COMISSÃO DA ECOWAS

ECOWAS COMMISSION **ECOWAS COMMISSION**

2012 MACROECONOMIC CONVERGENCE REPORT

ECONOMIC COMMUNITY OF WEST AFRICAN STATES

Abuja, July 2013

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ABBREVIATIONS - ACRONYMS

ADB	African Development Bank
BCEAO	Central Bank of the States of West Africa
BOP	Balance of Payments
CET	Common External Tariff
EBID	ECOWAS Bank for Investment and Development
ECOMAC	ECOWAS Macroeconomic Convergence Database
EMCP	ECOWAS Monetary Cooperation Programme
EMSM	ECOWAS Multilateral Surveillance Mechanism
EPA	Economic Partnership Agreement
EU	European Union
EUROTRACE	Information System for the Treatment of External Trade statistics
FDI	Foreign Direct Investment
FTA	Free Trade Area
GDP	Gross Domestic Product
IMF	International Monetary Fund
NCC	National Coordinating Committee
NEPC	National Economic Policy Committee
UEMOA (or WAEMU)	West African Monetary and Economic Union
UNDP	United Nations Development Programme
VAT	Value added tax
WABA	West African Bankers Association
WAMA	West African Monetary Agency
WAMI	West African Monetary Institute
WAMZ	West African Monetary Zone

EXECUTIVE SUMMARY

1. This annual macroeconomic convergence report has been produced based on the country reports of the National Coordinating Committees (NCC)/National Economic Policy Committee (NEPC) and information collected during joint multilateral surveillance missions to member States.

2. The i***nternational economic*** **environment** is marked by the intensification of the crisis in the euro zone and slow global economic growth which was 3.2% in 2012 compared to 4.0% in 2011. Global economic activity was characterized by lower inflationary pressure and increasing difficulties in the level of public finance. The year 2012 was also characterized by a deterioration of the current account, especially in sub-Saharan Africa, in conjunction with the decline in prices of main raw materials.

3. ***In sub-Saharan Africa,*** the economic growth rate stood at 5.0% in 2012 against 5.3% a year earlier, in conjunction with the slowdown in growth in Nigeria and South Africa. In this context, the oil exporting countries and low income countries registered higher growth rates, standing at 6.4% and 6.0% respectively. However, middle income countries registered an average growth rate of 3.3% which was lower than average for Sub-Saharan countries. This growth was achieved in an environment marked by a relative decline in the average annual inflation from 9.3% in 2011 to 9.1% in 2012, a deterioration of the fiscal deficit which rose from 1.2% in 2011 to 1.8% in 2012 and a decline of current accounts to 2.8% of GDP from 1.7% in 2011.

4. A***nalysis of the economic and financial situation of ECOWAS Member States*** shows that economic growth in ECOWAS remained robust, rising to 6.6% real GDP as in 2011. Indeed, economic activity in WAMZ was robust in 2012 with the real growth rates varying between 3.9% and 15.2% for Guinea and Sierra Leone respectively. At the UEMOA level, economic growth rate was 6.5% in 2012 compared to 0.9% in 2011, particularly in connection with the normalization of the socio-political situation in Côte d'Ivoire and increase in investment. In 2012, economic activities within the ECOWAS region were carried out in an environment marked by a reduction in inflationary pressures in many countries. However, the overall deficit on a commitment basis, including grants, worsened in many member States in 2012 compared to the situation recorded a year earlier. Regarding the balance of payments (bop), there was deterioration in most UEMOA countries in contrast to improvements in member countries of the WAMZ.

5. With respect to ***macroeconomic convergence,*** based on the new criteria, the performance situation of ECOWAS Member States declined in all criteria except the criterion relating to real interest rates. Regarding the number of criteria satisfied per country, the outcome is mixed. Indeed, three Member States improved their performance satisfying more criteria in 2012 than in 2011. The countries are Cape Verde and Côte d'Ivoire gaining one additional criterion and Guinea with three more criteria. The number of criteria met by Guinea Bissau, Liberia and Mali remained unchanged. However, in the other Member States, a decline in the number of criteria met was recorded. It should be noted that the number of the criteria met by each member country varies from one period to another.

6. ***Concerning policy harmonization and institutional arrangements,*** the situation of member States in relation to the ratification and implementation of the conventions and protocols of ECOWAS did not change in comparison with the situation in December 2011. Indeed, out of fifty-four (54) protocols and conventions adopted by the Authority of Heads of State and Government, seventeen (17) are not yet in force while twelve (12) protocols and conventions are in effect only temporarily.

7. ***For the year 2013,*** a slight acceleration in the growth of the global economy is expected from 3.2% in 2012 to 3.3%. Sub-Saharan Africa will record a real growth rate of 5.4% especially in connection with the production dynamics of the natural resource sector which will lead to increase in public spending particularly in infrastructure projects.

INTRODUCTION

8. The ECOWAS Multilateral Surveillance Mechanism (EMSM) of Economic and Financial Policies of the ECOWAS Member States was established in 2001 via Decision A/DEC.17/12/01 following Decision A/DEC.17/12/99 on the adoption of the macroeconomic convergence criteria for the ECOWAS Monetary Cooperation Programme (EMCP). After some years, the Authority of Heads of State and Government felt the need to restructure the ECOWAS institutions to meet the demands of new challenges facing ECOWAS. Thus, in December 2006 the ECOWAS Executive Secretariat transformed into a Commission and Directorate of Multilateral Surveillance was established within the Department of Macroeconomic Policy.

9. In addition, a Macroeconomic Policy Committee, composed of senior officials of the Ministry of Finance, Directors of Research or Studies in central banks and Heads of national statistical offices in ECOWAS member States, was established. The role of this Committee is to examine all macroeconomic policy documents, including multilateral surveillance report, and submit them to the Convergence Council (Ministers of Finance and Governors of Central Banks), ensuring effective implementation of convergence activities, through compliance of Member States to the multi-year convergence programmes.

10. Moreover, the NCCs, which are an important organ of the EMSM have been established in the non-UEMOA member States, with the exception of Cape Verde. In the UEMOA member states, the NEPCs are saddled with the role of the NCC.

11. It is in this context that the Supplementary Act A/SA.3/06/12, modifying Decision A/DEC.17/12/01 establishing the EMSM was adopted in June 2012 by the Authority of Heads of State and Government. The objective is to better ensure consistency and synergy of action among regional institutions and to ensure that Ministries of Finance and central banks play their central role in the process of regional integration. Moreover, the Supplementary Act aims at strengthening the multilateral surveillance mechanism through the operationalization of an effective, transparent and consistent peer review mechanism within ECOWAS. In this regard, the ECOWAS-WAMA Joint Secretariat was expanded to include WAMI, EBID and the UEMOA Commission. In addition, the Ministries of Finance are involved in all phases of multilateral surveillance.

12. To assist Member States to develop and submit their multi-year convergence programmes, the ECOWAS Convergence Council also adopted a guide for the development of the programmes.

13. Also, the co-existence of three mechanisms of multilateral surveillance within ECOWAS (UEMOA, WAMZ, ECOWAS), often with different criteria might affect the overall assessment of the member States' convergence. Thus, based on the result of a commissioned study and subsequent validation meetings, the harmonized criteria were adopted and integrated into the Macroeconomic Stability and Convergence Pact among ECOWAS member States. This document defines, among other things, the stages of the surveillance mechanism, period of convergence, monitoring process and sanction.

14. This third annual macroeconomic convergence report was produced on the basis of country reports submitted by NCCs/NEPCs in member countries, which were examined during the meeting s of the Joint Secretariat and NCC held respectively in Bissau from 6 to 10 May 2013 and Dakar from 10 to 14 June 2013. It also includes information and data collected during joint multilateral surveillance missions. This report is based on the harmonized convergence criteria contained the Supplementary Act A/SA.4/06/12 relating to Macroeconomic Stability and Convergence Pact among ECOWAS member States. The rest of the report is organized as follows:

i. International economic context;
ii. Analysis of the economic and financial situation of ECOWAS Member States;
iii. Performance under the convergence criteria;
iv. Policy harmonization and institutional arrangements;
v. Prospects;
vi. Conclusions and recommendations

I. INTERNATIONAL ECONOMIC CONTEXT[1]

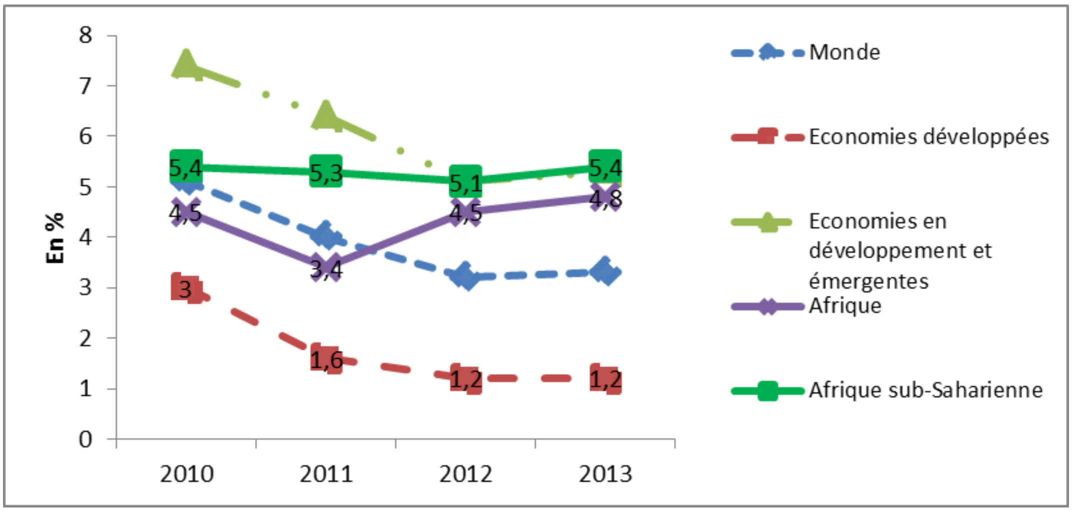
15. The global economy was marked in 2012 by a slowdown in economic growth, mainly as a result of the eurozone crisis and "the tightening of economic policy in the face of insufficient production capacity, weaker demand from developed countries and domestic factors "(IMF, 2012) in emerging and developing countries. Notwithstanding the unfavourable international context, Sub-Saharan Africa experienced robust economic growth in 2012.

1.1. WORLD ECONOMIC SITUATION

1.1.1. World economic growth

16. According to the IMF, global economic growth in 2012 slowed down from 4.0% real GDP in 2011 to 3.2% as result of crisis in the euro zone. However, the situation was different from one region to another as shown in the chart below. Indeed, economic growth was stronger in emerging and developing countries (5.3%), followed by sub-Saharan Africa (5.0%). In contrast, developed economies recorded the lowest growth rate of 1.3%.

Figure 1 : Trend of economic growth from 2010-2013



Source : IMF

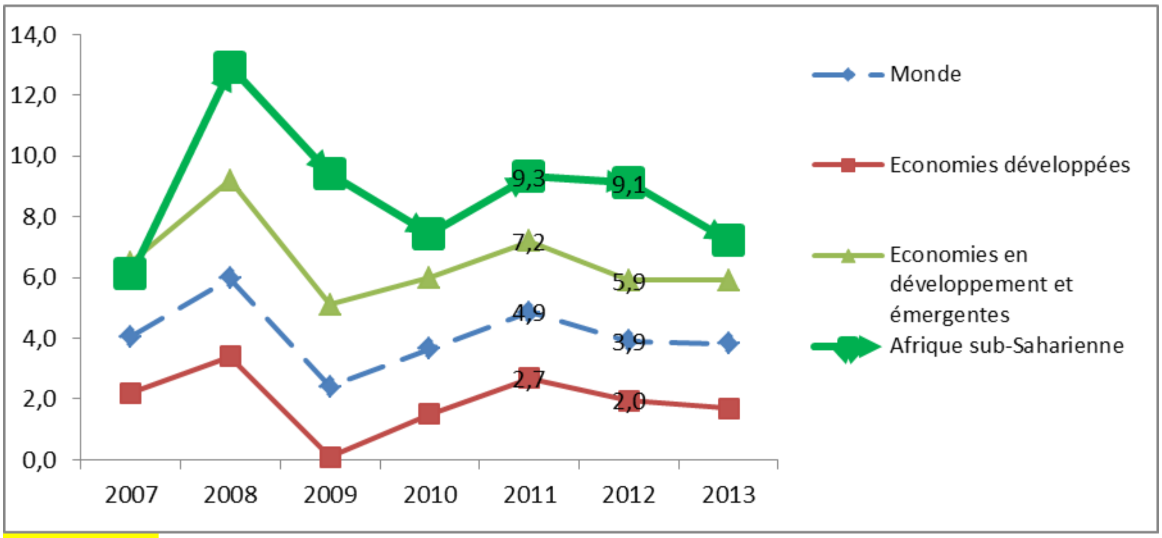
1.1.2. Inflation

17. Global economic activity slowed down in 2012 in an environment characterized by a decline in inflationary pressure. Annual average inflation stood at 3.9% against 4.9% a year earlier, as a result of the decline in commodity prices In this regard, the average annual

[1] This part was written on the basis of data and information from the IMF "World Economic Outlook", April 2013 and "Regional Economic Outlook: Sub-Saharan Africa", May 2013 of the World Bank and the United Nations Economic Commission for Africa.

inflation stood at 2.0% in 2012 against 2.7% in 2011 the advanced countries, and 3.9% in 2012 against 4,.9% in 2011 in emerging and developing countries. Sub-Saharan Africa remains the region with the highest rate of inflation in the world with 9.1% in 2012 after 9.3% in 2011. The graph below shows these changes.

