.9	44.4	44.7	34.6	32.1	30.4
WAEMU	0.5	0.4	0.0	0.2	0.1	-0.1	WAEMU	38.0	36.8	37.1	36.7	36.2	36.3
Annual inflation rate (average indices) (<=3%)							Adjusted capital expenditure on domestic financing as % of tax revenue (>= 20%)						
YEAR	2000	2001	2002	2003	2004	2005	YEAR	2000	2001	2002	2003	2004	2005
Benin	4.2	4.0	2.4	1.5	0.9	5.4	Benin	12.4	17.7	19.1	22.6	18.9	15.8
Burkina Faso	-0.3	4.9	2.3	2.0	-0.4	6.4	Burkina Faso	20.2	20.7	27.2	21.0	28.1	30.2
Côte d'Ivoire	2.5	4.4	3.1	3.3	1.4	3.9	Côte d'Ivoire	9.5	7.2	11.6	10.4	12.3	10.7
Guinea Bissau	8.6	3.5	3.3	-3.5	0.9	3.4	Guinea Bissau	12.6	9.0	5.5	4.1	13.5	8.2
Mali	-0.7	5.2	5.0	-1.3	-3.1	6.4	Mali	9.1	12.3	10.0	11.2	14.4	17.3
Niger	2.9	4.0	2.6	-1.6	0.2	7.8	Niger	6.8	18.7	16.3	16.5	17.8	23.9
Senegal	0.7	3.0	2.3	0.0	0.5	1.7	Senegal	19.7	20.5	22.8	23.3	23.3	26.2
Togo	1.9	3.9	3.1	-1.0	0.4	6.8	Togo	8.4	6.4	7.4	7.6	7.4	8.4
WAEMU	1.8	4.0	2.9	1.2	0.6	4.3	WAEMU	12.7	13.0	15.8	15.6	17.1	18.1

Source : WAEMU Commission

The adjustments consist in including budgetary grants and HIPC resources which are used to finance expenditure but are not counted as budget revenue.

140. **Difficulties in controlling public spending and aligning it with PRSP priorities.** These difficulties stem from revenue fluctuations and low domestic taxation, as indicated above. Moreover, with the implementation of PRSPs, countries face serious difficulties in harmonizing tax policies with PRSP priorities. It is not only about a deficit in total revenue, but rather, a question of poor allocation with respect to sectoral strategy requirements and PRSP priorities. In this regard, some countries, namely Burkina Faso, Benin, and Ghana have taken bold initiatives to align their budget allocations with PRS priorities. These countries have established medium-term expenditure frameworks (MTEF) to better match expenditure with available resources and PRSP sectoral strategy needs. Efforts are underway to generalize this approach and better align budget policies on PRSP priorities, and so improve PRSP efficiency.

**Box 14. Macroeconomic Stability Indicators in ECOWAS countries, 1998-2003**

Country	Growth rate			Inflation			Budget balance <sup>1</sup> (net of HIPC)			Current account balance (net of grants, % GDP)		
	2001	2002	2003	2001	2002	2003	2001	2002	2003	2001	2002	2003
Benin	6.2	4.6	6.7	4.0	2.4	1.7	1.0	1.1	0.6	-6.3	-4.7	-5.1
Burkina Faso	6.1	4.6	7.9	4.9	2.3	1.7	-2.1	-2.7	-0.4	14.4	12.8	13.9
Côte d'Ivoire	0.1	-1.6	-2.2	4.4	3.1	3.4	1.3	-0.4	0.0	-0.9	6.4	4.7
Guinea Bissau	0.2	-7.2	-1.2	3.3	3.9	3.0	13.1	-8.7	-9.9	12.1	22.4	26.2
Mali	11.8	4.4	5.6	5.2	5.0	-0.8	0.2	0.0	0.9	-	12.5	-5.5
Niger	5.8	3.0		4.0	2.6	-1.2	-3.1	-1.3	-1.0	-8.3	10.3	-9.8
Senegal	5.6		6.3	3.0	2.3	0.2	-0.8	1.5	0.7	-6.7	-6.6	-7.9
Togo	0.2	4.8	3.0	3.9	3.1	-0.6	1.2	0.1	1.5	-	-	-
WAEMU	3.9	1.3	3.0	4.1	2.9	1.5	0.4	0.1	0.4	-6.3	-2.4	-3.8
Cape Verde	3.5	4.0		1.1	4.3		9.4	-	16.6	-9.9	-	11.5
Gambia	4.9	3.6		8.1	13.0		-9.8	-9.3		-5.1	0.9	
Ghana	4.2	4.5		21.3	15.2		-8.5	-9.6		-6.1	0.3	
Guinea	3.6	4.1		1.1	6.1		-7.8	-8.3		-3.4	-0.6	
Liberia	4.2	2.6		19.4	11.1		-1.2	-0.8		-	-	
Nigeria	4.7	3.3		16.5	12.2		-5.4	-5.4		4.2	3.9	

#### **A.4. Medium-term priorities**

141. The main concern is to strengthen harmonization of national policies within WAEMU, and pursue efforts to align macro-economic policies with those of other ECOWAS countries, especially with respect to tax policies and changes in trade policy (see next section).

142. In this regard, recent developments in the region are encouraging. In 2004, the WAEMU Commission adopted new strategic guidelines with a view to “giving new impetus to the regional integration process”. A number of activities were planned in 2004 to consolidate convergence, notably: (i) the pursuit of regular surveillance of national economies; (ii) the promotion of statistical convergence, and (iii) consolidation of the harmonization process for national legal and regulatory frameworks governing public finance.

143. For the other non-WAEMU member countries, the major concern is to step up harmonization of macroeconomic policies in order to accelerate the process of setting up WAMZ. To this end, major regional programs were initiated by the ECOWAS Executive Secretariat to consolidate macroeconomic policies within the Community, notably: (i) the elimination of monetary non-tariff barriers, and (ii) the transformation of the West African Clearing House (WACH) into a West African Monetary Agency (WAMA) as well as the creation of the West African Monetary Institution (WAMI), responsible for leading the subregion towards a currency union.

144. **Elimination of all monetary non-tariff barriers.** The ECOWAS monetary cooperation program seeks to ensure the convertibility of West Africa currencies and the creation of a single ECOWAS currency. Exchange rate adjustments under structural adjustment programs, greatly helped to balance these rates, thus promoting the convertibility of the current account transactions of most member states. In the short term, the decision-making bodies of the Community have invited all member countries to lift all monetary non-tariff barriers. To that end, it was recommended that citizens of the community be allowed to pay airport taxes, hotel bills, and air tickets in local currency.

145. The following 12 countries have lifted all monetary non tariff barriers to trade with countries of the sub region: Benin, Burkina Faso, Cape Verde, Côte d'Ivoire, The Gambia, Guinea, Guinea-Bissau, Mali, Niger, Nigeria, Senegal and Togo. Ghana requires only the payment of the road transit tax in foreign currency. The remaining 3 (three) countries continue to require non-residents to pay hard currency for air tickets, port and airport services, etc. These countries need to eliminate all monetary non-tariff barriers immediately.

146. To facilitate the use of national currencies for trade and regional payments, the Executive Secretariat of ECOWAS and WAMA, conducted a study on the regional convertibility of these currencies with the assistance of PASU EDECO/OAU. The findings of this study were presented at a meeting of central bank experts in Abuja in June 1999, which made recommendations to the meeting of Governors in Lomé in December 1999.

147. **Payment of arrears to the West African Clearing House (WACH).** The WACH was set up, among other reasons, to promote the use of local currencies in trade within West Africa. The organization was transformed into the West African Monetary Agency (WAMA), which is an ECOWAS body charged with implementing its monetary policy. Guinea Bissau and Liberia still owe UA 7.6 million and UA 5.7 million, respectively, in outstanding payments to the WACH.

148. **Single ECOWAS currency and harmonization of economic and financial policies.** In a bid to realize their political will to harmonize ECOWAS economic policies as a target of the revised Treaty and accelerate the creation of the ECOWAS monetary area, the Council of Ministers, on the proposal of the Consultative Forum of Ministers of Finance, Ministers of Planning and Central Bank Governors, set targets for convergence indicators in 1997. Annual assessments showed that these criteria fell short of the requirements for a credible economic and monetary union. The Council of Ministers made fresh proposals to the summit of Heads of State and Government of December 1999 in Lomé. The summit defined a range of convergence criteria which have to be rigorously monitored under the ECOWAS Monetary Cooperation Program.

**Box 15. Multilateral surveillance of macroeconomic policies:  
Towards convergence between WAEMU and ECOWAS**

Operational multilateral surveillance mechanism for macroeconomic policies

Regional communities	Definition of convergence criteria	Establishment of National Economic Policy Committees	Preparation of reports on multilateral surveillance	Implementation of the Convergence, Stability, Growth, and Solidarity Pact	Harmonization of modalities for calculating gross domestic product (GDP)	Existence of harmonized consumer price indices
ECOWAS	Yes (but less restrictive)	No	Yes (but not regular)	No	No (work in progress)	No
WAEMU	Yes	Yes	Yes	Yes	Yes	Yes

**Harmonization of public finance**

Regional Communities	Guideline on finance laws	Guideline on general regulations governing public accounting	Guideline on State budget nomenclature (SBN)	Guideline on State Accounting System (SAS)	Guideline on the State Financial Operations Table (TOFE)
ECOWAS	No	No	No	No	No
WAEMU	Yes	Yes	Yes	Yes	Yes

**Harmonization of monetary policies**

Regional Communities	Common currency	Harmonization of exchange rates	Common treasury bond market	Regional stock exchange
ECOWAS	No*	No	No	No
WAEMU	Yes	Yes	Yes	Yes

\* The practical modalities for setting up the ECOWAS monetary area have been defined.

149. **Towards greater convergence between WAEMU and ECOWAS.** In the medium and long terms, the central issue remains continued progress towards a single currency area. Considering the level of convergence noted in the application of defined criteria within both WAEMU and ECOWAS, this can only happen after 2010. However, pursuit of the convergence criteria harmonization policy as well as the resolve to create a real open and competitive market are major assets, which could, in the long run, turn West Africa into a viable and credible economic community. This would significantly reduce poverty.

#### **Box 16. The WAMA, WAMI and West African Monetary Zone**

In 1975, ECOWAS member states decided to establish a West African Clearing House (WACH). The objective of this initiative by the various central banks was to address the inconvertibility of national currencies, which was an obstacle to the development of inter-State trade. In 1986, the WACH was transformed into the West African Monetary Agency (WAMA) which, apart from managing the multilateral clearing mechanism, is responsible for monitoring the implementation of the monetary cooperation program, adopted as part of the project to an ECOWAS single currency area.

To achieve this single currency area, the Heads of State concluded that macroeconomic convergence was an indispensable pre-condition. To this end, criteria were defined (see text box).

To accelerate the process, most of the non-WAEMU countries decided to establish a second monetary area, the West African Monetary Zone (WAMZ), whose common currency, the *eco*, would later on merge with the WAEMU's CFAF. To this end, these countries therefore set up a West African Monetary Institute, which prefigures their common central bank, the Central Bank of West African States (BCAO.) WAMI is responsible for all activities leading to the effective establishment of the BCAA in 2009.

WAMA is therefore continuing with its activities which are essentially limited to managing the ECOWAS clearing mechanism. The amounts for clearance are increasingly smaller because of efforts made by States to respect convergence criteria and, consequently, to stabilize their currencies and reduce the gap between official and black market rates.

## **B. Trade policies**

### **B.1. Integration, growth and poverty reduction challenges**

150. The main objective of regional integration is to establish a large, open, and competitive economic community with a view to cutting costs and attracting investments. It is therefore the keystone of economic transformation and diversification strategies that constitute the springboard to lasting growth and poverty alleviation. Indeed, despite some differences among schools of thought (see Box 17) there is a current convergence of views on the benefits of “open regionalism” and of greater integration on trade, growth and poverty reduction. Greater integration that simultaneously affects goods, infrastructure services, and factors markets will help to cut commercial, production, and transactional costs, and promote the congregation of factors towards development centers, thereby improving economies of scale and boosting competitiveness. This accelerates both economic transformation and export-led growth, thus fostering the participation of economies in world trade.

151. Modern growth theories are unanimous on this point: opening up to external trade acts as

a strong catalyst for economic diversification and growth enhancement<sup>12</sup>. Various studies have shown that “international trade restrictions hurt growth and that the effects are even more catastrophic in Africa than in other regions” because of higher tariffs and, above all, narrow markets. Various empirical estimates indicate that the annual loss of potential growth varies between 0.4 points (Easterly and Levine, 1997) and 1.2 points (Sachs and Warner, 1997). In other words, if regional integration, in general, and commercial integration, in particular, could help remove all trade barriers--tariff or non tariff-- in the whole region, while also improving economies of scale, it could raise the annual average growth rate by more than one point. All things being equal, this will reduce the average incidence of regional income poverty by the same proportion.

152. Furthermore, the empirical and “micro-regional“ analyses of the determinants of poverty in Chapter 1 clearly showed the link between poverty and the sector of activity of households (whether they produce tradable or non-tradable products) in the subregion. This also underscores the importance of trade. It was noted in rural areas, for example, that the incidence of poverty was higher among households producing non-tradable goods than among households operating in the tradable products sector (cash crops, etc.). Among others, the respective experiences of Mali, Burkina Faso, and Benin with cotton, and those of Cote d'Ivoire and Ghana with cocoa also showed how the development of export sectors helped to increase revenues and reduce poverty in the sub-region.

**Box 17. Does trade integration between poor countries (South-South) contribute to the convergence or divergence of economies?**

Old theories on trade integration minimize the benefits of arrangements between poor countries like WAEMU or ECOWAS. They even suggest that such arrangements (customs or economic union) may lead to divergences between relatively developed countries in the region (for example, Cote d'Ivoire, Ghana, and Nigeria) and the poorest (for example, Niger, Burkina, and Mali). The same arguments are applied to monetary integration, namely that the limited diversification/complementarity of the economies does not justify the administrative and political costs of integration. More importantly, if integration leads to group protectionism, the poorest countries would then become captive markets for the more industrially advanced countries, receiving products from the region that are of lower quality and more expensive than those they could have imported from the international market; this translates into trade diversion rather than real trade creation. This may lead to divergence rather than the much-sought-for convergence of economies and, consequently, an increase rather than a decline in poverty, at least in the poorest countries.

On the contrary, and as in the case of currency areas, modern theories on trade and greater integration take a different view. According to these schools of thought, regional integration can be an instrument for “joint commitment” and concerted action to speed up the reduction or elimination of trade barriers, not for increasing protectionist practices. For example, WAEMU countries have jointly reduced obstacles to intra- and extra-community trade, and harmonized taxation laws far more rapidly than they could have done independently, or than other ECOWAS countries. This is partly due to the fact that the Union provides a regular framework for consultation and cooperation, as well as a compensation mechanism, which builds confidence and facilitates concessions. Furthermore, as in the case of the

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<sup>12</sup>On this topic see the works of Collier and Gunning (1997), Sachs and Warner (1997), Easterly and Levine (1997).

monetary area, the existence of a “third party guarantor” arrangement, such as linking the region to the European Union through preferential agreements, may also lead countries to make the necessary concessions to resist protectionist tendencies and embark on liberalization as a group.

In such a context, trade integration encourages open regionalism. The combined effect of greater economies of scale from market expansion and a reduction in trading costs is conducive to economic transformation and stronger growth, which, in turn, boosts intra- and extra-community trade. At the same time, labor and capital market integration also promotes factor mobility, enabling workers to move to development centers and, in return, remit resources to disadvantaged areas, thus enhancing the redistribution effects of growth. Source: The Authors.

## **B.2. Trade integration within ECOWAS**

153. The treaty establishing ECOWAS, signed on 28 May 1975, in Lagos, seeks to promote cooperation and integration with a view to creating an economic union of West African states. As stipulated in the treaty, the economic union is considered an instrument for accelerating economic transformation, boosting and sustaining growth, and improving the living standards of the people. Hence, provision had been made for the creation of a common market through (i) trade liberalization and the abolition of import and export duties among Member States, as well as the abolition of non-tariff barriers in order to establish a free trade area (ii) the establishment of a common external tariff and a common trade policy vis-à-vis third-party countries; (iii) the lifting of barriers to the free movement of persons, goods, services and capital between member countries, and to the right of residence and establishment; and (iv) the creation of an economic union by adopting common economic, financial, social and cultural policies, and creating a monetary union (Cf. Box 18).

154. With respect to establishing the Customs Union, two activities were planned, namely (i) the free circulation of unprocessed and handicraft goods among member States, exempt of all equivalent effect duties and taxes, with no quota or administrative restrictions; and (ii) the phasing out and eventual elimination of equivalent effect customs duties and taxes on industrial product imports from the Community, over a 10-year period from 1 January 1990, as well as the elimination of non-tariff barriers on such imports.

155. Progress in the implementation of the ECOWAS liberalization scheme is moderate. On the one hand, member States have implemented the first phase of trade liberalization; that is, the establishment of a free trade area within the community. In fact, most countries (Benin, Burkina Faso, Cote d'Ivoire, The Gambia, Ghana, Guinea, Mali, Niger, Nigeria, Senegal, Sierra Leone and Togo) have eliminated tariff barriers on unprocessed goods under the Trade Liberalization Scheme (TLS). Only Benin has lifted tariff barriers on industrial products. However, there is little recourse to support mechanisms. For example, until recently, only Benin had submitted a request for a budget offset refund to claim reimbursement for part of the customs revenue lost as a result of intra-community trade liberalization. Few countries, apart from Burkina Faso, The Gambia and Mali, have paid their contributions.

156. With regard to support measures to implement the regional trade liberalization scheme, customs and statistical instruments such as certificates of origin, customs and statistical

nomenclature and customs declarations have been harmonized with WAEMU. Furthermore, a Convention on Inter-State Road Transit (ISRT) has been adopted as well as a system of security deposits for transit operations which is not implemented by all States. A draft single customs document was prepared and presented for review to the thirty-ninth meeting of the Trade and Customs Commission, which met in Abuja from 17 to 19 May; the Commission approved the draft document and recommended it to the Council of Ministers, which adopted it.

157. This document is expected to replace the numerous customs declaration forms in member states with a view to facilitating and expediting goods clearance procedures and, consequently, reducing waiting periods at customs. The document will also allow standardization of codification and other statistical or regulatory data for better preparation of the external trade statistics of ECOWAS member countries. Appraisal of its application stands as follows: 12 (twelve) countries (Benin, Burkina Faso, The Gambia, Ghana, Guinea, Guinea Bissau, Mali, Niger, Nigeria, Senegal, Sierra Leone and Togo) have printed and circulated certificates of origin; 11 (eleven) countries (Benin, Burkina Faso, Cape Verde, The Gambia, Ghana, Guinea Bissau, Mali, Niger, Senegal, Sierra Leone and Togo) have implemented the customs nomenclature based on the harmonized system (HS) as well as customs clearance; only 5 (five) countries (Benin, Cote d'Ivoire, Mali, Niger, and Togo) have implemented the ISRT convention; while 12 (twelve) countries (Benin, Burkina Faso, Côte d'Ivoire, The Gambia, Ghana, Guinea, Mali, Niger, Nigeria, Senegal, Sierra Leone and Togo) had designated national security deposits to guarantee transit operations.

158. **In spite of this progress, the trade liberalization scheme still faces major difficulties**, which include (i) the failure by some member States to print the harmonized customs documents, (ii) the non-elimination of tariff barriers, (iii) the high cost of compensation, (iv) overlapping and inconsistencies between the ECOWAS TLS and that of WAEMU, (v) no sensitization of economic operators on the ECOWAS trade liberalization scheme, and (vi) insufficient resources to offset customs revenue losses.

159. The main difficulty for the major countries in the subregion certainly lies in undertaking the reforms needed to ensure the convergence of trade policies and make the customs union possible. For example, WAEMU countries (see section below) have made significant progress in setting up a customs union, and countries like Ghana and The Gambia have launched major trade policy reforms under structural adjustment programs. However, other countries, in particular Nigeria, must speed up trade policy reforms to ensure the effective implementation of a customs union in the entire ECOWAS region.

### **B.3. Trade integration within WAEMU**

160. The creation of a common market is also the core objective of the WAEMU Treaty. Article 4 thereof clearly stipulates that its objective is the creation by member States of a common market based on the free movement of persons, goods, services and capital and on a common external tariff and a common trade policy which recognizes the transfer of trade policy powers from member states to the Community. This framework has led to the definition of the Union's trade regime which has translated into the adoption of measures such as the elimination of all tariff and non-tariff obstacles to intra-community trade and the implementation of a common external tariff (CET) vis-à-vis third-party countries.

**Box 18. WAEMU's Common External Tariff and the ECOWAS Trade Liberalization Scheme**

Structure of WAEMU's Common External Tariff (CET): The CET comprises:

Permanent duties and taxes, as follows:

- **Customs duty with four rates of 0%, 5%, 10% and 20%, for products in categories 0, 1, 2 and 3 respectively;**
- **Statistics tax (1%);**
- **Community Solidarity Levy (CSL), at a rate of 1%.**

Temporary duties and taxes, as follows:

- **Degressive Protection Tax (DPT), aimed at temporarily offsetting the sharp declines in tariff protection due to CET implementation;**
- **Special import tax (SIT), aimed at offsetting erratic changes in the world prices of some commodities and to counter unfair import trade practices.**

To date, total entry taxes, which once reached a ceiling of 65.5%, currently stand at 2% for Category 0 products; 7% for Category 1; 12% for Category 2; and 22% for Category 3.

The ECOWAS trade liberalization scheme: From 1 January 1990

**Raw products and traditional handicraft:** total exemption from import taxes and duties without quota restrictions and without compensation for loss of earnings as a result of their importation.

Industrial products originating from the community: Total elimination of customs duties and equivalent effect taxes from 1 January 1990 through phased reductions.

Group	Country	Period	Reduction Rate
I	Cape Verde, Burkina Faso, Gambia, Guinea, Bissau, Mali, Mauritania, Niger	10 years	10% reduction per year
II	Benin, Guinea, Liberia, Sierra Leone, Togo	8 years	12.5% reduction per year
III	Côte d'Ivoire, Ghana, Nigeria, Senegal	6 years	16.6% reduction per year

161. In this regard, significant progress has been made in WAEMU countries since 1996. The countries have established: (i) a common external tariff with common trade policy instruments (Rules of Origin, customs procedures, customs assessments), which are managed at the community level; (ii) a community law on competition, since 1 January 2003, which gives the Commission the authority to supervise and punish anticompetitive practices committed by companies and States notably collusions, abuse of dominant positions and State subsidies, (iii) community anti-dumping legislation; and (iv) mechanisms to allow the Commission to negotiate and conclude bilateral trade agreements in consultation with or on behalf of member States.

162. Recognizing that adoption of the CET, whose average rate is below the national average of tariffs in most countries, would result in significant loss of customs revenue for many countries, the WAEMU Commission urged the Council of Ministers on 3 July 1998 to adopt a program to harmonize the indirect taxes of members countries and a program to offset the loss of customs revenue. This program has led to the harmonization of national laws on the value added tax (VAT), excise duties and taxes on oil products and small businesses as well as the definition of common tax management modalities. Moreover, the budgetary impact of liberalizing trade with

third party countries ought to be offset by an improvement in domestic tax revenue. Considering the administrative constraints on direct taxation, it is indirect internal taxation which, in developing countries, constitutes the main instrument for tax transition - that is, a gradual reduction of the proportion of external tax revenue in total tax revenue and a concomitant increase in internal tax revenues. If this tax transition is not achieved, the budgetary pressures could be such that tariff reforms within the area, especially the implementation of the CET and trade liberalization, could be undermined.

163. The implementation of the liberalization scheme within WAEMU from July 1996 to December 1999 indeed resulted in a progressive lifting of domestic tariffs on products from the area. Thus, since 1 July 1996, unprocessed and traditional handicraft goods circulate free of entry taxes and duties. Industrial products originating from the community circulate freely within the territory of the Union under preferential tariffs, exempted from import duties since 1 January 2000. The assessment conducted at the end of 2005 shows that 2600 products made by 500 community enterprises were approved for the Community Preferential Tax. In addition, since 1 January 2000, a common external tariff became effective within the Union; it is characterized by a major reduction in tariff barriers (22% maximum duties instead of 65% previously) and supplementary tax measures (the Digressive Protection Tax and the Special Import Tax), making it possible to continue providing adequate protection for sectors that are sensitive to trade reforms.

164. The various surveillance reports indicate that, on the whole, WAEMU member states have effectively implemented the common trade policy of WAEMU. Indeed, the various CET implementation monitoring reports clearly show that all states in the Union have resolutely adopted the CET and that their tax regimes have been simplified and the dispersion of duties reduced since the regime is completely based on the WAEMU's CET. All tariff lines are defined by the common tariff and statistics nomenclature of 5,538 ten-digit tariff lines from the Harmonized Commodity Description and Coding System (HS) and a common customs value system for goods. In accordance with the relevant WAEMU regulations, each tariff heading is placed under one of four categories: 0%, 5%, 10%, or 20%.

165. Consequently, the unweighted mean of "most favored nation" (MFN) customs duties within WAEMU is about 12%, which is a significant reduction for countries in the sub region; (for example, the average tariff was 20% in 1997 in Niger and 37% in 1994 in Senegal). At the same time, there has been sustained growth in intra-community trade since 1996, when internal tariff reductions entered into effect, with an annual growth rate of 10.6% between 1996 and 2001, compared to only 4.4% for exports to third-party countries. Similarly, various studies have confirmed a decline in the nominal and effective protection rates in countries of the Union since the implementation of CET, as well as the relatively higher levels of these rates in some countries of the Union, when compared with the community average. For example, between 1996 and 2001, the overall nominal protection rate for Senegalese imports fell from 46.6% to 26.4%, compared with 19.7% for the entire WAEMU<sup>13</sup> region.

166. For implementation of its common trade policy, the Commission was mandated by member states to negotiate and conclude Economic Partnership Agreements with third party countries. Hence, WAEMU concluded a Trade and Investment Agreement with the United States

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<sup>13</sup>Assessment Reports on the trade policies of Niger and Senegal by WTO and Kinkle, Herrou-Aragon, Kubota, World Bank, June 2003

and is advanced negotiations with the Kingdom of Morocco and Tunisia. However, negotiations for an Economic and Regional Partnership Agreement with the European Union are being conducted within the framework of ECOWAS, in accordance with a decision by the conference of ECOWAS Heads of State.

167. Despite these significant advances, the WAEMU area is still facing serious difficulties with the effective implementation of the common trade policy and the establishment of an integrated economic area. With respect to the application of the preferential tariff, although all the States have dismantled all tariff restrictions on products originating from the community, major obstacles persist, notably (i) the reluctance of some countries to liberalize the movement of some key originating products; (ii) the existence of national technical standards, the requirement of a national compliance certificate, the imposition of import quotas; and (iii) the collection of the statistics tax on originating products.

168. Similarly, there are still some persistent difficulties with CET implementation, concerning compliance with the tariff schedule, the nomenclature and product categorization. With respect to the tariff schedule, there have been cases of tax surcharges imposed in violation of the agreements: for example the existence of an ad valorem tax for “assessment of imports” (in three countries) aimed at paying inspection companies as well as the introduction of a computer tax (one country). With respect to product nomenclature and categorization, all member states, except one, have implemented the 2002 version of the Harmonized System which became effective on 1 January 2003.

169. The DPT is applied in only 3 (three) countries on products on the commodities' list. Meanwhile, the SIT is applied in only two countries of the Union on the relevant products. With respect to non-regulatory obstacles to the free movement of goods, great efforts still need to be made since there are persistent obstacles, such as the proliferation of road checkpoints whose efficiency is not yet proven and the collection of illegal taxes by officers charged with checking vehicles on the region's transnational highways.

170. Similarly, in spite of the implementation of the CET, the number of exemptions is still relatively high in almost all states of the Union. For example, between 1996 and 2001, the rate of exemptions on taxable imports declined from 16.8% to 16.5% in Senegal and from 26 percent to 20 percent in Niger.

#### **B.4. Medium-term prospects and priorities**

171. The WAEMU Commission should pursue its efforts to implement the CET and facilitate trade in order to foster the competitiveness of economies, the free movement of persons and goods, and the right of establishment. To this end, special attention should be paid to the following measures, namely : (i) the institution of a trade monitoring system based on monitoring, results and impact indicators; (ii) accelerated harmonization of laws governing customs codes and tariff exemptions; (iii) acceleration of the effective implementation of competition laws; and (iv) the implementation of fiscal transition.

172. All ECOWAS member States have formally decided to extend WAEMU's Common External Tariff (CET) to other countries of the subregion. There is no doubt that the greatest impetus for the effective creation of the Customs Union will come from Nigeria, which is the dominant country in the subregion. Accordingly, the recent acceleration of reforms in Nigeria is a

significant positive development. However, there are still enormous difficulties, particularly in the harmonization of tax policies due to the lack of convergence in monetary policies and the diversity of conditions in the various countries (oil-exporting countries, industrial base, etc.).

173. Similarly, to improve the poverty reduction effects of trade policies, it is essential to adopt urgent measures to facilitate intra-regional trade. This will, among other things, be particularly beneficial to the food-crop and cereals sector. In this regard, it would be useful to immediately lift non-tariff barriers which limit intra-community trade, improve the traffic information system and activate the food security monitoring system.

Finally, an extensive awareness-raising drive should be organized to sensitize States and the business community to the opportunities provided by regional integration to boost trade and diversification. In fact, very few of the States with a PRSP in the subregion, make any mention of the WAEMU or ECOWAS Trade Policy in their PRSPs, or of the attendant measures taken to construct the common market and thus facilitate regional and global trade. However, the preferential arrangements within the subregion provide undeniable benefits for economic operators, particularly farmers and traders of rural products, notably food products. This is conducive to income growth and poverty reduction in the rural areas where the great majority of West Africa's poor population lives. In this regard, Member States should also apply effective outward-looking policies at subregional level. For example, Burkina Faso registered a cereal surplus of about one million tons in 2004, while Niger was experiencing a food crisis. Light surveys involving traders and farmers, show that this surplus could not be sold on the Niger market, despite its more attractive prices, because of restrictive measures taken by the government of Burkina Faso to ensure national food security.

**Box 19. WAEMU and ECOWAS, towards the convergence of trade monitoring instruments**

Free movement of goods and persons  
Harmonization of trade policy

Regional Communities	Trade liberalization scheme	Common External Tariff (CET)	Harmonization of the definition of dutiable value	Community law on competition	Printing and circulation of harmonized customs documents
ECOWAS	Yes	No	No	No	Yes
WAEMU	Yes	Yes	Yes	Yes	Yes

Harmonization of the domestic tax system

Regional Communities	Harmonization of the States' legislation on VAT	Harmonization of the States' legislation on excise duties	Harmonization of taxation on oil products	Harmonization of instalments of taxes based on business profits
ECOWAS	No	No	No	No
WAEMU	Yes	Yes	Yes	Yes

**Box 20. Evaluation of the theoretical application of the CET and of attendant measures by WAEMU countries  
(Situation at the end of 04/2001 updated at the end of 03/2003)**

Country	Statistical and tariff nomenclature of countries		Lines belonging to a category not corresponding to that of the CET	Number of additional duties and taxes (off-CET)	Application of the DPT	Application of the SIT	Application of the transaction value	Other anomalies
	Lines not provided for in the CET	CET lines which are not part of the national nomenclature						
Benin	47	0	10	0	No	No	Yes	None
Burkina Faso	0	1		1 (Collection of a tax on sugar, batteries and flour)	Yes (on 5 products)	No	Yes (but national reference value on some products)	Quantitative restriction on tax
Côte d'Ivoire	17	389	17	1 (Special oilseeds tax)	Yes (on 5 products)	Yes (refined palm oil and flour)	Yes (but national reference value on some products)	Alphanumeric tariff
Guinea Bissau	NA	NA	NA	NA	NA	NA	No	NA
Mali	53	31t	18	1 : Special tax on Some Products (ISCP),	No	No	No	None
Niger	0	0	4	1. Imports verification tax	No	No	Yes	Existence of Niger standard food products (rice, oil, building materials (cement, reinforcing steel), water environment
Senegal	798	151	180	3 : Fabrics tax (1%); Rice tax (0% to 30%); equalization tax of 5%	Yes (for 1 product)	Yes (sugar, vegetable oil, flour and tomato paste)	Yes (but national reference value on some products)	Application to community of the ordinary law tax so applicable to non-communautaire products, and "temporary surtaxes" on onion, cigarette, banana, millet and sorghum imports from all
Togo	17	34	34	1 : IT tax	No	No	Yes	

**Source: WAEMU Commission / DPFDC**

## C. Integration of production factors markets

### C.1. Financial market

- **Integration, growth and poverty reduction challenges**

175. **Financial depth and growth.** Countries of the subregion are characterized by low investment rates and poor capital efficiency, even in comparison with all low-income countries. Actually, for most countries of the subregion, the average investment/GDP ratio is about 15%, compared to 21% for least developed countries (LDCs). Besides, the average capital productivity (about 1/5, or an ICOR of 5) is also low, and this is a major handicap for growth<sup>14</sup>. The low investment rate stems from a limited number of investment financing sources, particularly domestic savings, foreign investments and domestic credit. Table 20 shows that these ratios are very low for all countries of the subregion compared to LDCs and emerging countries. Consequently, to address the challenge of diversification and growth, there is need to substantially increase the volume and efficiency of investments and thus create an environment conducive to savings and credit as well as an efficient payments system that will facilitate transactions and trade. That is why the consolidation of capital markets is essential to the acceleration of growth<sup>15</sup>.

**Table 20. Investments and Savings in ECOWAS Member States**

Country	Investment (% GDP)	ICOR/1	FDI (% GDP)	Domestic savings (% GDP)	Money supply (% GDP)
Benin (2003)	18.2	3.8	1.4*	5.5	28.3
Burkina Faso (2004)	18.6	4.0	0.27*	7.4	18.9
Cape Verde (2003)	28.7	5.4	1.6	-5.0	71.2
Côte d'Ivoire (2002)	9.7	2.4	2.5	18.7	23.4
Gambia (2004)	27.1	5.3	1.2	9.4	45.1
Ghana (2004)	27.9	4.8	0.6	7.2	33.4
Guinea (2001)	21.3	5.9	-1.9	20.4	11.5
Guinea-Bissau (2001)	18.9	/	0.34*	-11.6	48.3
Liberia (2004)	/	/	/	/	/
Mali (2004)	20.7	9	1.1	13.3	28.4
Niger (2003)	14.0	2.6	0.1	3.2	7.4
Nigeria (2004)	22.4	3.7	/	39.6	/
Senegal (2003)	23.4	3.9	0.8	7.7	30.0
Sierra Leone (2003)	14.3	1.5	/	-7.1	/
Togo	20.9*	7.7*	1.12*	5.3*	23.6*
South Africa	17.7*	4.8*	0.2*	14.7*	
China	45.2*	4.8*	2.9*	44.9*	
India	30.1*	3.5*	0.8*	29.1*	
Thailand	27.1*	4.4*	0.9*	32.2*	
Tunisia	24.6*	4.2*	2.1*	21.1*	
Vietnam	35.6*	4.6*	3.6*	28.3*	

Source: IMF Statistical Appendixes and WDI (for data indexed by a \*).

1/ ICOR: "Incremental capital output ratio", represents the investment required to increase the production capacity of a physical unit (dk/dy). It is thus the reverse of marginal productivity of capital.

<sup>14</sup>According to simple growth models (ex. Harrod-Domar), the growth rate in the medium and long terms is approximately the product of the investment rate and the marginal productivity of capital. Thus, a low investment rate or low productivity of capital is a constraint to growth.

<sup>15</sup>Empirical studies on endogenous growth have shown that financial depth is an important explanatory factor of growth rate differentials between countries.

176. **Financial depth and poverty.** The depth of the financial market is also essential to encourage participation of the poor in growth. Actually, difficult access to credit is one of the major impediments to the integration of poor and rural communities into the economic circuit. Participatory consultations held in countries of the subregion to prepare PRSPs have always considered this obstacle and lack of infrastructure as the two greatest causes of marginalization and the perpetuation of poverty. That is why, in national PRSPs, the extension of financial services to rural communities and the poor constitutes the linchpin of strategies for promoting all-inclusive growth.

177. **Integration and the deepening of financial markets.** The efficiency of a capital market -perhaps more than that of a goods market and just like that of an infrastructure services market - depends very much on its size and the quality of competition. In this specific case, experience shows that these two aspects - scale and competition<sup>16</sup> - are closely connected. Indeed, the small size of the market (which stems from a poorly developed stock market culture) favors monopolies and oligopolies, limits access and adversely affects competition and market dynamism. This generates high service costs and access difficulties for most of the population. This observation holds true for capital markets and infrastructure services and is thus the main reason for the integration of these markets. Hence, regional integration constitutes an instrument for defragmenting (and therefore expanding) markets and diversifying (and therefore reducing) risks, thereby increasing scope, competition, cost-cutting and capacity-building as well as the quality of services.

- **Regional financial market**

178. The subregion has made substantial progress in financial integration, notably in the WAEMU region. The latter has an integrated financial market that comprises: (i) a payments system that is currently being modernized; (ii) a regional stock market (shares, bonds and treasury bills<sup>17</sup>); and (iii) credible regional financial institutions, including private commercial banks such as ECOBANK and Bank of Africa (BOA), as well as regional development banks such as WAEMU's West African Development Bank (WADB) and the ECOWAS Bank for Investment and Development (EBID).

### The payments system

179. **A modern, rapid and secure payments system is crucial to the expansion of trade and investment.** In this regard, WAEMU can serve as an example to ECOWAS. In fact, WAEMU is implementing a major project to modernize the payments system for countries of the zone. After discussions with the parties involved (BCEAO, commercial banks and others) and representatives of multilateral financial institutions (World Bank and IMF) a project was adopted to establish rapid, secure and low-cost payment mechanisms and instruments. The new system is supposed to ensure that practices comply with international standards, a fact that could boost confidence within the business community and thus enhance the fluidity of trade and economic activity.

180. However, even the payments system is not yet operating smoothly and payments between countries of the same monetary zone are still too slow. For example, it still takes 5 days to cash a CFAF check drawn on an account in Burkina Faso and deposited in an account of the

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<sup>17</sup>On this issue, see Humphreys et al, "Accelerating Regional Integration in West Africa", World Bank, 2001, p.39.

<sup>18</sup>These bills are issue serially.

same bank group in Cotonou; and over 10 days for a similar transaction with banks belonging to a different group. Furthermore, payments between other ECOWAS countries are still slower and are thus a major constraint to subregional trade, particularly for countries sharing borders with Nigeria. The result is the rapid development of “parallel markets” and intensive “*currency substitution*” practices, especially in countries like Benin and Niger that have a common border with Nigeria. This problem is aggravated by the difficulties faced by the formal clearing institutions in the subregion.

### **The regional stock exchange and bond market**

181. **The stock market.** In this area as well, WAEMU has registered significant progress which can serve as a model for the rest of ECOWAS and thus needs to be supported. Actually, the WAEMU zone has a Regional Stock Exchange Market (BVMA) based in Abidjan, with sub-branches in each country of the zone. Besides, there is a rapidly expanding market for treasury bills which governments increasingly use to meet their short-term cash flow needs and to finance major infrastructure projects.

182. However, when compared to the relative size of the economies, the Lagos stock market is by far the biggest in the subregion. Ghana also has its own stock exchange in Accra. The major challenge for the subregion is the interconnection, and maybe integration, of these different markets. For the time being, and with a few exceptions (notably some multinational companies and mining enterprises), there is almost no cross-listing between these stock exchanges. Hence, the market remains very fragmented and, consequently, not very diversified.

183. **Development Banks.** Another major challenge for the subregion concerning financial integration is the development of institutions and instruments specialized in mobilizing long-term capital to finance investments. In this regard, the subregion has two regional parapublic financial institutions, namely: WAEMU's *West African Development Bank (WADB)* and the *ECOWAS Bank of Investment and Development (EBID)*. These structures are meant to mobilize financing for major investment projects, notably subregional, or integrative projects. The WADB, in particular, has received World Bank assistance to build its institutional capacity and upgrade to international rating standards. This should enable it to issue quality bonds in the WAEMU area. In the same context, and to back-up national poverty reduction strategies, WADB has also received a substantial line of credit from the World Bank to finance infrastructure projects in rural areas. It has also benefited from guarantee and risk insurance facilities to serve as a springboard for foreign investments.

184. **Regional Private Banks.** In addition to the above-mentioned parapublic structures, the zone also witnessed the spectacular development of private banks that have a regional reach in terms of capital structure and scope of activities. Prominent among them are ECOBANK and Bank of Africa (BOA). These commercial banks play an increasingly important role in financing of economic activity, notably the facilitation of payments and transfers, trade and even investments. Unlike WADB and EBID, ECOBANK and BOA are structures operating within the entire subregion, from Senegal to Nigeria, and not exclusively in the French-speaking or English-speaking zone. ECOBANK has even extended its presence to CEMAC countries, in particular Cameroon. These banks compete with commercial banks affiliated to multinational corporations such as the *Société Générale* and *Crédit Lyonnais* groups. Rough surveys on services and costs show that ECOBANK and BOA are particularly efficient, in particular for small and medium-sized businesses, which are the main customers for financial services.

### **Financing services for the poor**

185. Bringing financial services to the poor is central to inclusion strategies, as stated in almost all national PRSPs. The objective is to facilitate access to both savings and credit for the poor. In this regard, the subregion has two major categories of institutions with an explicit mandate to mobilize savings and facilitate access to credit for the poor. These are: (i) essentially private microfinance institutions; (ii) post and telecommunications (P&T) companies which are still public or semi-public but national, and (iii) a recent regional initiative in the WAEMU area known as the Regional Solidarity Bank (RSB).

186. **Microfinance institutions.** This is a rapidly growing network of savings and credit cooperatives (COPECs) that are essentially national structures. However, with the integration of the financial market, this sector, in WAEMU countries, is henceforth subject to community regulations and controlled by the Banking Commission.

187. Despite the spectacular boom in microfinance services in almost all the countries of the subregion over the past two decades, the fact remains that the majority of the poor as well as small businesses do not yet have sufficient access to microfinance services in terms of savings and credit. Participatory PRSP consultations have revealed that people still find microfinance services inaccessible and too costly.

188. **The Regional Solidarity Bank (RSB).** To address this problem, BCEAO, WADB and the WAEMU Commission committed resources and deployed efforts to create a subregional solidarity bank with a mission to collect savings and facilitate credit for the poor, who include young graduates and the unemployed in rural and urban areas. WAEMU's Regional Solidarity Bank (RSB) differs from other financial structures in several respects : (i) it is subregional with autonomous national branches that benefit from the direct and “structuring” involvement of the Central Bank which has shares in the holding company that controls the entire network; (ii) it grants loans at a concessional (i.e. implicitly subsidized) rate; and (iii) it targets people with a virtual “capacity” to generate income, but who do not necessarily have a credit history or an employment record (ex. graduate students arriving on the labor market, farmers, the informal sector business community, the unemployed, etc.).

- ***Medium-term priorities***

189. There is no doubt that consolidating the financial market and extending it to the poor, particularly in rural areas, remains a major challenge for all-inclusive growth in the subregion. The key issue is to know whether regional intervention brings added value and what its institutional arrangements would be. The first task consists in pursuing efforts to defragment the financial market through in-depth integration, as in the WAEMU model. This will address the problems of scale and competitiveness, and subsequently those of cost and the quality of services provided by the formal market. In the same vein, special attention should be paid to two aspects: (i) the development of long-term financing instruments to support investments, and (ii) the improvement of financial services for the poor.

190. **Concerning long-term capital,** the subregion should improve the operation of WAEMU's regional stock market and use it as a springboard for foreign investments, including major infrastructure projects. However, given the limited size of WAEMU economies, special effort should be made to interconnect the WAEMU market with those of other ECOWAS

countries, in particular Nigeria and Ghana. This will extend the list of enterprises quoted on the stock market, mobilize more substantial resources and further diversify risk.

191. Such enhanced market interconnection between WAEMU and the rest of ECOWAS should go hand in hand with facilitation of payment mechanisms between the CFA zone and the rest of the subregion as well as the harmonization of taxation policies governing financial products. In this light, it would be desirable to establish closer ties between the WADB and EBID, to ensure a broader scope of operation, a wider and more diversified area of intervention and increased efficiency. Similarly, these structures should be encouraged to enter into partnership with private structures such as ECOBANK and BOA with a view to financing major “integrative” or infrastructure projects for the subregion.

192. Improving financial services for the poor is an even more difficult challenge to address. Hence, regional intervention in this regard should be even more judicious. To ensure greater efficiency and sustainability of its intervention, the subregion should step back and examine the various possible options, in order to adopt the most optimal policy. A possible first solution to facilitate access to savings and credit would be to provide incentives to the formal financial system or microfinance institutions to do so<sup>18</sup>. Another (supplementary) possibility would be to use the resources of a fund or structure such as the Regional solidarity Bank to refinance microfinance institutions, thereby encouraging them to extend their services to disadvantaged areas and poor communities at affordable cost. Finally, the States can envisage cooperation/integration mechanisms between RSB and post and telecommunications (P&T) financial services, which already have the logistical capability to reach remote areas and poor communities. In all cases, the methods adopted should comply with the guiding principles of community action, notably subsidiarity and compatibility with private sector development. For example, with the introduction of credit at concessional rates, the RSB might end up crowding out private microfinance operators. At the same time, such a practice will sooner or later require subsidies that will compromise its medium- and long-term sustainability.

**Box 21. Financial sector contribution to poverty reduction in West Africa the Regional Solidarity Bank**

Since poverty is complex by nature, solutions to combat it require the participation of all socioeconomic actors and sectors. Hence, in WAEMU's institutional environment, financial sector contribution to poverty eradication in Member States was enhanced by creating a holding company, namely the Regional Solidarity Bank Group (RSB-SA), which will provide substantial resources for financing of poverty-reduction actions and activities.

The goal of the RSB is to collect funds and ensure **professional financing for all project owners** who are excluded from financial services simply because they are poor. It is predicated on the idea that the challenge of financial exclusion and poverty will be successfully met in West Africa only through a participatory approach that includes people of goodwill who wish to build a form of active solidarity against the spread of poverty in the WAEMU region.

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<sup>18</sup>For example, central banks could refinance the loans granted for certain activities and specific social groups, or require that a minimum of the financial institution's portfolio be composed of credits to SMEs and certain target groups.

Within WAEMU, this initiative took the form of a banking and financial group whose apex structure is a holding company operating as an investment corporation. The key activity of the group will be to finance projects in agriculture, fisheries, SMEs, handicrafts and services submitted by the most disadvantaged social groups in the Union, which are excluded from traditional bank financing, namely: unemployed persons with professional qualifications, young unemployed graduates, women, craftsmen, etc.

Besides, the RSB intends to provide financial resources to the decentralized financial system (DFS) network, which comprises all microfinance institutions. At WAEMU level, DFS transactions with clients have increased significantly. According to a BCEAO study of April 2005, the number of persons who benefited from microfinance services skyrocketed from 350,000 in 1993 to over six million in December 2004, representing more than 12% of the active population of the Union. The amount of the outstanding credits spiraled thirteenfold from CFA.F 19.4 billion in 1994 to CFA.F 258.2 billion in 2004. With respect to job creation, about 10,000 persons were engaged in an income-earning activity in this sector at the end of December 2004.

However, several constraints impede the institution of a financial system that is accessible to the greatest number of people. Insufficient financial resources, low sector professionalization and the high cost of microfinance services (proximity cost) are the main obstacles which the RSB-SA will try to address.

In its quest for profitability, the bank will expand towards other development areas by creating subsidiaries with specific missions but which all contribute to the promotion of the initial ideal of promoting self-employment.

In order to successfully establish and consolidate the Group, adopting diversification as a development strategy, special effort was made to comply with the regulatory provisions in force and pay special attention to the role of **each project owner in the sharing of responsibilities.**

The Regional Solidarity Bank Group, an original banking network, has been set up to fulfill a mission of general interest, above all. Hence, the approach is based on a policy aimed at bringing the network closer to its target customers. There are plans to open a bank subsidiary in each WAEMU Member State, with the possibility of creating branches or counters in the regions, as necessary.

A gradual and cautious approach will be adopted for the creation of non-bank subsidiaries. These non-bank subsidiaries will enable the Group to cut costs by offering their services to the bank subsidiaries which can then apply competitive interest rates on credits granted to their customers. In this regard and in response to the conclusions of a feasibility study, there are plans to create a subsidiary (**RSB-Multimedia**) whose role will be to develop software and various computer services for the rest of the Group, and for external customers depending on the opportunities. The strategy for developing the activities of this subsidiary depend on trends in new technologies.

Apart from the existing guarantee funds or those that will be created later and to which it

can adhere, the Group will have its own guarantee structure to cover part of the credit risk. Such risk will be guaranteed by a subsidiary of the Holding (**Micro-projects Guarantee Fund or FOGAM**) set up in association with partners of reference and whose field of intervention will be regional and broader than that of the microfinance projects within the Group.

There are also plans to set up a management and intermediation company (SGI/MIC), FIDUCIAIRE-RSB, to manage the Holding's equity securities and handle the management and liquidity of securities held by the Holding's small equity holders.

Lastly, the Group shall be endowed with a Foundation, **RSB-Trust Funds**, responsible for collecting funds from donors wishing to finance poverty reduction activities under special conditions and who, to that end, need a reliable partner in the Union to ensure sound management of the said funds. RSB-Trust Funds will be used to “sell” the Group's ideal, outside the WAEMU area.

Source: The authors.

## **C.2. The labor market, migratory flows and the free movement of persons**

### **• Migratory flows in West Africa**

193. From the Malian Empire (14<sup>th</sup> and 16<sup>th</sup> centuries) to the colonial period (1850-1960), West Africa has always been the arena of vast (often informal and sometimes organized) migratory movements, particularly in the Sudano-Sahelian region (see details, Annex I). With the advent of colonization, the need to develop new territories also fuelled migratory movements in the subregion. After the Second World War, ambitious plantation development policies generated huge migratory flows, particularly from the Sahel to the forest and coastal areas. This process grew in tandem with environmental difficulties, notably the droughts of the 1970s and 1980s in the Sahel which sparked an intense migratory drive towards coastal countries. Economic difficulties in some countries as well as conflicts also amplified the migratory movements between countries of the subregion. Migratory movements were also facilitated by another characteristic of sub-Saharan African States (more particularly those of West Africa), namely the fact that there are major ethnic groups on both sides of the border between several countries. Under such conditions, the bonds of language, culture, kinship and informal social solidarity transcend official State borders and facilitate the movement of peoples and cross-border trade. This is the case of Northern Côte d'Ivoire with Burkina Faso and Mali (the Bambaras, Senoufos and Malinkés), of South-East Niger (Zinder region) with the Northern Nigeria (Hausas) and of Ghana with Togo (the Evés).

194. A comparative analysis of various data sources shows that about 4% of the West African population are concerned by extra-territorial displacements, and about a quarter of the population in the major economic centers of coastal countries (Abidjan, Accra, etc.), is composed of migrants. The causes are numerous and complex: rural-urban migration, agricultural settlement, displacements due to conflicts or the quest for better economic opportunities. Whether “structured” or informal, “voluntary” or induced by conflict, migration has transformed West Africa into a real example of the “integration of peoples”. If properly

managed, migration can contribute substantially to the acceleration of growth and its distribution in the entire subregion. However, if it is poorly managed; migration can lead to the marginalization and pauperization of migrants and become a source of tensions and conflicts. It is the challenge of labor market integration and facilitation of the free movement of persons.

**Table 21**  
**Net international migration in West Africa (1995-2000)**

Country	Total population (millions)	Net annual migration (thousands)	Rate per 1000 inhabitants per annum
Sierra Leone	4.4	-33	-7.8
Guinea	8.2	-48	-6.2
Burkina Faso	11.5	-60	-5.5
Mali	11.4	-50	-4.7
Togo	6.3	-19	-3.2
Guinea-Bissau	1.2	-3	-2.9
Cape Verde	0.4	-1	-2.5
Ghana	19.3	-22	-1.2
Senegal	9.4	-10	-1.1
Nigeria	113.9	-19	-0.2
Niger	10.8	-1	-0.1
Côte-d'Ivoire	16	12	0.8
Mauritania	2.7	8	3.4
Benin	4.5	25	6.1
Gambia	1.3	11	9.1
Total	250.6	-96	-0.4

Source: United Nations Population Division, wall chart.

● ***Integration, growth and poverty reduction challenges***

195. The potential beneficial effects of extensive labor market integration are considerable for the subregion. First of all, the free movement of persons facilitates the concentration of human resources in both quality and quantity in development centers. This improves productivity, cuts costs and boosts diversification and growth. As mentioned earlier, the markets of the subregion are poor, limited and excessively fragmented. The same applies to the labor market which is also suffering from a notable paucity of human capital as already observed (Cf. Box 32). Thus, labor productivity is low while unit cost is relatively high. This situation seriously undermines economic transformation and the intensification of growth.

196. Under these conditions, integration constitutes a crucial strategy for market defragmentation. The free movement of persons, in particular, promotes the agglomeration of workers in development “poles”, thereby increasing human capital (in quantity and quality),

raising labor productivity and thus reducing the unit cost of labor. This is true for agricultural development as attested by the Ivorian experience in the 1970-80 period. However, the effects of such labor concentration are even more crucial to industrial development. In fact, even with a poor productivity and basic technology, agriculture can still register significant growth because of abundant natural resources, notably fertile land and a suitable climate. This is borne out by the experience of coastal countries in the subregion. The situation is completely different in the industrial sector. Industrial competitiveness and growth are particularly sensitive to factor productivity and transaction costs which, in turn, are sensitive to “scale and competition effects”. The free movement of workers encourages migration and labor concentration, which makes it possible to meet demand in the growth centers while easing the induced pressure on salaries and, consequently, on production costs.

**197. Moreover, the free movement of workers boosts the effects of growth redistribution.** Through the remittances sent home by migrant worker, it facilitates redistribution of the fruits of labor and growth towards the most disadvantaged regions. Such remittances constitute a major source of foreign exchange for these regions and for poor communities, and thus contribute to poverty reduction. Indeed, studies have revealed the volume of remittances and their importance for the countries.

**Table 22**  
**Workers' remittances received by ECOWAS countries in 2004.**

Country	Remittances of immigrant workers (% GDP)
Benin	1.36
Burkina Faso (2003)	1.04
Cape Verde	9.70
Côte d'Ivoire	0.96
Gambia	1.93
Ghana	0.92
Guinea	1.09
Guinea-Bissau	8.21
Liberia	na
Mali	3.16
Niger	0.83
Nigeria	3.15
Senegal	6.57
Sierra Leone	2.30
Togo	7.23

Source: WDI, 2006.

198. However, the often “informal” management of migration by host countries can also aggravate poverty and generate tension. If they are not effectively “integrated” into the national economy, migrants may end up being cramped into “enclaves” of poverty in near-urban areas, notably in coastal cities. This puts a considerable strain on infrastructure and social services which are often deficient in these areas, thus aggravating exclusion and marginalization and creating prejudice, tension and conflicts between communities. These problems tend to intensify and degenerate into sporadic crises when host countries undergo periods of economic difficulties or political tension. Various deportations of foreigners (Nigerians in Ghana, Ghanaians in Nigeria, Beninese and more recently Burkinabés in Côte d'Ivoire) or the resulting citizenship claims are recurrent threats to security and peace in the subregion.

199. In this regard, labor market integration and facilitation of the free movement of persons promotes the effective integration of migrant workers in host countries, and thus reduce tensions and conflicts. Indeed, formal labor market integration and State adherence to the underlying principles of the free movement of persons give rise to the harmonization of laws on the rights of establishment, access to property and economic activities. The implementation of a formal framework on these issues will facilitate the integration of migrants in host countries, and thus help to curb tensions and prevent conflicts. As mentioned earlier, these conflicts often lead to the disintegration of the social system and the regression of countries into extreme poverty. It thus follows that structured labor market integration helps to reduce tension and prevent conflicts.

200. Consequently, migratory movements are a reality in the subregion, and labor market integration can maximize its positive effects. The free movement of persons constitutes the most specifically “human” dimension of integration, as opposed to the free movement of goods through trade integration. That is why, the effective implementation of protocols on labor market integration and the free movement of persons in the subregion, is the real indicator of the States' determination to deepen cooperation and integration in order to promote growth and poverty reduction in the subregion.

- ***Regional policies***

201. Labor market integration comprises three distinct but complementary dimensions. The first aspect concerns the issue of *facilitating the movement of business operators and skilled or unskilled labor (voluntary and structured migration for economic reasons)*. It also includes related issues on the harmonization of economic rights, notably access to employment and property, as well as political and social rights (ranging from residence to citizenship). This aspect is treated in this section of the document. A special aspect concerns *access to non reproducible inputs, notably land for agriculture and livestock production*. This sensitive issue is also linked to the rural development strategies and is treated in a separate section (Cf. section C.3). A third aspect concerns the joint development of highly skilled human resources. Such persons are trained in higher and vocational education structures that are highly specialized and relatively expensive for each country to provide individually; the result is that supply is still limited given the needs of the subregion. The aspect relating to *the development of human resources and capacities* is treated in Chapter 5 on cooperation strategies in the field of education, notably the development of Centers of Excellence.

202. It is encouraging to note that according to the three dimensions, and more specifically the labor mobility dimension, West Africa has made significant progress and outperformed the other regional blocs in Africa, perhaps with the exception of SADC. In particular, ECOWAS has

implemented measures to ensure the right of passage and of establishment, which have had a beneficial impact on the mobility of labor. The ECOWAS protocol facilitates the free movement (without visas) of nationals of the community's Member States throughout the entire community. It also establishes the right to employment and to engage in economic activities in the country of residence. Articles 91 and 92 of the WAEMU Treaty guarantees for all citizens of the Union: (i) the right to travel through or reside on the territory of all member States; (ii) the abolition of all forms of discrimination based on nationality with regard to job search and employment, except for public service jobs; (iii) access to and the exercise of non-salary activities as well as the creation and management of an enterprise under the conditions defined by the laws of the country of establishment for its nationals, subject to limitations imposed for reasons of public peace, public security and public health.

- ***Implementation***

203. Some aspects of the ECOWAS provisions on the free movement of persons have been effectively implemented by the States: for example, visas are not required for inter-State travel and the right of residence and the right to employment are respected in the private sector. More recently, ECOWAS also introduced a *regional passport*, which is currently issued by some countries of the region, notably Benin and Senegal. On 16 December 2005, the WAEMU Council of Ministers adopted two Directives on the free movement and establishment of physicians and architects within the Union, followed by two Regulations on 2 May 2006 and 25 July 2006 respectively, on the free circulation and establishment of public accountants, chartered accountants and lawyers within WAEMU.

204. However, there are still serious drawbacks in the protocol and especially in its implementation. In particular, labor market legislations are still heterogeneous and do not guarantee the same rights to workers in the various countries. Moreover, beyond the economic rights, legislations are still unclear and heterogeneous on socio-political rights (notably with respect to the progression from the rights of residence and employment to naturalization) public sector employment and the exercise of political activities. The lack of harmonization or reciprocity of migrants' rights is a major source of tension within the subregional community. In general, State practices, national legislations and attitudes show that, even though it is an informal reality, "integration through people" has not yet sufficiently permeated the political and social culture, ideologies and attitudes in countries of the subregion. Periodic attempts to deport "foreign" workers from many countries as well as the conflicts within countries between "non-natives" and "natives" reveal latent tensions which are periodically stirred up by economic or political difficulties.

- ***Medium-term priorities***

205. In the medium-term, emphasis should be laid on the rigorous and full implementation of ECOWAS provisions on the free movement of persons. In particular, Member States should accelerate the issuance of "ECOWAS passports" in order to facilitate the movement of business operatives in the subregion. This implies the harmonization of legislations on the labor market, political rights and access to property.

206. Furthermore, to avoid tension and conflicts resulting from the exercise of political rights, the subregion should harmonize legislations on the naturalization process, and political rights for migrants, residents and naturalized persons. A clear and harmonized legislation for all

the States will ensure reciprocity and guarantee essential rights (economic and social) to migrants without leading to the exploitation of migration for political and electoral purposes. Lastly, the subregion should strive towards the ideal of “West African citizenship”.

### **C.3. Real estate markets**

- ***Integration, growth and poverty reduction challenges***

207. Access to property in general and to land, in particular, is essential for regional integration, growth and poverty reduction. As opposed to tourists and refugees, economic operators and migrant workers are out for employment or income-earning activities that require access to physical or financial capital. In the essentially agricultural economies of the subregion, land is the key income-earning asset in rural areas, and landed property is crucial to wealth generation in urban areas because of rapid urbanization. Lastly, the rise in agricultural productivity, the advent of new technologies and larger scale production for export, require both local and foreign investors to have access to larger farms. That is why the development of the real estate market and facilitation of access to land are among the greatest challenges for integration, conflict prevention, growth and poverty reduction.

**208. Long subsumed under rural development or land-use management strategies, real estate issues have recently been given greater attention in national programs over the last few years.** However, there are significant inconsistencies in the practices current in the various countries, and even a clear incompatibility between national policies and regional agreements on the free movement of persons and the right of establishment. Hence, there is need to harmonize policies at the regional level.

**209. Moreover, the rapid demographic and economic changes observed in countries of the subregion make it even more urgent to adopt a collective approach and harmonize policies on land tenure.** Actually, it is estimated that with its population growth rate of about 2.5-2.8%, the population of the subregion will double in the next 25 to 30 years. Moreover, the population growth rate is expected to be twice higher than the above average in urban and coastal areas, thus putting a considerable strain on land and public services. In addition to these significant changes, there are also major institutional changes, notably the progress of democracy and decentralization. Even in this area, there is a restructuring of the rural space around major cities, accompanied by a radical change in local land tenure practices and a gradual change in agricultural production methods. As a consequence, the quantity of useful land is declining, resulting in the disruption of the land management systems and an upsurge in land conflicts among the communities.

- ***National practices and the need for a regional approach***

**210. In the face of these significant changes, national land policies are still informal or confusing in many countries, an almost impracticable hotchpotch of “customary” practices and modern legislations that are often ill-adapted to the national context.** Indeed, land laws vary considerably from one State to another on central issues such as the relationship between customary land tenure, State land tenure and private land use and ownership (leases and sales). In some countries (e.g. Burkina Faso), land is, in effect, considered as State property. In others (e.g. Niger and Ghana), customary law seems to take precedence over State land tenure. However, this dichotomy is on the decline and many countries are experimenting hybrid

approaches that comply with community practices but are better adapted to economic transformation and the development of markets. For example, Côte d'Ivoire and Benin developed innovative legislations to protect customary land tenure through “rural land plans”. Niger did as much through “land commissions” and Burkina Faso through “rural land management” (Cf. Box 22).