Figure 2: **A**verage inflation (in %) in the world

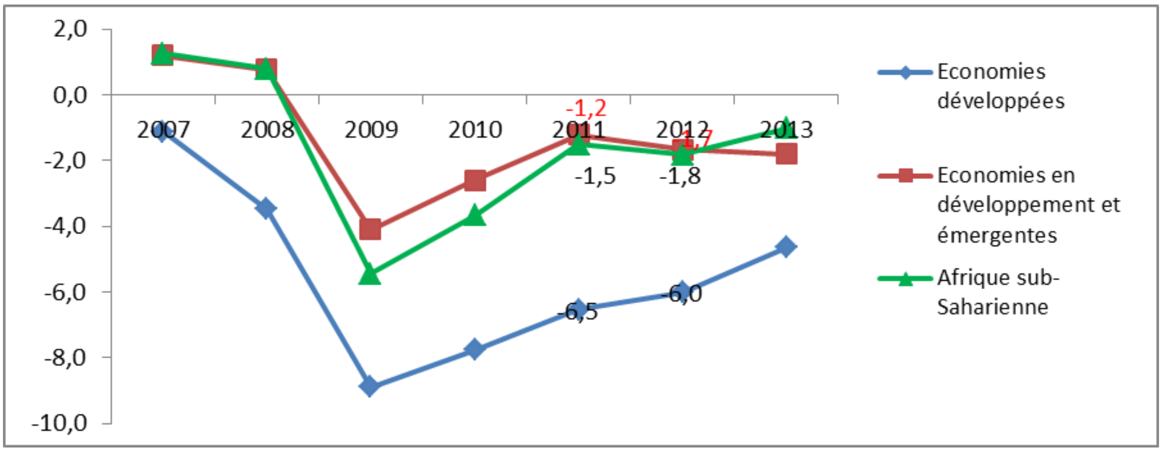


Source: IMF

1.1.3. Public Finance

18. Difficulties in public finance were felt in the advanced countries with high budget deficits, despite the improvement recorded in 2012. In contrast, the sub-Saharan African countries as well as the developing and emerging countries suffered a decline in 2012. Thus, the overall fiscal deficit (as percentage of GDP) was 6.0% in 2012 against 6.5% in 2011 in advanced countries, 1.8% against 1.5% in 2011 in sub-Saharan Africa and 1.7% in 2012 against 1.2% a year earlier in the emerging and developing countries.

Figure 3: **O**verall budget deficit as% of GDP in the world

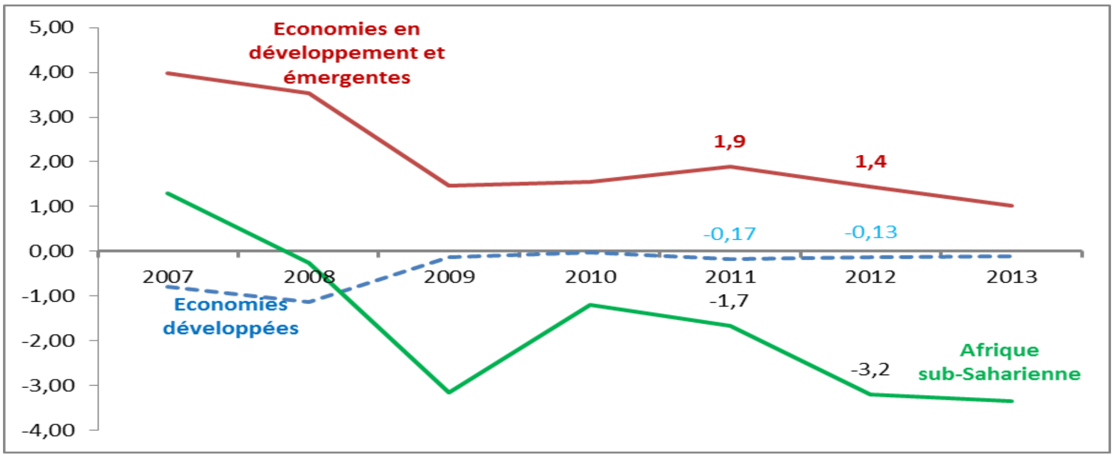


Source: IMF

1.1.4. External Sector

19. As regards the external sector, a worsening current account balance was recorded in the advanced countries from 0.2% of GDP in 2011 to 0.4% in 2012. Similarly, in sub-Saharan Africa, a worsening of the current account deficit was experienced in line with the decline in the prices of major raw materials exported. Thus, the current account deficit was 3.2% of GDP against 1.7% a year earlier. Finally, in emerging and developing countries, the current account surplus was reduced to 1.3% of GDP in 2012 against 1.9% in the previous year.

Figure 4 : Current account balance as% of GDP in the world



1.1.5. Prices of the Main Raw Materials

20. The year 2012 was marked by a decline in prices of key raw materials compared to 2011. The annual average price indices were down in all product groups except group "edible fats and oils" (+3.3%), "Food grains" (+2.4%) and "precious metals" (+1.7%). The largest decreases were observed in the group "other raw materials" (-28.2%), the " beverages" (-20.2%), the "Metals and Minerals " (-15.3%). The table below shows these changes.

Table 1 : Evolution of the raw materials price indices (2005 = 100)

Product	2007	2008	2009	2010	2011	2012	Change 2012/2011	
							Value	In%
Energy	130.3	182.4	114.4	148.9	188.2	187.4	-0.8	-0.4%
Beverages	123.8	151.5	157.5	187.2	208.2	166.3	-42.0	-20.2%
Edible fats and oils	157.3	208.6	165.0	193.3	222.7	230.0	7.3	3.3%
Food grains	151.2	222.8	169.2	180.6	238.5	244.2	5.7	2.4%
Other foods	104.5	124.4	131.3	152.0	167.8	157.9	-9.9	-5.9%
Raw wood	124.4	136.8	126.4	132.3	153.5	142.7	-10.7	-7.0%
Other raw materials	133.3	149.9	131.8	221.3	264.8	190.0	-74.8	-28.2%
Fertilizers	148.8	398.8	203.8	193.5	267.0	259.2	-7.7	-2.9%
Metals and Minerals	185.9	180.3	120.3	186.0	205.5	174.0	-31.4	-15.3%
Precious Metals	161.3	197.0	212.5	279.4	371.9	378.3	6.3	1.7%

Source : Data from the World Bank (http://www.worldbank.org)

21. Changes in price indices of the main raw materials are as shown in Table below. Indeed, between 2011 and 2012, the average prices of the main products declined in international markets notably natural gas (-3 1, 2%), cocoa (-1 9, 7%), arabica coffee (-31, 2%), cotton (40, 9%), oil palm (- 11.2%), rubber (- 27, 3%), etc. However, an increase was recorded in crude oil prices (+1.0%), groundnuts (4.2%), sorghum (1.2%), gold (6.4%), Thai rice (3.5%), fish meal (1.4%) and phosphate (0.5%).

Table 2: Prices of major raw-materials

		2005	2006	2007	2008	2009	2010	2011	2012	Variation 2012/2011	
	Unité	Prix en USD								Valeur	En %
Pétrole brut	($/bbl)	53,4	771,5	71,1	97,0	61,8	79,0	104,0	105,0	1,0	1,0%
Gaz naturel	($/mmbtu)	8,9	80,6	7,0	8,9	4,0	4,4	4,0	2,8	-1,2	-31,2%
Cacao	(cents/kg)	153,8	1 910,3	195,2	257,7	288,9	313,3	298,0	239,2	-58,8	-19,7%
Café arabica	(cents/kg)	253,2	3 026,5	272,4	308,2	317,1	432,0	597,6	411,1	-186,5	-31,2%
Café robusta	(cents/kg)	111,5	1 787,2	190,9	232,1	164,4	173,6	240,8	226,7	-14,1	-5,8%
Arachides	($/mt)	887,9	10 871,0	1 261,9	1 633,0	1 160,3	1 283,9	2 086,2	2 174,5	88,3	4,2%
Huilrde palme	($/mt)	422,1	5 740,3	780,3	948,5	682,8	900,8	1 125,4	999,3	-126,1	-11,2%
Sorgho,	($/mt)	96,2	1 475,3	162,7	207,8	151,1	165,4	268,7	271,9	3,2	1,2%
Riz Thai 5%	($/mt)	286,3	3 658,5	326,4	650,2	555,0	488,9	543,0	563,0	20,0	3,7%
Farine de poisson	($/mt)	731,0	13 996,0	1 177,3	1 133,1	1 230,3	1 687,5	1 537,4	1 558,3	20,9	1,4%
Cotton	(cents/kg)	121,7	1 519,9	139,5	157,4	138,2	228,3	332,9	196,7	-136,1	-40,9%
Caoutchouc	(cents/kg)	-	-	-	-	214,6	386,6	517,0	375,7	-141,2	-27,3%
Phosphate	($/mt)	42,0	530,5	70,9	345,6	121,7	123,0	184,9	185,9	1,0	0,5%
Or	($/troy oz)	444,8	7 252,0	696,7	871,7	973,0	1 224,7	1 569,2	1 669,5	100,3	6,4%
Fer	(cents/dmtu	65,0	832,0	123,0	156,0	80,0	145,9	167,8	128,5	-39,3	-23,4%

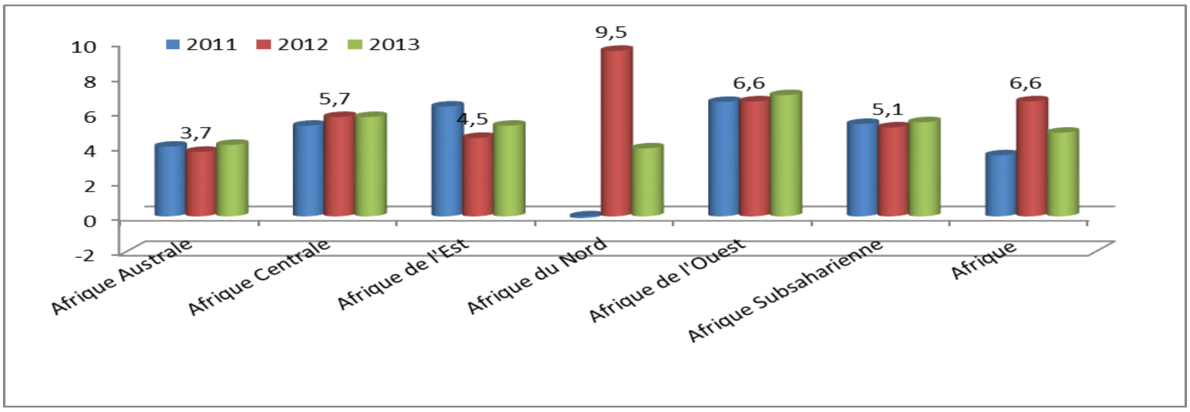
Source: Data from the World Bank (http://www.worldbank.org)

1.2. ECONOMIC DEVELOPMENT IN AFRICA

22. The economic growth in Africa remained robust in 2012 with an increase of 6.6% against 3.5% a year earlier. According to UNECA, growth of the African economy during the year 2012, although backed by commodities, was favoured by the consolidation of domestic demand due to rising incomes and growing urbanization, increased public spending (especially for infrastructure), the bumper harvests in some areas (due to favourable climatic conditions), the closer trade and investment with emerging economies and economic recovery in some countries after years of conflict.

23. By region, the development of economic activities is mixed as shown in the chart below.

Figure 5: Economic Growth in Africa by region

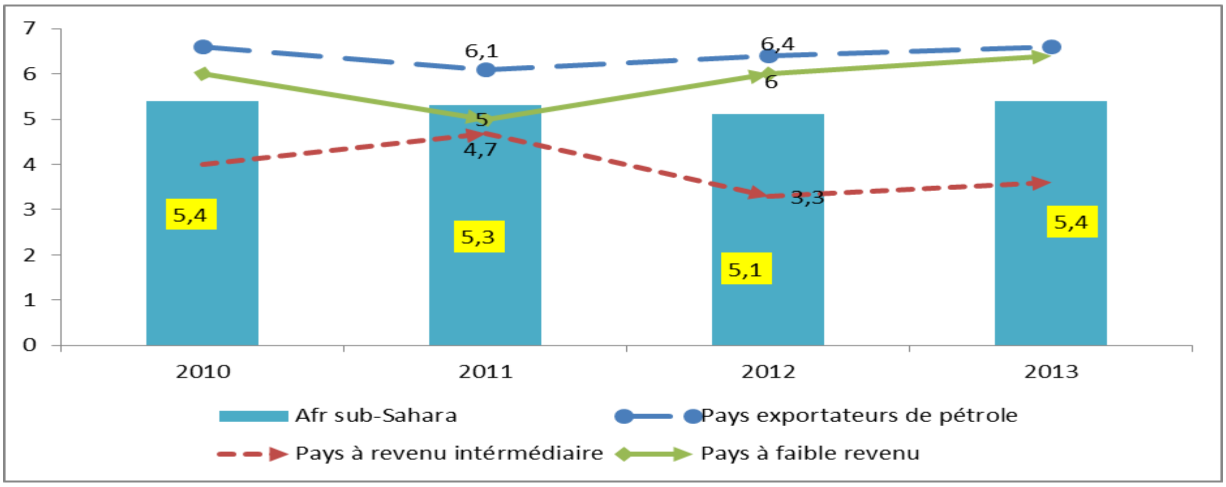


Sources: IMF and ADB

1.3. ECONOMIC DEVELOPMENT IN SUB-SAHARAN AFRICA[2]

24. In sub-Saharan Africa, the rate of economic growth was 5.1% in 2012 against 5.3% a year earlier, a slight slowdown linked to Nigeria and South Africa. Dynamism of the sub-Saharan Africa region is related to the increase in investment in the mining sector, export performance and political stability in many countries. However, this trend was mixed among the various groups of countries, as the graph below shows. Indeed, the oil-exporting countries and low-income countries recorded higher growth rate in 2012, standing at 6.4% and 6% respectively while middle-income countries showed a growth of 3.3% below that of sub-Saharan Africa.

Figure 6 : Economic growth within groups of sub-Saharan Africa



Source: IMF "Regional Economic Outlook, Sub-Saharan Africa", May 2013.

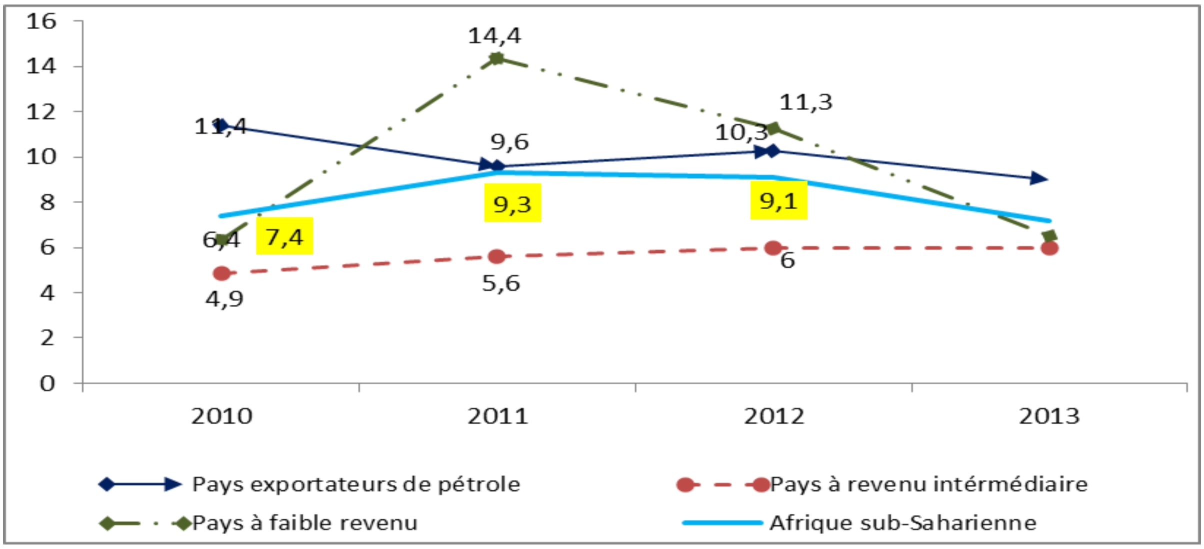
[2] The data used in this section were from the IMF's Sub-Saharan Africa Regional Economic Outlook, April 2013.

1.3.1. Inflation in Africa

25. In 2012, inflationary pressures in Africa South of the Sahara were slightly mitigated. The average annual inflation stood at 9.1% against 9.3% a year earlier as a result of good harvests, restrictive monetary policies (Tanzania, Uganda and Kenya) and appreciation of currencies in some countries.

26. The decline in inflation was particularly pronounced among low-income countries, in which inflation rate moved from 14.4% in 2011 to 11.3% in 2012, even though it remains high. The pace of price growth was more stable among the middle-income countries, when it was 6.0% in 2012 against 5.6% the previous year. However, inflationary pressures have increased in the oil-exporting countries, rising from 9.6% in 2011 to 10.3% in 2012.

Figure 7: Average annual inflation (in %) by group of sub-Saharan Africa

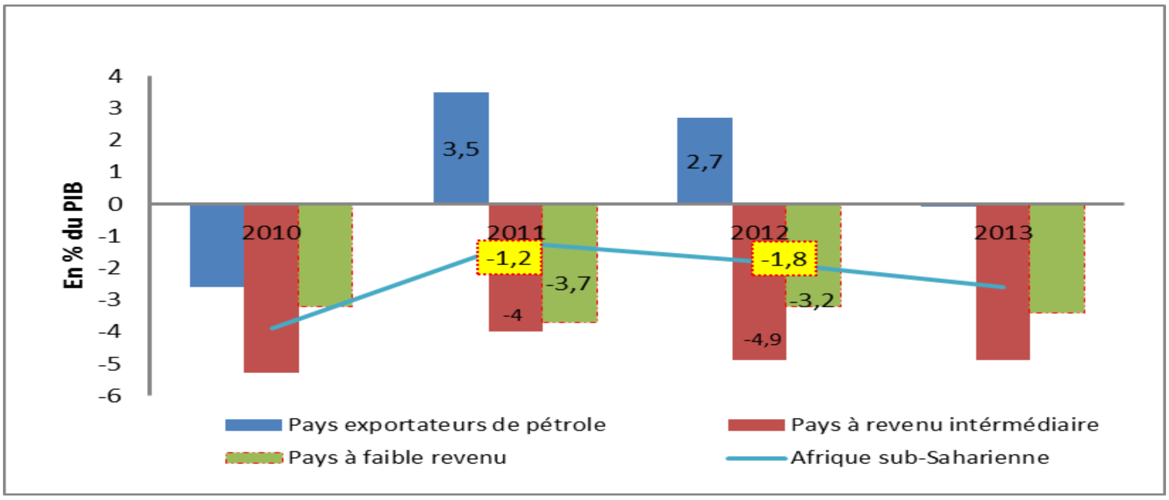


Source: IMF "Regional Economic Outlook, Sub-Saharan Africa", May 2013.

1.3.2. Public Finance

27. The fiscal position deteriorated in sub-Saharan Africa in 2012 compared to the previous year; the budget deficit rose from 1.2% in 2011 to 1.8% in 2012. This is as a result of the reduction of the output of oil-exporting countries, which stood at 2.7% of GDP in 2012 against 3.5% of GDP in 2011. This was exacerbated by increased deficit in the fiscal position of the middle-income countries. However, the impact of these developments was moderated by the reduction of the budget deficit at group's low-income countries, from 3.7% in 2011 to 3.2 % in 2012.

Figure 8: Overall budget deficit (% of GDP) per group of sub-Saharan Africa

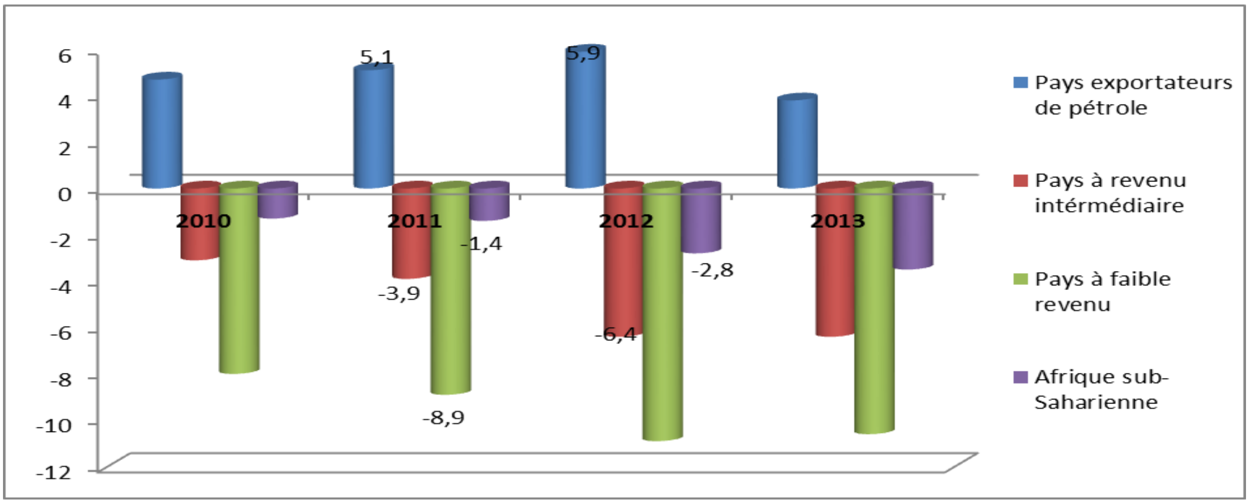


Source: IMF "Regional Economic Outlook, Sub-Saharan Africa "May 2013.

1.3.3. External Sector

28. In 2012, the current account balance of the Sub-Saharan Africa declined by 1.1 percentage point of GDP compared to the situation in 2011, reaching 2.8% of GDP against 1.4% in 2011. The deterioration was particularly serious among the middle and low-income countries due to increase in imports in most countries. However, the current account balance of oil exporters experienced a slight improvement in 2012 to 5.9% of GDP against 5.1% a year earlier.

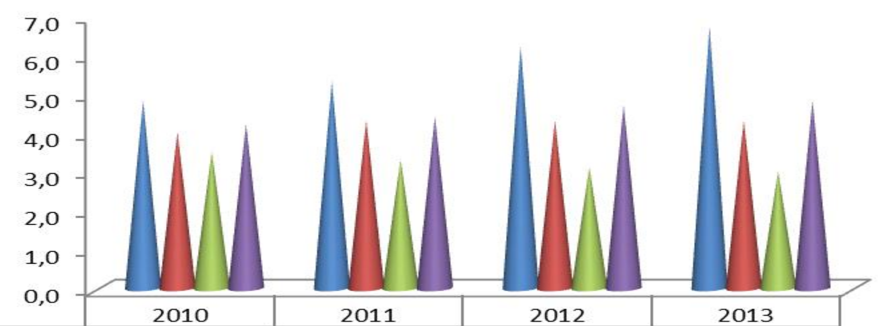
Figure 9: Current account deficits (% of GDP) per group of sub-Saharan Africa



Source: IMF "Regional Economic Outlook, Sub-Saharan Africa", May 2013

29. However, the level of foreign exchange reserves in sub-Saharan Africa improved in 2012, driven by the increase in reserves of the oil-exporting countries. The increase is somewhat mitigated by the decreases recorded in other groups of countries.

Figure 10: Gross reserves in months of imports by group of sub-Saharan Africa



	2010	2011	2012	2013
Pays exportateurs de pétrole	4,8	5,3	6,2	6,7
Pays à revenu intérmédiaire	4,0	4,3	4,3	4,3
Pays à faible revenu	3,5	3,3	3,1	3,0
Afr sub-Sahara	4,2	4,4	4,7	4,8

Source : IMF " Regional Economic Outlook, Sub-Saharan Africa "May 2013.

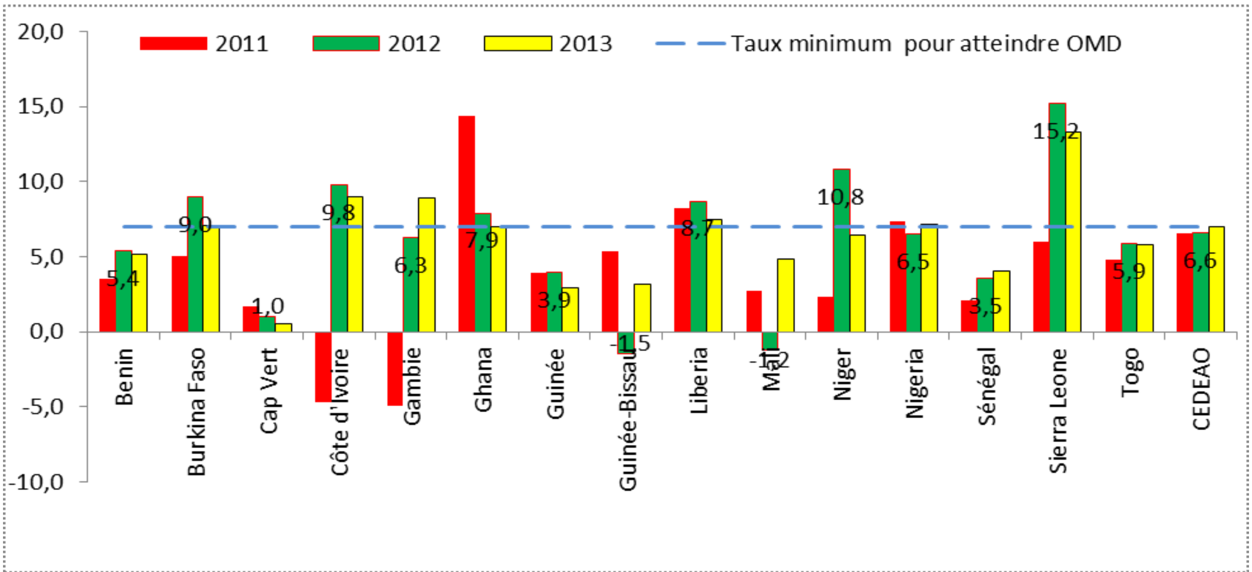
II. ANALYSIS OF THE ECONOMIC AND FINANCIAL SITUATION OF ECOWAS MEMBER STATES

30. This section analyzes the economic and financial situation of ECOWAS member States, through the review of developments in the real sector, public as well as external financial and monetary sectors.

2.1. Developments in the Gross Domestic Product (GDP)

31. The year 2012 was marked by continued economic growth in ECOWAS with 6.6% real GDP as in 2011. This was due to the acceleration of economic growth in a new oil-producing country (Niger) and solid mineral resource-producing country (Sierra Leone) and the strong recovery in economic activity in Cote d'Ivoire and The Gambia. As in previous years, growth was stronger in the WAMZ zone than in the UEMOA zone. The following graph shows the trend of real GDP growth by country in 2011 and 2012. The growth rates varied between -1.5% in Guinea Bissau and 15.2% in Sierra Leone.

Figure 11 : Real GDP growth rates in 2011 and 2012 and Prospects for 2013 (%)



Source: Member States and the ECOWAS Commission

32. Growth prospects of the West African economy remain favourable as it appears as one of the most successful regions with expected real GDP growth of 7.0% in 2013 against 6.6% in 2012. This significant growth forecast for West Africa was due primarily to the expected recovery in global demand for minerals and hydrocarbons as well as improvement in production in the agricultural sector. The dynamism of the regional economy is due to the increasing growth in the major economies of ECOWAS which are Nigeria (7.2%), Côte d'Ivoire (9.0%), Ghana (7, 0%) and Senegal (4.0%). In addition, other member States such as Sierra Leone (13.3%), The Gambia (8.9%), Liberia (7.5%), Burkina Faso (6.8%), Mali (5.1%), Guinea (2.9%) and Guinea Bissau (3.2%) would record sustained growth rates.

2.1.1. GDP Growth in the WAMZ

33. Economic activity in the WAMZ remained robust in 2012; national economic growth rates ranged from a minimum of 3.9% in Guinea to 15.2% in Sierra Leone. By country the situation is as follows:

34. In The **Gambia,** the real GDP growth rate was 6.4% in 2012 after a decline of 4.9% in 2011, mainly due to the tertiary sector, followed by the primary and secondary sectors Indeed, the tertiary sector grew by 5.8% due to the good performance of the hotels and restaurants sub-sector as well as communications contributed 3.5 percentage points to growth GDP in 2012. The primary sector grew by 7.5% as a result of the 12.4% increase in agricultural production against a decline of 45.7% in 2011, contributing 1.6 percentage point increase of GDP in 2012. The secondary sector posted a growth of 6.6%, driven by all sub-sectors except electricity and water, which contributed 0.9 percentage point to GDP growth in 2012

35. In **Ghana,** the real GDP growth was 7.1% in 2012 against 14.4% in 2011, driven mainly by the secondary and tertiary sectors. Indeed, the secondary sector increased from 7.0% in 2012 against 41% in 2011, as a result of oil production. At the tertiary level, which represents 50% of GDP, growth was 10.2% against 8.2% a year earlier due to the performance of all sub-sectors. For the primary sector, the growth rate was 1.3% in 2012 vis-à-vis 0.8% in 2011, mainly as a result of the intensification of fertilizer subsidy programme, the mechanization of agriculture and programme on development of fishery.

36. In **Guinea,** the rate of real GDP growth was 3.9% in 2012 as in 2011, driven by the performance of all sectors. Indeed, the rate of growth in the primary sector was 3.8% due to the performance recorded in all sub-sectors. At the secondary level, growth was 3.5% in 2012 compared to 4.3% the previous year, due to the recovery in production and distribution of electricity, which has positively impacted the manufacturing sub-sector. The tertiary sector experienced a growth rate of 3.3% in 2012 compared to 3.2% the previous year. From the demand side, growth was driven by all demand components.