211. Apart from community lands, and in almost all the countries of the sub-region, all land is considered as the *de facto* property of the State which stands as the representative of the entire nation, the guarantor of the general interest and the driving force of agricultural development. However, there are more or less liberal provisions that allow for private ownership of land through long leases or outright sale. But then, such national provisions are still vague on the issue of land ownership by migrants. For example, the current Ivorian legislation does not allow immigrants' children to inherit land acquired by their parents.

### **Box 22. The rural land issue in West Africa**

One of the major poverty reduction challenges faced by West African agriculture is the need to step up production. Addressing this challenge requires the implementation of technical measures that are agronomic or technological in nature, and the improvement of the legal and institutional framework for production, notably the improvement of land tenure systems; i.e. all the political, legal, institutional and social mechanisms through which a given society controls land ownership, use and management.

Although diversified in space and time, land tenure systems still play a key role in the economic development of societies, notably in agricultural development. An appropriate and efficient land tenure system facilitates access to land for dynamic rural actors, enabling them to invest, raise agricultural productivity and contribute to increasing production. Conversely, an inappropriate land tenure system will marginalize the most enterprising rural actors, leaving most of the cultivable land lying fallow or under-exploited. Consequently, it will constitute a major constraint to the achievement of the agricultural production target set by the Union's Member States. For this reason, the WAEMU Commission, with World Bank support commissioned a study to initiate a preliminary reflection on land and regional integration within WAEMU.

Based on the identification of general land tenure trends within WAEMU and a critical study of national land policies and legislations, the study is meant to discuss the contribution of reliable land systems and functional land markets in speeding up the institution of an operational and competitive common market.

The entire West African subregion is affected by socio-economic changes (an exceptional population growth, huge migratory flows, rapid urbanization and new economic dynamics in connection with markets) as well as political and institutional changes (progress in the democratization process and in the institution of the rule of law, launching of the decentralization process and consolidation of the integration process) which shape the major trends in the subregion.

An examination of national land policies and legislations shows that just after independence, all WAEMU Member States embarked on land reform with the common

objective of creating the right conditions for improving productivity and increasing agricultural output in rural areas. It entailed creating attractive conditions for land development and rural investment by increasing access (Burkina, Togo) or promoting the sustainable management of natural resources while limiting the outbreak of conflicts by ensuring greater land security for rural actors (Niger). While adopting the above options, some national legislations (Senegal and Mali) are fully oriented towards achieving the legal and technical objectives of unifying their land regulations (traditional law, modern law). Nevertheless, none of these reforms have yielded fruit because of several factors which include: (i) a population explosion, the degradation of resources and the reduction of useful land; (ii) the disruption of local land tenure systems; (iii) the establishment of embryonic land markets as a result of the rising value of land fuelled by its growing scarcity; and (iv) the upsurge in land conflicts.

And yet, the promotion of productive and sustainable intensive agriculture requires an improvement of land management systems. For example, Malian authorities have announced that they are able to put at the disposal of all the economic operators in the Union a potential of two million hectares of irrigable land (about a million hectares of which belong to *Office du Niger* alone), to help the Union successfully address the challenge of feeding a population that is growing exponentially. As part of their contribution to implementation of the integration policy and of the commitment to apply a collective agricultural policy, Mali intends to cover the rice needs of all its neighbors (Senegal, Côte d'Ivoire, Burkina, Niger, as well as Guinea and Mauritania). Mali believes that, by expanding the farmland of *Office du Niger*, it will be able to slash its neighbors' rice imports from Asian countries, from 62.22% to only 25%; this will help to boost overall growth within the Union. In fact, the current Malian legislation provides much-needed land security to potential national and foreign investors, notably through ordinary or long leases.

In keeping with the Union's objectives, the study proposed an action plan whose general goal is to contribute to the creation of a real estate environment that is conducive to the establishment of a dynamic and competitive common market. The highlights of the action plan are: **(i) ownership of the process by the States; (ii) establishment of a documentation, information, research and decision-support structure: the regional land observatory in West Africa; (iii) building of regional capacities on land issues; and (iv) assistance to States for the promotion of real estate markets.**

**Source :** WAEMU 2004, Study on "Rural lands and the challenges of regional integration within WAEMU", by Hubert M. G. OUEDRAOGO, DID International legal firm

- ***Medium-term priorities***

**212. Given the effects of land laws on growth, rural poverty, as well as tensions and conflicts within communities, the strengthening and harmonization of land laws is one of the priorities of the regional strategy. Such harmonization directly complements the strategy on labor market integration and the free movement of persons. It will further facilitate the integration of migrants into the rural population and constitutes the linchpin of efforts to harmonize agricultural or development policies in certain cross-border areas (Cf. Section E.1).**

Indeed, promoting exports in the new agricultural sub-sectors (fruits and vegetables, for example), ensuring import substitution (rice and cereals, for example) and boosting agricultural products processing industries, require a substantial improvement in the methods and scale of production. This is possible only if the operators who are well trained and better equipped, can freely establish in areas suitable for profitable crops (for example, the SIKABO region for fruits and vegetables and the Office du Niger in Mali for rice) and become agents of “industrialized” agriculture. Consequently, the challenge facing the subregion is the organization of a credible land market which attracts producers and investors to areas that are ideal for cultivating the most promising crops for export or import substitution.

213. The harmonization of land policies comprises two aspects. First of all, as was the case with migration, there is need to ensure that the States move from an “informal” and disorderly approach to well-planned policies that are effectively and rigorously implemented at national level. Such policies should explicitly (i) define land use and ownership conditions; (ii) establish village land registers, specifying the boundaries of community lands as well as their conditions of assignment to operators outside the community; and (iii) as in the urban areas, better inform the land market on the cost of land and leasing conditions. Secondly, there is need to ensure concomitant harmonization of national laws at the regional level and provide operators with legal redress in case of disputes. This will help defuse tensions and prevent conflicts within the population, especially between “natives” and “non-natives”.

## **D. Infrastructure**

### **D.1 Integration, growth and poverty reduction challenges**

214. Traditionally, infrastructure services were provided by national public monopolies. But with technological progress and the economic reforms implemented in most States of the region, infrastructure services are increasingly supplied by a competitive market with the growing participation of the private sector, often through various forms of public-private partnerships. Hence, the scope of State intervention has gradually dwindled down to three main activities, namely: (i) the organization of partnerships with the private sector to secure the investments needed for the expansion of some services (often by creating a trust company and a management structure, for water, energy, roads, etc.) ; (ii) market regulation (port, airport, road, telecommunication, energy and other services) and (iii) the extension of services and facilitation of access in case of “incomplete markets”, for example the rural areas (rural telephony, rural electrification, rural feeder roads, etc.).

215. Studies on competitiveness in the economies of the subregion have shown that half of the production costs stem from infrastructure services. This confirms the major impact that infrastructure development will have on the Union's competitiveness. The importance of services in directly improving community living conditions is also highlighted in the analyses on the profile and determinants of poverty in chapter 1. The question that remains is whether regional integration can help countries to improve on the supply capacity, quality and cost of the infrastructure services and thus constitute a factor that boosts competitiveness, transforms the economy and ensures sustained and all-inclusive growth.

216. Experience and empirical studies provide some answers to this question. Integrating the infrastructure services market (transport, energy, telecommunication etc.) and facilitating cooperation between the States and the private sector for the implementation of major

multinational investment projects (electrical interconnections, gas pipeline, etc.) will help to defragment the regional economic community and make it more competitive, more conducive to foreign investment and, consequently, to diversification and sustained growth. In general and, more specifically for the « balkanized » regions, regional integration can act as a catalyst in the development of infrastructure services in two complementary ways: (i) by boosting the “scale” and “competition” effects on the services market and (ii) by facilitating inter-State cooperation and public-private partnership to carry out major investment projects.

217. The most significant benefit derives from the “scale and competition effects”. The integration of infrastructure services is a natural complement to trade integration and factor market integration discussed in the preceding sections and it tallies with the logic of building a broad, open and competitive economic area. Actually, an efficient infrastructure services system including the integrated markets for services, harmonized regulations and transnational physical capacity (roads, interconnections, ports and airports, etc.) constitutes the very framework of an integrated economic community that is fully endowed with transport facilities and thus competitive. Integration helps to improve services and build capacities by enabling multinational operators to develop capacities more efficiently on a larger scale and for a wider clientele. Integration also boosts “competition effects” on account of the size and openness of the regional market. These two effects combine to develop capacities, improve services and reduce costs. Conversely, market segmentation compels operators to engage in small-scale activities; and this encourages monopolistic ventures, discourages the use of new technologies and raises costs.

218. Another important benefit of integration is the facilitation of cooperation between States and with multinational companies to accomplish major investment projects. For example, the construction of an oil pipeline (ex. Chad-Cameroon) or a gas pipeline (Nigeria-Ghana) does not only require substantial investments, often provided by multinational companies, but also entails the harmonization of regulations and the “joint commitment” of States to honor agreements. Experience shows that the execution of such projects can be amply facilitated by the existence of a regional regulatory system or a structured regional organization of all member States in which they are used to negotiating and making concessions.

219. In this regard, the beneficial effects of market integration are already being felt, particularly in the “landlocked” countries of West Africa. For example, electrical interconnections with Nigeria are the main source of electrical power supply to Niger. Likewise, interconnections have already been made between Burkina Faso and Côte d'Ivoire (Korhogo-Bobo Dioulasso) as well as with Ghana (supplying the cities of Pô and Léo). Thus, the average cost of electricity in Burkina is expected to drop substantially if Burkinabé authorities linked Ouagadougou to Bobo-dioulasso and Pô respectively. Similarly, the construction of segments of the ECOWAS road network (ex. Niamey-Ouagadougou, Niamey-Cotonou) is one of the notable actions which have greatly helped to open up access to the economies of the North, promote regional integration and cut costs.

## **D.2. Road transport**

- ***Regional framework***

220. Among the infrastructure services, road transport is undoubtedly the sub-sector in which the subregion would gain most in terms of competition and growth effects, and which have the

most direct impact on production capacity and the quality of life in poor communities. Hence, ECOWAS and WAEMU have traditionally given it special attention in their integration strategy. To that end, ECOWAS adopted a Priority Road Transport Program (PRTP) whose objective is to facilitate trade and accelerate the integration of the regional economic space. This program should be implemented in two phases. Phase I is outlined in Decision A/DEC.20/80 on the community transport program and comprises: (i) the facilitation of cross-border road transport; and (ii) the construction of a trans-West African road network, that includes the Lagos-Nouakchott “trans-coastal” road and the Dakar-N'Djamena “trans-Sahelian” road. Phase II of this program was adopted by Decision C/DEC.8/12/88 on the different “vertical” interconnecting road segments (North-South) to link landlocked countries to coastal countries. At the same time, to improve the competitiveness of the ports of its Member States, ECOWAS adopted an Inter-State Road Transport Convention (ISRT) since 1982 to facilitate road transport from the major ports of the subregion.

221. More recently and in conformity with the NEPAD action plan, ECOWAS and WAEMU prepared a Regional Inter-State Road Transport and Transit Facilitation Program for West Africa (ISRTTFP-WA). The said program consolidates the preceding ones and seeks to reduce transport costs, improve Member States' competitiveness and contribute to poverty reduction. The program was supported by donors under the Sub-Saharan Africa Transport Program (SSATP). It has four components, notably: (i) the construction of check points along the border; (ii) the establishment of observatories to identify and analyze abnormal practices which impede traffic fluidity on road corridors; (iii) the effective implementation of the ISRT convention as well as the simplification and harmonization of procedures and regulations; and (v) the extension of the HIV/AIDS eradication Initiative to the main road corridors of the subregion.

- ***Implementation of regional policies***

222. Although it is not yet complete, the construction of the West African road network is among the greatest successes of the ECOWAS integration program. The results of field missions to assess the status of the priority program show that about 83%, or 3777 Km out of the 4 560 Km of trans-coastal road (Nouakchott-Lagos) have been completed. The results equally show that 3894 km of the Dakar-N'Djamena trans-sahelian road (Chadian border) - or 87% of the total length of 4460 Km - have been completed. These highways will be supplemented by roads being constructed or rehabilitated under WAEMU and which are part of a road investments program scheduled to cover 10 years, with a five-year priority program that entails maintenance and rehabilitation of 6260 Km of roads and paving of the missing segments, i.e. 2350 km.

223. In contrast, the implementation of the ISRT convention by Member States has encountered many difficulties mainly due to the inadequate information and sensitization of economic operators and civil society, as well as the reticence of policy-makers. The latter obstacle and the generally slow implementation of the ISRT partly results from the fact that, contrary to the WAEMU text, ECOWAS Community Conventions are not binding. Reform of the system for guaranteeing inter-State road transit operations is ongoing within WAEMU. It provides for: the use of a single ISRT booklet, single payment of guarantee at the departure point and release of guarantees.

- ***Medium-term priorities***

224. ECOWAS Member States are determined to give greater priority to regional roads in

their national programs by allocating substantial resources for the construction and rehabilitation of strategic roads in the priority investments program and to road maintenance in their operating budgets. The priorities are defined in the national programs of Member States (Transport Sector Strategies/Programs). These programs are generally structured around four components: (i) institutional development and structural modernization measures to increase sector efficiency and build the planning, design and management capacities of institutions; (ii) infrastructure maintenance and rehabilitation actions; (iii) greater private sector involvement in sector management and investments; and (iv) a rural transport development strategy.

**Table 23.**  
**Road Network Coverage of ECOWAS**

Country	Road network (km)	Km of roads per 100 Km <sup>2</sup> surface area
Benin	6787	6.03
Burkina Faso	12506	4.56
Cote d'Ivoire	50400	15.63
Guinea-Bissau	4400	12.18
Mali	15100	1.22
Niger	10100	0.80
Senegal	14576	7.41
Togo	7520	13.24
WAEMU	121389	3.46
Cape Verde	1100	27.30
Gambia	2700	23.89
Ghana	39409	16.52
Guinea	30500	12.40
Liberia	10600	9.52
Nigeria	194394	21.04
Sierra Leone	11330	15.79
ECOWAS (non-WAEMU)	290033	18.05
South Africa	362099	29.65
Tunisia	18997	11.61
Thailand	64600	12.59
Vietnam	93300	28.13
Sub-Saharan Africa	1656535	6.83
LDCs (UN classification)	1151674	5.54

Source: WDI 2003 and authors calculations

225. **The challenge lies mainly in effectively implementing these programs and paying more attention to regional components.** In this respect, encouraging signals have been observed in the national medium-term expenditure frameworks (MTEF) of certain countries. The MTEFs show that States have given greater priority to the construction and rehabilitation of regional road segments in their Public Investments Programs (PIP) and to the maintenance of such segments in their operating budgets. Apart from road construction and maintenance,

Member States are also determined to pursue transport facilitation policies and, to that end, undertake to boldly implement the community regulatory framework, notably the ISRT conventions of ECOWAS.

226. In the implementation of ISRT, more attention will be paid to cross-border trade, which particularly concerns the poor. Such trade involves many food products and textiles and is organized by petty traders, most of whom are women. Hence, facilitating such trade can be highly beneficial to the poor.

227. While the development of highways and feeder roads is mainly the responsibility of States, regional organizations can better sensitize and encourage countries to cooperate within cross-border territories for the greater benefit of rural and poor communities. Actually, almost all member States have comprehensive rural road development sub-programs to open up access to rural areas. These programs are contained in the rural sector and/or transport sector strategies. Implementation of these programs is still the responsibility of States. However, greater cooperation for infrastructure development should be beneficial to certain cross-border areas such as the Ferkessedougou-Bobo-Dioulasso region (Northern Côte d'Ivoire and Southern Burkina Faso), LITAKO Gourma region (buffer zone between Burkina Faso, Mali and Niger), and the Zinder zone (Niger-Nigeria), etc. The regional organizations intend to launch a study to identify such regions as well as the areas and terms of cooperation.

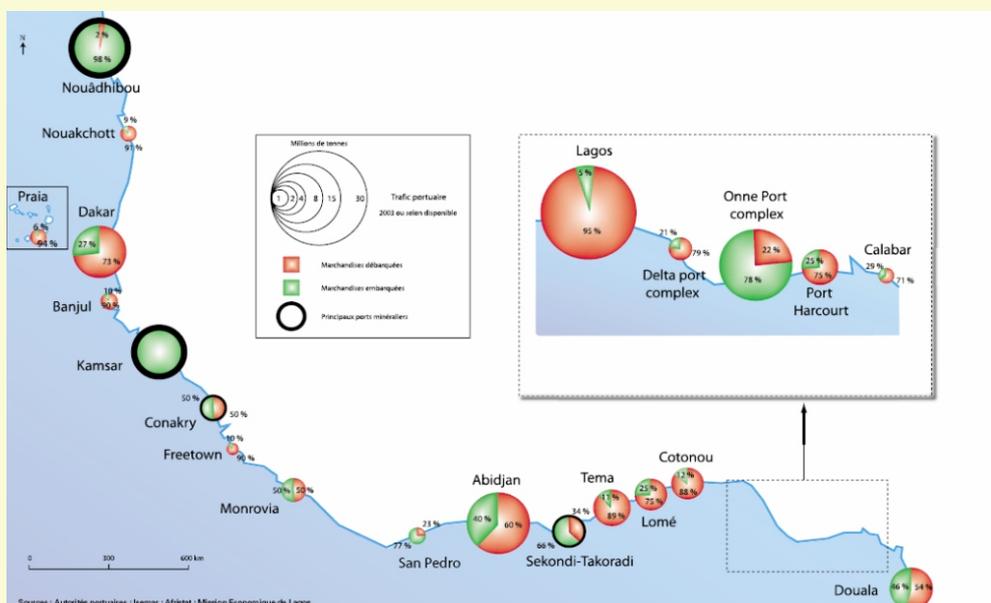
### **D.3. Maritime transport**

#### **● *Current situation and challenges***

228. The maritime sub-sector in West Africa is characterized by the low competitiveness of port and transit facilities as well as the complexity, slowness and high cost of administrative services. In particular, the administrative and customs procedures for clearing goods destined for the local market are considerably bogged down by excessive documentation, the wide geographical dispersion of port services, persistent manual processing of customs manifests despite the existence of computerized systems, and ill-timed controls even on container traffic. The same applies to transit traffic for which the administrative and customs procedures are unnecessarily complex and slow. The system's inefficiency stems from anachronistic practices such as the obligation to make detailed rather than summary declarations, the coexistence ("duplication") of unintegrated manual and computer procedures, lack of standardization in the processing of manifests, systematic tallying of goods and insufficient waiting periods due to the slow processing of operations. The above factors are compounded by insufficient handling facilities, the cashflow difficulties of economic operators which prolong payment periods and delays in the transmission of documents.

229. As a result, the cost of service delivery is very high. Indeed, transit and handling costs constitute a major proportion of the total cost of port services. Besides, the cost of port services varies considerably from one port to another for the same products, because of substantial differences in factor costs and the existence of negotiated tariffs. Storage and demurrage costs are frequent and involve payments to the shipper and control services in addition to sums paid to the customs administration. Another consequence of the sluggishness of the system is that the turnaround time for ships, document processing deadlines and the periods for storage and conveyance of goods in transit are considerably long, varying between 8 and 27 days, depending on the port, types of goods and packaging.

**Box 23. Maritime traffic in ECOWAS countries**



Source: Port Authorities; Afristat; Lagos Economic Mission, cited in the Regional Atlas of Transport and Telecommunications within ECOWAS.

Estimated turnaround time in some major ports in sub-Saharan Africa

Country	Number of days
Cotonou (Benin)	2 days
Dakar (Senegal)	1 day
Abidjan (Côte d'Ivoire)	2 days
Tema (Ghana)	1 day
Freetown (Sierra Leone)	1 day
Lagos (Nigeria)	2 days
Nouakchott (Mauritania)	1 day
Cape Town (South Africa)	1 day
Beira (Mozambique)	1 day
Mombasa (Kenya)	1 day
Assab (Eritrea)	1 day
Port Sudan (Sudan)	1 day

Source: SSATP Analysis Document No. 3F

• **Regional programs and medium-term priorities**

230. As in the case of roads and in compliance with the principle of subsidiarity, the development of competitive ports infrastructure commensurate with the needs of the subregion is essentially the responsibility of coastal States. It is equally their responsibility (through national programs) to pursue structural reforms that will liberalize ports services and reduce

transit costs and time. As a complement to these national endeavors, regional efforts should focus on inter-State services, notably the implementation of reforms to simplify, harmonize and optimize administrative and port transit procedures. These provisions are already included in the ISRT. What remains is to have them implemented by all Member States.

231. The rigorous application of conventions should also apply to provisions governing customs systems. To that end, it is necessary to ensure that: (i) information on port passage conditions is computerized everywhere; (ii) computer systems of customs and ports services are interconnected to ensure automatic data transfer; (iii) licensed customs clearing agents are able to connect to customs and ports computer systems for declarations, issuing forms and for the management of credit for warehouse fees; (iv) computer data exchange standards for the Facilitation of Trade and Transportation (EDIFACT) are adopted by all States so as to ensure coherence in the entry data sequence for manifests; and (v) a computer system is set up to establish interconnection between systems and between the States.

232. For their part, ECOWAS and WAEMU decided to develop synergies and organized a workshop in November 2003 to validate the Regional Road Transport and Transit Facilitation Program. The objectives of the workshop were: (i) to take stock of the situation with respect to the actors of the ongoing facilitation; (ii) assess ongoing practices along the corridors and at border crossings; (iii) prepare the logical framework of the program (objectives, components, indicators, risks and assumptions) and (iv) identify the next phases of complementary studies to be conducted and the resources required for preparation of the program.

233. Moreover, ECOWAS supported the private sector in the creation of Ecomarine International, a subregional maritime transport company. A development program was launched to provide handling equipment, develop mooring and storage areas as well as passenger reception and related services, to ensure that the company goes operational as soon as possible.

234. For its part, WAEMU adopted a maritime sub-sector development program in accordance with the recommendations of the WAEMU Council of Ministers (3 July 1998). General priority objectives were defined to eliminate constraints to the development of the sub-sector and thus improve port competitiveness. To implement the Council's decisions, the Commission ordered an important study which recommended a certain number of actions to simplify, harmonize and optimize administrative and port transit procedures in West Africa. The steps taken to implement these recommendations include the adoption of a program to simplify and harmonize administrative and port transit procedures as well as the issuance of a directive on the reform and financing of the activities of shippers' councils within the Union. Here again, the major challenge lies in the strict application of these directives.

#### **D.4. Air transport**

- ***Current situation and challenges***

235. The air transport sub-sector in the subregion registered significant changes over the past ten years. The preceding decade was characterized by a deficiency in airport facilities, deficits and the high indebtedness of mainly public companies which led to bankruptcies and the ageing of the air fleet. Poor management as well as the narrowness and segmentation of markets were the main causes of these difficulties, which translated into insufficient air connections between African States and poor service quality.

236. However, since 2000, the States have undertaken important structural reforms in the sector, which led to the disappearance of “joint” multinational companies such as Air Afrique, the privatization of national companies such as Air Ivoire, Air Burkina, Nigeria Airways (Virgin Nigeria), as well as the emergence and rapid growth of a large number of private national companies, in particular Air Senegal (Senegal), Bellview, Aero (Nigeria). This situation has generated increased competition and, to a certain extent, a significant improvement of services. At the same time, airport facilities and services have improved in the various countries, owing to the rehabilitation and modernization of some airports (Lagos-International, Accra, Abidjan, etc.), and the privatization of ground services. These changes contributed to the improvement of passenger services and air traffic growth.

237. Despite such progress, intra-regional traffic is still much lower than traffic with the rest of the world. For example, studies on the sector show that African States in general have a very small share of the air transport industry, i.e. only 2% of the traffic of regular airlines of the 185 ICAO Member States for 2000. International traffic from and to Africa during the same year was estimated at 13 million passengers and 278 000 tons of freight, with the domestic traffic of all African States estimated at 2 million passengers. Taken as a whole, West Africa is still worse-off since international traffic from and to all ECOWAS countries represents 0.3% of the world's passenger traffic and freight volume and 10% of the African market with about 13.5 million passengers and 200 000 tons of freight.

- ***Regional initiatives***

238. The main regional initiative in air transport is at the sub-continental rather than the subregional level. These are the two Yamoussokro initiatives (Yamoussokro Declaration I of 7 October 1988 and Yamoussokro Decision II of 14 November 1999), which aim to liberalize and integrate the African air transport sector. The major difference with the preceding situation is that this is about the integration of the air transport market and not only about inter-State cooperation for the creation or promotion of multinational airlines like Air Afrique, or of civil aviation cooperation structures like ASECNA.

239. All ECOWAS Member States have aligned their national air transport development programs on the implementation of the Yamoussokro initiatives.

240. More recently (2002), the WAEMU Council of Ministers, by Decision No. 08/2002/CM/WAEMU of 27 June 2002, adopted the Common Air Transport Program of the Union's Member States, in Dakar. The decision is based on the provisions of the Treaty (Article 4) which provided for “institution of the coordination of national sectoral policies, through implementation of common actions and, possibly, of common policies” in various sectors including transport (cf. Article 101 of the Treaty and Additional Protocol 2). By virtue of this decision, the Council mandated the WAEMU Commission to coordinate national air transport programs and the implementation of related community actions.

241. The WAEMU program seeks to: (i) open up access to the WAEMU territory and develop a safe, organized and efficient air transport system in this area by complying with international ICAO standards; (ii) promote the efficiency of civil aviation administrations and the competitiveness of airlines; (iii) make air transport accessible and affordable to the people; (iv) ensure the convergence of national sectoral policies; and (v) increase trade and tourism flows in order to stimulate economic growth and boost the integration of Member States. The actions

comprise: (i) the improvement of infrastructure and equipment capacities; (ii) harmonization and standardization of air transport regulations, improvement of air transport systems; and (iii) liberalization of air transport services.

242. To this end, Member States adopted 2 (two) sets of texts on the community legal framework for air transport (comprising 6 (six) Regulations and 2 (two) Directives), and implemented the COSCAP (Cooperative Development of Operational Safety and Continuing Airworthiness Program) for air safety supervision and the ICAO/WAEMU project to reinforce civil aviation safety. Moreover, two studies were conducted: one on financing civil aviation development and the other on performance indicators aimed at setting-up a reliable air transport database. Lastly, a draft directive granting legal status as well as financial and managerial autonomy to civil aviation administrations was adopted in September 2004. Besides, in September 2005, a regional safety supervision mechanism, 5 safety regulations and a regional security mechanism were adopted. A community civil aviation code was validated by transport ministers in October 2006.

- ***Consistency of national policies with regional initiatives***

243. As in many other sectors, there are serious shortfalls in the implementation of regional air transport programs by ECOWAS Member States. This concerns the application of the Yamoussoukro provisions as well as the WAEMU or ECOWAS subregional programs. The difficulties are due to several factors such as: (i) insufficient sensitization and information; (ii) lack of effective monitoring/evaluation mechanisms; and (iii) lack of Member States' motivation in the face of difficulties inherent in large-scale structural reforms, particularly those involving several countries at the same time. For example, in the case of the WAEMU Program, the Commission's follow-up missions revealed that the tools of the community regulatory framework were not disseminated in the States.

- ***Medium-term priorities***

244. The difficulties encountered by Member States in reconciling national programs with regional strategies also reveal one fundamental problem: national conditions and national program trends are not sufficiently taken into consideration during preparation of regional programs. Thus, it becomes difficult to ensure *a posteriori* that there is consistency and synergy between national actions and regional programs. The air transport sector and perhaps the Regional Solidarity Bank (RSB) experience are examples of this fundamental problem. Indeed, an analysis of the national air transport policies of Member States reveals that in almost all the States, air transport development is a strategic area for boosting economic competitiveness. However, most of the programs concern the privatization of erstwhile State-owned airlines, ground services, the development of autonomous airport management companies, as well as greater market liberalization and increased competition among airlines.

245. In such a context, regional efforts should back-up national reforms in the management of externalities, such as the issue of security and the enhancement of competition in the subregional airspace, in accordance with Yamoussoukro I and II objectives. However, the situation is completely different in reality. Regional programs are more often directed towards the creation of subregional airlines rather than towards market integration (for example WAEMU's ECOAIR project).

246. The regional approach should be adjusted so as to further supplement/consolidate national structural reforms and promote the integration of the services market. To that end, regional efforts should concentrate on four priority areas: (i) promoting competition in the subregional airspace in accordance with Yamoussoukro I and II ; (ii) reinforcing the security of the subregion's international airports and upgrading them to ICAO international standards; (iii) harmonizing legislations on the civil aviation code; and (iv) establishing a sector surveillance and monitoring mechanism (to assess the performance of airport services and airlines in handling passengers and goods) in order to boost competition, improve services, cut costs and thus encourage greater use of air transport by the business community and the people. Of course, air transport is still relatively expensive and not much used by the poor and petty traders. However, given the low population density in the countries and the limited size of the road or rail networks, improving services and reducing costs can make air transport competitive and accessible to a growing segment of the subregional population. WAEMU, for its part, just adopted a second priority action program in October 2006.

**Box 24. Common Air Transport Program of WAEMU  
Member States: Priority action plan**

This priority action plan to be implemented within two to three years with effect from the adoption of the common strategy covers the following 8 (eight) areas:

1. Creation of a Regional Control, Monitoring and Coordination Committee to meet once a year, at the initiative of the WAEMU Commission;

Driven by the need for a participatory procedure involving the competent authorities of Member States in the common program implementation process, its objectives are as follows: (i) ensure the effective implementation of the common air transport program and (ii) involve all interested parties, including Member States, in the implementation of the WAEMU Commission's common air transport program.

2. Adoption of a community legal framework in 3 (three) packages;

The target objectives are to: (i) contribute to the creation of a homogeneous, rationalized and efficient air transport market that can promote the economic integration of Member States; (ii) create the conditions for a global and non-discriminatory offer of services by all WAEMU operators; (iii) promote the emergence of viable and competitive airlines; (iv) protect users' interests; and (v) increase facilitation measures (visa, work permit, exit authorization, simplification and acceleration of immigration control procedures, etc. ) to promote the free movement of persons and goods and develop tourism.

3. Launching of a COSCAP project for safety supervision;

As part of the general framework for improvement of air transport services, especially in the area of safety, this project seeks to: (i) coordinate the air transport safety policy of Member States with a view to creating a Community Civil Aviation Safety Agency in the long term; and (ii) improve air transport safety and efficiency by defining and establishing harmonized rules for Member States, in accordance with ICAO standards.

4. Adoption of a safety coordination mechanism by setting up a pole of expertise

This mechanism is meant to: (i) coordinate the air transport safety policies of Member States with a view to instituting common regulations and establishing a community safety and civil aviation mechanism; and (ii) improve air transport safety and efficiency by defining and establishing harmonized rules for Member States, in accordance with ICAO standards.

5. Building the capacities of civil aviation authorities of WAEMU Member States.

This action is meant to: (i) endow national civil aviation structures with an appropriate legal status as well as financial and managerial autonomy so that they can play their role of regulation and control; (ii) satisfy the training and equipment needs of civil aviation authorities; and (iii) have a competent staff to ensure that key ICAO safety and security standards are enforced.