37. In **Liberia,** the real GDP growth was 8.7% in 2012 compared to 8.2% a year earlier, driven by the dynamism of the secondary sector due to the growth in mining sub-sector which grew by 46.5% in 2012 after reaching 30.5% in 2011. This increase is related to the increased production of gold, in spite of the decrease in diamond production. The primary sector experienced an increase of 2.1% in 2012 against 3.7% a year earlier. The tertiary sector grew by 5.4% in 2012 vis-à-vis 7.6% in 2011. Contributions to GDP growth in 2012 were 0.8, 5.3 and 2.6 percentage points for the primary, secondary and tertiary sectors, respectively.

38. In **Nigeria,** the economic growth rate was 6.5% in 2012 compared to 7.4% the previous year, driven mainly by the non-oil sector which increased by 7.9% vis-a-vis 8.8% in 2011. However, the impact of this increase was offset by the decline in production in the oil sector, which experienced a decline of 0.9% in 2012 against a slight increase of 0.14% in 2011. The decline was not unconnected to oil pipeline vandalization. The primary sector growth slowed in 2012 to 3.9% compared to 5.6% in 2011 due to flooding in many parts of

the country and security problems in the northern part of the country. The secondary sector experienced an increase of 7.6% in 2012 compared to 7.5% a year earlier as a result of improvement in electricity supply. Also the tertiary sector experienced growth in all its sub-sectors.

39. In **Sierra Leone,** the real GDP growth rate was 15.2% in 2012 vis-à-vis 6.0% in 2011 essentially due to mining activities (iron ore in particular), supported by the strong performance of other sectors. Indeed, the primary sector experienced an increase of 3.8% in 2012 compared to 4.9% in 2011 as a result of measures embarked upon to support agricultural production. At the secondary level, due to mining, economic activities increased by 127.6% in 2012 compared to 10.2% a year earlier. The tertiary sector experienced an increase of 5.9% in 2012 vis-à-vis 6.6% a year earlier which is attributable to the improved performance of all its sub-sectors. Contributions of the sectors to GDP at factor cost were 2.0 percentage points for the primary, 10.9 percentage points for secondary and 2.1 points for the tertiary sectors.

2.1.2. GDP growth in UEMOA

40. The economy grew by 6.5% in 2012 against 0.9% in 2011 as a result of the normalization of socio-political situation in Côte d'Ivoire and increase in investment. Particularly, favourable climatic conditions also contributed to the positive economic growth. Country by country situation is as follows:

41. **Benin's** economic growth was 5.4% in 2012 compared to 3.5% in 2011, driven by all sectors. The primary sector recorded an increase of 5.8% due to the improved performance of agriculture especially the cotton sub-sector. The secondary sector grew by 4.8% due to the good performance of the manufacturing and electricity sub-sectors. The tertiary sector recorded a growth of 5.3%, driven notably by dynamism in the port.

42. In **Burkina Faso,** the growth rate[3] was 9% compared to 5.0% in 2011 due to improvements in all its sub-sectors. Thus, the growth in the primary sector activities was 12.9% in 2012 after declining by 4.8% in 2011 due to satisfactory rainfall which helped to increase agricultural production by 29.9%. The secondary sector increased by 3.8% in 2012 against 11.1% in 2011, mainly as a result of the renewed activities in the construction (+7.3%) and cotton ginning (20.1%) sub-sectors. The tertiary sector grew by 6.0% in 2012 against 5.8% in 2011 due to the good performance of financial services, transport, telecommunications and cultural events. From the demand side, growth was driven by foreign trade (4.9 percentage points), investment (1.6) and consumption to a lesser measure (0.5).

43. In **Côte d'Ivoire,** the economy grew by 9.8% in 2012 after declining by 4.7% in 2011. This improvement was due mainly to the return of political stability throughout the country and boosting of investment that favoured the rebound of economic activities in all sectors. The primary sector slowed from an increase of 4.8% in 2011 to 2.3% in 2012, due to lower production of cocoa and crude oil by 8.1% and 13.1% respectively. The secondary sector

[3]

has recovered strongly and grew by 19.2%, driven by construction (44.3%) and food industry (20.4%). The activities of the tertiary sector grew by 13.5% in 2012 due to the improvement of the security situation and the resumption of the secondary sector activities.

44. In **Guinea-Bissau**, the real GDP growth rate was – 1.5%[4] compared to 5.3% in 2011. This poor performance, within a context of social and political crises, is mainly due to under performance of the secondary and tertiary sectors. The decline in the value added of the secondary sector was 3.6%. It results from the contraction of construction by 5.5% due to fall in investment occasioned by suspension of cooperative relationships with key development partners and the decline in the activity of the agribusiness which suffered from the effects of insufficient production of electricity. Similarly, the activities of the tertiary sector fell by 1.4%, mainly due to the decline recorded in trade, transportation and telecommunications.

45. In **Mali**, the economy recorded a growth rate of 0.4% compared to 2.7% in 2011, within a context of political, security and humanitarian crises that affected the performance of the secondary and tertiary sectors. However, the value added of the primary sector increased with both food and cotton production growing by 8.6% against a 1.3% drop in 2011 due to favourable rainfall during the 2012/2013 season. The results of the production in the rice industry and food crops excluding rice grew by 27% and 10% respectively. In the other sub-sectors, apart from productions of gold, cotton ginning and textile, all activities were affected. The activities of the construction sub-sector declined by 35% due to the suspension of budget support from technical and financial partners and the sharp reduction in aid projects. Similarly, the hospitality and restaurant sub-sector dropped by more than 40%, due to decline in business travel for security reasons.

46. In **Niger**, the real GDP growth was 10.8% in 2012 vis-à-vis 2.3% in 2011 as a result of the exploitation of oil production and recovery of agricultural production after the deficit in the 2011/2012 crop year. The primary sector is the main engine of the economy, with growth of 12.8% in 2012 against 3.0% in 2011, following the sharp increase in agricultural production. The secondary sector grew by 40.3% in 2012 after 6.0% in 2011 due to the exploitation of the oil production and the performance of the uranium and gold sub-sectors. Finally, the tertiary sector recorded a real growth of 5.4% in 2012 as in 2011 resulting from the good performance of its sub-sectors.

47. In **Senegal**, the rate of real GDP growth was 3.5% in 2012 compared to 2.1% in 2011. This growth was led particularly by the primary sector. Indeed, the value added of the primary sector increased by 8.9%, driven by the agricultural sub-sector which grew by 14.9% as a result of abundant and well distributed rainfall, distribution of agricultural inputs and preservation of the phytosanitary situation. In contrast, a slowdown was registered at the secondary and tertiary sector levels.

48. In **Togo**, the economy recorded a growth rate of 5.9% compared to 4.8% in 2011. This growth was driven by improvement in all sectors, especially the manufacturing sector. The

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[4]

value added increased by 13.3%, reflecting the improved performance in manufacturing, construction, mining and electricity. The rise of activities of extractive and manufacturing industries is linked to external demand, especially in the West African market.

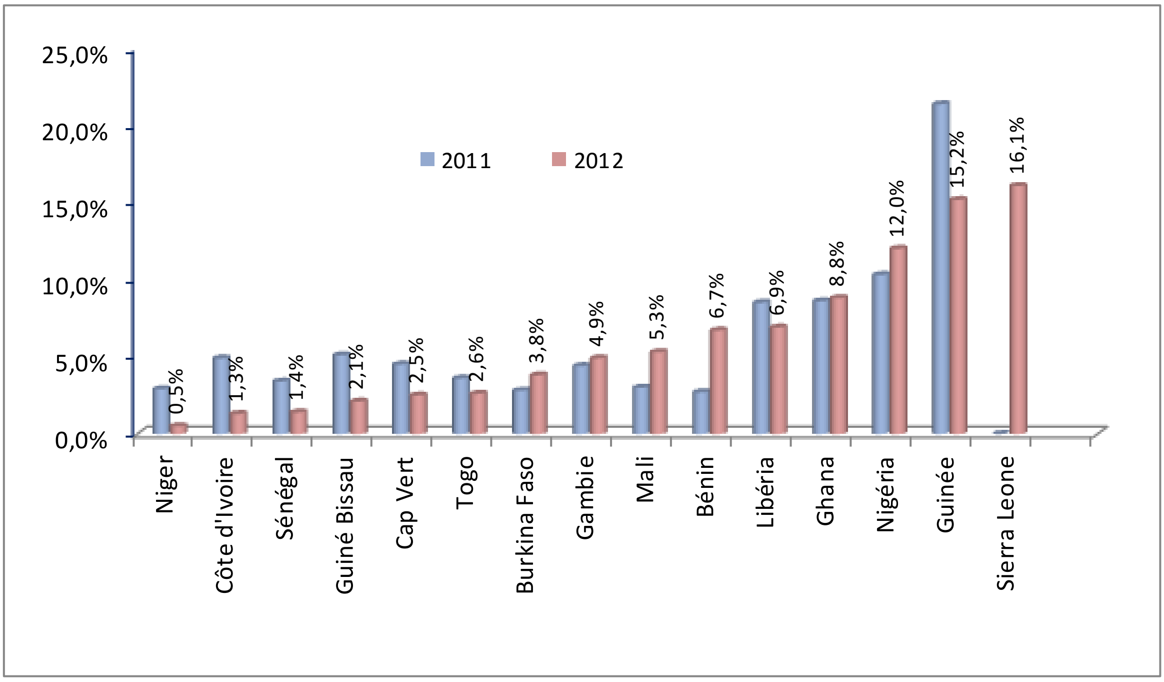
2.1.3. GDP Situation in Cape Verde

49. In **Cape Verde**, the real GDP growth rate was 1.0% in 2012 compared to 1.7% the previous year. The slowdown in economic activity is due to the decline in domestic demand as a result of lower consumption and private investment. However, the impact of the decline in domestic demand was offset by the increase in net external demand as a result of the decline in imports.

2.2. INFLATION

50. In 2012, economic activities in the ECOWAS region were carried out in an environment marked by a reduction in inflationary pressures in many Member States compared to the previous year. Indeed, an increase in inflation was observed in Benin (6.7% against 1.8% in 2011), Burkina Faso (3.8% vis-à-vis 2.8% in 2011), Mali (5.3% against 3.0% in 2011) and Nigeria (12.0% against 10.8% in 2011). However, a decline in inflation was recorded in Cape Verde (2.5% against 4.5% in 2011), Guinea (15.2% against 21.4% in 2011), Côte d'Ivoire (1.3% against 4, 9% in 2011), Guinea-Bissau (2, 1% against 5.1% in 2011) and Sierra Leone (12.8% against 16.1% in 2011). The chart below shows these changes.

Figure 12: Inflation by country in 2011 and 2012



Source: Report on economic and financial situation in Member States

51. In The Gambia, inflation, measured by the Consumer Price Index, was 4.3% in 2012 compared to 4.8% in 2011. Inflation in 2012 was driven principally by the high rise in the prices of foodstuffs.
52. In Ghana, inflation increased slightly from 8.6% in 2011 to 8.8% in 2012 on account of an increase in the prices of foodstuffs and the weakening of the Cedi against the major currencies.
53. In Guinea, the annual average rate of inlation fell from 21.4% in 2011 to 15.2% in 2012 as a result of the commencement of programmes to support food security at the beginning of 2011 with the opening of show rooms for the sale of imported rice, a slight depreciation of the guinean franc against the major currencies an restrictive monetary and fiscal policies pursued by the government.
54. In Liberia, inflation remained relatively moderate, falling from 8.5% in 2011 to 6.9% in 2011 owing to improvements in crop production and prudent monetary policies.
55. In Nigeria, annual average rate of inflation rose from 10.8% in 2011 to 12.2% in 2012, explained by a rise in rents, an increase in the rates of utilities and energy as well as clothing and footwear.
56. In Sierra Leone, the rate of inflation fell from 16.1% in 2011 to 12.8% in 2012 in part due to the stabilisation of the rate of change of prices and to prudent monetary policy.

57. In Benin, inflation picked up strongly, induced by the increase in the price of fuel imported from Nigeria following the reduction of fuel subsidies by the government of the Federal Republic of Nigeria. Thus, inflation increased to 6.7% in 2012 from 1.8% a year earlier. The annual average rate stood at 6.7% in 2012 compared to 2.7% in 2011.

58. In Burkina Faso, inflation rose from 2.8% in 2011 to 3.8% in 2012 essential on account inc of an increase in the prices of food products and non-alcoholic drinks. The situation is explained by the poor harvest recorded during the 2011/2012 crop season which exacerbated the pressures in the cereal market in the third quarter of 2011. Other factors that contributed to inflationary pressures were the increase in the ex-pump prices of fuel, combustibles and prices of construction materials.

59. In Cote d'Ivoire, the annual average rate of inflation fell from 4.9% in 2011 to 1.3% in 2012. From the Consumer Price Index, key categories that contributed to the fall in inflation include "Food and Non-Alcoholic Drinks" (-0.3%), "Health" (-0.9%), "Communication" (-3.3%), Categories that saw increases were "Furniture, Household Items and Home Maintenance" (+4.5%), "Hospitality Services" (+4.3%) and "Hotels" (+6.8%).

60. In Guinea Bissau, annual average rate of inflation stood at 2.1% in 2012 compared to 5.1% in 2011. The fall in inflation was attributed to price changes related to "Food and Non-Alcholic Drinks" and "Transport" components of the Consumer Price Index.

61. In Mali, the annual average rate of inflation increased from 3.0% in 2011 to 5.3% in 2012.

62. In Niger, annual average inflation fell from 2.9% in 2011 to 0.5% in 2012. Inflation in 2012 was caused by a rise in the prices of food and non-alcoholic drinks (4.9%), alcoholic drinks and Drugs (4.6%), "Goods and Miscellaneous Services" (4.1%). Categories that contributed

to the decline inflation were “Housing, Water, Electricity, Gas and Other Fuels” (-3.9%), “Transport” (-7.2%), Communication” (-3.3%) and Restaurants and Hotels” (-7.1%)

63. In Senegal, annual average inflation fell from 3.4% in 2011 to 1.4% in 2012. Iflation in 2012 was attributable to price dynamics in “Food and Non-Alcoholic Drinks” (4.4%), “Education” (3.1%),” Restaurants and Hotels” (1.9%) and to a lesser degree “Housing, Gas, Electricity and Other Fuels” (1.3%).

64. In Togo, annual average inflation increased to 2.6% essentially due to the rise in the prices of categories such as “Food and Non-Alcoholic Drinks” (3.4%), Housing, Gas, Electricity and Other Fuels” (6.0%), “Transport” (4.9%) and “Goods and Miscellaneous Services” (4.8%).