6. The establishment of a mechanism to finance air transport development within WAEMU.

The intention behind this action is to: (i) endow the WAEMU Commission and Member States with own resources to finance the following actions: the organization and harmonization of regulation, training, competition, safety and security, private sector participation, public service obligations, the intervention fund (search and rescue, incidents and accidents) etc.; (ii) facilitate access to credit for airlines of the Union, which are handicapped by the risk-averse attitude of funding bodies; (iii) ensure the competitiveness of subregional airlines vis-à-vis foreign airlines; and (iv) improve the safety and security of air transport within the Union.

7. Creation of a WAEMU air transport databank.

In keeping with the orientations of the WAEMU Treaty on economic policy and the determination of Member States to ensure the accuracy of air transport statistics and information on air transport, this databank is set up to: (i) provide accurate statistics and information that can be used in decision-making by reducing the margin of error; and (ii) efficiently manage the Union's common air transport program by having the necessary visibility (performance indicators, projections, development plans, etc.), and a reliable, complete and homogeneous source of reference.

8. The quantitative and qualitative development of human resources.

The purpose of this action is to: (i) have a competent and adequate staff to enhance the professionalism, management efficiency and business culture in the air transport sector; and (ii) satisfy the training, qualification and retraining needs of the civil aviation administration and the air transport industry.

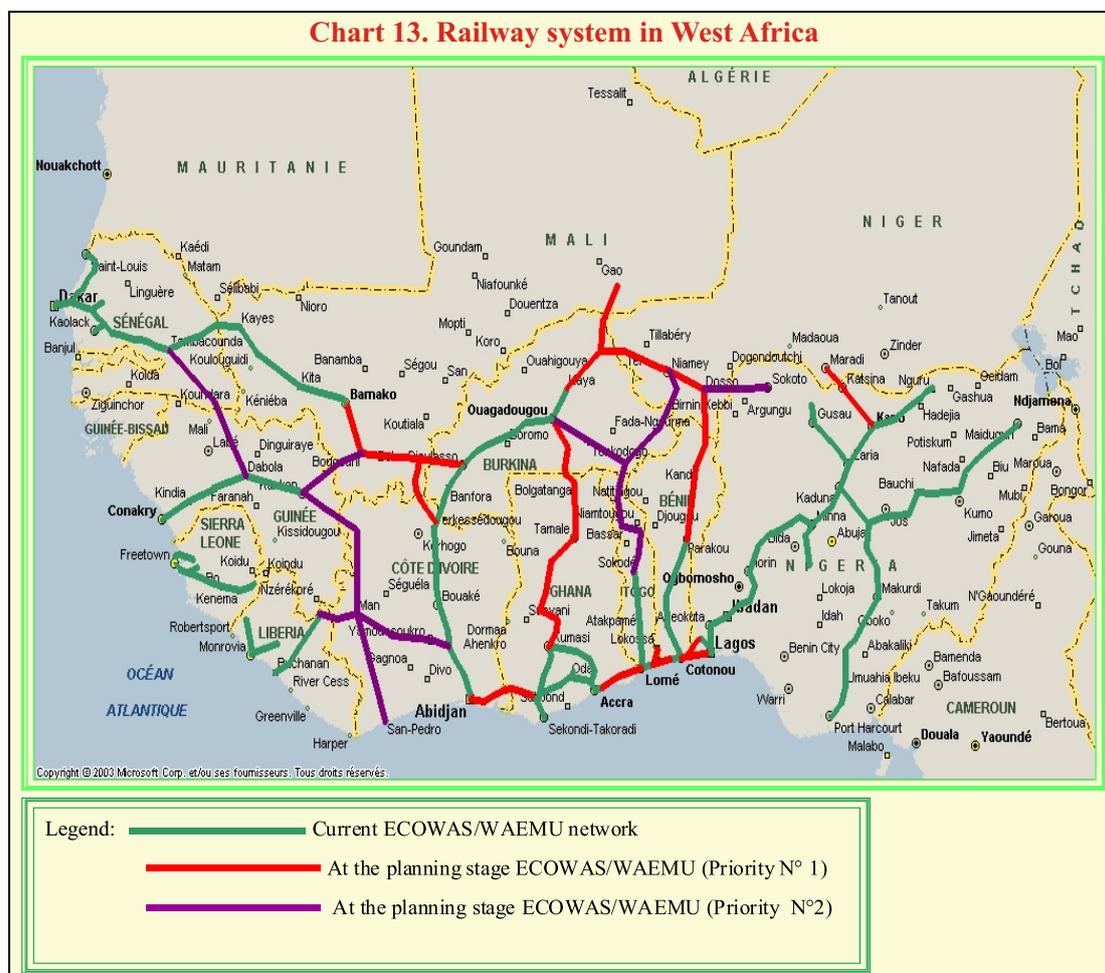
#### **D.5. Railway transport.**

247. The current situation of the subregion's railway system is characterized by low density (2.7km/1000km<sup>2</sup>), heterogeneous track gauges (1.435m, 1.065m and 1.00m) and the dilapidated state of the tracks and rolling stock. Hence, a feasibility study is envisaged on the interconnection of railway lines in West Africa as decided by the Summit of ECOWAS Heads of State and Government in 1988. The objectives of the study include:

- opening up access to hinterland countries;
- developing mining areas;
- linking up coastal areas;
- facilitating the movement of goods and persons from West to East and from South to North of the subregion.

248. This study is a follow-up to a previous study conducted by ECOWAS on the establishment of a West African railway system master plan. The study will concretely dwell on the rehabilitation of existing track and the establishment of interconnections required for good

networking within the community. Hence, 19 vertical and horizontal lines are in the pipeline. The study will be conducted by the CIMA International and UMA group. It costs US\$ 3,145,165, of which 94% will be financed by the ADB and 6% by ECOWAS. Coordination shall be the responsibility of ECOWAS.



## D.6. Energy

### • Current situation

249. Despite the progress made over the past years, ECOWAS and WAEMU countries are experiencing enormous difficulties in meeting the demand for electricity and making the investments required to supply energy to rural areas. Apart from Côte d'Ivoire which has sufficient production capacity to export electricity, countries of the region are experiencing energy deficits. The main causes of their low capacity are: (i) the limited financial capacity of national electricity companies and rural electrification agencies (due to technical and commercial losses) to maintain their production facilities and make new investments; (ii) the inability to attract foreign private investment because of high non-commercial risks; (iii) lack of regional cooperation in the sector; and (iv) the fact that energy issues are not sufficiently taken into account beyond the electricity sub-sector.

- ***Regional framework***

250. Aware of these difficulties and the strategic importance of the sector, ECOWAS prepared a master plan for developing the energy potential of the subregion, which was adopted by the decision-making organs of the Community. Through this initiative, several transnational energy projects, for the transmission of electricity and the transportation of natural gas, were developed and are being executed. The initiative comprises two aspects: (i) investment projects and interconnections for the institution of a West African Power Pool (WAPP) and the construction of a gas pipeline between Nigeria and Ghana; and (ii) a regulations harmonization program aimed at creating an integrated regulatory framework, notably through the adoption of an Energy Protocol and the institution of regional regulations.

251. Also aware of the need to improve the conditions of access to energy, ECOWAS and WAEMU try to breathe new life into energy management efforts, in particular by seeking to improve the conditions of access to energy in rural and near-urban communities. A regional policy has been drafted and adopted to improve access to energy services in rural and near-urban areas (White Paper). This policy actually contains an implementation strategy, a regional action plan and an investment program focused on the achievement of the MDGs by 2015 through provision of energy necessary for the 3 economic spheres: (i) community and social use (education, health, irrigation...); (ii) productive uses for processing and creation of value through economic activities; and (iii) domestic fuel needs. The implementation of this program is based on an institutional and multi-sectoral framework set up in all Member States, and on the creation of a regional capacity to encourage and support Member States in their efforts to develop and implement the necessary investment programs, as well as on the mobilization of funds at regional level to support the States in their investment programs.

**252.** A Common Energy Policy (CEP) was also drafted within WAEMU<sup>19</sup> to: (i) guarantee the regularity of the Union's energy supplies; (ii) develop and ensure the optimal management of the Union's energy resources through systematic interconnection of electrical systems; (iii) promote renewable energies; (iv) promote energy efficiency; (v) develop and improve access of the Union's rural population to energy services; and (vi) contribute to environmental protection. The implementation of this policy should boost industrial activities by integrating electricity transmission systems and raising the number of people with access to energy supply. In fact, formulation of the Common Energy Policy was driven by the need to address the challenges facing the sector, namely: ensuring the availability, accessibility and acceptability of energy. The CEP is a homogeneous and consensual framework through which Member States of the Union unanimously intend to pursue their energy objectives which contribute to the welfare of their citizens and the prosperity of their economies.

- ***Implementation of national policies by Member States***

253. Despite the relevance of the programs, their implementation is still fraught with serious difficulties, partly because of financial problems but mainly because Member States lack resolve. The different projects and programs found in the programs of both ECOWAS and WAEMU are still in the feasibility study phase or donor fund mobilization phase. An institutional framework is being prepared, with USAID support, for the development of an

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<sup>19</sup>The Commission prepared a Community Energy Program which was the subject of Council of Ministers' Recommendation No. 03/97/CM of 21 June 1997. This Program, through its various components, is still the mechanism for implementing the Common Energy Policy.

electricity market that is interconnected between the public services of several West African countries (including Benin, Burkina Faso, Côte d'Ivoire, Mali, Niger, Nigeria and Togo). With the backing of several bilateral and multilateral donors, the institutional framework was set up, and the technical and financial framework required for the energy access program is being developed. Meanwhile, initial support has been given to Member States to start designing their investment programs.

254. At the same time and at country level, the sector has, for the past few years, embarked on a restructuring and privatization drive. By and large, the different reforms undertaken in this sector relate to the revision of the legal, institutional and regulatory framework; the separation of the water and electricity sectors, and even concession of the electricity sub-sector in some countries. The country strategies usually include regional programs but lay special emphasis on rural electrification.

### **Medium-term priorities**

255. More than ever before, it is essential for the States of the subregion to accelerate the implementation of regional programs, given the very low level of electrical energy coverage and the particularly high access costs for communities and industries. The Power Pool and Energy Access projects undoubtedly constitute a top priority for the subregion, because of the substantial benefits expected. Priority should be given to the implementation of these projects, notably the finalization of interconnections by States and the implementation of an integrated regulatory framework for the smooth functioning of the electricity market and the development of access to energy services.

#### **Box 25. ECOWAS energy potential master plan**

The Plan concerns the following areas: hydro-electric dam sites, interconnections of electrical power grids, gas pipeline, renewable energies.

##### **Hydro-electric power sites**

The development of hydro-electric power sites of regional interest: Mau in Ghana, Fomi and Garafiri in Guinea, Salthino in Guinea-Bissau, Bumbuna in Sierra Leone, Manantali in Mali, Adjarala in Togo and Benin. The Manantali and Garafiri sites are being developed. A donors' meeting was held to discuss the Adjarala site. The development of this site will make it possible to interconnect Northern Togo with Northern Benin.

##### **Thermal power plants**

The construction of combined cycle gas-powered thermal plants in Côte d'Ivoire and Ghana as well as the rehabilitation of thermal power stations in Nigeria will provide a capacity of about 9000 MW. The required investment cost is estimated at US\$6.4 billion.

##### **Regional renewable energy program**

As part of attempts to diversify energy sources, ECOWAS drew up a regional program on the use of renewable energy sources to essentially meet the energy needs of disadvantaged rural areas located far from the national grid. The program mainly targets solar (photovoltaic) energy, biomass, mini and micro hydro-electric projects and energy conservation.

With respect to the development of ECOWAS energy resources, the Conference of Heads of State

and Government endorsed the principles of an ECOWAS energy exchange program (Power Pool), which will facilitate the production and exchange of electrical energy between energy-surplus and energy-deficient countries.

To finance all these programs, ECOWAS intends to play the role of facilitator with development partners and contribute to the funding of some projects through EBID.

#### **National electrical systems interconnection project under preparation**

The project involves the interconnection of national electrical systems over a distance of about 5600 km covering segments in most West African countries (Nigeria, Benin, Togo, Ghana, Côte d'Ivoire, Niger, Burkina Faso and Mali).

On the whole, investments to be made in all the power generation infrastructure and interconnection lines stand at about US\$11.8 billion (inclusive of contingency costs) over a nineteen-year period. This infrastructure would provide the ECOWAS subregion with an installed capacity of about 10000 MW, which is high enough to satisfy estimated demand by the year 2015.

#### **West African Gas Pipeline Project**

There are plans to generate electricity with natural gas, which is clean fuel and currently considered to be the cheapest source of energy compared to other conventional sources, in replacement of hydroelectric power generation which is vulnerable to the vagaries of climate. To that end, Benin, Ghana, Nigeria and Togo decided to construct a gas pipeline to enable the four countries to use Nigeria's natural gas for power generation. Details of the project are as follows:

- Construction of a gas pipeline between Warri in Nigeria and the Ghana/Côte d'Ivoire border by using the existing Lagos-Escravos gas pipeline system;
- Total length of the gas pipeline: 781 km;
- Total cost of the construction: US\$ 693,189,000;
- Gas consumption pattern broken down as follows: 84% of the market for Ghana; 7% for Benin and 9% for Togo;
- Internal rate of return: 15 % ;
- Gas price varies between US\$1.70 and US\$2.43 per million British Thermal Unit (MBTU)

The private sector has already expressed interest in executing the project which is already in a very advanced stage.

#### **Box 26. Regional Policy on Access to Energy Services (White Paper)**

The policy contains a political vision and objectives for 2015, an implementation strategy and a regional action plan to facilitate the formulation and implementation of an investment program.

##### **Vision and objectives for 2015**

Enable at least half of the population to have access to modern energy services, which represents 36 million additional households and over 49 000 additional localities with access to modern energy services. This represents a fourfold increase when compared to the number of persons serviced in 2005.

### **3 (three) specific objectives**

Consolidate regional integration by sharing best practices, exchanging experiences, instituting a regional information system, and developing trans-national cooperation which will sustain development and build capacities.

Promote harmonized policy and institutional frameworks (i.e. PRSP, MDG monitoring framework ...), while considering access to energy services as one of the national priorities to ensure human development and achieve the MDGs.

Develop coherent energy programs that are based on national policy frameworks and focused on poverty reduction in rural and near-urban areas and achievement of the MDGs. These energy programs will specifically focus on:

- the development of income-earning activities, especially those related to the preparation and processing of agro pastoral products destined for urban markets;
- the modernization of basic social services (health, education, water...) and the improvement of living conditions and the status of women, who are disproportionately subjected to all dimensions of poverty, particularly in terms of health (ex: the arduous task of fetching and transporting wood fuel and water).

### **3 (three) results expected by 2015**

100 % of the population will have access to modern cooking facilities by 2015, which represents 325 million people or 54 million households to be reached in 10 years, 30 million of whom will have access to butane gas;

At least 60% of those living in the rural areas will be in localities with motive power to increase workforce labor productivity, and have access to modern community services;

66% of the population, representing 214 million people living in near-urban and rural areas, will have access to individual electricity services: 100% of the near-urban and urban population; and 36% of the rural population;

Besides, 60% of the rural population will live in a locality which benefits from :

- modernization of basic social services health, education, drinking water, communication, lighting,
- access to lighting, audiovisual and telecommunication services;
- coverage of isolated communities through decentralized approaches.

### **A regional action plan**

Four (4) areas of action were defined:

Area 1: Capacity-building for private and public actors, development of tools and methods

Area 2: Support for the mobilization of concessional loans and private sector financing for projects on energy supply to rural and near-urban areas

Area 3: Sharing, promotion and dissemination of subregional experiences on the supply of energy services to rural and near-urban areas (knowledge management)

Area 4: Promotion of the local production of energy goods and services

**Investment Program**

The investment program is estimated at about 16 dollars per capita and per annum, which is the cost required to attain the set objectives and to cover:

- The cost of investment in equipment, including studies and attendant measures.
- Energy consumption costs, including production and transport depreciation

**D.6. Telecommunications**

● ***Current situation and challenges***

256. The telecommunications sector has undergone profound changes since the 1990s, owing to large-scale structural reforms undertaken by the States and technological innovations, in particular mobile telephony and Internet boom. Within the framework of national sectoral policies, the countries gradually liberalized the sector, partially privatized public fixed telephony operators and adapted their legal and regulatory frameworks accordingly. In return, the countries registered a sharp rise in their capacities and demand for telecommunication services, thereby significantly raising the average teledensity of the subregion (from 0.5% in 1995 to 3.39% in 2003).

257. At the same time, this rapid expansion also reveals the limitations of national approaches: markets are still limited and fragmented making it difficult for operators to undertake full deployment of equipment and technologies; it is not possible to transfer calls from one country to another, and this compels operators to have several SIM cards and phone numbers; there are disparities in the regulatory frameworks and service pricing policies, etc. These disparities and segmentation are all the more disturbing because it is the same groups (TELECEL, ORANGE, MTN, etc.) that operate in most countries of the subregion.

● ***Regional strategies***

258. The regional approach can help to address the above-mentioned constraints and speed up the development of new information technologies by encouraging scale effects, fueling competition within a larger market and harmonizing the regulatory frameworks and fiscal policies in the sector.

259. **In that respect, the subregion has already taken major initiatives, notably ECOWAS' INTELCOM I and II.** In fact, at its session of May 1979 in Dakar, the ECOWAS Conference of Heads of State and Government approved the community's first priority telecommunications program known as INTELCOM I, which is aimed at improving and expanding the subregional telecommunications network. INTELCOM I specifically sought to: (i) open-up access to Member States that had no reliable connections with the outside world; (ii) complete the missing links in the PANAFTEL network in West Africa; and (iii) establish direct telephone connections between the capital cities of Member States using radio-relay systems. From 1998, a new program, INTELCOM II, was launched to develop a modern and reliable regional telecommunications network. Contrary to the first project which was essentially a joint investment, INTELCOM II was aimed at the effective integration of the telecommunications

market in ECOWAS countries by 2005-2007. The INTELCOM II program is expected to provide the Community with a regional telecommunications network capable of offering a wider variety of services, including multimedia and broadband services. This will reduce transit through countries outside Africa and improve direct links between Member States. Hence, as part of efforts to establish a liberalized telecommunications common market, a harmonization model - the "Centralized Harmonization Model with National Applications" was adopted by ECOWAS Member States and the relevant community guidelines were prepared.

**Table 24**  
**Mobile Telephony Operators in ECOWAS countries**

COUNTRY	OPERATORS	Launching Date	Technology
BENIN	Bell Benin Communication (BBCOM)	Nov. 2002	GSM 900/1800
	Office Postes et Telecommunications Benin	May 2000	GSM 900
	Spacotel Benin (Areeba)	June 2000	GSM 900
	Telecel Benin Ltd	July 2000	GSM 900
BURKINA FASO	Celcel Burkina Faso	Jan. 2001	GSM 900
	Onatel TelMob	Dec. 1996	GSM 900/1800
	Telecel Burkina Faso	Dec. 2000	GSM 900
CAPE VERDE	Cape Verde Telecom (CVMOVEL)	Dec. 1997	GSM 900
COTE D'IVOIRE	Telcel (Loteny Telecom)	Oct. 1996	GSM 900
	Orange Côte d'Ivoire	Oct. 1996	GSM 900
GAMBIA	Africell (Gambia) Ltd	Oct. 2001	GSM 900
	Gamcell	May 2001	GSM 900
GHANA	One Touch (Ghana Telecom)	Sept. 2000	GSM 900
	Mobitel (Millicom Ghana)	July 2002	GSM 900
	Scancom Ltd (Spacefon Areeba)	Nov. 1996	GSM 900
GUINEA	Sotelgui sa (LAGUI)	Dec. 1997	GSM 900
	Spacotel Guinea	Sept. 1997	GSM 900
	Telecel Guinea SARL	Jan 2000	GSM 900
GUINEA-BISSAU	Guinetel		GSM 900
	Spacotel Guinea-Bissau	Dec. 2003	GSM 900
LIBERIA	Libercell (Atlantique Wireless Liberia Inc)	March 2004	GSM 900
	Celcom telecommunication Inc	Sept. 2004	GSM 900/1800
	Commium Services BVI	Aug. 2004	GSM 900
	Lonestar cell (Lonestar Communications)	May 2001	GSM 900
MALI	Ikatel sa	Feb. 2003	GSM 900
	Malitel sa	Oct. 2000	GSM 900
NIGER	Celcel Niger	Sept. 2001	GSM 900
	Sahelcom	Aug. 2002	GSM 900
	Telecel Niger sa	Dec. 2003	GSM 900
NIGERIA	Glo Mobile (Globacom Ltd)	July 2003	GSM 900/1800
	MTN Nigeria Communications Ltd	Aug. 2001	GSM 900/1800
	M-TEL (Nigeria Mobiles Telecommunications)	Oct. 2001	GSM 900/1800
	Vmobile Nigeria (Vee Networks Ltd)	Aug. 2001	GSM 900/1800
SENEGAL	Senetel GSM sa	April 1999	GSM 900
	Alizé (Sonatel)	July 1996	GSM 900
SIERRA LEONE	Celcel Sierra Leone	April 2000	GSM 900
	Commium Sierra Leone Inc	Oct. 2004	GSM 900/1800
	Datatel GSM		GSM 900/1800
	Lintel Ltd	Oct. 2004	GSM 900
	Millicom Sierra Leone	May 2001	GSM 900
TOGO	Telecel Togo	Dec. 1999	GSM 900
	Togocel (Togo Telecom)	Sept. 1997	GSM 900

Source : Association GSM Mobile Networks in West Africa, UIT, August 2005.

**260. WAEMU also made efforts to ensure the integration of the telecommunications market.** To that end, Additional Protocol No. II to the WAEMU Treaty was signed on 10 January 1994. The Protocol sets a certain number of objectives for the integration of telecommunication services and the improvement of interconnectivity among States, notably: (i) the definition of a master plan to improve the infrastructure and telecommunications systems linking Member States, as well as the measures necessary for its implementation; and (ii) the formulation of a program for the gradual liberalization of telecommunications services within the area, with a view to ensuring that the telecommunications sector in each State adapts to the prospects that come with liberalization of the Union's market.

261. To make this initiative operational, the Commission prepared a policy report and a joint action program for improving telecommunications within the area, as stated in Recommendation No. 03/2000/CM/WAEMU adopted by the Council of Finance Ministers in Ouagadougou on 22 November 2000. The said recommendation covers five areas, namely: (i) telecommunications development through gradual sector liberalization; (ii) the convergence of national sectoral policies through harmonization of national legislative and regulatory frameworks; (iii) the improvement of inter-State links and promotion of information and communication technologies (ICTs); (iv) the development of human resources; and (v) the establishment of an institutional framework that brings together the key actors of the telecommunications sector.

- ***Implementation of regional programs***

262. INTELCOM I was a success for the Community and was crucial to the development of ICTs in the subregion. From 1983 to 1992, the Community, through the Special Telecommunications Fund instituted by ECOWAS in 1980, made significant efforts to finance the first program which attained more than 95% of its objectives as confirmed by the post-assessment study conducted by the International Telecommunications Union (ITU). At the same time, an association of regulatory agencies was set up, a management system for telecommunications services data was established and a telecommunications regulatory framework is being adopted. The special fund is being restructured in order to facilitate the financing and implementation of INTELCOM II.

263. For its part, WAEMU also took steps to implement its program. To that end, the Commission organized a meeting of Telecommunications Operators and Regulators in October 2000 in Ouagadougou. A certain number of decisions were taken, in particular: (i) the resumption and reactivation of joint maintenance programs as well as the exchange of technicians between operators; (ii) the need for inter-State coordination in the design and implementation of national projects to ensure the harmonization of technologies, the interconnection of networks and the preparation of coherent requests to development partners; (iii) the harmonization of communication rates (effective fixing in 2001 of the "total accounting rate" at 200 CFAF/mn and of the transit rate at 35 CFAF/mn); (iv) a resolution urging Operators to apply a target rate of 300 CFAF/mn charged to the user for all intra-WAEMU calls; and (v) proposed attendant measures relating to the institution of a mechanism to follow-up the conclusions of the meeting, the harmonization of customs

duties on telecommunications equipment, the harmonization of VAT collection procedures and the fixing of preferential interconnection taxes. As regards harmonization of the legislative and regulatory frameworks, the WAEMU Commission, in March 2006, had its Council of Ministers adopt six Guidelines dealing with several aspects of the regulatory system and regulation of the telecommunications sector with the aim of creating an enabling environment that can attract investments and contribute to the building of infrastructure that is indispensable to the development and promotion of information and communication technologies (ICTs).

264. To facilitate the implementation of Community Directives, the Council of Ministers adopted Decision N° 09/2006/CM/WAEMU in March 2006 to set up the Committee of National Telecommunications Regulators of WAEMU Member States. This Committee will advise and assist the Commission and other WAEMU organs in telecommunications issues. Likewise, in a bid to promote the harmonious and balanced development of the Community by eliminating regional disparities, the WAEMU Commission made it a priority to build a subregional high-speed telecommunications network interconnecting Member States. This will be done by constructing the missing segments.

265. As regards the development and promotion of Information and Communication Technologies (ICTs), the Commission prepared a document in 2003 entitled “Preparing WAEMU's Entry into the Information Society”, which is an information and working tool for decision-makers, elected representatives and citizens who wish to anticipate and master the changes ahead. Implementation of actions contained in this document should transform Member States into model ICT users and promote good governance and the emergence of a competitive economy that uses the most modern trade networks.

266. Likewise, in a bid to promote the harmonious and balanced development of the Community by eliminating regional disparities, the WAEMU Commission made it a priority to build a subregional high-speed telecommunications network interconnecting Member States. This will be done by constructing the missing segments. WAEMU is also bent on harmonizing the legal and regulatory frameworks of Member States and establishing structures for collective action between regulators, suppliers and operators. A “white paper” on Information and Communication Technologies (ICT) which focuses on a 2020 vision for the sector is being formulated.

- ***Medium-term priorities***

267. For the medium-term and while national reforms are being consolidated, regional telecommunications sector programs should focus on two specific aspects. The first aspect relates to the creation of a real integrated telecommunications market in the subregion. This requires the pursuance of efforts to establish some basic infrastructure as envisaged in INTELCOM II (satellites, optic fiber, etc.). However, the most important thing is integration of the services market in order to better defragment the market and also promote economies of scale and competition. To that end, the terms and conditions of establishment and operation in the various countries should be reviewed and harmonized to make them consistent with market integration. More specifically, the regulatory framework should be reviewed to enable operators to sell their services within the entire subregion, once they establish in the country of their choice. This will encourage competition and the deployment of modern and adequate capacities that generate economies of scale. In the same vein, mobile telephone operators should facilitate *roaming* throughout the subregion and also install capacities for high-speed internet. Such

facilities will help cut communication costs and consolidate the market, extending services to various areas and social groups such as youths, students, farmers, etc.

268. The second dimension needing regional attention concerns expansion to rural areas and cross-border cooperation. Market integration also means that the services could be provided to cross-border communities using facilities installed in the area, and even through neighboring countries. Member States should take steps to harmonize rates and set up appropriate compensatory mechanisms among States.

**Table 25.**  
**Implementation of the resolution on rates charged to user for intra-WAEMU calls (in CFA franc)**

To	Benin	Burkina	...	Guinea Bissau	Mali	Niger	Senegal	Togo
Benin	XXXX	300	300	1331	300	300	300	300
Burkina	200	XXXX	200	200	200	200	200	300
Côte d'Ivoire	396	396	XXXX	496	396	396	396	396
Guinea Bissau	3485	3485	3485	XXXX	3485	3485	935	3485
Mali	300	300	300	300	XXXX	300	300	300
Niger	530	530	530	1800	530	XXXX	530	530
Senegal	180	180	180	180	180	180	XXXX	180
Togo	300	400	300	400	400	400	300	XXXX

Source : WAEMU Commission

**Box 27. ECOWAS Telecommunications Convergence Criteria**

**Community telecommunications regulatory framework.**

It had been provided that a community regulatory framework be instituted in all Member States by 2000 latest, with the aim of:

- separating postal services from telecommunications and merging the national and international telecommunication branches;
- separating operational functions from regulatory functions and consolidating or creating an impartial regulatory organ that is in keeping with the political and administrative systems of each country;
- transforming public telecommunications operators into commercial enterprises with managerial autonomy;
- privatizing public operators in the long run through strategic partnerships;
- getting operators to take account of the universal service mission as they play their roles as development actors.

**Teledensity**

The community teledensity target is an average of the projected densities of Member States:

- 1 main line for 100 inhabitants in 2000 and 3 main lines for 100 inhabitants in 2007;
- rural areas should have 2.5% of all phone lines in the country in 2000 and 5% in 2007;
- party lines should represent 3% of all phone lines in 2000 and 5% in 2007.

**Total network digitization.**

The digitization rate for switching systems should vary between 90% in 2000 and 100% in 2010;  
The digitization rate for transmission systems should be 95% in 2000 and 100% in 2010.

**Technological Neutrality**

Encourage technological neutrality while guaranteeing compatibility and interoperability of networks;

**Intelligent Network**

The networks of Member States should have the full “intelligent network” function by 2007 latest.

**Cellular telephony**

All Member States should have compatible cellular networks by 1999;

GSM shall be the digital standard for the entire community and all the States shall sign *roaming* agreements;

- Member States should harmonize their positions on next generation mobile systems
- An average mobile teledensity of 10% by the end of 2007.

**Information superhighway**

Full access to high speed internet for all Member States and establishment of national and regional internet interchange points;

- An average penetration rate of 30% in 2010

**Standardization of heavy telecommunications equipment.**

Adoption and definition of norms and standards for the inter-connectivity, homogeneity and compatibility of national networks;

Limitation of the number of systems in each Member State to facilitate the maintenance of the inter-State network.

Industrialization and community preference in telecommunications supplies, products and services.  
Promotion of the local production of telecommunications equipment in Member States;

Granting community preferences in the supply of telecommunications products and services that are wholly or partially manufactured by one of the Member States.

**E. Sector strategies in support of the productive sector**

269. In the preceding sections, most national strategies focused on structural reforms to consolidate and liberalize markets so as to create an enabling environment for the expansion of

trade, investment and rapid private sector development that will fuel change, growth and poverty reduction. Regional programs merely came to “supplement”, harmonize and bolster national efforts, through greater harmonization of policies (macroeconomic and fiscal policies, regulatory framework, etc.) and, more specifically, the integration of markets (goods and services market integration policies, including infrastructure and factor markets). The main idea, therefore, is to pool efforts national/regional to create a common, open and competitive market at the regional level.

270. However, PRSPs show that beyond these “cross-cutting” policies, the national strategies also include targeted programs for lending direct support to the productive sector or certain sub-sectors. This is the case with agricultural strategies (ex. new export crops, cereals, horticulture), industrial policies (processing of agricultural produce or timber) and services (ex. ICTs, tourism, etc.). However, contrary to the past procedure, State interventions are increasingly less direct and now entail various forms of assistance such as training/information of operators on technologies, prices and opportunities on the world market and, in certain cases, technical support and facilitation in the supply of inputs and marketing (case of “integrated” sectors like cotton in Mali, Burkina Faso and Benin).

271. Beyond these efforts to harmonize policies and create/integrate markets, is there a rationale and efficient ways of making direct regional interventions in the productive sector? Greater attention is currently being paid to this fundamental question in the definition of regional agricultural policies (PAU/WAEMU, ECOWAP/ECOWAS), the implementation of NEPAD's Detailed Development Programme of African Agriculture (PDDAA) and the preparation of West Africa for Partnership Agreements (PA) with the European Union.

272. There is an urgent need for the regional organizations and States to review all these initiatives in order to confirm their relevance and order of priority. Such a review should cover community policies on agricultural strategies, food security, management of common resources, environmental protection as well as the full array of sectoral strategies for industries (mining, handicrafts, etc.) and the development of the private sector including SMEs and SMIs. The following sections briefly review two sub-sectors that are crucial to growth and poverty reduction, namely: rural development strategies and private sector support.

### **E.1. Agricultural policies, rural strategies and food security**

273. The agricultural sector excluding agroindustry represents more than a third of the subregional GDP and contributes as much to exports and public revenues. More generally, the rural sector employs more than two-thirds of the population of the subregion and the incidence of poverty is twice higher in the rural areas than in the urban areas (see chapter 1). Furthermore, West Africa has distinguished itself as the world's leading exporter of certain products like cocoa and is in good standing with regard to citrus fruits. It also has relatively great potential, in terms of arable farmlands, current changes in the production system (albeit to a lesser degree) and the structuring of stakeholders within cross-border organizations and networks. That is why the rural strategy is one of the key pillars national growth and poverty reduction strategies. The region is also facing an additional challenge that is closely related to rural development, notably the issue of food insecurity which mainly affects the sudano-sahelian regions. Management of the environment and shared resources (especially water) is another challenge that is linked to rural development. What are the regional strategies in these sectors, how pertinent are they and how do the States “react” to them?

- ***Regional policies***

274. First of all, there is a decline in regional initiatives as far as agricultural strategies are concerned. In addition to the national programs, ECOWAS, WAEMU and the Inter-State Committee for Drought Control in the Sahel (CILSS) each have their own versions. In 2004, for instance, ECOWAS defined a common agricultural policy known as ECOWAP, which is in keeping with the implementation of NEPAD's agricultural component (PDDA/NEPAD). As regards common natural resources, the Heads of State adopted a Regional Action Plan for the Integrated Management of Water Resources (PAR/GIRE) in December 2000. The coordination structure of this action plan is headquartered in Ouagadougou.

**275. WAEMU also defined an “Agricultural Policy of the Union” (PAU) through Additional Act No. 03/2001 of 19 December 2001. The Agricultural Policy of the Union, like that of ECOWAS, covers all agricultural, forestry, livestock and fishery activities. The PAU is focuses on three major areas: (i) adaptation of production systems and improvement of the production environment; (ii) consolidation of the common market within the agricultural sector; and (iii) the integration of agriculture into the regional and international markets.**

**276. CILSS, for its part, also formulated strategic guidelines for promoting food security in its Member Countries. During the Summit of Heads of State, held in Banjul (The Gambia) in 1997, a declaration defining the vision of Member States for the 21<sup>st</sup> century was adopted.** CILSS considers food security as a priority in implementing the guidelines of the Sahel 21 process, given its strategic importance in poverty control. This priority was reflected in the formulation of a “Strategic Framework for Sustainable Food Security to Combat Poverty in the Sahel”, adopted in May 2001. Moreover, since 1999, WAEMU has embarked on a Regional Food Security Program (PRSA) implemented in Member States in collaboration with the FAO. All in all, in the face of the various technical, financial, environmental, normative and health constraints that undermine agricultural development, the objectives set in the agricultural initiatives taken by ECOWAS, WAEMU and CILSS are aimed at “making a sustainable contribution to the satisfaction of the food needs of the people, economic and social development, poverty eradication in Member States and the reduction of disparities between the various territories”. More specifically, these initiatives focus on boosting agricultural productivity and competitiveness, the regional integration of markets and production and controlled integration of international trade. With respect to the management of environmental problems, regional strategies are still being formulated. However, most ECOWAS Member States have signed the major international conventions on environmental protection.

- ***Regional policies and medium-term priorities***

277. It is noteworthy that regional programs are ignored in national rural development strategies even more than was the case for macro-economic and commercial policies. One major concern will be to address this shortcoming.

278. **Agricultural policies.** There is need to review regional interventions in agricultural policy in order to fine-tune the definition intervention areas, mechanisms and priorities. It should be recalled that main pillars of the regional agricultural policy have already been identified and analyzed in the preceding chapters. These are: (i) trade integration and the facilitation of regional trade, which specifically applies to agricultural and food products; (ii) facilitation of the free

movement of persons to encourage labor concentration in areas that are most suited for the most profitable crops; (iii) facilitation of access to land and financial resources; and (iv) consolidation of norms and standards for agricultural products, notably the food crops of the subregion. Apart from these programs, some complementary actions are also needed that would generate added value at the regional level.

279. **Research.** This entails strengthening cooperation between agricultural research structures to identify new varieties that are adapted to tropical or Sahelian conditions, as well as new production, water control and irrigation techniques for the sahelian region in particular. Such efforts should tap into the experience of international institutions like the International Institute of Tropical Agriculture (IITA), regional networks like CORAF or specialized institutions like WARDA, AGRHYMET, and the Sahel Institute. This type of research has major regional externalities which justify collective intervention. Support mechanisms for research structures and programs are discussed in the section on human capacity-building and the development of centers of excellence.

280. **Market information.** A second area of intervention concerns the market information system, notably for food and livestock products. It is a subsidiary activity to the expansion/integration of the regional market which seeks to make the market more fluid, by ensuring balance between supply and demand. Such a system can also be used to provide individual operators of the subregion with information on the most buoyant export markets. Again, this is an activity which is relatively expensive for individual operators and not directly profitable for each State, but which yields huge aggregate profits for the subregion; hence, the need for regional intervention. A Regional Food Information System (SIAR) is being established in WAEMU countries with FAO support.

281. **Cross-border areas.** A third area of regional intervention concerns the cross-border areas which are suitable for the integrated development sub-sectors with growth potential. The subregion abounds with enriching experiences in these areas. For example, integrated development initiatives on the cultivation of vegetables and fruits, notably mangoes, have already been conducted in the cross-border region of SIKABO which spans Sikasso (Mali), Korhogo (Cote d'Ivoire) and Bobo-Dioulasso (Burkina Faso). A major airport was built to that effect but is currently under-utilized and virtually neglected because it no longer squares with the priorities of Burkina Faso. However, such an airport could become the *hub* for transportation/export of fruits and vegetables, and this would boost production in the region and help to generate substantial income for the people. A collective approach, which could include Ghana, would help rehabilitate the facilities and boost fruit and vegetable production and export.

282. **The example of cotton.** Facilitating advanced cooperation for the management of common problems is another area that justifies regional intervention. For example, many countries of the zone (Mali, Burkina Faso, Benin, etc.) are cotton producers. Cotton is the main export crop for these countries and employs a large proportion of the rural population. The expansion of the sector has helped to improve the living conditions of households.

283. One major problem shared by all the countries is the steady decline in the world price of cotton, partly due to overcapacity which is compounded by cotton subsidies paid to national farmers by major producers like the United States. Faced with these problems, the States have embarked on a multilateral drive, organizing themselves under the WTO to convince developed

countries to eliminate subsidies and other forms of support to cotton farmers. In particular, Burkina Faso caught world attention by insisting on this issue at the WTO talks. The relevant subregional action in this regard would be to pursue the initiatives already taken by the group of producer countries in order to gain a stronger bargaining position. Actions initiated under the Cotton Agenda equally deserve special attention.

284. **The example of cocoa.** Côte d'Ivoire and Ghana, the leading world exporters of cocoa, together account for two-thirds of the world market. Accordingly, enhanced cooperation on production techniques and trade policies could be beneficial to these countries.

285. **A collective approach for rice development.** Lastly, the subregion spends most of its foreign exchange on cereal imports, notably rice. For example, the share of export earnings spent on cereal and especially rice imports is about 25.9% and 18.4% respectively for Senegal, 67.5% and 45.1% for Sierra Leone, 13.4% and 10.3% for Burkina Faso, 6.6% and 3.1% for Mali and 2.6% and 1% for Nigeria. These imports will continue to rise in tandem with national and especially urban population growth. The problem is all the more acute for countries that are also net importers of oil. At the same time, the subregion has substantial potential for cereal production, notably rice in some areas like the Niger Basin in Mali. An "integrated" approach similar to the one used for cotton in countries of the region can boost rice farming in these areas. This requires a collective regional drive to attract modern operators to these areas, improve infrastructure and facilitate access to land as well as rice marketing. It will help to boost production competitiveness, enable regional production to be more competitive against imports and reduce the structural deficit. It will also help to generate substantial resources for these regions which are often landlocked. Such cooperation will also include an adapted legislation governing access to land in order to encourage foreign investments, especially from West African countries.

286. Regional organizations should work with the States to redefine the priority areas of regional agricultural policies, in order to supplement and strengthen the national strategies more efficiently. In that regard, the CILSS intervention model and mechanisms could serve as an example for the subregion.

287. **The management of fishery resources can be strengthened at the regional level.** The fishery sub-sector contributes substantially to the economic and social development of the Union's Member States. It plays a decisive role in poverty reduction, food security (providing low-cost protein), job creation and even the trade balance of these countries. The region has a substantial fishery resource potential whose rational management remains a major challenge for ensuring the future of this sector. A special fisheries sector action program, based on PAU guidelines, has been prepared by the Commission. The program provides for the harmonization of legislations, the establishment of collective development plans, the adoption of a regional strategy for the negotiation of fisheries agreements, a regulation on the issuance of permits to third parties, the institution of a regional support program to coastal surveillance services and the preparation of a regional maritime fishing code.

288. **Management of cross-border transhumance:** Cross-border transhumance is a concrete manifestation of the complementarity that exists between the peoples and ecosystems of different zones in the Union. It is the lifestyle and means of subsistence of herdsmen in the Sahel. Through the income it generates, transhumance helps to reduce food insecurity among

such herders. However, because it is uncontrolled and poorly managed, it has often led to land conflicts and the degradation of natural resources. To pursue this practice, there is need to define and implement common collaborative management at regional level. To that end and in collaboration with other regional integration and cooperation institutions (ECOWAS, CILSS), the Commission is currently defining a regional strategy to manage this phenomenon. The principle of a transhumance certificate (stockbreeding) was adopted by the Conference of Heads of State and Government and is currently being implemented.

289. **Environmental Protection.** Important and well-targeted initiatives are already in progress. Prominent among these are the ECOWAS program to combat floating aquatic plants. A donors' conference was organized in aid of recipient countries (Benin, Côte d'Ivoire, Ghana, Mali, Mauritania, Niger and Senegal). The project was later extended to newly infested countries (Burkina Faso, Guinea, Togo, Gambia and the Volta basin). The Executive Secretariat plans to embark on sensitization missions to secure funding for the program and ensure better coordination with partners. In WAEMU, the Common Environmental Improvement Policy (PCAE) is being adopted.

290. A regional meteorological program is also underway. A project document on the consolidation of the synoptic observation systems of eleven Member States was prepared, in collaboration with the World Meteorological Organization. Contacts have also been made with the UNDP and other development partners to source for additional funding. Recipient countries undertook to provide the counterpart funding for project components located on their territories. It is worth noting that the subregion already has regional meteorological schools (see Chapter 5 on human resources).

291. **The subregion also developed a desertification control program**, whose implementation needs to be strengthened. The ECOWAS Conference of Heads of State and Government adopted the Subregional Action Program (PASR/SRAP) to combat desertification in West Africa (Decision A/DEC.1/12/999). The Executive Secretariat was mandated to initiate, in collaboration with CILSS, the necessary contacts with development partners with a view to facilitating the mobilization of the funds required for implementation of the program. To that end, a consultation meeting was held between ECOWAS and CILSS to define a schedule of activities. It was agreed that priority be given to the formulation of guidelines for subregional projects covering three areas of activity, namely: shared water resources; agricultural and livestock resources and energy resources. ECOWAS and CILSS sought the support of development partners such as UNEP, Global Mechanism, GEF and UNESCO. More specifically, the Common Environmental Improvement Policy (PCAE) formulation process is underway, in accordance with Additional Protocol No. II of the Treaty of the Union. A study will define its priority areas of intervention and the implementation mechanisms. Until WAEMU's Environmental Policy is adopted, the Commission will continue to support the management of the Complex Park W Regional Program (ECOPAS) which involves Benin, Burkina Faso and Niger. The subregion developed initiatives for natural resource and environmental management through the implementation of regional and international conventions, treaties and agreements (CCD, CDB, CCC, etc.); regional development, training and research programs in natural resource management, etc.

292. **Sustainable management of shared and cross-border natural resources:** There is potential for cross-border or regional cooperation, notably with respect to the management of

shared resources (water, natural resources and the environment) within the subregion. Regional initiatives were developed under PASR, GIRE, GWP/WAWP, and IUCN/BRAO and, more recently, under the New Partnership for Africa's Development (NEPAD). As part of the Union's environmental policy and in conjunction with the other regional and international institutions, the Commission shall draft strategies for the sustainable management of these resources.

293. As was the case with the Agricultural Policy of the Union (PAU), the conduct of a certain number of activities was undermined by difficulties in mobilizing funding. However, other activities were accomplished in 2003, relating to: (i) formulation of the PCAE; (ii) the implementation of the Subregional Program of Action for Desertification Control in West Africa and Chad (PASR); (iii) the implementation of the Regional Park Program (Shared Ecosystems of Sudano-Sahelian Africa ECOPAS) and (iv) participation in various meetings and workshops. **Besides, CILSS is currently preparing and implementing a system for environmental observation and surveillance of conflicts related to natural resources use. This system may cover all WAEMU countries.**

#### **Box 28. Cross-border cooperation and poverty reduction - Case of the Liptako-Gourma Region**

##### **Issues**

In the poverty reduction process, each State organizes itself by adopting clearly stated strategies that are often defined during participatory consultations held under the current PRSP. The adopted strategies generally meet the needs of its citizens. However, due to their specificity, cross-border regions are governed by special development policies because, while belonging to different countries, they have common characteristics: the same peoples, same customs, same resource potential, same development obstacles etc. Hence, there arises the need for an efficient development policy that applies to the communities in such regions.

##### **Intergovernmental projects: a possible approach**

A possible development strategy for cross-border regions would be to rely on intergovernmental projects meant to promote the development of the resources of such regions that straddle the common borders of the States concerned. A typical example is the Livestock Development Program in Liptako-Gourma, a region that spans the territories of Burkina, Niger and Mali, and whose feasibility study has reached interesting conclusions.

##### **Case of the Livestock Development Program in the Liptako-Gourma region**

The Liptako-Gourma Region Development Authority (ALG) is a subregional inter-governmental organization set up by Burkina Faso, Mali and Niger. Its key objective is to combat poverty by promoting and developing the resources of the Liptako-Gourma region which lies across these three countries. Such poverty reduction focuses on four specific objectives: food security, environmental protection, creation of access roads and social development. Since the region has a huge livestock potential, the strategy is to develop stockbreeding which hugely contributes to the export earnings of Member States (3% for Burkina, 18% for Niger and 12% for Mali).

The Liptako-Gourma livestock development program seeks to increase community income levels and guarantee sustainable food security through integrated and comprehensive development. The main target population is stockbreeders who constitute a majority in this region of 14 million inhabitants. However, other target groups should not be overlooked. These are agropastoral farmers, private veterinarians, butchers and other intermediaries as well as processors of livestock products.

The key components of the program target animal health, pastoral water management, capacity-building for sector stakeholders, production and processing, road infrastructure, communication, marketing and the environment.

The effects and impacts of the program can be divided into two categories, namely: the effects on animal production parameters and the effects on sustainable development. Concerning the former, the key stockbreeding indicators would be improved if the program were implemented. The effects on sustainable development seek to ensure the effective empowerment of the communities, partnership with research institutions, the improvement of production and productivity and awareness-raising on environmental issues. Feasibility studies show that the project is technically feasible and economically viable.

**Box 29. River Basin Development; an alternative to poverty reduction policies in West Africa**

River basin development is one of the options that can serve as a foundation for consolidating the regional dimension of sectoral poverty reduction policies. The table below sums up the subregional initiatives underway in a few river basins.

River basin organizations:

Organization	Member Countries
Organization for the Development of the River Gambia (OMVG)	Gambia, Guinea, Guinea Bissau, Senegal.
Lake Chad Basin Commission (LCBC)	Cameroon, Chad, Central African Republic, Niger, Nigeria.
Manu River Union (MRU)	Liberia, Sierra Leone, Guinea.
Niger Basin Authority (NBA)	Benin, Burkina Faso, Chad, Côte d'Ivoire, Guinea, Mali, Niger, Nigeria.
Senegal River Development Organization (OMVS)	Senegal, Mali, Guinea, Mauritania.

These basins play multiple roles in providing regional value added to the fight against poverty:

New opportunities might open up in agriculture, stockbreeding and fisheries with a view to rationalizing production and preventing local cereal shortages;

In a context characterized by community vulnerability to the vagaries of climate and inefficient management of natural resources, river basin development constitutes a sound alternative;

The low competitiveness of the agricultural and market gardening sub-sectors can be boosted by conquering the African and world markets.

The need to coordinate policies through better organization of these basins remains a central element which the regional poverty reduction strategy should take into account for the development of trade by creating networks and preventing conflicts in West Africa.

### **Box 30. Development of regional agricultural sub-sectors cotton**

*Cotton* occupies a prominent place in the region. It employs about 6 million people and constitutes a major source of income for both farmers and the States. The WAEMU region is the leading cotton-growing area in Africa, with over 1 million tons of lint cotton produced annually. Only 5% of this crop is processed and the remaining 95 % is exported on the world market. However, over the past years, the sub-sector has undergone a crisis characterized by the collapse of world market prices due to the high State subsidies paid to American and European farmers. Hence, there is burning need for a regional approach to define a collaborative strategy that will provide economic and political solutions to the problems of the sub-sector. A consultative process has thus been initiated within the Union to promote the development of large-scale regional processing units, establish a framework for concerted action and an appropriate financing system for the sub-sector, and set up a mechanism to defend the interests of WAEMU Member States in international trade negotiations held within the framework of WTO and ACP/EU relations.

### **Box 31. The regional food crises prevention and management mechanism**

CILSS coordinates the regional food situation surveillance mechanism which has the following objectives:

Make a precise and regularly adjusted assessment of the agricultural and food situation at the national and regional level;

Identify vulnerable areas and population groups;

Determine the assistance and support actions necessary to avoid or limit the scope of a food crisis;

Mobilize national mechanisms, aid agencies and NGOs to implement interventions considered the most appropriate for each situation.

Such monitoring is based on all the information furnished by the various data structures at national (agricultural statistics, Sim, Sap), regional (CILSS, Fews Net) and international (Fao/Smiar) levels, as well as data collected by NGOs, donors like WFP and bilateral agencies.

The mechanism comprises three essential stages of regional data matching and analysis, situated at key moments of the agricultural and food season:

The regional meeting on monitoring of the agricultural and food situation takes place in March: it conducts an initial assessment based on the final production data of the preceding harvest; it identifies areas and communities that are potentially at risk during the next lean period and prepares a risk mitigation strategy;

The restricted meeting of regional data structures takes place in June. It makes a preliminary assessment of interventions initiated on the basis of the diagnosis and recommendations formulated in March; and conducts a re-assessment of the situation and needs. It prepares the reinforced monitoring of the rainy season (field missions, support to national systems, etc.);

The regional meeting on the monitoring of the agricultural and food situation and the harvest prospects of the current crop-year is held in mid-September. It provides an opportunity to assess the interventions conducted for at-risk areas and communities.

Depending on the configuration of the crop year and the comparison of crop year data from each country, the meeting formulates the initial crop estimates (optimistic, average, pessimistic scenarios), which are meant to pre-empt any risk of major crisis. It gives advance notice on the agricultural and food situation.

The system rallies the key food security actors at regional level. It thus plays a coordination and consultative role, which makes it possible to improve crisis pre-emption and response.

294. **Food security.** This issue particularly concerns Sahelian countries that are frequently exposed to the vagaries of climate and food shortages. The States concerned have set up national food crises prevention and management systems with three components, namely: (i) a mechanism that gives early warning of crises and provides market information; (ii) mechanisms for rapid consultation and coordination of assistance; and (iii) direct intervention instruments to manage crises. The information system comprises a data base and an “observatory” on meteorology, agricultural and cereal production, as well as market situation indicators (supply, demand and price in various regions). The consultation/coordination mechanisms are composed of actions and procedures which facilitate interaction between States and with external partners involved in food crises prevention and management. In almost all the countries, the intervention instruments include the physical stock of food products, which is mobilized in case of crisis, for free distribution or sale at subsidized prices. This system is being extended to three WAEMU countries that are non-members of CILSS (Benin, Côte d'Ivoire and Togo).

295. **CILSS has set up a regional food crises management assistance mechanism.** At the initiative of CILSS and external partners, a regional food crises prevention and management system was progressively set up for all Sahelian countries, which lays emphasis on two components, namely: (i) “information”, notably all the actions implemented or coordinated by the AGRHYMET center; and (ii) “consultation/coordination”, through the activities of PREGCEA (Food Crises Prevention and Management Unit) and the annual meeting of the network for food crises prevention in the Sahel.

296. **The challenge here is how to better reconcile short-term management of food crises with the development of supply in the medium-term.** It is interesting to note that the CILSS regional initiative refrained from developing direct intervention instruments for food crises management; for example, the constitution of a security stock at regional level. This is the responsibility of Member States, in keeping with the principle of subsidiarity. However, in 1990, CILSS countries and several donors signed a “Food Aid Charter”, which defines the principles governing the use of security stocks by States. The key concern of this charter is to ensure that the constitution and use of security stocks by States effectively help to prevent food crises without necessarily causing market distortions that could undermine efforts to develop supply and bring about a lasting solution to the food problem. In fact, it often happens that direct interventions to solve such crises rather end up creating distortions which, in the long run, adversely affect the

development of supply capacities, and thus contribute to the perpetuation and aggravation of the crises. For example, massive State intervention to purchase and store certain products may help to push up prices; but then this is detrimental to consumers. On the other hand, injecting stocks into the market in case of relative scarcity may bring down prices, but then this is also detrimental to producers since it erodes their profit margins.

297. Some State interventions to address food insecurity may also be at cross-purposes with market development and integration, and thus constrain capacity growth and aggravate the structural imbalances between supply and demand. Such a situation arises when some States build stocks and erect export barriers, purportedly to ensure national food security, while other States are experiencing severe shortages. For example, there were huge surpluses in Burkina Faso in 2004 while neighboring countries like Niger and Chad were hit by food crisis. As a result, domestic prices in Burkina Faso were aligned on those of neighboring countries and constituted a major incentive for Burkinabé exporters and farmers. However, in anticipation of potential shortages, the Burkinabé Government decided to stock part of the cereal crop and “discourage” subregional exports through various administrative measures. This rather fuelled the crisis in the subregion and led to a huge shortfall in earnings for national farmers.

298. Thus, prudent management of security stocks is crucial to the effective mitigation of the effects of crises. However, the States and regional organizations should be careful not to hinder the development and integration of markets in the subregion because it is the main long-term solution to the problem of food insecurity. The greatest challenge in national and regional policymaking lies precisely in this area, viz: how to secure efficient means of crisis prevention and intervention, while striving to bring about a structural improvement in food security, i.e. developing supply capacities in the face of growing demand. Regional organizations and States should pursue their reflection to come up with a package of short-term intervention policies as well as medium and long-term structural capacity-building policies that provide a lasting solution to the food insecurity problem. The key components of such strategies have already been mentioned. They are (i) the development/integration of markets, notably food-crop markets; and (ii) concerted efforts in developing certain areas for the cultivation of basic commodities, like rice and cereals, that have a competitive advantage in the subregion. In this way, the food security problem will find its solution in the major guidelines regional strategies.

## **E.2. Industrial policies and other forms of private sector support**

- ***Diversification, growth and poverty reduction challenges***

299. Intensifying and sustaining growth requires diversification in agriculture, industries and modern services. In this regard, the diversification and growth of the modern sector in the subregion have been considerably handicapped by its narrow industrial base, low private and foreign investments and weak private sector. These structural problems partly account for the low productivity of farming techniques and difficult access to farm inputs. And this, in turn, explains the low total factor productivity in this sector as well as the low agricultural products processing rate. In fact, the industrial fabric in countries of the subregion (with the exception of Nigeria maybe) is still very weak because of limited markets, obsolete technologies and low competitiveness. Thus, the share of industry (excluding mining industries) in the national product is still very low (around 15%) and has barely changed over the past two decades of structural reform.

300. **Another indicator of the weakness of the industrial and modern sector is low foreign investments.** Africa, in general, and Sub-Saharan Africa, in particular, are characterized by their inability to attract foreign direct investments (FDI). According to UNCTAD statistics, Singapore alone attracts more FDI every year than all 54 African countries put together. In 2002, Africa attracted only 1.7% of the annual global FDI flows (against 2.2% in 2001 which was an exceptional year). Such inability to attract FDI is much more pronounced in the WAEMU zone. A third aspect is the weakness of the formal private sector in terms of organization and direct contribution to exports, GDP and employment. Correlatively, the share of private investments in the economies is still very low (about 10% for the entire subregion).

301. The weakness of industry, the private sector and foreign investments stems from the same causes, namely: an uncompetitive business environment due to the small-scale production, narrow markets, and consequently high costs. To address the product processing challenge, countries of the subregion have adopted the promotion of the private sector and investments as an important pillar of their national growth and poverty reduction strategies. These strategies are structural reform programs which seek to cut costs and improve public services and infrastructure in order to create an attractive and competitive environment for investments and growth. Another component of this strategy aims at consolidating small structures (SMEs/SMIs) that have the greatest impact on job creation and poverty reduction, especially in urban areas.

- ***Regional policies***

302. Perhaps more so in industry than in agriculture, the most effective contribution of regional strategy to private sector growth and diversification is market expansion and integration, precisely to increase the effects of scale and competition and better prepare local industries for globalization. Hence, it is by integrating goods and services markets and developing infrastructure that the regional strategy will have the greatest impact on the business environment, investments, industrialization and growth.

303. However, as is the case in agriculture, the regional organizations have also envisaged various forms of more direct interventions in through “common policies”. For example, WAEMU has a Common Industrial Policy (CIP) aimed at developing competition, solidarity and cooperation among States. More specifically, the CIP seeks to: (i) enhance the competitiveness of the industrial enterprises in the area and adapt them to the ongoing structural changes; (ii) develop the export capacities of Member States within the context of new changes in world trade; (iii) establish a conducive environment for private initiative and the creation and development enterprises, notably SMEs/SMIs, and (iv) build a fully-integrated industrial fabric based on SMEs/SMIs and encourage its diversification and densification.

304. In this connection, WAEMU also prepared a program for the restructuring and upgrading of industries, with UNIDO support. This program was adopted in June 2003 and is expected to kick-off very soon. Its goal is to modernize enterprises and their operational environment. That is why it focuses on building capacities at the regional and national levels, promoting investments and boosting exports.

305. The CIP has an “investment and export promotion” component which seeks to boost private investments by organizing trade missions and investment promotion fairs within WAEMU as well as attendance of international meetings on behalf of the Union. The Commission also requested and obtained the support of the PROINVEST program from the EU,

with the goal of helping WAEMU States to increase their investments (business meetings, support to sub-sectors, etc.).

306. The CIP also includes a “quality promotion” component aimed at establishing quality standards for subregional products. The program, known as the “WAEMU Quality Program”, is funded by the European Union and implemented by UNIDO. It is currently being executed. As part of Program activities, training sessions were organized to build capacity; priority laboratories were identified and some of them will be equipped; the standardization bodies of some States were set up and/or strengthened; draft community acts are under study; there are plans to establish cooperation with an international organization in the area of accreditation, and two States were provided with support in the fisheries sector.

307. The program equally has a component on “SME/SMI development” and “consolidation of subregional consultation”. In this area, the WAEMU Commission, WADB and BCEAO conducted a study on the promotion and financing of SMEs within WAEMU, which gave rise to an action program for promoting and financing SMEs within WAEMU. Meanwhile, under the “information and dialogue” component of the private sector segment of PARI II, the Commission received financing for the promotion of subregional consultations, which it used to support the creation of the Professional Organization of Cotton and Textile Industries (OPICT) whose goal is to promote the textile industry in the subregion.

308. ECOWAS, for its part, is currently working with WAEMU to define a Common Industrial Policy for West Africa (CIP-WA). In this context, WAEMU's Quality Program and its ECOWAS equivalent (Market Access) have been harmonized and extended to all ECOWAS countries.

- ***Medium-term priorities***

309. As was the case for agricultural policies, the major challenge for the regional agenda is to redefine private sector development support policies, to ensure that they are consistent with the liberal orientation of national reforms and that they address the needs of the business community, notably SMEs/SMIs. To that end, it is imperative to review the main obstacles to (national and foreign) investment and business development and re-examine regional policies in this context.

310. Various studies on the investment climate, including surveys on the business community, can be helpful in this regard. These studies highlighted the factors to which business operators - particularly foreign investors- are most sensitive and which influence their decisions to establish in a country. They reveal that foreign investors are particularly sensitive to: (i) the country's economic situation, notably its market size, its growth rate and the degree of international openness and competition; (ii) the stability and predictability of economic policies; (iii) the possibilities of access to markets of the subregion from the point of establishment; (iv) political risks (coup d'état, expropriation, nationalization, strikes and social strife, etc.) ; (v) access barriers (certifications, investment restrictions in some sectors, etc.) ; (vi) foreign exchange controls (especially for transfers and repatriation of funds abroad); (viii) recourse to international arbitration to settle investment disputes; (ix) access to land (often forbidden or tightly regulated for non-nationals) and (x) availability of adequate sufficient skilled labor and production inputs, and ease of obtention of visas and work permits for expatriate executive staff. Meanwhile, the incentives (particularly tax incentives) offered by governments reportedly weigh little in a foreign investor's decision to establish in a country.

311. Apart from possible restrictions to capital repatriation and other concerns specific to foreign investors (international arbitration, visas for expatriates, restrictions in the acquisition of land by non nationals, etc.), local private investors are also sensitive to all the above factors. Compared to foreign investors, they are more exposed to certain constraints like difficult access to bank financing or unwieldy administrative bottlenecks.

312. Identification of these factors will also make it possible to establish a hierarchy of the constraints that impede investment and private sector development, and thus of the relevant policies to be implemented. These are: (i) geographical factors, notably the limited size of domestic markets, the remoteness of major trading centers in industrialized countries and the landlocked nature of some countries; (ii) problems of instability and political risks; (iii) restrictions to the operation and fluidity of markets and trade due to the highly interventionist tendencies of some States, and/or their limited openness to the outside world; (iv) problems of governance, notably the cumbersome bureaucratic procedures, lack of transparency and corruption ; (v) legal and judicial insecurity which is still too pronounced; (vi) deficient and costly infrastructure services (water, electricity, transport, telecommunications); (vii) labor market rigidity and a low-skilled labor force; (viii) a tax system that is unbearable, discretionary and complex, despite the incentive systems that are often too generous; and (ix) weak capital markets and the resulting difficulties in financing investments and economic activity, especially for small and medium-sized units.

313. The regional strategy should thus seek to increase the States' awareness of these constraints and strengthen cooperation and integration in order to help eliminate them. In particular, and as was the case for agricultural policies, full markets integration (goods, services and factors) is the key lever for improving the business environment. It makes it possible to eliminate the main constraints, namely market size, obstacles to liberalization, labor problems, etc. It is by effectively implementing these strategies, that the regional agenda will contribute best to the promotion of an enabling environment for the private sector, investment, diversification and growth.