65. In Cape Verde, a fall in inflationary pressures was observed in 2012, Thus, the annual average rate of inflation fell from 4.5% in 2011 to 2.5% in 2012 as a result of the fall in the prices of food products and world market price of crude oil complemented by a fall in domestic demand.

2.3. PUBLIC FINANCE AND PUBLIC DEBT

66. The situation of public finance in the ECOWAS region in 2012 is presented below:

2.3.1. Public finance in the WAMZ

67. The overall deficit on a commitment basis, including grants, worsened in most members of the WAMZ in 2012 compared to the situation a year earlier. By country, the situation is as follows:

68. In The **Gambia**, the financial activities of the country in 2012 resulted in an overall deficit of 4.6% of GDP as in 2011. Total revenue and grants increased by 31.6% to settle at 25.0% of GDP in 2012 compared to 21.0% a year earlier. Grants rose by 92.7% (it accounted for 8.9% of revenue and grants in 2012 against 5.1% in 2011) and revenue increased by 12.0%. As regards total expenditure and net lending, they increased by 27.7% to reach 29.6% of GDP in 2012, of which current expenditure accounted for 17.7% of GDP compared to 25.6% in the previous year, due to higher capital expenditures, including those financed by external resources.

69. As regards public debt, it was 78.4% of GDP in 2012 compared to 75.6% of GDP in 2011. Domestic debt grew by 13.6% to stay at 36.5% of GDP in 2012 compared to 35.5% a year earlier. Concerning external debt, it was 41.9% of GDP in 2012 compared to 40.1% the previous year.

70. In **Ghana**, the overall fiscal balance including grants, posted a deficit of 11.8% of GDP against 4.0% in 2011. This situation is explained by expenditure and net lending being greater than revenue. Indeed, revenue increased by 30.2% to reach 22.8% of GDP in 2012, as a result of the 28% increase in tax revenue. Total expenditure and net lending increased

by 64% to reach 35% of GDP in 2012 due to in connection with the clearance of arrears and rising current expenditure (+64.6%) and capital (28%).

71. Public debt increased by 23% to stay at US$ 18,832.8 million (49.4% of GDP) in 2012 compared to US $15,350.1 million (40.8% of GDP) a year earlier. The domestic debt increased by 30% to reach 53% of the total public debt.

72. In **Guinea**, the overall fiscal deficit including grants was 1.2% of GDP in 2012 compared to 0.3% a year earlier due to expenditure being greater than revenue. Indeed, total revenue and grants were 24.4% of GDP in 2012 against 20.2% of GDP in 2011, mainly due to the increase of 3.1 percentage points of GDP in revenue of the non-mining sectors. Total expenditure and net lending increased by 5.1 percentage points of GDP and reached 25.6% of GDP in 2012 compared to 20.5% of GDP in 2011. The increase was driven by capital expenditure which was financed from external resources, which rose by 4.3 percentage points of GDP.

73. The outstanding external public debt[5] stood at 50.2% of GDP in 2012 compared to 59% of GDP in 2011.

74. In **Liberia**, the fiscal balance including grants showed a surplus of 4.1% of GDP compared to a deficit of 1.1% in 2011, due to the decline in total expenditure and lending accompanied by an increase in total revenue and grants. Indeed, revenue amounted to 26.5% of GDP in 2012 against 25.1% in 2011, while total expenditure and net lending were 24.7% of GDP in 2012 compared to 25.8 % of GDP a year earlier.

75. The total public debt was 33.0% of GDP in 2012 against 34.4% a year earlier, of which domestic debt accounted for 16.6% of GDP in 2012 vis-à-vis 16.4% of GDP in 2011.

76. In **Nigeria**, the public finance situation stood at a deficit of 2.5% of GDP in 2012 compared to 2.9% a year earlier due to increase in revenue and lower expenditure, especially current expenditure. Indeed, the total revenue of the Federal Government stood at 7.6% of GDP in 2012, while total expenditure was 10% of GDP in 2012.

77. Public debt increased to 18.1% of GDP in 2012 compared to 17.6% of GDP in 2011. Domestic debt stood at 15.7% of GDP in 2012 compared to 15.2% in 2011.

78. In **Sierra Leone,** the overall fiscal deficit on a commitment basis, including grants, stood at 5.2% in 2012 against 4.6% the previous year, due to a decrease in total revenue and grants vis-à-vis total expenditure and net lending. Indeed, total revenue and grants were 15.2% of GDP in 2012 against 17.0% a year earlier, following in particular the decrease in grants, which declined from 5.6% in 2011 to 3.8% in 2012. Meanwhile, expenditure was 20.4% of GDP in 2012 against 21.6% a year earlier, following the capital expenditures which declined from 9.0% in 2011 to 7.7% in 2012. It should be stated that the expenditure and revenue all increased in nominal terms by 21.6% and 15.4% respectively compared to 2011.

[5] Data on the domestic debt are not available.

79. Public debt stood at 39.2 % of GDP in 2012 against 53.4% of GDP in 2011. External debt stood at 28.5% of GDP in 2012 against 42.1% of GDP a year earlier.

2.3.2. Public finance in UEMOA Member States

80. The performance of fiscal operations of UEMOA member countries was characterized by a worsening budget deficit, strong growth in expenditure, particularly in the catch-up effect in Côte d'Ivoire and rising public investment expenditure in almost all the countries. Indeed, the revenue grew by 21.7% to represent 18.7% of GDP while tax revenue was 16.6% of GDP compared to 15.2% in 2011. By country, the situation is now as follows:

81. In **Benin**, the overall balance on a commitment basis, including grants, improved from a deficit of 1.8% of GDP in 2011 to 0.5% in 2012, as a result of the increase in total revenue accompanied by a control on total expenditure and net lending. Indeed, the total revenue was 20.6% of GDP in 2012 against 20.1% of GDP in 2011; tax revenue grew by 11.7% of revenue and nontax revenue grew by 87.6%, especially as a result of measures taken to enhance revenue mobilization and collection of the proceeds of mobile phone 3rd generation licences. Control of total expenditure and net lending, which fell from 21.9% of GDP in 2011 to 21.1% of GDP in 2012 was due to lower capital expenditures. Indeed, public investment increased from 6.9% of GDP in 2011 to 5.8% in 2012, due to lower investment financed with external resources, insufficiently compensated by domestic resources.

82. The total public debt was 28.8% of GDP in 2012 against 32.0% of GDP a year earlier, of which external debt accounted for 16.6% of GDP against 17.8% of GDP in 2011.

83. In **Burkina Faso**, the overall deficit on a commitment basis including grants worsened from 2.5% in 2011 to 3.3%. Indeed, total revenue and grants increased by 1.8 percentage point of GDP to stay at 23.5% of GDP in 2012 against 21.8% of GDP a year earlier due to increase in tax revenue. Regarding total expenditure and net lending, they were 26.8% of GDP in 2012 against 24.3% in 2011, as a result of the rise in current expenditure connected to increased transfers and subsidies, and increased capital expenditure financed by domestic resources.

84. The total outstanding debt in 2012 was 29.3% of GDP, of which external debt accounted for 20.9% of GDP against 21.8% a year earlier.

85. In **Côte d'Ivoire**, public finance situation in 2012 resulted in an overall deficit on a commitment basis, including grants of 3.0% of GDP against 4.1% the previous year, due to an increase in total revenue and grants stronger than that of total expenditure and net lending. Indeed, total revenue mobilized was 19.9% of GDP in 2012 against 14.5% in 2011, compared to the increase in tax revenue from rights and import taxes. With regard to total expenditure and net lending, they were 22.9% of GDP against 18.5% of GDP due to increase in current expenditure (connected to higher wages) and capital expenditure domestically financed.

86. The total outstanding debt stood at 32.7% of GDP in 2012, with external debt accounting for 17.8% of GDP compared to 66.2% of GDP in 2011.

87. In **Guinea-Bissau**, the overall budget deficit including grants on commitment basis stood at 2.1% of GDP against 0.6% of GDP in 2011, as a result of increased spending in a context of declining total revenue. Indeed, total revenue and grants were 15.6% of GDP in 2012 against 19.5% of GDP a year earlier, due to lower tax revenue, which was 9.8% of GDP against 11.3% of GDP in 2011, and grants, which increased from 8.2% in 2011 to 5.8% in 2012. As regards total expenditure and net lending, they increased by 10.5% to 17.8% of GDP in 2012 against 20.1% of GDP in 2011, due to essentially lower public investment financed by external resources.

88. The outstanding external debt[6] was 25.2% of GDP in 2012 against 21.3% of GDP the previous year.

89. In **Mali**, public finance situation in 2012 resulted in an overall deficit on a commitment basis, including grants of 0.2% of GDP against a deficit of 3.7% in 2011, due to reduction in expenditure compared to total revenue and grants. Indeed, total revenue and grants amounted to 17.8% of GDP in 2012 against 21.1% a year earlier, due to the decrease of 3.6% of GDP of grants offset by an increase of 0.4 percentage point of budget revenue. The total expenditure and net lending were 18.0% of GDP in 2012 against 24.8% in 2011, due to lower capital expenditures.

90. The total public debt stood at 29.5% of GDP in 2012 after 29.1% a year earlier OT, which 25.8% of GDP on public external debt in 2012 against 22.5% of GDP in 2011.

91. In **Niger**, the situation was an overall deficit including grants of 2.5% of GDP against 1.9% of GDP a year earlier. Indeed, total revenue and grants amounted to 21.8% of GDP against 20.7% of GDP a year earlier, in line with the increase in non-tax revenue and grants. Total expenditure and net lending amounted to 24.3% of GDP in 2012 against 22.6% of GDP in the previous year, due to the increase of 5.1 percentage points of GDP on capital expenditure financed by both domestic and external resources.

92. In 2012, the total outstanding debt amounted to 18.8% of GDP against 19.3% of GDP a year earlier, of which external debt accounted for 6.3% of GDP in 2012 compared to 16.4% of GDP in 2011.

93. In **Senegal**, the overall fiscal deficit including grants was 5.9% of GDP in 2012 compared to 6.7% of GDP a year earlier, as a result of an increase in revenue along with lower expenses as a percentage of GDP. Indeed, total revenue and grants amounted to 23.1% of GDP in 2012 against 22.5% of GDP in 2011, due to increase in grants and improved tax collections. Total expenditure and net lending amounted to 28.9% of GDP in 2012 compared to 29.1% a year earlier, as a result of the increase in current and capital expenditures.

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94. The total public debt stood at 42.9% of GDP in 2012 against 36.3% of GDP a year earlier, which external debt accounted for 31.8% of GDP compared to 26.8% of GDP in 2011.

95. In **Togo**, the fiscal situation resulted in an overall deficit including grants on commitment basis to stay at 5.8% of GDP in 2012 vis-à-vis 1.1% in 2011. This is due to increased spending combined with a decline in total revenue and grants. Indeed, revenue and grants were 21% of GDP in 2012 against 23.0% a year earlier, mainly due to decrease in grants, accompanied by lower tax revenue. Total expenditure and net lending were 26.7% in 2012 against 24.2% of GDP in 2011, compared with a rise of 2.1 percentage points of GDP in current expenditure and 0.5 percentage of GDP in capital expenditure.

96. In 2012, the total outstanding debt amounted to 45.4% of GDP against 47.1% of GDP a year earlier, with domestic debt accounting for 31.5% of GDP in 2012 against 33.4% of GDP in 2011.

2.3.3. Public finance situation in Cape Verde

97. In Cape Verde, the overall deficit on a commitment basis, including grants, worsened in 2012 to 13.5% of GDP from 9.0% in 2011. This is due to increased spending within a context of decline in total revenue and grants. Indeed, total expenditure increased by 4.3% to stay at 38.8% of GDP in 2012 against 34.2% of GDP in 2011, due to the increase in current and capital expenditures. Revenue declined by 7.7%. However, in terms of nominal GDP, total revenue and grants were 25.3% of GDP in 2012 compared to 25.2% in 2011, following a decrease of 7.0% of tax revenue.

2.4. EXTERNAL SECTOR

98. **Analysis of External Trade within ECOWAS** The level of trade within ECOWAS remains low despite the implementation of the ECOWAS trade liberalisation scheme. In fact, the average intra-community export for the period 2009 – 2012 was 8.3% of the total exports from the region, while the average intra-community imports was estimated at 8.2% over the same period.
99. Analysis of the table below shows that Togo, Benin and Niger are the countries whose exports to other member States of the region was highest at 56.4%, 54.0% and 50.6% respectively during the period 2009-2012. On the other hand, exports from Cape Verde, Liberia, Guinea Bissau and Nigeria were the least during the period and on the average stood at 1.1%, 1.9%, 2.5% and 3.3% respectively.

Table : Intra-ECOWAS Trade (2009-2012) missing

100. With respect to intra-community imports, Sierra Leone and Mali recorded the highest imports from other member states with average figures of 52.4% and 33.9% respectively over the period 2009-2012. On the other hand, Liberia, Nigeria and Cape Verde recorded the least imports from member states, with average import for the period 2009-2012 increasing by 0.6%, 0.7% and 1.7% respectively.

2.4.1. Developments in the External Sector in the WAMZ

101. On a country by country basis, the situation in respect of the external sector is as follows:

102. In The **Gambia,** the surplus in the balance of payments (bop) increased in 2012 to stand at 7.2% of GDP against 5.1% of GDP a year earlier. This is due to the reduction of the deficit in the capital account and financial account to 0.5% in 2012 against a deficit of 2.6% in 2011, following the recovery of other investments. The current account balance remained at 7.7% of GDP as in 2011 due to the deterioration in the trade balance which was offset by the improvement in the balance of current transfers, including transfers of emigrants and grants.

103. In **Ghana**, the deficit in the overall balance was 3.0% in 2012 against a surplus of 1.4% of GDP in 2011. This was as a result of the deterioration of the current account moderated by a surplus in the capital account and financial account. Indeed, the current account deficit stood at 12.3% of GDP in 2012 against 9.0% the previous year, due to increase in the deficit of the trade balance (-10.6% of GDP in 2012 against 7.8% of GDP in 2011) and the decline in the surplus on current transfers (5.4% of GDP in 2012 against 6.0% in 2011). Regarding capital account and financial account, reducing the surplus from 11.4% of GDP in 2011 to 7.7% in 2012 was due to capital flight (short-term capital).

104. In **Guinea**, the balance of payments recorded an overall deficit of 0.5% of GDP in 2012 against a surplus of 2.0% a year earlier. The deterioration in the overall balance was due to reduction of the surplus in the capital account and financial account rather than the improvement in the deficit of the current account. Indeed, the current account deficit was 2.6% of GDP in 2012 against 3.4% of GDP in 2011 mainly due to the reduction of the trade deficit based on decrease in imports and an increase in exports. Regarding capital account and financial account, the surplus reduced to 1.5% of GDP against 5.0% of GDP in 2011, due to the decline in foreign direct investment and other foreign investment.

105. In **Liberia**, the apparent balance of payments surplus of 1.7% of GDP in 2012 against a deficit die 1.4% of GDP a year earlier. This situation can be explained by improved account surplus largest financial transactions that the worsening of the current account deficit. Indeed, the deficit of the current account balance would deteriorate to stand at 91.3% of GDP in 2012 against 50.0% of GDP in 2011, due to the degradation of all sub scales that comprise greater than the reduction in the trade deficit. Regarding the financial account, the surplus would improve to stand at 93.0% of GDP in 2012 against 48.7% of GDP a year earlier.

106. In **Nigeria**, the balance of payments had a surplus of 4.3% of GDP in 2012 against a deficit of 0.1% of GDP in 2011. This situation was due to improvement in the balance of the financial account from a deficit of 2.2% in 2011 to a surplus of 0.4% in 2012. This trend is related to the increase in portfolio investment which increased from 1.5% of GDP in 2011 to 6.3% in 2012, higher than the reduction in foreign direct investment (from 3.4% GDP in 2011 to 2.1% of GDP in 2012). The current account posted a budget surplus of 7.2% of GDP against

5.4% a year earlier, due to improvement of the trade balance (which was 15.3% of GDP in 2012 against 14.8% in 2011), helped by the 11.2% decline in imports.

107. In **Sierra Leone**, the surplus in the balance of payments was maintained at 1.0% of GDP in 2012, following an improvement in the deficit of the current account balance which was exactly compensated by a reduction in the surplus in the capital account and financial account. Indeed, the current account deficit was 39.4% in 2012 against 45.0% in 2011, following an improvement of 25 percentage points of GDP in the trade balance, the effect of which was partially offset by worsening of income and service balance and the reduction of the excess of net transfers. Regarding capital account and financial account, the reduction of the balance, from 46.2% of GDP to 40.7% of GDP in 2012, resulted in a decrease in foreign direct investment.

2.4.2. Developments in the external sector in UEMOA

108. Each country situation under the external sector is as follows:

109. In **Benin**, the balance of payments in 2012 was in excess of 1.8% of GDP against a deficit of 0.3% a year earlier. This development was due to an improvement in the surplus in the capital account and financial account which offset the decrease in the current account. Indeed, the current account deficit was 7.2% of GDP in 2012 against 7.1% a year earlier, due to decline in trade, income and services balances, despite the improvement in the current transfers balance. Regarding capital account and financial account, it improved to reach 8.9% of GDP in 2012 against 6.5% in 2011. This follows the increase in the surplus of the financial account, from 2.8% of GDP in 2011 to 6.7% in 2012, as a result of the rebound in foreign direct investment and "other investments". The net capital flows declined to stand at 2.3% of GDP in 2012 against 3.6% a year earlier.

110. In **Burkina Faso**, the excess of the overall balance of payments remained at 0.8% of GDP as in 2011, due to deterioration of the current account offset by the improvement in the capital account and financial account. Indeed, the current account deficit for year 2012 got worse, from 1.3% of GDP in 2011 to 4.4% of GDP in 2012, mainly due to the deterioration in the trade balance, which was induced by a significant increase in imports. In terms of capital account and financial account, the surplus balance moved from 2.2% of GDP in 2011 to 5.2% of GDP in 2012, mainly as a result of increase in grant projects.

111. In **Côte d'Ivoire**, the overall deficit of the balance of payments rose by 2.0% in 2012 against a surplus of 3.4% of GDP in 2011, mainly due to a sharp reduction in the surplus in the balance of common transact ions not fully offset by the improvement in the balance of the capital account and financial account. Indeed, the current account deficit was 2.2% of GDP in 2012, reflecting a decline of 8.3 percentage points of the balance of trade, due to the sharp increase in imports and decline in the other components. The positive outcome of the capital account and financial account was spurred by an increase in debt forgiveness and project grants received, and a rebound in foreign direct investment and portfolio investment.

112. In **Guinea-Bissau**, the overall balance of payments deteriorated to a deficit of 6.7% of GDP in 2012 against a surplus of 5.6% of GDP in 2011, due to a sharp deterioration in the current account the effect of which was combined with a decline in the surplus on the capital account and financial account. Indeed, the current account deficit was 7.4% in 2012 against 1.8% in 2011, as a result of the worsening trade balance deficit, due to lower exports of cashew nuts in 2012, accentuated by a decline in the balances of the other components. The surplus in the capital account and financial account was at 1.4% of GDP in 2012 against 8.5% a year earlier, due to the decline in project grants and foreign direct investment.

113. In **Mali**, foreign trade resulted in a bop surplus of 0.03% of GDP in 2012 against 1.05% in 2011, due to the combined effects of reducing the current account deficit and surplus in the capital account and financial account. Indeed, the current account deficit was 3.15% of GDP in 2012 against 6.06% a year earlier, mainly due to the deficit of the trade balance, as a result of low export earnings from gold and cotton. The reduction of the surplus in the capital account and financial account which reached 3.18% of GDP in 2012 against 5.51% a year earlier was linked to the decline in project grants and foreign direct investment.

114. In **Niger**, external trade for 2012 resulted in a bop surplus of 4.9% of GDP against a deficit of 1.0% in 2011, due to the deficit in the current account being lower than the surplus in the capital account and financial account. The current account deficit was 22.6% of GDP in 2012 against a deficit of 24.9% of GDP a year earlier, due to trade balance deficit, which improved from 14.8% of GDP in 2011 to 7.7% in 2012, as a result of increase in net exports of petroleum products. The capital account was in surplus of 19.7% of GDP in 2012 against a surplus of 21.7% in 2011, due to a decline in foreign direct investment.

115. In Senegal, the deficit in the overall balance was 0.7% of GDP in 2012 against 0.8% in 2011. This situation was due to a worsening deficit of current account transactions which was not offset by the improvement in the surplus in the capital account and financial account. Indeed, the deficit of the current account balance was 10.5% of GDP in 2012 against 7.9% of GDP in 2011, mainly due to the widening of the trade deficit. The surplus in the capital account and financial account increased to 9.7% of GDP in 2012 against 7.1% of GDP the previous year, due to an increase in project grants and other investments net.

116. In Togo, the balance of payments deficit was 0.9% in 2012 after the surplus of 1.8% the previous year, as a result of the worsening current account deficit which was larger than the improvement of the surplus in the capital account and financial account. Indeed, the deficit of the current account balance was 11% of GDP against 6.4% of GDP in 2011, following a reduction in the surplus of the balance of current transfers and worsening deficits of the other balances that comprise it. However, the surplus on the capital and financial account moved to 10.1% in 2012 against 8.2% of GDP in 2011 due to the strengthening of other investments.

2.4.3. Evolution of the External Sector in Cape Verde

117. External transactions in Cape Verde at the end of 2012 were characterized by an improvement in the overall balance of payments, which was a surplus of 3.5% of GDP in 2012 against a deficit of 2.3% of GDP in 2011. This was caused by a deficit of the current account accompanied by an improvement in surplus of the capital account and financial account. Indeed, the current account deficit fell to 13% of GDP in 2012 against 15.9% the previous year due to a decline in imports and improvement in the balance of services. For its part, the surplus in the balance of capital and financial account was strengthened, reaching 16.5% of GDP in 2012 against 13.6% of GDP a year earlier.

2.5. MONETARY SECTOR

2.5.1. Monetary Policy Decisions within ECOWAS

118. Within the WAEMU, BCEAO reduced the key policy rate by 25 basis points. Thus, from 16 June 2012, the marginal retail lending rate was fixed at 4.0% against the previous rate of 4.25% and the bid rate in the weekly open market operations of BCEAO was set at 3.0% against 3.2% previously. However, the required reserve ratios applicable to banks and non-bank financial institutions were set at 7.0% and 5.0% respectively.

119. In Cape Verde, the Central Bank's monetary policy of maintaining the parity between the Escado and Euro was preserved in 2012. Also, the monetary policy rate was maintained at 5.75% and the reserve ratio at 18%.

120. In The Gambia, monetary policy in 2012 aimed at price stability in order to contain inflation at below 5%. Also, the Central Bank of Gambia continued to support open market operations as a way of managing liquidity in the economy. To this end, the Monetary Policy Committee decided to maintain the monetary policy rate at 12% in 2012 and lower by 2 percentage points the reserve ratio to 10% in order to support the real economy.

121. In Ghana

122. In Guinea, the Central Bank maintained its restrictive policy in order to achieve the objective of inflation which was set at an average of 15% by the end of December 2012. It also maintained the policy rate and reserve ratio of commercial banks at 22%. In 2012, fifty (50) operations were recorded on the interbank foreign currency market where the Central Bank lent a total of US $251.6 million compared to US $171.9 million in 2011. These interventions enabled the bank to sterilise about GNF 1728 billion of bank liquidity in 2012 compared to GNF 1166.4 billion a year earlier.

123. In Liberia, monetary policy of the Central Bank was oriented towards stabilising nominal exchange rate to reduce inflation. To achieve this objective, the Central Bank used foreign currency auction as the main instrument of monetary policy.

124. In Nigeria, the Central Bank pursued restrictive monetary policy which was aimed at price stability geared towards promoting sustainable economic growth. Throughout 2012, the monetary policy rate, reserve ratio and liquidity ratio were held at 12.0%, 8.0% and 30.0% respectively.

125. In Sierra Leone

2.5.2 Monetary Situation in the WAMZ

126. The monetary situation in the WAMZ member countries is as follows:

127. In The Gambia, money supply (M2) increased by 7.8% in 2012 from the end of December 2011 to reach 15.9 billion Dalasi (49.6% of GDP). This increase was driven by a 7.7% increase in domestic credit and 7.9% increase in net foreign assets, which contributed to the increase in M2 by 5.3 and 2.4 percentage points, respectively. The increase in domestic credit was driven by the deterioration of 17.3% of net government position and an increase of 4.3% credit to the private sector. The increase in liquidity was reflected in all its components.

128. In Ghana, money supply (M2 +) grew by 24.3% in 2012 to settle at GH¢ 22.6 billion (32.4% of GDP) against GH¢ 18.2 billion a year earlier. This was as a result of a decline of 49.3% in the net position of the government and an increase of 45.6% in credit to the economy in a context of an easing of credit to businesses. However, the impact of this increase on the evolution of the money supply was offset by a decline of 9.1% of net foreign assets.

129. In Guinea, the monetary situation was characterized by a 1.1% increase in the money supply in 2012 to stand at 28.9% of GDP. In a context of declining net foreign assets, the increase in liquidity was driven by the increase in domestic credit as a result of decline of 12.7% of the net position of the government, contributing to the increase in money supply up to 10 percentage points. The net foreign assets declined by 8.1% in 2012 to stand at GNF 4517.6 billion, following the decline in foreign assets of the central bank offset by increase in those of deposit money banks.

130. In Liberia, the money supply increased by 3.0% in 2012 to reach 35% of GDP, supported by 16.2% increase in domestic credit, the effect of which was partially offset by the decrease of 5 2% of net foreign assets. The increase in domestic credit in relation to the 15.7% increase in credit to the private sector and a deterioration of the government's net position. The increase in global liquidity was reflected only in increase of 8.8% of currency in circulation.

131. In **Nigeria**, money supply (M2) increased by 13.7% in 2012 against an increase of 15.4% in 2011, driven by net foreign assets and domestic credit. Foreign assets grew by 26.4% in 2012 due to higher export earnings and portfolio investment. The domestic credit increased by 1.5% exclusively due to the increase of 7.8% credit to private sector, within the context of improving the net position of the government.

132. In **Sierra Leone**, money supply (M2) in 2012 increased by 22.5% compared to its level in December 2011 which was 22.0% of GDP. This increase was driven by the consolidation of 21.0% of net foreign assets and an increase of 14.4% in domestic credit. The increase in domestic credit was due to the decline of 19.6% in the net position of the government and an increase in credit to the private sector by 6.2%.

2.5.3. Monetary situation in UEMOA

133. In the UEMOA zone, the situation in each country is as follows:

134. **In Benin,** the money supply increased by 6.2% in 2012 against 8.1% in 2011 to stay at 37.9% of GDP. This follows an increase of 9, 6% of net foreign assets which contributed 5.0 percentage points to the increase in the overall liquidity of the economy. It was also driven by a 1.7% increase in domestic credit in conjunction with a deterioration of the government's net position and increase in credit to the private sector (which was 24.0% of GDP).

135. In **Burkina Faso**, the money supply grew by 15.9% against 13.8% a year earlier to stay at 32.1% of GDP in 2012. This follows the 20% increase in domestic credit (which contributed 12.6 percentage points), the effect was attenuated by 0.4% decline in net foreign assets. The increase in domestic credit was due to the deterioration of the net position of the government and credit growth to the private sector. The evolution of global liquidity is reflected in its components, which increased by 21.5% and 16.3% of currency in circulation and deposits, respectively.

136. In **Côte d'Ivoire**, the money supply increased by 4.4% in 2012 against 13% in 2011. The increase in global liquidity in 2012 was as a result of the 17.5% increase in domestic credit, driven by the decline of 29.3% in the net position of the government and the 12.4% growth in loans to the private sector. However, the impact of these developments on the money supply was reduced by 14.1% decline in net foreign assets. Changes in the money supply reflected only in bank deposits which rose by 9.1% while the currency in circulation decreased by 4.3%.

137. In **Guinea Bissau**, the money supply fell by 6, 0% in 2012 against an increase of 39.1% a year earlier to stand at 34.7% of GDP, as a result of low net foreign assets which were greater than the increase in domestic credit. The net foreign assets fell by 29.1% due to decline in exports and financial flows in 2012. In contrast, the domestic credit increased by 38.8% in 2012 against an increase of 62.4% in 2011, reflecting deterioration in the net position of the government and the increase in credit to the economy. Loans increased by 27.2% in 2012 to stand at 13.7% of GDP against 10.9% of GDP a year earlier.

138. In **Mali**, the monetary situation in 2012 was characterized by an increase of 15.2% to stay at 32.8% of GDP, driven by domestic credit and net foreign assets. Net foreign assets increased by 0.4%. Domestic credit increased by 23.5%, due to the deterioration in the net

position of the government and the consolidation of credit to the economy. In this context, credit to the private sector grew by 4.8% to stand at 21% of GDP.