314. In addition to these areas, a few specific actions are also welcome. These include standards enhancement programs (Quality Programs), and those aimed at providing institutional support to private sector organizations. To that end, ECOWAS and WAEMU should take advantage of their ability to rally countries and facilitate trade between the subregion's Chambers of Commerce and Industry, and SME/SMI representative structures such as the "Maisons des Entreprises".

315. A third category of actions concerns harmonization of the legal and judicial framework for business. To that end, regional organizations should work closely with States to implement the OHADA provisions, which have already been adopted by all French-speaking countries of the subregion. The challenge is not only to apply these provisions in signatory States and align national practices accordingly, but also to harmonize/reconcile them with the Business Law practiced in English-speaking countries. In this same context, a great effort should be made to harmonize administrative and fiduciary governance practices; for example, intensifying efforts through peer review for the institution of an Audit Office and a Public Finance Transparency Code in Member States.

## **F. Balanced regional development and the reduction of regional development imbalances**

316. The WAEMU and ECOWAS vision of territorial development has to do with the construction of a West African economic integration and monetary area, that has a robust and balanced economy, enjoys peace, solidarity, cohesion and social justice, and guarantees the wellbeing of the local population. Through this vision, the two institutions are striving to arrive at an integrated community that is more coherent, and more interdependent and more attractive; a community with a regional market characterized by complementarity, in the sense that each State concentrates on the activity in which it has a competitive advantage so as to guarantee a sustainable and satisfactory standard of living for its citizens. The main challenges in implementing this policy are:

### **F.1 Development of complementarities to consolidate the domestic market**

317. Regional integration should take advantage of the complementarity of national economies, essentially between the coastal and hinterland areas. To that end, there is need to diversify production and strengthen physical support to trade, as well as create better development opportunities by enhancing economic complementarity. Consideration of the geographical dimension of development should lead to better management of the region's diversified river basins.

### **F.2 Rebalancing the development poles of the subregion**

318. An analysis of the functioning of the subregion shows that networking is inadequate and that urban networks are unbalanced and poorly connected. The promotion of development poles and secondary towns should curb this phenomenon and counterbalance the preponderance of capital cities which are home to most of the poor in the various countries.

319. Economic activities are polarized, generating migratory flows towards coastal countries, particularly along the coastal strip where, according to serious studies, more than 2/3 of the regional population would be concentrate by 2025, if serious measures are not taken to slowdown, or even reverse current trend.

320. Territorial development should help to depolarize regional economic activity by identifying and developing potential of specific host areas. This reduce zonal disparities, curb out-migration and contain some of the regional migratory flows.

### **F.3 Promoting development through cultural values**

321. The bases of development in West Africa should be endogenous and reliant on cultural values, among others. Hence, cultural diversity, informal social solidarity practices, etc. should be drawn upon as a potential factors of development. Accordingly, such elements should therefore be factored into regional integration policies.

322. Recourse to these cultural dimensions could be crucial in determining technological improvement, the choice of a societal model, consumption preferences and the stance and interests to defend.

- ***National policies and the regional framework***

323. An analysis of the national situation in each of the Member States of the region shows that national land-use management initiatives have been limited in scope. Moreover, all the countries are not at the same level with regard to the setting up of planning and implementation tools and mechanisms. Also, an analysis of policies shows that there is scant connection between territorial development and sectoral policies.

- ***Medium-term priorities***

324. One of the main problems encountered in the implementation of the community land-use management policy is lack of financial resources, even though WAEMU has a Regional Integration Assistance Fund and ECOWAS is about to set up a solidarity fund.

325. At the technical level, there are plans to set up two land-use management mechanisms, namely:

- the Regional Analysis and Monitoring Observatory of the Community Space (ORASEC), whose goal is to monitor the development, evolution and occupancy of the regional territory in order to better identify disadvantaged and poor zones. It will thus direct interventions towards areas where poverty reduction efforts need to be concentrated for greater impact. It will be a tool for sensitization, decision-making and the steering of sector policy;
- The Regional Space Development Plan (SDER). This plan seeks to map out the development of the regional territory in a technical document, with the aim of expressing the long-term development vision for West Africa. It will serve as a reference framework for the national territorial development policies of the region.



**CHAPTER 5:**  
**Social strategies and consolidation of inclusion**

**Box 32. The human capital in ECOWAS countries**

The study covers 38 sub-Saharan African countries, including 12 ECOWAS Member States. Cape Verde, Liberia and Sierra Leone are the only ECOWAS countries not covered by the study because of lack of data on their school systems.

The human capital stock in West Africa tripled during the 1970-2005 period from an average of 0.94 (successful primary school year) per head in 1970 to 2.83 in 2005. This average conceals a huge disparity between countries. Statistics on Benin, Burkina Faso, Guinea-Bissau, Mali and Niger are below average for the entire period. Actually, they are among the countries with the lowest level of human capital stock in the world. However, there has been a relative adjustment since the capital stock growth in these countries is above the zonal average. The case of Guinea is particularly noteworthy. In 1970, its stock was actually among the highest in the subregion; but by 2005, it had fallen below the regional average. Guinea's stock level registered a zero and even negative growth rate for more than a decade due to the education policies implemented by the country during this period. These human capital stock trends partly reflect the changing patterns of the school enrolment ratio in these countries. The table below gives details of the capital stock per country.

**Table 1**  
**ECOWAS: Human capital stock in the ECOWAS Subregion.**

Years	Gross enrolment ratio (GER)				Level (# years of schooling of work force)					Average annual growth (%)			
	1970	1980	1990	2000	1970	1980	1990	2000	2010	1980	1990	2000	2010
Guinea-Bissau	39.0	68.0	55.0		0.1	0.2	0.6	1.0	1.3	5.1	9.3	6.4	2.4
Burkina	12.2	17.5	33.3	44.3	0.2	0.3	0.4	0.9	1.3	5.2	5.6	7.2	4.5
Niger	13.3	25.3	28.8	35.5	0.2	0.3	0.6	0.9	1.2	4.0	7.6	4.6	2.7
Mali	22.0	26.0	26.5	61.2	0.4	0.5	0.7	0.8	1.5	3.7	3.5	1.4	5.7
Benin	40.0	66.9	58.1	95.5	0.5	0.8	1.4	1.7	2.5	5.2	5.0	2.6	3.9
Gambia	24.8	52.7	63.9	82.3	0.6	0.9	1.5	2.3	3.1	4.6	5.4	4.6	3.2
Senegal	38.9	46.3	58.9	74.8	0.7	1.2	1.7	2.4	2.9	4.9	4.0	3.6	1.8
Togo	71.0	118.4	109.4	124.2	0.9	1.6	2.7	3.2	3.9	5.3	5.5	1.7	2.0
Guinea	33.0	36.0	37.0	67.0	1.4	1.5	1.5	1.5	1.9	0.6	0.1	0.1	2.6
Côte d'Ivoire	58.8	75.0	67.1	78.8	1.4	2.0	2.6	3.0	3.3	3.2	2.9	1.3	1.1
Ghana	64.0	79.0	77.0	80.2	1.5	2.3	3.5	4.4	4.8	4.2	4.3	2.2	0.9
Nigeria	43.7	108.8	91.4		1.5	1.6	2.4	3.7	4.2	0.8	4.1	4.2	1.4

In 1970, only Ghana had a gender parity index of over 50%, i.e. that the human capital stock per head among women was at least equal to half of the human capital stock among men. In 2000, this condition was not yet met by Benin, Guinea-Bissau, Guinea and Mali. In 2010 all ECOWAS countries will fulfill it. Ghana will continue to be in the lead during the entire period, followed by Senegal whose performance is remarkable for a predominantly Muslim country. Senegalese girls have a better chance of attending school than those of other non-Muslim countries of the subregion. This shows that cultural and religious impediments notwithstanding, government policies can have a real impact on gender parity. Nevertheless, in 2010 full parity will still be out of reach for all ECOWAS countries, even Ghana which is far ahead of some Southern and East African countries. At current trends, equal parity will only be attained in 2040 for Ghana and 2050 for certain countries. This is unacceptable; hence the need to take special measures to change this trend. Table 2 presents this index for all the countries.

**Table 2.**  
**ECOWAS: Capital stock ratio per head and per sex.**

	1970	1980	1990	2000	2010
Benin	0.25	0.37	0.39	0.46	0.53
Guinea-Bissau	0.25	0.37	0.41	0.45	0.52
Gambia	0.25	0.32	0.41	0.50	0.62
Guinea	0.31	0.36	0.41	0.42	0.52
Niger	0.33	0.42	0.48	0.51	0.58
Togo	0.33	0.38	0.44	0.48	0.57
Mali	0.37	0.42	0.46	0.49	0.60
Burkina	0.41	0.44	0.49	0.54	0.61
Nigeria	0.42	0.48	0.56	0.61	0.68
Cote d'Ivoire	0.43	0.48	0.54	0.58	0.64
Senegal	0.46	0.51	0.56	0.60	0.70
Ghana	0.50	0.58	0.66	0.69	0.76

The study also estimated the percentage of skilled labor in the workforce of all these countries. The trend is the same as for the preceding indicators, with the same countries lagging behind. The study also makes it possible to assess the performances of ECOWAS countries, as compared to those of other subregions of Africa. No West African country has a capital stock equal to or higher than 5 while two CEMAC countries and seven southern and east African countries exceed this threshold. This clearly shows that West African countries still need to make significant efforts to close the school enrolment gap between them and other subregions of Africa. This is perfectly illustrated by Table 3 and its accompanying chart. The comparison of human capital stock among men and women shows that the parity index in the whole of ECOWAS rose from 0.41 to 0.52 between 1970 and 2000, representing an increase of about 30%. However, this progression is rather slow compared to that of southern and east Africa which rose from 0.51 to 0.78 during the same period, representing an increase of about 50%. Hence, even though gender disparity is very high in West Africa, it is being reduced at a very slow rate when compared to the general situation in Sub-Saharan

Estimates show that the human capital stock in emerging countries is much higher than that of West African countries and rising at a faster rate. A human capital stock of at least 5 years of primary education should be the target threshold that will enable West African countries to attain the level of emerging countries. Moreover, this threshold matches the results reached by other studies such as the minimum number of successfully completed school years which a person needs to learn how to read and write in life.

**Table 3.**  
**Developing regions and countries: Human capital stock per subregion**

	Level				Average annual growth (%)			
	1970	1980	1990	2000	1970	1980	1990	2000
West Africa	0.94	1.18	1.77	2.5	2.3	4.1	3.5	
Southern and East Africa	1.45	1.83	2.53	3.26	2.4	3.3	2.6	
Sub-Saharan Africa	1.32	1.67	2.35	3.11	2.4	3.5	2.8	
Tunisia	0.91	1.92	3.02	4.2	0.92	7.8	4.6	3.4
Malaysia	3.05	4.49	5.54	7.88	2.69	3.9	2.1	3.6
India	1.9	2.72	3.68	4.77	2.74	3.7	3.1	2.6

Source: N'cho, Charlier, Xuereb and Tchana, "Human Capital in West African Countries", World Bank, (2004)

326. The experience of developed and emerging countries confirms the fact that sustainable development depends not on the abundance of natural resources but rather on the quality of human resources. As mentioned in the analyses in Chapter 1, the weakness and volatility of growth stem from limited economic diversification and overdependence on natural resources. As a consequence, the human capital in countries of the subregion is particularly low, even when compared with that of other LDCs (Cf. Box 32). Countries of the subregion are perfectly aware of this challenge and have developed national strategies to build human capital and make it the backbone of more intensive and more inclusive growth. Making growth inclusive and maximizing its effects on poverty reduction also requires consolidation of the social sector (education, health, promotion, employment and reduction of disparities). That is why social sector development is one of the key pillars of the PRSP. But how can a regional approach be relevant and efficient?

#### **A. Education**

##### • **Challenges**

327. Diagnostic analyses reveal three major constraints to the development of education, namely: (i) problems of supply capacity (insufficient schools or inadequate equipment in relation to needs); (ii) problems of disparity in access and results between regions (rural areas and urban areas), social classes (the poor and non-poor) and genders (between girls and boys). A rapid review of these problems highlights the aspects in which a regional approach could be efficient.

328. **Capacity and access problems.** Several studies carried out in the 1980s showed that the demand for education had increased substantially compared to supply. In fact, the supply of education within the community is still insufficient for a young population that is growing steadily. Most West African countries took the major decision of raising the supply of basic education with the support of national and foreign partners.

329. Strategies for diversifying basic education funding sources by resorting to community and private financing were designed and implemented. In this regard, institutional reforms opened up the education sector to investments by private individuals and civil society structures (community school associations, national and international NGOs, private schools). These strategies were based essentially on the democratization and decentralization movements initiated in most West African countries since the 1980s.

330. Hence, in some countries, national and international NGOs (Aide et Action, World Education, Save the Children, Care, Plan etc.), private school operators and faith-based organizations have opened more schools and non-formal community centers from the late 1980s, than the States have done since independence. One of the major drawbacks of this strategy was the fact the no minimal conditions were set for improving the quality of learning required to provide irreversible minimum education for all. To achieve a substantial increase in the supply of education, bold actions were taken, notably the construction of schools with makeshift material, the recruitment of unqualified teachers as part-time, volunteer or contract staff, etc. In many instances, teachers' salaries and school operating expenses were defrayed by the beneficiary communities.

331. In several countries, the result of all the above measures was a spectacular increase in enrolments in general and girls' enrolment in particular. However, the measures taken to increase

the supply of basic education had devastating consequences on the other levels of education such as secondary and higher education which were often deprived of a substantial part of State resources allocated to education. Hence, some of the conditionalities attached to education aid compelled States to pare down their higher education budgets in order to reallocate more resources to primary education which had virtually become an absolute priority. In the secondary and vocational education sector, several teacher-training schools were closed during the structural adjustment period, thus aggravating the shortage of qualified teachers. It was in response to the risk of a decline in primary education quality that ten-year education development programs were instituted in the late 1990s, with a strategy to improve education access and quality.

332. Best practices adopted in Mali, Senegal and Burkina Faso essentially involve the sharing of classroom construction costs by the community, the State and technical and financial partners. Several programs were put in place to ensure optimal management of school buildings and teachers based on multigrade and/or double session classes. One of the most cited best practices in this regard is that of multigrade and double session classes experimented in Burundi. Although this is an example from outside West Africa, the lessons drawn from it and the mixed results of the same experiment in West Africa, could inspire the preparation of a regional strategy for increasing the supply of education.

333. **Disparity problems.** As observed earlier (Chapter I), there are still persistent major disparities between girls and boys in access to education. National strategies addressed these problems and encouraging results were registered in almost all the countries. Several innovative programs were initiated to close the gender gap and reduce disparities between rural and urban areas in the access and retention rates of children in basic education. In this sector, several affirmative action measures were taken in favor of girls and women, essentially in programs developed by the civil society. Most often, States adopt institutional, legislative and regulatory measures to enable education sector stakeholders to rapidly close the gender gap reduce disparities between urban and rural areas. So far, such measures have produced mixed results.

334. The best practices in girls' enrolment recorded by a study conducted in 2002 by CIEFFA (Alice Tiendreboho 2000) include: (i) satellite schools in Burkina Faso which make it possible to increase school coverage, reduce regional and gender disparities and bring schools closer to pupils; (ii) village schools in Mali which insist on gender equality and the consideration of rural constraints in the planning of the school year. After the initial assessments, this experiment made readjustments that enabled the pupils to obtain results that were similar and sometimes better than those of their counterparts in formal schools. This innovation also provided the necessary flexibility to enable successful students to join the formal education system through national exams; (iii) Child Scope in Ghana which is a community project, lays emphasis on the improvement of enrolment ratios and the retention of girls, in particular. The program is based on partnership between support NGOs, the decentralized services of the ministries of education and health and UNICEF; and (vi) the Community School of Konkoungou in Northern Togo. This form of community school was initiated through the programs of the NGO, "Aide et Action". It observes gender parity during admission and the community participates in the recruitment of the teacher who is a native of the village, in the planning of the school year and in the monitoring and management of the school. Income-generating activities are conducted to pay teachers' salaries.

335. The common denominator in all these best practices is community participation, affirmative action in favor of disadvantaged groups and the adaptability of the teaching program to local community needs.

336. **Quality and efficiency of the education system.** Education system efficiency varies considerably from one country to another. For example, the repeater rate is by far lower in Ghana and Nigeria than in Benin, Cote d'Ivoire and Togo<sup>20</sup>. Consequently, the average unit cost per student is higher in the last two countries than in the first two. The result is a huge disparity in completion rates. For example, according to the World Bank's Edstat data base, while the primary school completion rate in 2004 was 95% in Cape Verde, 76% in Nigeria and 66% in Togo and Ghana, it was only 25% in Niger and 29% in Burkina.

337. In addition to the issue of efficiency, there are also the problems of education quality and its relevance to labor market needs. Quality relates to the skills acquired by the end of the cycle reading, calculation skills, etc... In this regard, is evident that high repeater rates do not necessarily improve quality (ex. Cote d'Ivoire vs. Ghana). The incompatibility between school curricula (notably in basic and secondary education) and labor market needs is common to all countries. However, it should be noted that the problem is not necessarily inherent to the education system; it also stems from the weakness of the economy and its low job-creation capacity.

338. Programs aimed at improving education quality generally intervene by enhancing the relevance of the training in relation to the concerns of the local community and the use of national languages. The most successful experiments in this sector are: (i) the Non Formal Basic Education Centers (CEBNF) and the "bilingual education as a learning continuum and an alternative to the Formal Basic Education System in Burkina Faso"; (ii) convergent teaching in Mali; (iii) teaching in national languages in Senegal and Niger; and (iv) Child SCOPE in Ghana.

- **Regional initiatives**

339. As is the case for agricultural and industrial policies, regional strategies are still underdeveloped and require significant adjustments before they can become an efficient complement to national policies. However, the general direction of regional initiatives is encouraging. It is apparent that since countries have decided to focus on basic and secondary education, regional initiatives have turned towards higher and vocational education. This is equally a pertinent decision since the subregion has an acute shortage of top-level skilled workers - such as engineers, doctors, researchers, etc. Besides, the vocational training costs for such professionals are relatively high, such that States invest less in such training even though the needs are enormous. This imbalance between existing capacity, current needs and the substantial potential benefits for the subregion justifies the adoption of a regional approach. This entails creating common structures, as was the case for CESAG, the flying school, or encouraging certain national structures to increase their capacity and develop programs for the entire subregion.

340. For this reason, ECOWAS and WAEMU took initiatives to promote capacity development in higher and specialized education to meet the needs of the subregion. For

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<sup>20</sup> According to the World Bank's Edstat database, the repeater rates were 6% in Ghana (2005), 5% in Niger (2004) and 3% in Nigeria (2004), compared to 23% in Benin (2004), 18% in Côte d'Ivoire (2003) and 24% in Togo (2004).

example, ECOWAS Additional Protocol N°2 on sectoral policies provides that the objective of the Union's human resource training policy is to carry out the following actions: (i) creation of common higher education and vocational training institutions, in order to pool the means of various states for greater effect and thus avoid the erstwhile dissipation of resources through individual national effort; (ii) mutual recognition of end-of-course certificates issued by these institutions; (iii) coordination of teaching and training programs; and (iv) assessment of the results of higher education and vocational training provided in Member States. In the same light, the ECOWAS Council of Ministers adopted, in 2003, a General Convention on Recognition of Equivalence of Degrees, Certificates and Diplomas in West Africa.

341. The subregion also experimented the approach of strengthening national structures to meet subregional needs. For example, WAEMU instituted a program for the support and development of Regional Centers of Excellence through a decision and a charter on WAEMU regional centers of excellence prepared by the WAEMU Council of Ministers. This approach on regional centers of excellence is predicated on assumption that no member State can individually provide quality training in all the domains necessary for its economic and social development. This approach squares perfectly with NEPAD's position on higher education.

- **Medium-term priorities**

342. To be an effective complement to national strategies, the regional strategy needs to lay emphasis on three aspects, namely: (i) establish norms and standards as well as mechanisms for comparative assessment of the performance of national systems in order to promote quality and efficiency; (ii) support centers of excellence and facilitate the admission of students on the basis of merit and the subregion's need for highly-specialized human resources; (iii) harmonize programs and develop mechanisms for the accreditation and recognition of diplomas, in order to facilitate labor mobility.

343. In this context, it is encouraging to note that the Excellence Centers Support and Development Program is finally in its implementation phase. A complete higher education sector study on eight WAEMU countries was conducted, with ADB support, and it led to the institution of a global support program for higher education. It would be appropriate to extend it to all specialized higher education establishments in ECOWAS Member Countries.

### **Box 33. Regional cooperation initiatives on education in West Africa**

Regional centers of excellence, an innovation which draws lessons from the failure of regional schools

#### **The concept.**

The first option taken by African regional integration organizations for training the high-level professionals needed for the deployment of economic policies was the creation of regional higher institutions of learning (*grandes écoles*) which provided specialized training in all the relevant domains of economic integration. Thus, the CEAO set up the *Ecole Supérieure pour l'Industrie Textile* in Mali and CESAG in Senegal to train senior executives from all Member States in specialties relating to textiles, economics as well as public and private finance. These experiments failed woefully because of financing difficulties faced by the States (sustainability). The support and development program for regional centers of excellence is a response to this failure. Its approach consists in selecting priority domains for implementing economic

development policies in West Africa, and identifying public and private centers that can provide quality human resource training in such domains.

### **The approach**

The implementation of this innovation comprises a labeling phase and an assistance needs assessment phase aimed at helping future centers to build their capacity to address the growing and changing needs of the regional economy. On a competitive basis using transparent criteria of excellence (bidding process), existing centers have to prove that after receiving support that is commensurate with their identified needs, they will be able to satisfy regional demand for training. After the labeling phase, regional support will be put in place and monitored by regional structures, using excellence criteria and indicators.

### **Project status**

All the preparatory phases for starting up this program were implemented by the WAEMU Commission in partnership with the 'Agence Universitaire de la Francophonie' and the UNESCO Regional Office for Education in Africa.

### **Diploma recognition mechanism for the promotion of mobility in the higher education sector in West Africa**

The mutual recognition of certificates advocated in Additional Protocol N° II on sectoral policies, is facing enormous difficulties on account of the diversity in university traditions and methods of establishing certificate equivalence in West African countries. These difficulties seriously impede the free movement of persons in West African countries and the mobility of higher education professors and students, which can be a source of quality improvement.

Recommendation No. 4/98/CM/WAEMU on common actions in WAEMU countries provides for the conduct of a study on the institution of a single baccalaureat certificate exam within WAEMU to improve mobility in higher education.

The African and Malagasy Council on Higher Education (CAMES) is the body that lays down the diploma certification and equivalence standards for the higher education sector. Its scope of intervention is limited to French-speaking countries.

ECOWAS adopted a protocol on education and training which contains a convention of diploma equivalence in the whole of West Africa.

ECOWAS and WAEMU have included the examination of this project in their cooperation program so as to contribute to the mutual recognition of diplomas and thus fuel integration in West African countries through higher education and scientific research

### **Regional mechanism for managing basic education access and quality**

In West Africa, existing initiatives for the comparative assessment of education quality are limited to a group of three to four countries. These are regional assessments conducted under the MLA/UNESCO initiative or the African Education Systems Assessment Program (PASSEC/CONFEMEN). Unfortunately, the studies focus on a very limited number of West African countries and therefore do not allow for readjustments that are relevant for the entire subregion.

**To establish such a mechanism, the following phases are necessary:**

formulation of access and quality standards in terms of the excellence and relevance of the knowledge provided in the education systems;  
training of national and regional teams on the basis of assessment teams used by the two programs with experience in this activity ;

organization of the dissemination of assessment results and implementation of periodical readjustment plans to achieve the millennium development goals on basic education.

344. Besides, under the convergence programs between WAEMU and ECOWAS, it was decided that emphasis will be laid on the effective recognition of diplomas through a common program. Regional programs initiated under international institutions like UNESCO, the Conference of Education Ministers of French-speaking Countries (CONFEMEN), the *Agence Universitaire de la Francophonie* (AUF) (which has launched its « Poles of Excellence » program) etc., were implemented through the assessment of learning during monitoring of the Education for All (EFA) program or the African Education Systems Assessment Program (PASSEC). Regional activities on school textbooks and education planning and research were held in groups of West African countries, with the support of the World Bank and the Association for the Development of Education in Africa (ADEA).

345. **The establishment of a regional basic education monitoring/evaluation mechanism.** All the innovative projects executed through national education development strategies are essentially limited by their experimental nature and the absence of standards on which to base comparisons at regional level and thus monitor and evaluate their efficiency with respect to the minimum training required by a child to irreversibly emerge from illiteracy. Hence, while the proliferation of innovative experiments can be considered as the strong point of national strategies, there is need to capitalize on the most relevant and efficient of these experiments, to disseminate, monitor and evaluate them at regional level by instituting regional standards and measures on education access and quality. In the long run, these indicators will help to establish a harmonized framework of common actions that will accelerate universal schooling in the West African region.

346. The complementarity of a regional action is justified by the fact that best practices need to be built upon, disseminated, monitored and evaluated at regional level to ensure that they effectively lead to the achievement of the millennium development goals on education. This regional monitoring mechanism will also serve as a warning system that draws attention to factors that can undermine achievement of the education-related Millennium Development Goals for the West African region.

347. The experience of subregional bodies like CONFEMEN, some UNESCO and ADEA programs and the West African Evaluation Council is a major asset when establishing such a mechanism at subregional level. These organizations have acquired a certain amount of experience in regional monitoring/evaluation of education best practices and their impact. However, the actions of each of these organizations have focused on only three or four West African countries. Besides, these institutions do not often have the capacity to impose their recommendations on States, unlike WAEMU and ECOWAS which have the institutional means to enforce regional standards. To build on these best practices, regional action should make it

possible to assess these experiments and define a methodology for monitoring and assessing their capacity to facilitate achievement of the MDGs for West Africa.

348. Regional action should also enable States to monitor and measure MDG attainment through comparative assessments of the knowledge of young West African on the basis of regional standards to be instituted. A similar mechanism enabled the OECD to develop a methodological peer review approach in education. This international experience should inform the regional strategy on education.

349. **Consolidation of the regional centers of excellence.** Centers of excellence have turned out to be the approach most favored by several institutions and programs (NEPAD, UNESCO, AUF, etc.) for sustaining growth and ensuring optimal training of the human resources needed by the Union for its development projects. The program is a response to the current loss of interest in secondary and higher education as a result of the near-exclusive priority given to basic education.

350. The priority given to basic education and related incentive measures had the unfortunate effect of producing a loss of interest in secondary and higher education. Despite drastic budget restrictions, the States devote a substantial share of their resources to the training of their senior staff in secondary and higher education institutions. Considering the overwhelming social demands from all areas, it would be unthinkable to request an increase in national budget allocations to address training needs for regional growth projects. With regard to initiating growth acceleration measures, can each State of the Union individually provide training to all its executives in their respective specialized areas of development?

351. Adopting such an option would lead to a huge waste of resources, whereas there are some public, semi-public or private institutions that are excelling in their respective domains and could meet regional human resources training needs (CESAG, EIER, CAMPC, INPHB, Accra School of Mining, *Ecole Africaine des Métiers de l'Architecture et de l'Urbanisme* (EAMAU), etc). After their labeling and capacity building, these future centers of excellence could, each in its sector meet the training needs of the Union's stakeholders.

352. Thus, one of the strategic fields of intervention at regional level should be the consolidation of regional higher education structures in order to enhance their efficiency in training the human resources needed by the Union for its growth acceleration projects. The WAEMU regional centers of excellence program pursues this objective, as a back-up to national actions.

353. **The institution of a diploma recognition and equivalence mechanism.** To facilitate the free movement of persons through reciprocal diploma recognition and equivalence within the whole of West Africa, ECOWAS adopted a protocol on education and training which includes a convention on diploma equivalence throughout West Africa (Cf. Box 33). ECOWAS and WAEMU have included the consideration of this project in their cooperation program.

## **B. Health**

354. The States of the subregion adopted the Primary Health Care Policy (PHC) in Alma-Ata in 1978 within the context of the "Health for All" Initiative. They also adopted the three-phase Health Development Scenario in 1985, according to which the "Health District" is the centerpiece of national health development, as well as the Bamako initiative in 1987 to revive the

PHC and promote community participation. However, there is a huge difference between subscribing to initiatives and effectively implementing them in national sectoral strategies. Hence, performance is still far from the targeted objectives and hardly enough to address existing challenges. How can a regional approach in this sector help countries to speed up the implementation of national policies and improve their efficiency?

- **Challenges**

355. Health policy shortcomings in West Africa have translated into rather alarming results. In general, the health sector is characterized by an acute shortage of health, social and service delivery infrastructure; limited means of evacuation; and above all, an insufficient medical staff that is unevenly distributed and very poorly motivated to work in poor and remote areas. In addition to primary health care, whose development has been a priority since the Alma-Ata Conference of 1978, followed by the International Conference on Population and Development in Cairo, national health and social policies are aimed at: (i) increasing the supply and quality of health services; (ii) developing community health services; (iii) develop disease prevention attitudes and behavior in the community; (iv) combating HIV/AIDS and malaria; (v) combating maternal and child mortality; (vi) encouraging private sector involvement in the satisfaction of health needs; (vii) providing basic, continuing and specialized training to health staff; and (viii) making essential drugs available throughout the country at affordable prices.

356. Hence, the impact of efforts deployed by the States to increase their health budgets over the past ten years to meet the WHO-recommended target of 9% of national budget in 2002, was diluted by the shortage of staff, health infrastructure, and consequently, healthcare services. In view of the results obtained in health, with a life expectancy at birth of 68.6 years in 2000 and an under-five mortality rate of 28 per 1000 births, Cape Verde has the most efficient system in this sector. These results represent a major improvement in relation to 1996. Only 45% of the population have access to infrastructure with variations of 60% in the city to 26% in the rural areas. The Government allocates 10% of the national budget to health. However, to improve these results, there is need to improve health system efficiency by further integrating the private health systems.

- **Regional programs**

357. The main goal of interventions by regional organizations in West Africa is to improve the health of the people by implementing relevant common actions and harmonizing them with those of all the international and regional organizations intervening in the health sector in West Africa. The strategic focus areas are:

- Control of epidemics through a regional cross-border approach, and following relevant intervention corridors that can improve synergies;
- Institution of a system that guarantees the availability of reliable health information for early warning cross-border epidemics;
- Promotion of essential generic drugs as well as the production and quality control of drugs;
- Curbing the spread of HIV/AIDS; and
- Consolidation of international partnerships.

● ***Medium-term priorities***

358. The goal of regional strategies is to assist countries in areas that have significant externalities, notably (i) the fight against contagious diseases which do not respect national boundaries, (ii) improving the quality and availability of health information; and (iii) building generic essential drug supply capacity by encouraging bulk purchases or production in the subregion.

359. The regional organizations have developed initiatives to assist States in the management of these common problems. WAEMU took steps along these lines. The second meeting of the Council of Health Ministers from Member States (Cotonou 31 March 2000) adopted two action plans. The first seeks to set up a subregional system to provide health information and give warning of epidemics in countries of the zone. The second is aimed at promoting the supply of essential generic drugs and improved traditional medicines, including the local manufacture and quality control of these drugs.