139. In **Niger**, the monetary situation in 2012 was characterized by an increase of 31.1% in the money supply, driven by net foreign assets and domestic credit. Indeed, the net foreign assets grew by 65.4% in 2012, mainly in connection with the repatriation of export earnings. Concerning domestic credit, it grew by 21.3%, resulting from the increase of 24.1% in loans to the private sector which was 14.5% of GDP, reduced by improving net government position. This change in global liquidity is reflected in changes of its components, with currency in circulation deposits increasing by 27.9% and 33.6%, respectively.

140. In **Senegal**, the money supply increased by 6.8% in 2012 to stand at 38.4% of GDP, due to the 6.4% increase in domestic credit and a 5.5% decline in net foreign assets (NFA). The increase in domestic credit was due to the increase in credit to the private sector, the effect of which was offset by the improvement in the net position of the government. The increase in global liquidity was reflected only in the 8.8% increase of bank deposits and a 0.5% decline in currency in circulation.

141. In **Togo**, money supply recorded an increase of 8.9% to stand at 45.3% of GDP in 2012, driven by domestic credit, the effect of which was offset by a decrease of 6.0% of net foreign assets. The domestic credit growth was due to deterioration of the government's net position and an increase in credit to the private sector. The latter increased by 18.9% in 2012 to reach 30.1% of GDP. The increase in global liquidity was reflected only in the deposits while the currency in circulation declined.

2.5.3. Monetary situation in Cape Verde

142. In Cape Verde, money supply grew by 5.7% in 2012 against 2.1% the previous year, reaching 88.3% of GDP against 76.8% of GDP in 2011, driven by both net foreign assets and domestic credit. Indeed, the external position of monetary institutions showed an improvement of 19.7%, due exclusively to the increase in net foreign assets of the Central Bank while the net foreign assets of the deposit money banks declined. As regards domestic credit, the increase was connected to the decline of 15.9% in the net position of the government, an increase of 3.6% credit to the private sector which stood at 67.6% of GDP against 62% of GDP a year earlier.

III. PERFORMANCE UNDER MACROECONOMIC CONVERGENCE IN 2012

143.In this section, the state of convergence of Member States vis-à-vis the harmonized ECOWAS macroeconomic convergence criteria is examined.

144.The harmonized criteria are intended to overcome the difficulties posed by the coexistence of the three multilateral surveillance mechanisms within ECOWAS (UEMOA, WAMZ, ECOWAS), often with different criteria. In reality, this situation made it difficult to assess overall convergence status that can be effective in one system and not in another.

145. Thus, the ECOWAS Commission, in collaboration with other regional institutions (UEMOA, WAMI and WAMA) and with support from the African Development Bank(AfDB), conducted a study on the harmonization of the convergence criteria in the ECOWAS region. The report of this study was discussed and validated by the Technical Committee on Macroeconomic Policies at a meeting held from 10 to 12 October 2011 in Lome and was subsequently adopted by the Convergence Council on 14 October 2011 in Lome. The harmonized criteria, numbering eleven (11), were included in the Macroeconomic Convergence and Stability Pact which was adopted by the Summit of Authority of Heads of State and Government on 29 June 2012 in Yamoussoukro.

Table 3 : Convergence Criteria of the Macroeconomic Convergence and Stability Pact

Criteria	*Target*
Primary Criteria	
1.Ratio of budget deficit, including grants (commitment basis) to GDP	≤ 3%
2. Average annual inflation rate	≤ 5%
3. Central Bank financing of budget deficit	≤ 10% of previous year’s tax revenue
4.Gross external reserves	≥ 6 months of imports
Secondary	
5. Arrears	Non accumulation of domestic and external arrears
6. Ratio of Tax Revenue / GDP	≥ 20%
7. Ratio of Wage Bill / Tax Revenue	≤ 35%
8. Ratio of domestically financed public investment to tax revenue	≥ 20%
9. Ration of Total Public debt / GDP	≤ 70%
10. Nominal Exchange RateStable	(± 10%)
11. Real Interest RatePositive	> 0

Source: Macroeconomic Convergence and Stability Pact (Supplementary Act A/S.A.4/06/12

3.1. ANALYSIS OF THE GENERAL SITUATION OF THEMACROECONOMIC CONVERGENCE

3.1.1. Number of Countries that met the Criteria

146. Based on a country assessment under the new criteria, the situation of macroeconomic convergence of ECOWAS Member States in 2012 deteriorated compared to 2011. Indeed, the situation only improved for the real interest rate criterion, as shown in the following table:

Table 4: Comparison of the Number of Countries that met each Criterion in 2011 and 201 2

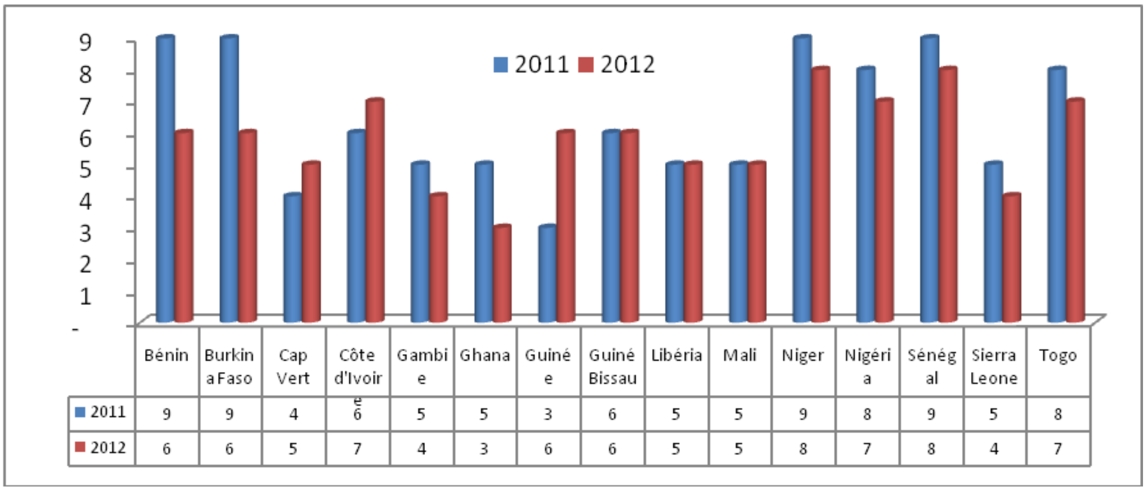
	Target	2011	2012
Primary Criteria			
1.Ratio of the budget deficit, including grants (commitment basis) / GDP	≤ 3%	9	7
2.Average annual inflationrate	≤ 5%	10	8
3.Central Bank financing of Budget Deficit	≤ 10%	15	14
4.Gross External Reserves	≥ 6 months	10	2
Secondary Criteria			
5. Arrears	≤ 0	14	11
6. Ratioof Tax Revenue / GDP	≥ 20%	1	0
7. Ratio of Wage bill / Tax revenue	≤ 35%	3	3
8. Ratio of domestically financed public investment to tax revenue	≥ 20%	10	10
9. Ratio of Total Public Debt / GDP	≤ 70%	13	13
10. Nominal Exchange RateStable	± 10%	13	13
9.Real Interest Rate	> 0	5	7

Source: ECOWAS Commission

3.1.2. Number of Criteria Satisfied by Each Country

147. Analysis of the performance of the countries in relation to the macroeconomic convergence reveals a mixed picture. There was an improvement in the performance of three (3) Member States by meeting more criteria in 2012 than in 2011. These countries are Cape Verde and Côte d'Ivoire who met one (1) additional criteria each and Guinea that met three (3) more criteria . The number of criteria met by Guinea-Bissau, Liberia and Mali did not change in both years. However, for the remaining Member States the number of criteria met declined. It should be noted that the criteria met by each Member State varied from one period to another.

Figure 13: Evolution of the number of convergence criteria met by each country



Source: ECOWASCommission

3.2. ANALYSIS OF THE STATE OF CONVERGENCE BY CATEGORY OF CRITERIA

148. This section of the report examines the performance of the countries with respect to each of the 11 convergence criteria.

3.2.1. Primary Criteria

3.2.1.1. Ratio of the budget deficit, (commitment basis) to GDP

149. Under the Macroeconomic Convergence and Stability Pact, the overall fiscal deficit, including grants, on a commitment basis should not exceed 3% of nominal GDP. As can be seen from the table below, seven (7) countries (Benin, Guinea, Guinea-Bissau, Liberia, Mali, Niger and Nigeria) met this criterion in 2012. Among the countries that did not meet this criterion was Cape Verde which recorded the highest deficit of 9. 9%.

Table 5: Ratio of budget deficit including grants (commitment basis) to GDP (≤ 3%)

Countries	2011	2012
Benin	1.8%	0.5%
Burkina Faso	2.5%	3.3%
Cape Verde	7.7%	9.9%
Côte d'Ivoire	4.3%	3.4%
The Gambia	4.6%	4,7%
Ghana	0.9%	6.0%
Guinea	0.7%	1.2%
Guinea Bissau	0.6%	2.1%
Liberia	1.1%	-4.1%

Mali	3.6%	0.2%
Niger	1.9%	2.5%
Nigeria	2.9%	2.5%
Senegal	6,7%	5.9%
Sierra Leone	4.6%	5.2%
Togo	1.1%	5.8%
Number of countries that met the criteria	***9***	***7***

Source : Reports on the economic and financial situation of Member States and ECOWAS Commission.

3.2.1.2. Average Annual Rate of Inflation

150. In 2012, eight (08) Member States met the criterion on inflation (average annual rate of not more than 5%) compared to nine (09) Member States in 2011.

Table 6 : Average annual inflation (≤ 5%)

	2011	**2012**
Benin	2.7%	6.7%
Burkina Faso	2.8%	3.8%
Cape Verde	4.5%	2.5%
Côte d'Ivoire	4.9%	1.3%
The Gambia	4.8%	4.3%
Ghana	8.6%	8.8%
Guinea Bissau	5.1%	2.1%
Guinea	21.4%	15.2%
Liberia	8.5%	6.9%
Mali	3.0%	5.3%
Niger	2.9%	0.5%
Nigeria	10.3%	12.0%
Senegal	3.4%	1.4%
Sierra Leone	18.5%	13.8%
Togo	3.6%	2.6%
Number of countries that met the criterion	***9***	***8***

Source: Reports on economic and financial situation of Member States and ECOWAS Commission

3.2.1.3. Central Bank Financing of the Budget Deficit

151. The Macroeconomic Convergence and Stability Pact prohibits the financing of the budget deficit of the Member States in excess of 10% of previous year's tax revenue. Owing to the adoption of international best practices, most Central Banks in the region met this criterion. In fact, Ghana was the only Member State that did not meet this criterion in 2012.The Central Bank of Ghana financed the country's budget deficit to the tune of 12.5% of tax revenue collected in 2011.

Table 7 : *Central Bank Financing of the Budget Deficit ≤ 10%*

Countries	2011	2012
Benin	0.0%	0.0%
Burkina Faso	0.0%	0.0%
Cape Verde	0.0%	0.0%
Côte d'Ivoire	0.0%	0.0%
The Gambia	-0.3%	0.4%
Ghana	0.0%	12.5%
Guinea	0.0%	0.0%
Guinea Bissau	0.0%	0.0%
Liberia	0.0%	0.0%
Mali	0.0%	0.0%
Niger	0.0%	0.0%
Nigeria	0.0%	0.0%
Senegal	0.0%	0.0%
Sierra Leone	0.0%	-0.1%
Togo	0.0%	0.0%
Number of countries that met the criterion	***15***	***14***

Source: Reports on economic and financial situation of Member States and ECOWAS Commission

3.2.1.4. Gross External Reserves

152. According to this criterion, each country must have gross external reserves covering at least 6 months of imports of goods and services. In 2012, two (2) Member states (The Gambia and Nigeria) met this criterion compared to ten (10) Member States in 2011. In fact, none of the UEMOA Members State met this criterion in 2012, sharply contrasting previous years' efforts,

Table 8 : Gross External Reserves ≥ 6 Months of Imports

Countries	2011	2012
Benin	7.1	5.7
Burkina Faso	7.1	5.7
Cape Verde	3.2	3.8
Côte d'Ivoire	7.1	5.7
The Gambia	6.5	6.3
Ghana	3.2	3.0
Guinea	4.3	3.1
Guinea Bissau	7.1	5.7
Liberia	3.3	2.3
Mali	7.1	5.7
Niger	7.1	5.7
Nigeria	6.8	8.4
Senegal	7.1	5.7
Sierra Leone	2.8	3.1
Togo	7.1	5.7
Number of countries that met the criterion	***10***	***2***

Source : ECOWAS and Member States

3.2.2. Secondary Criteria

3.2.2.1. Arrears

153.According to the Macroeconomic Convergence and Stability Pact, Member States must ensure that domestic and external arrears do not accumulate under the current fiscal year.All Member States, except Mali, Niger and Sierra Leone, indicated that no arrears were accumulated in 2012.

3.2.2.2. Ratio of Tax Revenue / GDP

154. Under the Macroeconomic Convergence and Stability Pact, Member States must ensure that the ratio of tax revenue to GDP is at least 20%. The analysis of data in the table below shows that revenue mobilization remains a major challenge, even though the trend shows an improvement in the revenue performance of Member States. In effect, no Member State met this criterion in 2012. In 2011, one Member State, Cape Verde, met this criterion.

Table 9: Ratio of Tax Revenue / GDP nominal (≥ 20%)

Countries	2011	2012
Benin	15.5%	15.5%
Burkina Faso	14.5%	16.4%
Cape Verde	20.0%	17.7%
Côte d'Ivoire	13.1%	17.6%
The Gambia	14.0%	14.1%
Ghana	17.4%	17.2%
Guinea	15.4%	19.2%
Guinea Bissau	8.7%	8.3%
Liberia	5.1%	5.4%
Mali	14.6%	14.7%
Niger	16.1%	14.3%
Nigeria	17.5%	13.1%
Senegal	18.9%	18.4%
Sierra Leone	10.8%	10.7%
Togo	16.4%	16.4%
Number of countries that met the criteria	***1***	***-***

Source: Reports on economic anf financial situation of Member States and ECOWAS Commision

3.2.2.3. Ratio of Wage Bill / Tax Revenue

155. Under this criterion, Member States should not use more than 35% of their tax revenue for the payment of wages and salaries. As can be seen in the table below, four (4) Member States (Guinea, Niger, Nigeria and Senegal) met this criterion in 2012 compared to three (3) in 2011.