360. Likewise, ECOWAS signed a series of Partnership Agreements aimed at initiating joint actions to improve the health of communities in the subregion. In this context, actions are currently in progress to prepare the bulk purchase of essential drugs and computer equipment to be provided to Member States as part of the operation to create a subregional system that will provide health information and give warning of epidemics among States (cross-border notification) and to prepare a reflection on the formulation of the Union's health policy. Hence, to make essential generic drugs accessible, a support program for purchasing cooperatives is being prepared to encourage bulk purchases that will facilitate the achievement of economies of scale and negotiation of lower prices with laboratories. To improve the information and rapid response system for cross-border epidemics, there is need to provide computer equipment to all reporting structures in the information chain at the regional and national levels.

361. More importantly, the two regional organizations specialized in health issues have merged to become the West African Health Organization (WAHO). This will make it possible to improve the harmonization of programs, define priorities and coordinate actions at the level of the entire subregion. It is up to this organization to assume leadership and define the priorities of a regional approach in support of national programs for disease eradication and the improvement of the health of West African communities.

362. In particular, it is up to WAHO to further synchronize programs for combating the major infectious diseases in the subregion, notably AIDS and Malaria. Such synchronization concerns: (i) the regional institutional coordination of programs on pandemic control; (ii) the harmonization of treatment and follow-up standards and protocols; (iii) the management of essential drug supplies by institutionalizing bulk purchases; and (iv) facilitating cooperation between the States and the outside world for possible local manufacture of anti-retrovirals.

**C. Development programs for cross-border areas (border- country programs)**

363. Development programs for cross-border areas are meant to develop community solidarity, enhance social cohesion and promote integration at the grassroots through the support provided to communities to improve their living conditions. The approach will supplement institutional integration between States with integration between development actors at the grassroots

- **Challenges**

364. In a bid to promote community solidarity and strengthen social cohesion within the region, ECOWAS and WAEMU undertook to design initiatives for developing cross-border areas that span two or more countries. Such initiatives will help to establish a new form of solidarity and social cohesion with the main objective of averting the risks of marginalization and exclusion of some parts of the regional territory.

365. These initiatives will also encourage the full utilization of the socio-economic facilities and infrastructure located on either side of the border. Such actions will have the positive impact of enhancing free movement, peace and regional security.

- **Regional initiatives**

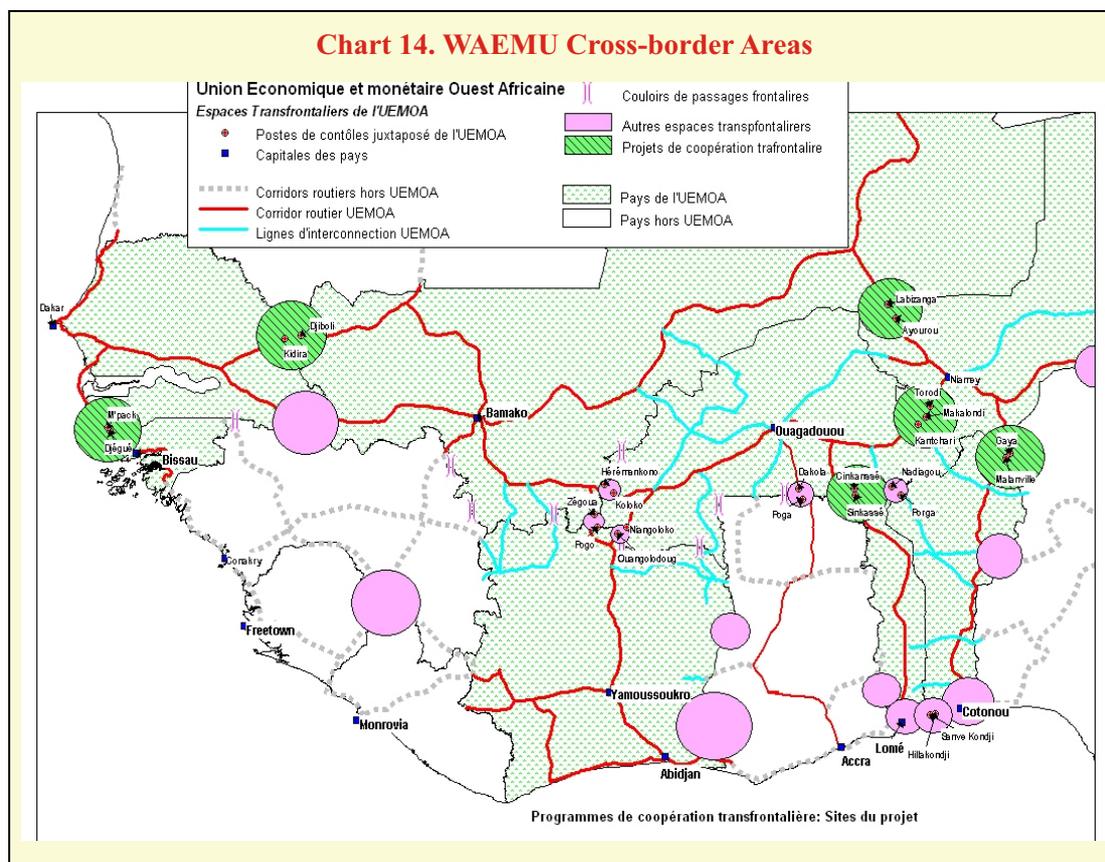
366. The principle of this form of intervention which has been tried and tested elsewhere, was accepted and confirmed by a regional technical workshop organized in Ouagadougou by ECOWAS and WAEMU in June 2003. On this basis, WAEMU included an intervention area on “developing community solidarity and consolidating social cohesion” in its Community Land-Use Policy adopted by Additional Act No. 003/2004 of 10 January 2004. In this connection, the PER Program identified six areas that can be the focus of a study on cross-border cooperation during the 2006-2010 period. An initial pilot study could be conducted in the cross-border area of Sinkansé, between Togo and Burkina Faso, in 2007.

367. For its part, ECOWAS initiated the Cross-Border Initiatives Program (CIP) which was adopted by Foreign Ministers of Member States in 2005. Two programs have been launched in this regard: one in a border area shared by Mali, Côte d'Ivoire and Burkina (SKBO area), and the other on the Senegalese-Gambian borders (SeneGambia area). Moreover, other potential areas that can benefit from this program were identified. These are the KARAKORO basin (Mali-Senegal) and the KANO-KATSINA-MARADI area (Niger-Nigeria).

368. ECOWAS is supported in the implementation of this program by several institutions, notably the UNDP, ENDA TIERS-MONDE (an NGO), WFP, OCHA, UNICEF, and Club *du Sahel*. It recruited a local development and decentralization expert in July 2006 to support its CIP implementation efforts.

#### **D. Gender and poverty**

369. One particular aspect of poverty in the subregion relates to gender. National studies show that the incidence of poverty is higher among women than among men. This partly stems from the fact that more than half of the women work in the agricultural sector. In Senegal (2000), for example, up to 86% of the women are employed in the agricultural sector, compared to 70% of the men. Conversely, the female participation rate is only 4% in industry (against 10% for men) and 10% in services (20% for men). Within WAEMU, the employment and informal sector survey conducted in the 8 Member States and referred to as “1-2-3 Survey” shows that women hold 51% of informal sector jobs. Such high female participation in sectors with the lowest average incomes explain, to a large extent, the income disparities between men and women in the subregion. These disparities are also found in the quality of human capital, even though the differences are more subtle. For example, the illiteracy rate is almost always higher among women than among men. According to the World Bank's Edstat data base, the illiteracy rate within WAEMU in 2004, ranged from 62% for women and 317% for men in Togo, to 88% and



73% respectively in Mali. These disparities are even wider within the formal sector labor force, particularly with respect to participation in government and in power. According to the World Bank's 2005 human development report, women represented only 6.2% of all parliamentarians in Togo, 7.2% in Benin, 8.5% in Côte d'Ivoire, 10.2% in Mali, 11.7% in Burkina Faso, 12.4% in Niger, 14% in Guinea-Bissau and 19.2% in Senegal.

370. Gender disparity issues illustrate the influence of socio-cultural and institutional elements, and the importance of access, control and security of production means land, financial capital, human capital as determinants of poverty. If targeted actions are not taken, more than half of the population will remain marginalized, poorly integrated into the formal economy and condemned to low-income activities in the informal sector. Consequently, national programs and regional strategies on the social and economic integration of women need to be fine-tuned and refocused on the promotion of access to productive assets. This important theme is discussed in chapter 3 which deals with economic and social inclusion policies.

371. It should be noted that it is not only a question of access. Access, indeed, is often easy but control is difficult. In fact, women have land which they farm but cannot take any decisions pertaining to its status. For example, they cannot rent, sub-let, sell, exchange, or even make a crop choice for such land. Control also includes the use of resources drawn from the land. Since they do not have control over the land, there is no security for them to develop it. Moreover, it has

been observed that as soon as land allocated to women starts yielding profits, it is withdrawn from them, for one reason or another, and transferred to men.

372. WAEMU's institutional framework on gender is Recommendation No. 03/CM/99 of 21 December 1999 (see WAEMU site) and its priority action plan. After its adoption, the Department for Women's Empowerment was created. It is gradually implementing the appropriate programs.

373. The ECOWAS institutional framework on Gender is being prepared; a study was conducted and the workshop organized to validate the study in 2004 was attended by WAEMU. The framework is organized as follows: the Human Development Department runs the gender project within the Secretariat; moreover, an ECOWAS Gender Development Center (EGDC) has been created and is based in Dakar. It functions as a think-tank and has focal points in Member States: it should normally carry out gender mainstreaming activities on the basis of ECOWAS priority programs. The supreme management organ of the center is an Advisory Committee that met for the first time in March 2005 to examine the center's action plan. In December 2005, during the EGDC meeting attended by WAEMU, many recommendations (in response to identified problems) were made to the Center.

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## **PART III:**

### **IMPLEMENTATION, PROGRAMMING, BUDGETING, MONITORING AND EVALUATION**

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## **Introduction**

374. The preceding chapters have reviewed the major pillars of national and regional strategies to accelerate growth and reduce poverty in West Africa. In the analysis of each strategic area, the sectors in which regional interventions would be appropriate and efficient as well as the priority actions were identified. The following two chapters deal with issues related to implementation of the strategy. Such implementation comprises three complementary phases. *First of all, there is need to agree on the priorities* in terms of intervention areas, the actions to be conducted for each intervention area and their sequence. Setting priorities also presupposes the establishment of guidelines and criteria on the basis of which the actions will be classified. *Secondly, there is need to prepare a three-year action program, with the corresponding expenditure schedule* (medium-term expenditure framework) and a resource mobilization plan. *Thirdly, there is need to set up monitoring and evaluation mechanisms indicators and process* - for the implementation of the strategy.

375. Chapter 6 relates to the first two points, namely the prioritization/programming/budgeting of activities. This comprises three aspects: (i) selection of priorities: the designation of areas in which regional intervention can more efficiently bolster national strategies to combat poverty; (ii) three-year programming: this entails developing a rolling three-year action program to be implemented by the States and/or regional organizations within the framework of the regional PRSP, and (iii) budgeting: this entails costing scheduled activities and preparing a medium-term expenditure framework for priority actions and formulating a resource mobilization strategy to finance the selected programs. Chapter 7 deals with monitoring and evaluation. This is about establishing indicators and mechanisms for monitoring priority actions, as well as periodical reviews to assess the implementation of actions and their impact on growth, poverty and social development.

## CHAPTER 6

### Priority programs and financing strategies

#### A. Priority sectors for regional intervention

##### A.1. Guidelines for the identification of priorities

376. The purpose of a strategy is to articulate a clear vision with objectives to be attained, policies, programs and actions to be implemented in order to progressively attain such objectives, criteria for selecting priorities as well as monitoring and evaluation mechanisms. Before setting priorities in the regional agenda, it is useful to recall a certain number of guiding principles that steer the enhanced regional integration process in West Africa.

377. **Class A activities (construction/expansion/opening of markets).** As mentioned earlier, the key purpose of integration is to build an enlarged, open and competitive economic community in order to create an enabling framework for investments, trade and private sector development, which the economies of the region can use as a springboard to jump on the globalization bandwagon. It thus follows that activities relating to the creation, consolidation and opening of markets are *de facto* considered as priorities in the regional agenda. It has also been noted that the main constraint to competitiveness and diversification is the segmentation of markets (smallness, poverty, “navigability”). The purpose of market integration is to eliminate this constraint. It is also by accelerating diversification that integration has its greatest potential effects on growth and poverty. Hence, activities that contribute to such acceleration will be ranked as top priority.

378. **Class B activities (consolidation of States).** Of course, there can be no subregion integration if Member States are threatened with disintegration. Governments will not be able to implement efficient policies if the administration is hardly functional; neither will they direct resources towards growth and social sector consolidation if security spending takes the lion's share of the budget due to strife and conflicts. Consequently, the precondition to successful implementation of national and regional policies is peace in the subregion, so that States can focus their attention and resources on development rather than on war and survival. Hence, activities relating to conflict prevention and the promotion of governance are among the priorities of the regional strategy.

379. **Subsidiarity.** Apart from these two major criteria, some additional principles are needed to share responsibilities between Member States and regional organizations (“Who does what?”). The most important of them is undoubtedly the principle of subsidiarity and competitive advantage. The regional strategy is meant to complement and accelerate national strategies. It supplements or harmonizes them, thus maximizing their efficiency. Consequently, the content and method of regional intervention should comply with the principle of subsidiarity. For example, while States are responsible for defining and implementing macro-economic policies, the regional framework has to facilitate the convergence of such policies in order to reinforce macroeconomic stability. Likewise, States are responsible for building infrastructure (sometimes in partnership with the private sector) but it is regional policies that facilitate the physical linkages and especially the integration of the services market. States embark on structural reforms or sometimes undertake targeted interventions to support some sectors with growth potential, while regional policies should focus on expanding markets and facilitating transactions to promote agglomerations (scale effects) and competition (competitiveness

effects), that will boost investments, trade and production.

380. **Progressiveness.** This entails undertaking action that generate the highest benefits on the fringes, taking into consideration the conditions of various countries and regional structures. This principle also covers that of “variable geometry” which is at the core of the regional strategy. For example, WAEMU countries are relatively more advanced in the creation of a customs union. However, some additional actions still need to be taken to enable the subregion to effectively achieve this objective and make the most of it. These actions should be included as priorities in the priority actions program of the regional PRSP for WAEMU. Once it proves to be viable, this experiment can then be extended to rest of ECOWAS. Similarly, ECOWAS has made significant progress on issues of political governance, conflict management/prevention, and the building of infrastructure network systems (roads, telecommunications, energy, etc.). There is need to build on such achievements and avoid duplication with WAEMU.

381. **Selectivity.** The review of regional policies showed two serious drawbacks: (i) the monitoring/evaluation weakness, and ii) that of the effective implementation of protocols by signatory States. These are essentially due to the fact that regional organizations are engaged in too many sectors at the same time. Thus, there is a plethora of protocols and serious drawbacks in their implementation at national level as well as in the follow-up mechanisms. This is highly prejudicial to the credibility of programs, which in turn reduces the States' motivation to implement them. Regional structures need to address the challenge of being disciplined in order to be selective. This issue also refers us back to that of the sustainability of regional action, notably the capacities to mobilize financing. Obviously, the regional structures cannot rely on grants and community levies alone. As a result, they are confronted with serious budget constraints and should be capable of being simple and selective in their actions, ensuring as much as possible that the States are involved in these actions, and refraining from wanting to do everything.

## **A.2. Priority areas**

382. Application of the above principles makes it easy to define the priorities for regional strategies: (i) strengthening political governance and conflict prevention; (ii) creation/integration of markets (goods, services and factors) and (iii) consolidation/interconnection of infrastructure.

383. **Conflict prevention** is the key prerequisite to political, administrative and social stability in countries and consequently to the consolidation of the social capital that is crucial to the effective implementation of national programs and the reinforcement of integration. Recent experiences in Liberia, Sierra Leone and Cote d'Ivoire are a perfect illustration of this. That is why conflict prevention should be a priority for the regional strategy. As previously explained, it is also an ideal regional intervention area because of the various negative externalities of conflicts. It is also important for poverty reduction because conflicts destroy and thus cause regression rather than progress, and because they aggravate the poverty of disadvantaged groups.

384. ECOWAS has made remarkable progress in conflict management in the subregion. The issue now is to consolidate these gains and lay emphasis on prevention strategies. In particular, the improvement of political governance within the States is essential to avoid tensions and prevent conflicts. The above-mentioned programs should be improved and operationalized under the ECOWAS Priority Action Program for the implementation of the regional PRSP. It is

also important that, in compliance with the principle of progressiveness, WAEMU does not seek to propose a plan that is at variance with that of ECOWAS, but that it rather reinforces and encourages the implementation of these programs in Member States.

385. **The integration of markets** is another natural key priority of the regional strategy. In this area, WAEMU has registered significant progress which it should finalize, such as trade facilitation, the effective application of the CET and, especially, its emphasis on the integration of factor markets (finance, labor and land) and infrastructure services. The proposed programs should be fine-tuned and operationalized in the WAEMU Priority Action Plan. For ECOWAS, and in accordance with the principle of progressiveness, this will entail adopting the WAEMU plan, while encouraging the reduction of average prices to further open up the region to trade and globalization. The greatest challenge in this sector is no doubt the extent and pace at which key countries like Nigeria and Ghana, which have already accepted this approach, effectively go along with it.

386. **Interconnecting infrastructure.** Apart from integrating services markets, there is need to develop interconnections in order to enhance capacities and complementarities. In this regard, the ECOWAS road network program is the reference plan. WAEMU and States of the subregion should endeavor to give priority to these programs, with respect to construction, rehabilitation and maintenance. In the energy sector, electrical interconnections, the effective establishment of the “power pool” and the improvement of access to energy services should be a priority for the subregion; and the States should be encouraged to factor this into their national energy programs. As regards telecommunications, the ECOWAS program served as the reference and should continue to serve as such. The major satellite projects should be better conducted under NEPAD and financing should be mobilized to support them.

387. Direct interventions in the productive sector (upgrading, etc.) are still problematic and should not constitute a priority for the regional strategy. The substance and scope of such interventions are still ill-defined, even in the national strategies. Furthermore, the costs are high and still poorly estimated, and the intervention methods are still extremely unfocused. The various “common programs” many of which are still « protocols » signed by the Heads of State or Council of Ministers should therefore not feature among the priorities of this first edition of the regional strategy.

388. However, two special activities should be encouraged under the regional framework. The first concerns the “Quality Programs”. These programs directly complement regional and global trade integration strategies. They should therefore fall within this framework. The second concerns the collaborative development of “areas” usually cross-border areas for the cultivation of certain key crops of the zone, such as cereals and rice. The high regional demand for these food-crops consumes most of the foreign exchange and thus has implications on the welfare of households, food security and macroeconomic stability. Given this situation, the subregion has areas whose production can be globally competitive if they are sufficiently developed. To that end, there is special need for basic infrastructure (water, roads, etc.) and mechanisms need be established to attract investments to these areas (access to land and capital). This project, therefore, needs to be reviewed and operationalized under the regional PRSP. The same applies to some cross-border projects mentioned in Section E.1, notably the SIKABO project and the LIPKATO-GOURMA project.

389. The social sectors education and health are essential for growth and poverty reduction. However, in accordance with the principle of subsidiarity, they are not a priority for the regional strategy. These sectors are already well provided for and their programs are effectively implemented in the national strategies, with convincing results. Besides, a large number of international initiatives are being conducted in these sectors by very specialized organizations, such as “Education for All”, “Health for All”, ACTAFRICA and ROLLBACK-MALARIA. Hence, ECOWAS and WAEMU would not have a competitive edge, and their interventions would generate little value added. However, they can play a sensitization role. Given their capacity to rally countries, the two organizations can sensitize the States and make it possible for them to join already-existing international programs. They can also create an enabling environment that promotes the convergence of social indicators, such as the publication of human development indicators and the performance of the education and health systems.

### **A.3. Priority Action Programs for ECOWAS and WAEMU**

390. On account of the principle of progressiveness, it is essential for WAEMU and ECOWAS to develop Priority Action Programs specific to each organization and which take into account their conditions and comparative advantages, while respecting the priorities of the common strategy. In fact, a common vision and shared priorities do not preclude differentiated action plans. It all depends on the “initial” conditions of the organizations and Member States. As a result, the strategy will be implemented through the respective PAPs defined by the Commission and the Secretariat.

391. **WAEMU's Regional Economic Program (REP).** The Commission is already well advanced in the preparation of a Regional Economic Program (REP). The REP made an inventory of WAEMU activities in the major strategic areas of the PRSP, and prioritized them according to the general guidelines of the RPRSP. Besides, the REP is accompanied by a medium-term expenditure framework (MTEF) which costs the needs of various programs. The REP also includes a resource mobilization strategy to finance the programs, as well as an apportionment of responsibilities between States and regional structures for each action.

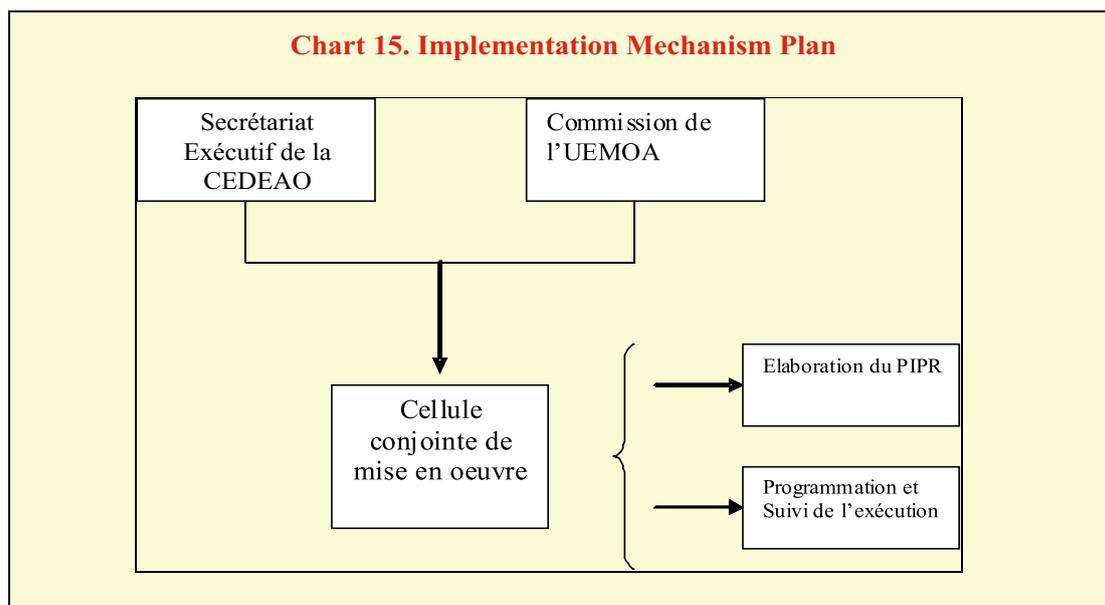
392. ECOWAS has also prepared a Priority Action Plan to better orient and program its actions during implementation of the regional PRSP. The PAP is consistent with the strategic framework represented by the RPRSP, and takes into account the priorities and competitive advantages at regional level.

## **B. Implementation of the regional PRSP**

393. Implementation of the regional PRSP requires a mechanism that can ensure better communication between public authorities and the private sector, and its acceptance by all social partners to guarantee ownership of the strategy by the various development stakeholders. The States which are primarily concerned by the regional approach to poverty reduction, should particularly ensure that some components of the Regional Programs are taken into account in their relations with development partners (IMF, World Bank, etc.), notably in their national PRSPs and Public Investments Programs (PIPs). Implementation of the regional PRSP itself requires the establishment of an institutional framework and planning exercises consistent with a macroeconomic and budget framework that is carefully set up beforehand.

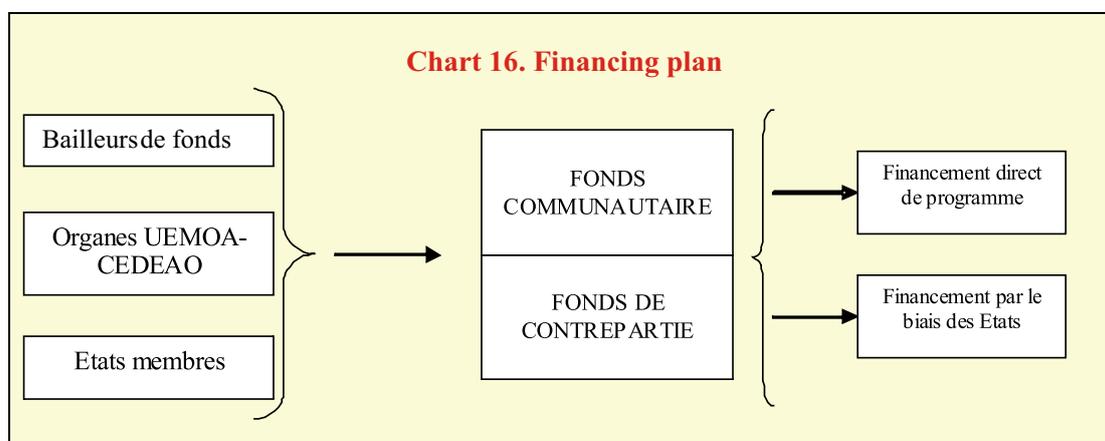
### B.1. Institutional implementation mechanism

394. The success of regional PRSP implementation depends on several factors which include the institutional framework that should govern the activities of defined programs. Given the sheer scope of regional projects and the poverty reduction challenges in the region, there is need to establish an institutional mechanism involving all stakeholders (institutions, States, donors) and with which they effectively identify. The mechanism could be in the form of the following chart:



### B.2. Mobilizing resources for financing

395. The PRSP financing mechanism could follow the same pattern regardless of the source, since the different financing sources are: **for States:** various types of levies (ex. Community Solidarity Levy (PCS)); **for donors:** (i) loans that should be concessional; (ii) subsidies and grants which are the forms of financing on which negotiations should focus. Another alternative could consist in granting project aid for some types of programs targeted in advance with interested donors.



## **CHAPTER 7:**

### **Monitoring and Evaluation of the Regional Strategy**

396. The drafting of the Regional Poverty Reduction Strategy Paper is aimed at providing a strategic framework for all the macroeconomic and sectoral activities (trade, finance, social sectors, etc.) of West African regional structures. It should generate a set of medium-term programs and priority activities that would back-up the national poverty reduction strategies being implemented in the States of the subregion.

397. Since poverty reduction as an overriding objective of national policies, multilateral surveillance at the subregional level should go beyond the macroeconomic framework and cover all the pillars of national poverty reduction strategies. To that end, the indicators to be monitored and the frequency with which they should be reported on and monitored will be defined. As in national PRSPs, it is essential to establish a mechanism to monitor and evaluate programs stemming from the regional poverty reduction strategy in order to assess the progress made towards the achievement of set objectives and expected results.

#### **A. Monitoring/evaluation mechanism for regional PRSP implementation**

##### **A.1. Functionalities of the RPRSP monitoring/evaluation system**

398. The general objective of the RPRSP monitoring/evaluation mechanism is to end up with an appropriate regional mechanism, that can periodically measure the scope, depth and trend of poverty as well as the relevance, effectiveness, efficacy and sustainability of the poverty reduction actions undertaken by West African States. In other words, the system will not only make it possible to have a better understanding of the people's living conditions, but also facilitate assessment of the results and impact of development policies, programs and projects implemented at regional level to reduce poverty, in relation to the social, cultural, economic, political and geographical context of the region.

399. The main specific objectives of the monitoring/evaluation of Regional Poverty Reduction Strategy (RPRS) implementation stem from objectives of the components of the proposed system and are as follows:

- Monitor and analyze trends in household living conditions as well as poverty and its root causes in ECOWAS Member States;
- Monitor the implementation of regional programs and action plans implemented under the poverty reduction program;
- Build the capacities of regional institutions to analyze the linkages between available budget resources for poverty reduction programs;
- Assess the efficiency and impact of interventions and policies implemented under the poverty reduction program.

400. The expected results of such a system are as follows:

- A permanent and efficient institutional mechanism providing information on poverty reduction is established;

- A database to enhance monitoring of economic, financial and social indicators is established;
- Specific studies on poverty issues and human development in the subregion are conducted and disseminated;
- Specific studies on the impact of policies, programs and projects are conducted and disseminated;
- A consultative framework for the various poverty reduction stakeholders in Member States (Poverty Reduction Units in States, Civil Society Organizations, private sector, etc.) is created;

### **A.2. The RPRSP monitoring/evaluation system**

401. With regard to the monitoring/evaluation of the Regional Poverty Reduction Strategy, we propose a mechanism with two components, namely: (i) a System for Collection and Analysis of Indicators; and (ii) an Impact Assessment System (IAS) for poverty reduction policies, programs and projects.

402. The first component referred to as the System for Collection and Analysis of Indicators and Monitoring of Regional Program Implementation (**SCAISE**) is meant to improve understanding of the interface between the macroeconomic environment and budget resources available for poverty reduction, on the one hand; and to monitor and analyze trends in household living conditions, as well as poverty and its root causes. This system could cover all the major PRSP domains macroeconomic convergence, trade policies, poverty based on income and income distribution, education, health, access to infrastructure, etc. The indicators will be drawn from information systems on the monitoring of PRSP implementation in the countries and efforts will be made to improve the harmonization and standardization of data and methods. This system should also strengthen the capacities of the WAEMU Commission and ECOWAS Executive Secretariat to analyze the linkages between available resources for poverty reduction programs, by factoring into their analysis, considerations relating to results and efficiency as well as the use of performance indicators as budget preparation and monitoring tools.

403. The second component is an Impact Assessment System (IAS) for poverty reduction policies, programs and projects. Its ultimate goal is to assess the efficiency and impact of interventions and policies implemented under the poverty reduction program. This system seeks to build the internal capacity of the Commission and Executive Secretariat to conduct assessments; and to enable external teams to assess the impact of the poverty reduction interventions of regional institutions.

### **A.3. The institutional aspects of the monitoring/evaluation system**

404. The implementation of actions and programs contained in the regional strategy shall be the responsibility of the WAEMU Commission, the ECOWAS Executive Secretariat, Member States and concerned regional institutions. However, in order to improve synergy between these numerous actions, all stakeholders and the monitoring/evaluation system need to be coordinated through an institutional framework. An institutional framework can be set up at two levels (regional and national) to ensure the implementation of the Regional Poverty Reduction Strategy.

405. **At regional level: The Regional Poverty Reduction Unit.** Composed of Members of the ECOWAS/WAEMU Technical Committee, the unit shall be responsible for: (i) monitoring and analyzing the social indicators of the subregion; (ii) assessing the impact of regional programs, notably RPRS programs and projects; (iii) organizing an annual review of Regional Poverty Reduction Strategy programs and projects; and (iv) preparing and submitting to the Policy Organs of Regional Institutions (Conference of Heads of State, Council of Ministers, etc.), an annual report on the macroeconomic and social situation of the Community, which also presents the implementation status of Regional PRSP measures and makes recommendations. The Permanent Secretariat of the Regional Poverty Reduction Unit shall be responsible for the central coordination of the analyses and/or synthesis of the activities of various management structures and the implementation of programs.

406. To accomplish these tasks, the Regional Poverty Reduction Unit could fall back on the Permanent Secretariat, which shall be responsible for coordinating the work and ensuring the daily management of the Unit's operations. Among other tasks, the Permanent Secretariat shall be responsible for: (i) managing the statistical databases of the System for Collection and Analysis of Indicators and Monitoring of Regional Program Implementation (SCAISE); and (ii) drafting an annual report on developments in the economic and social situation of the Union.

407. At national level, the structures in charge of PRSP shall serve as the national focal points of the Regional Unit. They shall monitor the implementation of poverty reduction programs and projects at national level, and also collect and analyze preliminary statistical data on the country. To that end, the coordinators of national PRSP implementation units should be Members of the current National Economic Policy Committees (NEPCs).

## **B. Monitoring/evaluation indicators for regional PRSP implementation**

408. **Statistical monitoring.** In view of the fact that each country defined indicators on the basis of its own needs, it is still necessary to have a series of common indicators at regional level (ECOWAS and WAEMU) to facilitate comparison. If their harmonization and comparability are ensured, these indicators could serve as an objective basis for using peer pressure to speed up performances in some countries lagging behind in the poverty reduction drive. The Commission and Secretariat intend to work together in defining a short list of indicators to be used in monitoring RPRS implementation. This list shall comprise a summary of national PRSP monitoring indicators as well as a list of monitoring indicators for regional program implementation.

409. The definition of standardized indicators for regional PRSP monitoring will be done in close collaboration with AFRISTAT which will also act as subregional focal point for statistical capacity-building. The countries will continue to be the principal source of information.

410. **Monitoring the implementation of programs and projects.** The Commission and Secretariat will both deploy considerable efforts to enhance monitoring of PAP program and project implementation as is done for national programs. This refers to the monitoring of physical and financial project execution and targeted specific objectives. All of this will be done in close collaboration with the strategic planning services of countries, which have long-standing experience in PRSP program and project implementation.

411. **Impact assessment.** Far from being just a set of indicators, the idea here is to conduct

impact assessment in specific areas of the regional poverty reduction strategy in order to ensure that implemented measures really impact on the lives of the people in the subregion. Any program implemented would systematically be subjected to an impact assessment. To that end, a schedule of studies shall be defined and revised periodically during preparation or revision of the strategy implementation report. These studies will be entrusted to specialized structures and the results will be used to revise strategies, policies and programs in a bid to improve their effectiveness.

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**ANNEXES:**

**SUMMARY OF BACKGROUND STUDIES**

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**A. Migrations and the labor market (By John IGUE, Consultant).**

412. Migration is an ancient and permanent phenomenon in the history of humanity. It is the source of the different socio-political entities and the starting point of the cultural and ethnic heritage of humanity. At present, migratory movements are intensified by the globalization of the economy, following the extraordinary flow of factor inputs. In West Africa, migration is an ancient phenomenon. It was unrestrained before the colonial partition. Traditional chiefs were proud to welcome foreigners on their territory. It gave them a certain prestige since the arrival of migrants showed evidence of their good reputation and generosity, which was a quality much sought-after by African dignitaries. Even when the country did not attract foreigners because of its geographical difficulties, through marriages, the chiefs always tried to encourage the reception of persons with exceptional qualities. Other chiefs organized raids to populate their administrative jurisdiction with a view to strengthening their production potentials: the development of the palm oil tree by King Ghézo in ancient Dahomey (present-day Benin) attests to this practice.

413. With the advent of colonization, the need to develop new territories was also based on the judicious organization of migration. After the Second World War, the policies for the start-up of major agricultural undertakings were based on intense migratory flows. Migration was also intensified with the ecological difficulties. Thus, the drought of the 1970-1980 period in the Sahel led to intense emigration towards coastal countries.

**A.1 The scope of the migratory phenomenon in West Africa**

414. The size of the migrant population in West Africa is not easy to assess. Despite the abundant information available, the evaluation always comes up against the instability of the phenomenon both in time and space and the illegal nature of most important movements. Likewise, the phenomenon is perceived differently by national statistics departments and the various survey or census operations. Thus, most national censuses have difficulty understanding the scale of departures because of the kind of questions the populations are asked during census operations and the way in which the results obtained are analyzed. Similarly, the comprehensive studies on migration conducted throughout West Africa were never able to grasp the dimension of migratory stocks. All the available data are thus unreliable; they only show the trends of the phenomenon.

415. The processing of this data reveals that about 3.71% of the West African population is affected by extra-territory movements. If we take into account the internal movements triggered by rural-urban migration, agricultural colonization or the return of city dwellers to the countryside, between 20% and 30% of people regularly change their place of residence in the subregion. The difficulties to obtain reliable information are due to the complexity of the migratory phenomenon explained by its different components: rural-urban migration, agricultural colonization, return of city dwellers to the countryside, international travels, movements due to conflicts, etc. In this study, emphasis will rather be placed on international travels. The purpose is to better understand the importance of the phenomenon through the stocks involved and the different flows. Globally, all the West African countries are currently concerned by the massive departure of a large proportion of their population to other countries and regions of the world, as attested by Table 29.

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<sup>21</sup>See the detailed bibliography prepared on the issue by the Center for Study and Research on Population Development (CERPOD) of the Sahel Institute in Bamako or the different publications of statistical services on population issues, etc.

<sup>22</sup>Example of CERPOD studies on Migration and urbanisation, December 1997.

416. Two types of countries emerge from this table: those with a net negative migration balance considered as emigration countries and those with a net positive balance which are the host countries. Can be considered as emigration countries those with a fragile ecology like Burkina Faso, Cape Verde, Mali, Niger and Senegal or those confronted with acute crises leading to intense political instability like Liberia, Sierra Leone and more recently Côte-d'Ivoire. To illustrate this, we will examine some of these emigration countries.

### **Le Burkina Faso**

417. Migrations are an important aspect of Burkina Faso's demography. At the moment, the phenomenon affects about 17% of the population. Table 26 below is a perfect illustration of the trend of migration per country of destination and according to the period of departure. According to the table, up to 1975, the largest group of emigrants headed for Côte-d'Ivoire, then Ghana. The latter country held the record of Burkina emigration until 1993. But, with effect from this date, departures towards Côte-d'Ivoire continued to increase substantially and flows heading for this country were finally higher than those going to Ghana and other countries of the subregion. It is worth noting that more than 250 000 Burkinabés, according to the Government of Burkina Faso, were repatriated because of the conflict in Côte d'Ivoire.

### **The example of Mali**

418. Mali has always been a country of migration; open to the entire the subregion and the rest of the world. This migration is very active and concerns about four (4) million people, according to the High Council of Malians abroad. Table 27 below gives a geographical distribution of these Malians living abroad. The first observation emerging from the table still pinpoints the prominent share of Côte-d'Ivoire which receives about 50% of emigrants; followed by Senegal and Central African countries. Ghana had played a relatively important role before 1970. The second observation pertains to the diversification of host countries as opposed to Burkinabé migrations which are more concentrated on the West African space.

### **The case of Ghana**

419. Ghana has, for a long time, been West Africa's immigration country. During the colonial period, it was the richest colony of West Africa. It experienced its economic miracle towards the 1950s, as a result of the annuity benefits drawn from the exploitation of gold and cocoa. This situation lasted until 1960, when the other colonies of the subregion became independent. It led to intense migrations from neighboring countries and the immigrants remained in Ghana up to 1969, when Dr. Bussia, then President of Ghana, ordered the massive deportation of foreigners. It was the beginning of a deep crisis which continued up to these past few years and whose consequences have changed Ghana into an emigration country.

420. Prior to this acute economic crisis, there were more than 1.2 million foreigners in Ghana, in 1960, i.e. about 14% of the total population. However, the available data estimate them at 811 000. Following the application of the 1969 deportation act referred to as "Alliance Compliance Order", several thousands of foreigners, particularly Nigerians, had to leave Ghana. Thus, during the 1970 census, the population of foreigners dropped from 820 000 in 1960 to 562 000 in 1970, i.e. 6.6 % of the total population.

The current situation is similar to that of the 1970s, despite a brilliant economic context. With the

exception of Ivorian, Liberian and Togolese refugees, the number of foreigners currently living in Ghana is still low. At the same time, there is an intense emigration of Ghanaians which started since the economic recession years (1970-1980). Most of these Ghanaians had found refuge in Nigeria which experienced an extraordinary development during the 1970s following the 1973 and 1979 oil shocks. Thus, during the massive deportation of foreigners from Nigeria in 1983, about 980 000 Ghanaians left the country<sup>23</sup>.

421. Unfortunately, there is not much data on the current situation of Ghanaians in West Africa, except those on Côte-d'Ivoire which mention in the results of the 1998 census, the presence of 133 221 Ghanaians, 93 313 of whom were born outside Côte-d'Ivoire<sup>24</sup>.

422. However, information on the presence of Ghanaians in European countries is available. According to the Continuous Reporting System on Migration (SOPEMI), about 124 555 Ghanaians live in countries of the North. These three examples of emigration countries are a perfect illustration of the scope of the phenomenon. Between 10 to 30 % of the populations of these countries live abroad.

**Table 26.**  
**Distribution of Burkinabe emigrants according to periods of departure and host countries**

Period of departure	Côte-d'Ivoire	Ghana	Others	Total
1923 and before	310	930	3 520	4 760
1924-1932	1 480	3 450	7 740	12 670
1933-1939	4 100	3 910	8 450	16 460
1940-1945	8 750	5 210	6 670	20 630
1946-1950	10 820	7 810	3 430	21 260
1951-1955	21 280	12 630	1 810	35 720
1955-1960	33 960	15 470	1 970	51 400
1960-1975	298 656	27 724	9 642	336022
1975-1985	621 559	-	119945	741 507
Total	1 000 324	7 738 34	163 257	1241415
Percentage	80.57	6.25	13.18	100

Source: Prepared from data provided by Honoré Poyour SOME. Migration and urbanization in Burkina Faso.  
CERPO - INSAH - Vol. N°1, September 1991, 90 pages

<sup>23</sup>Beverly Lindsay (éd.) African migration and National development. The Pennsylvania State University Press 1985.

<sup>24</sup>General Population and Housing Census of 1998 of 1998. Vol. IV T1. p.72

**Table 27**  
**Distribution of Malian emigrants according to host country between 1960 and 1992**

Country	1960	1970	1980	1990	1992 (estimation)	2001
West Africa					2 500 000 to 3 000 000	3 631 385
Including	-					
Côte d'Ivoire	18 000	353 500	800 000	1 200 000	1 500 000	
Ghana	18 021	400 000			200 000	
Senegal			- 25 618	800 000	800 000	
Guinea				2 000		
Others Africa					800 000	
Including						
Maghreb				35 000	100 000	
- Libya				5 760		
- Gulf countries				25 000		
Central Africa					500 000	
Southern and East Africa					200 000	
Europe					100 000	102 000
Including France				30 000	80 000	
America					-	26 550
Asia						1 705
<b>TOTAL</b>					<b>3500000</b>	<b>3761640</b>

Source: Long-term prospects in West Africa: national case study of Mali, OECD, CILSS, CINERGIE/ADB, December 1993.

The 2001 data come from Malians abroad. Cf. document entitled Mali's emigration issue. General Delegation for Malians abroad.

### Host countries

423. Until recently, only Côte-d'Ivoire and, to some degree, Benin could be considered as host countries for migrants: the former because of the major capital-construction projects launched after its independence, illustrated by the economic progress of the 1970s; the latter because of its political stability and its proximity with Nigeria. Recent developments reopen the question of whether Côte d'Ivoire can still be considered as a host country. But only the case of Côte-d'Ivoire will be analyzed. The last 1998 census estimated the number of foreigners at about 4,000,047, including 3,891,845 nationals of West Africa. These foreigners represent 37.36% of the total population estimated at 14,947,020. Table 29 below gives the breakdown of West African nationals in 1998.

### **The special case of the West African Diaspora**

424. The West African Diaspora is still fairly small compared to internal movements in the area. However, it has started growing because of the socio-political crises which henceforth affects almost all the States of the subregion. European countries, particularly the colonial powers and their allies, namely the European Union countries, are the main destination of West Africans. Table 28 below summarizes the general situation.

425. The information per nationality confirms the prominence of certain West African countries like Senegal, Ghana, Nigeria, Mali and more recently, Côte-d'Ivoire. This West African Diaspora does not only concern Europe. It has started spreading to North America, notably the United States. The Middle-East is also concerned. According to the 2000 data of the Continuous Reporting System on Migration (SOPEMI), about 258 501 immigrants from West Africa, live in the United States.

### **The special case of refugees**

426. The outbreak and persistence of socio-political conflicts in West Africa cause major population shifts. Much of the subregion from Senegal to Côte-d'Ivoire is in permanent conflict and, at the same time, serves as a shelter for displaced populations fleeing from armed conflicts.

427. Hence, the biggest migratory flows in Africa are those of displaced peoples or refugees. About 7 to 8 million people are involved. In Western Africa, which is the focus of this study, about two million people are affected. In 2001, about 56 000 Liberians settled in Sierra Leone. It is worth noting that Sierra Leone itself witnessed an intense emigration of its population (about 1 million people) towards Guinea-Conakry. For this country, the total number of displaced persons is estimated at 55000. In Côte-d'Ivoire the situation has been the same since September 2002. According to the data provided by the Office for the Coordination of Humanitarian Affairs, more than a million people have left the conflict zones to seek shelter elsewhere. It is believed that 500 000 of them are still wandering about within Ivorian territory where they are received by host families. This situation aggravates the precarious conditions of these families, many of which have already lost their livelihoods.

428. With respect to refugees themselves, several countries of the subregion receive them. These are, first and foremost, the refugees' countries of origin, as is the case for Sahelians. The next choice is neighboring or relatively peaceful countries. Three of these countries (Guinea, Ghana and Benin) have erected camps with the assistance of the international community, particularly the United Nations High Commission for Refugees (UNHCR) which has become very active in the subregion.

**Table 28. West African Population in Europe since 1996**

Country	1996	1997	1998	1999
France	-	-	-	142 620
Great Britain	-	-	-	250 000
Germany	75 372	81 545	82 828	
Netherlands	25 876	28 889	28 497	

Source: SOPEMI.

**Table 29. Breakdown per nationality of the West African Diaspora in Europe according to 2002 data**

Country	France	Great Britain	Germany	Netherlands	Italy	Spain
Benin	4 119	-	1 146	143	-	-
Burkina Faso	1 873	-	2 099	208	-	-
Côte-d'Ivoire	20 453 (i) 80 000	7 000	3 848	385	-	-
Ghana	3 326	47 000	22 847	305	-	-
Mali	36 091	-	837	117	-	-
Senegal	38 956	-	2 660	658	36 000	5 000
Nigeria	1 425	77 000	15 390	3 778	-	-

Source: SOPEMI.

**Table 30  
Breakdown of the West African population in Côte d'Ivoire (1998 census)**

Nationality	Number	Percentage
Benin	107 499	2.7
Burkina Faso	2 238 548	56
Ghana	133 221	3.3
Guinea	230 387	5.7
Liberia	78 177	2
Mali	792 258	19.8
Niger	102 220	2.6
Nigeria	71 355	1.8
Senegal	43 213	1.1
Togo	72 892	1.8

Source: RGPH–1998 Volume IV. Results analysis (T1).

### Child trafficking

429. Child trafficking in the subregion needs to be taken into account in this study on migration since it is one of the key indicators of poverty. This phenomenon is often neglected in most works on population displacements. It has intensified recently and is becoming endemic on the African continent due to the disastrous consequences of the socio-political crises rocking most of the countries. This phenomenon is particularly rampant in some countries of the subregion which have been identified by the international community as trafficking or receiving countries. Over the past few years, Mali and Benin have been mentioned as trafficking countries,

while Côte-d'Ivoire and Nigeria are receiving countries. However, this phenomenon has spread beyond the subregion to include Gabon, Lebanon and the Gulf countries.

## **A.2 Regulations on population movements**

430. The entry requirements and settlement arrangements of migrants in West African States are regulated by legal instruments which differ with the type of migration, as follows:

- Laws on exit conditions for nationals as well as residence or settlement conditions for foreigners;
- Texts on the status of refugees; and
- Regulations on the trafficking and protection of minors

431. All the States are not up-to-date with respect to these different documents most of which deviate from the ECOWAS protocol on the free movement of persons and goods, thus showing the limits of community decisions. These texts are supplemented by the law on the status of refugees which sets up the National Commission on Refugees whose role is to study refugee records and submit an opinion to the government for decision.

## **A.3 Migration and the regional poverty reduction strategy**

432. The impact of migration on the poverty reduction strategy can be measured in many ways, notably in terms of the production base, the development process, security and peace.

433. **Impact of migration on the production base.** Indeed, one of the major consequences of migration in the West African subregion is the modification of settlement patterns. This leads to highly concentrated settlement in coastal areas, with the emergence of two highly urbanized metropolises, within which a complementary and competitive economy as well as a fairly dynamic consumer market are developing.

434. **Impact of migration on the development process.** There are numerous impacts but two of them are particularly noteworthy: (i) remittances by migrants to their countries of origin; and (ii) the investment potential of returning migrants and the transfer of skills through such migrants.

434. **Migration, security and peace:** The massive population movement in the subregion has henceforth become an important factor of crisis and conflicts. Various deportations of foreigners and the resulting citizenship claims are threats to security and peace. To deal with such ills, there is urgent need to look for new havens for migrants in order to create better conditions of peace and stability in the subregion. There is need to reflect on the possibility of improving the distribution of West Africa's population by trying to play on the different urban networks developing in this part of the African continent. For instance, it is essential to develop the network of secondary cities of the middle belt as new migration centers. Such new areas already form part of the geography and history of West Africa, notably between the 18<sup>th</sup> and 19<sup>th</sup> centuries. In this regard, mention can be made of communities of foreigners who were able to create and populate warehousing markets that served as an interface between the forest and savanna regions. The future of West Africans migrations lies in the development of these midpoint cities between Sahelian and forest countries. Such cities have started gaining ground with the

application of policies on decentralization and the empowerment of local government bodies.

## **B. Conflicts (by Kwesi Aning, Consultant).**

### **B.1 Conflicts are a “regional evil” which requires an integrated approach**

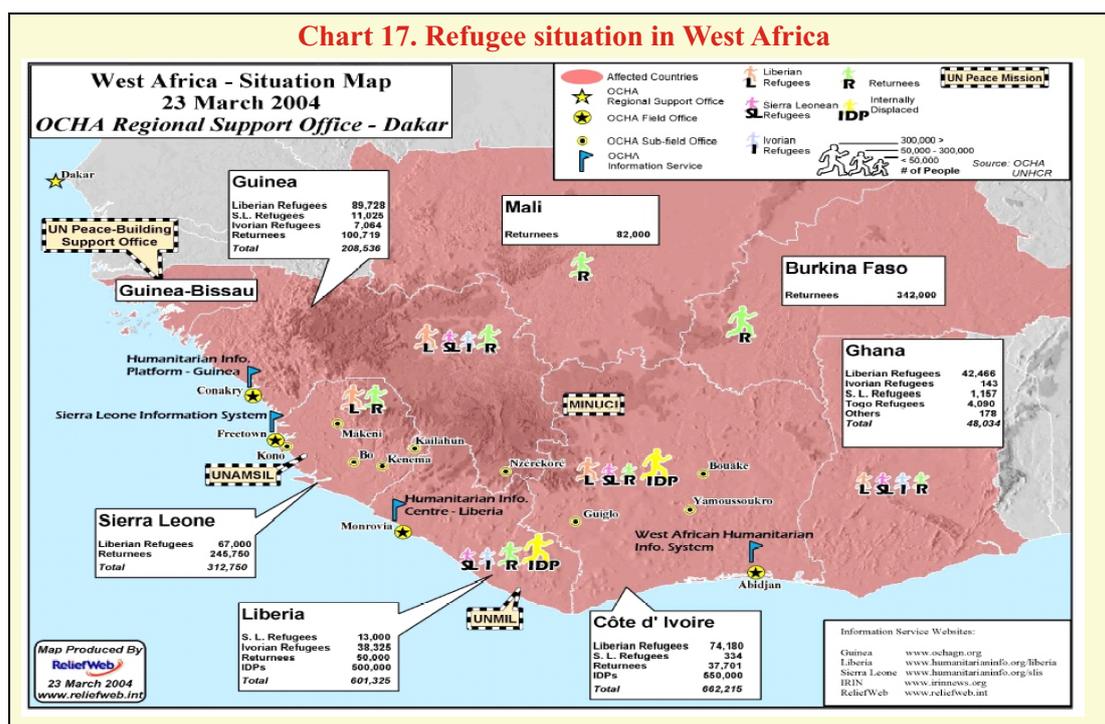
435. Since the end of the 1980s, conflicts have become a prominent feature of the subregion. In 2003, two-thirds of the population (65%) lived in countries severely affected by conflicts. The different epicenters of current conflicts essentially Liberia, Côte d'Ivoire, Casamance and Nigeria share structural factors which perpetuate violence in this region. The numerous and complex sources of these conflicts include weak governance, including in the security sector, lack of career openings for an increasing number of youths and the manipulation of social, ethnic, religious and regional divides for electoral purposes. Combined with these elements of national dimension, there are cross-border factors which contribute to the intensification of conflicts by spreading them beyond national borders. Similarly, the impact of civil wars is felt beyond the national borders.

436. **Vast migratory movements stem from or are the source of conflicts.** Population displacements and refugee camps resulting from a neighboring conflict can very rapidly become tension-starters in the host country. The populations often perceive refugees as wounded combatants compelled to recover before returning to the battle field. Likewise, child soldiers who may be among these displaced are very quickly stigmatized and receive relatively little support. Thus, their reintegration is difficult and they are often compelled to sell their only know-how in this new context. The case of migrant workers in Côte d'Ivoire falls under a completely different register. Nevertheless, the very strong perceptions (of these migrants themselves and of the native population) of “foreigners” on the national territory contribute in associating them very quickly with attempts to destabilize the country. In this specific case, this confusion directly led to the forced departure of several hundreds of thousands of people. The communities who remained in Cote d'Ivoire form self-defense groups and were engaged in revenge actions.

437. **The human and social consequences are disastrous.** Civilians, particularly women and children, have systematically suffered from the most serious consequences. In 1996, a tenth of the Liberian population was killed and a third of the remaining population took refuge outside the borders, and was mostly women and children. Moreover, conflicts have serious human and social consequences which spread beyond the national borders. They cause major population displacements both within the national borders and beyond (Cf. Chart 3). In both cases, these populations survive in very difficult conditions, uncertain about returning or being integrated in the host country. The wars in Sierra Leone and Liberia gave rise to a refugee population corresponding to 15% of the Guinean population. In Côte d'Ivoire, more than 800 000 people were displaced and 400 000 residents were forced to leave the Ivorian territory for their country of origin. These displacements imply very substantial social and economic costs, to be incurred by the displaced populations, host populations and more generally the economies of countries concerned. Beyond these difficulties, the movements are very propitious to the expansion of HIV/AIDS, on the one hand, because they call to question the prevention policies and treatment programs and, on the other, because by making part of the population vulnerable, they encourage the proliferation of prostitution and sexual violence.

438. **Even though it is difficult to quantify, the economic impact is very significant.** The total economic costs of a conflict for the countries directly affected, as well as for the region, are

difficult to evaluate. But to illustrate this, the crisis in Côte d'Ivoire has a direct impact on access to maritime flows for Mali and Burkina Faso which depend on Abidjan. The transportation of goods through Côte d'Ivoire was completely interrupted, and then seriously disturbed while 45% of Mali's exports and 77% of exports from Burkina Faso transited through Côte d'Ivoire before the crisis. According to WAEMU, the Ivorian crisis has directly affected the growth of countries of the region by about 1.7 to 4 percentage points over the past three years. Finally, the destruction of infrastructure and, as a result, of commercial links (transport, energy, water and telecommunications) with neighboring countries is expensive to restore and paralyzes regional trade during a critical period. Besides, a conflict situation certainly leads to disturbances in agricultural production, notably because of difficulties to have access to fields, the market and input distribution. Moreover, the creation and preservation of a war economy cannot be disregarded. Conflicts generate the expansion of an illicit economy which progressively sustains instability to the detriment of the formal productive economy. Finally, the public sector is also deeply affected, since priority is no longer given to good management and results but to the resolution of the crisis. The share of military spending increases not only in the country directly in conflict but also in the budget of its neighbors. Finally, the chaos generated by a crisis makes tax collection even more difficult thus causing public revenues to decline drastically.



439. Conflicts have trickling down and pauperization effects which spread very quickly from one country to another in the subregion. Conflicts produce serious consequences that go beyond national borders. According to an analysis of conflicts (Collier, 2003), when a country is confronted with a conflict, there is one out of two chances (0.55) that at least one of its neighbors will, in turn, experience a conflict in the near future. This domino effect is greatly strengthened in this region by a very strong interdependence, in economic, social, ethnico-national and political

terms. Lack of maritime access for a certain number of countries affects their trade and makes them dependent on the stability of countries through which their trade routes pass.

440. The factors linked to conflicts are numerous, some are specific to countries of the region, and others are cross-border. To face up to the tangible risk of sinking or relapsing into a conflict, the countries prepared several conflict prevention systems. ECOWAS Member States also agreed to set up a conflict prevention mechanism at regional level. But before describing this specific mechanism, there is need to recall that regional integration is, in essence, a process which tends to reduce the incidence of conflicts as demonstrated in the case of Europe, for example. The basic added value of integration is the development of common interests which progressively guarantee a balance of national interests and a common development. Thus, in 1999, ECOWAS established a Mechanism for Conflict Prevention, Management and Resolution and for the Maintenance of Peace and Security based on two legal instruments, namely an early warning system and a peacekeeping operation. The Constitutive Act of the African Union in 2002 and the NEPAD mechanism in 2001 reflect the recognition of the crucial role for the development of peace and security as well as the central responsibility of ECOWAS to carry out this mandate for West Africa. Thus, the ECOWAS Secretariat is very much involved in preventive diplomacy and mediation activities. The preventive alert system is a structure resting on four offices/zones responsible for observation and the collection of some amount of information in the form of indicators linked to the outbreak or intensification of conflicts. The said information is centralized by a very sophisticated communication system. In addition to the ECOWAS Authority of Heads of State and the Council of Ministers, a Council of Elders was set up by the Mechanism for Conflict Prevention, Management and Resolution and for the Maintenance of Peace and Security. This council participates directly in mediation, and reconciliation activities as well as in good office.

## **B.2. National policies**

441. Conflict prevention is based on a set of processes and structures instituted or not by the State. It is relatively difficult to assess their efficiency because apart from the upsurge of violent conflicts, there is no other factor on the basis of which their impact can be specifically assessed. The security structures of the State are mandated to detect the risks of violence and prevent their potential intensification. However, no alert system, even if sophisticated, can be efficient unless it is integrated in the decision-making process and combined with the appropriate response policies.

### **Ghana**

442. The existence of many conflicts in Ghana and the absence of an armed conflict tend to sustain that the processes and structures in place are relatively efficient, notably in comparison with the two other cases presented here. The legal system is the first element of violent conflict prevention since it nips them in the bud. A survey conducted by the Center for Democratic Development showed that 45% of the population had confidence in this method of solving differences. In 1996, a law on security intelligence agencies created decentralized representations for local implementation and more precise information collection. In 2001, a National Reconciliation Commission was set up by law to receive individual petitions concerning human rights violations. Even though this Commission's mandate was very controversial, it facilitated the widespread dissemination (radio televised) of hearings. The tradition of chieftainship is still very active and very powerful. By recognizing this institution,

the 1992 Constitution made it possible to preserve these local conflict resolution structures. However, a growing proportion of these chiefs are increasingly subjected to manipulation similar to that of public servants. Finally, the existence of a large number of civil society organizations reveals a certain structure of society to understand the problems upstream and at community level.

### **Côte d'Ivoire**

443. Contrary to Ghana, the current paralysis in Côte d'Ivoire illustrates that either the conflict prevention or resolution structures are inefficient or the capacities of networks engaged in this war are manifestly superior. The State information and security services could not avert the coup attempts of 1999 and 2002. In 2001, a National Reconciliation Forum brought together the actors representative of the country to discuss difficult conflict-related issues. However, it did not lead to decisions that would make it possible to avert the train of events. The fact that traditional chieftainship is not officially recognized made it difficult for them to play an essential role beyond a few individual attempts. In accordance with the Marcoussis Agreement, Ivorians set up a Government of reconciliation and adopted a method of resolving factors of conflict in each of the chapters of the Agreement. However, in these cases, the fact that there is no clear definition in substance and time made it difficult to obtain the progress necessary for the return of stability. A National Disarmament, Demobilization and Reintegration Commission was also created to prepare an economic and social reintegration program for combatants. However, the institution was weakened by lack of participation and political manipulations. Finally, the recent efforts of Heads of State of the region gave fresh impetus to the Disarmament, Demobilization and Reintegration Program, and to all structures and processes essential for the restoration of peace.

### **Nigeria**

444. Nigeria has conflict prevention structures that are similar to those of Ghana. With several additional security and intelligence agencies and traditional structures, this immense country should also superpose the federal level. Corruption and the distance between some regions and the capital make it even more difficult to implement the conflict prevention process, but especially to have a rapid response capacity. In response to the threat posed by youth movements, President Obasanjo launched an important campaign for the youth with mobile teams, including a number of actors like the Senate and the Lower House or the country's Bar Association. A Commission for the Development of the Niger Delta was created in order to delve into the root causes of conflicts in this region which threaten the country's oil industry. Finally, there is an Institute for Peace and conflict Resolution attached to the President's Office which conducted an in-depth and very open analysis of conflicts. At the end of this work, a National Action Plan on Conflicts was developed and the Vice President of the Federal Republic of Nigeria is responsible for its implementation.

### **B3. Regional perspectives: for a more effective prevention at ECOWAS level**

445. Within the framework of the Mechanism for Conflict Prevention, Management and Resolution and for Peacekeeping and Security, ECOWAS Member States have made substantial progress in the political and military integration process. However, the ECOWAS peacekeeping operations could be improved and a West African expertise would benefit from being more developed. To this end, ECOWAS should draw lessons from its commitment to the different

Disarmament, Demobilization and Reintegration processes in the region and establish a policy and common know-how on the DDR of the region.

446. ECOWAS should be able to systematize and take advantage of data concerning illegal trafficking of small arms and armed groups by ensuring the enhanced integration of the early warning system. There is also need to improve the early warning system by ensuring that indicators work more thoroughly, giving a more clear mandate to offices/zones, building the capacities of the secretariat staff, involving and sharing experiences with civil society organizations doing similar work and finally, by ensuring that the procedures are more transparent.

447. The competitive advantage of the expertise and special space of exchange provided by ECOWAS with respect to the security sector reforms should enable Member States to initiate a reflection and make a commitment for greater efficiency and a better adaptation of national defence and security forces. Regional conflict prevention policies should be based on an analysis of the dynamics of conflicts in the region. It is essential to understand the conflict-related factors during the different phases so as to strengthen the stability factors and reduce the scope of factors of instability.

448. Specific approaches and programs to protect and reintegrate child soldiers and female combatants could be developed in a regional perspective. To make its preventive policies more operational, ECOWAS should rely more on Member States and thus ensure the full integration at national level, of decisions expected at regional level.

449. The regional organizations should further integrate the need to institute a transition between emergency humanitarian assistance and development programs and policies. They can also serve as a platform to share practices and information on the success and failures of the reconstruction exercise. To this end, they should deal with the difficulties of coordination between national policies notably at the border and the difficulties of coordination within bilateral development aid agencies and between donors. The regional framework can also provide the opportunity to improve methods such as community development, local information networks and conflict prevention methods at grassroots level. The concerted action and decision-making process particularly those linked to the PRSP should be sufficiently explained and policy-makers should be aware of the political economy of war, cross-border factors and the various interests of parties involved in the continuation or resurgence of the conflict.



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