Table 10: Ratio of Wage Bill / Tax Revenue ≤ 35%

Countries	2011	2012
Benin	47.4%	46.8%
Burkina Faso	40.5%	37.3%
Cape Verde	47.2%	52.2%
Côte d'Ivoire	48.2%	42.2%
The Gambia	45.5%	43.3%
Ghana	46.3%	53.8%
Guinea	34.1%	23.1%
Guinea Bissau	58.6%	64.6%
Liberia	59.5%	56.9%
Mali	35.9%	37.8%
Niger	32.4%	34.6%

Nigeria	38.6%	34.7%
Senegal	33.2%	35.0%
Sierra Leone	49.2%	53.0%
Togo	35.9%	36.7%
Number of countries that met the criteria	***3***	***4***

Source: ECOWAS Commission and Reports on economic and financial situationof Member States

3.2.2.4. Ratio of Domestically Financed Public Investment to Tax Revenue

156.Member States are required to use at least 20% of their tax revenues to finance investment. On the basis of available data, eight (8) Member States (Benin, Burkina Faso, Côte d'Ivoire, Guinea, Niger, Senegal, Sierra Leone and Togo) met this criterion in 2012.

Table 11: Ratio of Domestically Financed Public Investment / Tax Revenue ≥ 20%

Countries	2011	2012
Benin	22.3%	22,9%
Burkina Faso	40.6%	45.4%
Cape Verde	NA	NA
Côte d'Ivoire	16.3%	23.1%
The Gambia	8.3%	7.3%
Ghana	20.1%	15.2%
Guinea	16.1%	35.4%
Guinea Bissau	4.7%	1.5%
Liberia	NA	NA
Mali	24.9%	13.6%
Niger	23.9%	44.2%
Nigeria	21.8%	14.3%
Senegal	36.9%	38.0%
Sierra Leone	26,2%	26.3%
Togo	23.4%	21,6%
Number of countries that met the criteria	***9***	***8***

Source: Reports on economic and financial situation of Member States and ECOWAS Commission

3.2.2.5. Ratio of Total Public Debt to GDP

157. This criterion requires that the outstanding public debt should not exceed 70% of GDP. Since most Member States are Post-HIPC countries, the level of public debt is still low compared to the target. Thus, only two (2) countries (Cape Verde and The Gambia) did not meet this criterion in 2012.

Table 12: Ratio of Public Debt to GDP (≤ 70%)

Countries	2011	2012
Benin	32.0%	28.8%
Burkina Faso	29.3%	33.1%
Cape Verde	73.9%	95.0%
Côte d'Ivoire	64.0%	34.2%
The Gambia	75.4%	77.5%
Ghana	40.8%	49.4%
Guinea	59.0%	50.2%
Guinea Bissau	21.3%	25.2%
Liberia	16.4%	16.6%
Mali	29.1%	29.5%
Niger	19.3%	18.8%
Nigeria	17.6%	18.1%
Senegal	39.7%	42.9%
Sierra Leone	53.4%	39.2%
Togo	47.1%	45.4%
Number of countries that met the criteria	***13***	***13***

Source: Reports on economic and financial situation of Member States and ECOWAS Commission

3.2.2.6. Real interest rate

158. Analysis of available data shows that in 2012 the performance of Member States under this criterion (positive real interest rate) improved. Indeed, seven (7) Member States (Cape Verde, Côte d'Ivoire, Ghana, Guinea-Bissau, Niger, Senegal and Togo) met this criterion as against five (5) in 2011.

Table 13: Positive Real Interest Rate

Norme	*2011*	*2012*
Bénin	0,8%	-3,2%
Burkina Faso	0,7%	-0,3%
Cap Vert	-1,1%	1,6%
Côte d'Ivoire	-1,4%	2,2%
Gambie	-0,9%	-1,4%
Ghana	-0,9%	3,3%
Guinée	-15,1%	-11,7%
Guiné Bissau	-1,6%	1,4%
Libéria	-6,5%	-4,9%
Mali	0,5%	-1,8%
Niger	0,6%	3,0%
Nigéria	-8,9%	11,0%
Sénégal	0,1%	2,1%
Sierra Leone	-9,7%	-6,4%
Togo	-0,1%	0,9%
Nombre de pays respectant le critère	***5***	***7***

Source: ECOWAS Commission calculation from Member States data

3.2.2.7. Nominal Exchange Rate Stability

159. Under the Macroeconomic Convergence and Stability Pact, each Member State must contain fluctuations in the nominal exchange rate within the range of ± 10.0%. On this basis, 13 Member States (all except The Gambia and Ghana) met this target in 2012, as shown in Table 14 below.

Table 14: Fluctuations in Nominal Exchange Rate (± 10%)

Countries	2011	2012
Benin	1.4%	-4.8%
Burkina Faso	1.4%	-4.8%
Cape Verde	1.4%	-4.8%
Côte d'Ivoire	1.4%	-4.8%
The Gambia	-6.9%	-12.2%
Ghana	-8.7%	-14.4%
Guinea	-16.7%	-2.4%
Guine Bissau	1.4%	-4.8%
Liberia	-4.4%	1.3%
Mali	1.4%	-4.8%
Niger	1.4%	-4.8%
Nigeria	-5.2%	-9.8%
Senegal	1.4%	-4.8%
Sierra Leone	-11.8%	3.3%
Togo	1.4%	-4.8%
Number of countries that met the criteria	***13***	***13***

Source: WAMA and ECOWAS Commission

IV. HARMONISATION OF POLICIES AND INSTITUTIONAL ARRANGEMENTS

4.1 PROTOCOLS, CONVENTIONS AND SUPPLEMENTARY ACTS

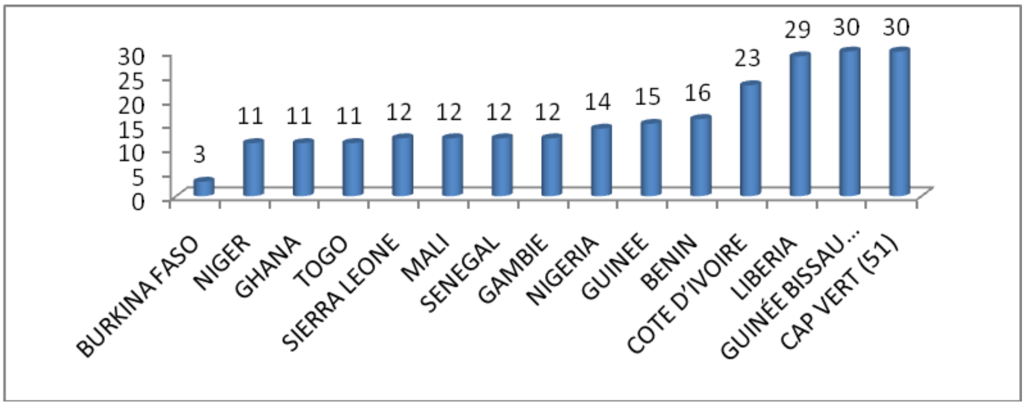
160. Within the framework of implementing the regional integration programme, many legal instruments have been adopted by the Authority of Heads of State and Government of the Community. The effective realization of economic and monetary union within ECOWAS depends, to a large measure, on the ratification and effective implementation of these legal instruments. At the end of 2012, the situation of Member States in relation to the ratification and implementation of the protocols did not change in comparison with the situation at the end of December 2011. Indeed, out of fifty-four (54) protocols/ conventions adopted, seventeen (17) have not as yet come into force, while twelve (12) are in force only provisionally.

Table 15. Ratification of Protocols and / or Conventions as at 10 July, 2013

COUNTRY / COUNTRY	NUMBER OF PROTOCOLS AND CONVENTIONS SIGNED	NUMBER OF RATIFICATION OF PROTOCOLS AND CONVENTIONS
BURKINA FASO	**51**	3
NIGER	**43**	11
GHANA	**43**	11
TOGO	**43**	11
SIERRA LEONE	**42**	12
MALI	**42**	12
SENEGAL	**42**	12
GAMBIA	**42**	12
NIGERIA	**40**	14
GUINEA	**39**	15
BENIN	**38**	16
COTE D'IVOIRE	**31**	23
LIBERIA	**25**	29
GUINEA BISSAU (53 signed)	**24**	29
CAPE VERDE (51 signed)	**24**	27

161. The graph below shows the number of protocols and / or conventions ratified by each Member State. It shows that Burkina Faso has the least number of texts ratifed while Cape Verde, Guinea-Bissau and Liberia have the highest ratification of texts.

Figure 14: Protocols and / or conventions not yet ratified as at 10 July, 2013



Source : ECOWAS Commission

4.2 IMPLEMENTATION OF THE ROADMAP FOR THE SINGLE CURRENCY

162. For the effective implementation of the roadmap of the programme for the ECOWAS single currency by 2020, regional Institutions responsible for its implementation carried out various activities throughout the year 2012. The regional institutions involved in these activities include the ECOWAS Commission, West African Monetary Institute (WAMI), West African Monetary Agency, West African Bankers Association and national Central Banks of ECOWAS Member States. Key activities undertaken in 2012 and the first half of 2013 include:

- ✓ Conduct of joint multilateral surveillance missions
- ✓ Commenced processes for the harmonisation of public finance frameworks
- ✓ Commenced processes for the harmonization of statistics
- ✓ Started processes for the harmonization of regulatory frameworks of monetary policies
- ✓ Implemented measures aimed at addressing the challenges impeding the free movement of persons, goods and services within ECOWAS.
- ✓ Implemented activities relating to capital accounts liberalization within ECOWAS
- ✓ Commenced activities for the integration of financial markets within ECOWAS
- ✓ Listing (Quotation) and trading (transactions) in national currencies of ECOWAS Member States

4.2.1 Conduct of Multilateral Surveillance

163. Multilateral surveillance missions to Member States were jointly organized with WAMI and WAMA from 19 March to 27 April 2012 and from 10 September to 12 October 2012 to assess recent macroeconomic developments and the status of macroeconomic

convergence as well as reforms related to policy harmonization and institutional frameworks that are necessary for the realisation of the monetary and economic union of ECOWAS. These missions were undertaken to the WAMZ Member States and two UEMOA Member States (Burkina Faso and Senegal). During the first half of 2013, joint multilateral surveillance missions were also conducted to the said Member States in April 2013.

164. Key recommendations made from these missions include:

- ✓ Strengthening of measures for improving revenue collection and expenditure control including re-current expenditure;
- ✓ The need to take into account the ECOWAS convergence criteria in the formulation and implementation of national economic policies and programmes, especially with development partners (external financial partners);
- ✓ The need for regular update of the ECOMAC database;
- ✓ Modernisation of financial authorities, their interconnection and the establishment of specialized schools for training on development of public finance frameworks where they do not exist yet;
- ✓ accelerate the audit of domestic debt and the establishment of National Committees on Public Debt in countries where they do not exist
- ✓ Accelerate the institutionalisation of NCCs and take measures to ensure the regular production of reports on the economic and financial situation of Member States.

165. Other activities in this framework are related to the effective implementation and operationalization of CNC and the launch of the study for the harmonization of the convergence criteria within the ECOWAS

4.2.2 Effective Establishment and Operationalisation of the NCCs

166. Provisions for the establishment of the National Coordinating Committees (NCCs) were made under Decision A/DEC.17/12/01 following the adoption of the macroeconomic convergence criteria under Decision A/DEC 7/12/99 of 10 December 1999 within the framework of the ECOWAS Monetary Cooperation Programme. According to Decision A/DEC.17/12/01, the National Committees on Economic Policy (NCEP), already operational in the UEMOA countries were tasked to play the role of NCCs, which, in effect, resolved the issue of the effective implementation of the NCCs in these countries. In the non-UEMOA countries, the effective establishment and functioning of the NCCs took place in 2009 following the recruitment of macroeconomists and bilingual secretaries with the financial support of the European Union, through the 9th EDF. To date, only Cape Verde is yet to establish this structure.

167. Within the framework for strengthening institutional capacities for conducting multilateral surveillance in Member States, the ECOWAS Commission undertook appraisal missions to

some of the NCCs in 2012 and the first half of 2013. These missions were intended to assess the activities of these structures and to hold policy dialogue with the key officials involved in the implementation of the multilateral surveillance mechanism. Also, the Commission organized regional meetings of the NCCs in Ouagadougou(February 2012), Niamey (December 2012) and Dakar (June 2013), to examine the country macroeconomic convergence reports of Member States.

168. Before each meeting of the NCCs, the Joint Secretariat, made up of ECOWAS Commission, UEMOA Commission, WAMI, WAMA, and EBID, met to review the reports on the economic and financial situation in Member States. In this regard, two meetings of the Joint Secretariat were held in May and November 2012 in Cotonou and Ouagadougou respectively, to review the reports on the economic and financial situations in Member States for 2011 and the first half of 2012. The meetings assessed progress made in improving the quality of the reports. However, gaps still exist for full compliance with the proposed framework for the production of the reports.

4.2.3 Review and Harmonization of Convergence Criteria

169. The coexistence of three mechanisms of multilateral surveillance within ECOWAS (ECOWAS, UEMOA, WAMZ) with often different criteria, makes difficult the global appreciation of the convergence of States that can be effective in a system and not in another. To remedy this situation, the ECOWAS Commission has, in collaboration with regional institutions (UEMOA, WAMI, and WAMA) and with the support of AfDB, made a study on the harmonization of the criteria for convergence within the ECOWAS. This study was reviewed on 8 and 9 November 2010 and from 25 to 27 May 2011 in Abuja. It was there after validated at the meeting of the Inter-institutional Technical Sub-Committee of ECOWAS Single Currency Programme held in Dakar from 27 to 29 June 2011.

170. The study report on the convergence criteria was subsequently approved at the technical meeting of the Macroeconomic Policy Committee held in Lome from 10 to 12 October 2011 and endorsed by the ECOWAS Convergence Council of Ministers of Finance and Governors of Central Banks in Lomé on 14 October 2011. The approved harmonised convergence criteria were later incorporated into the Macroeconomic Stability and Convergence Pact (Note additional A/SA.04/06/12) and adopted at the Summit of Heads of State and Government on 29, June 2012 in Yamoussoukro.

4.2.4 Harmonisation of Statistics and Domestic Taxes Legal Frameworks and Statistics

4.2.4.1 Harmonisation of Statistics

171. Within the framework of the harmonization of statistics, several initiatives have been undertaken since 2010. Thus, the ECOWAS Technical Committee on National Accounts has put in place the Nomenclature of activities and products. The Nomenclature, its guide and capacity building plan for the implementation of the NSC 2008 were validated by the

Regional Technical Committee in May 2012. In relation to this activity, a working group of regional experts oh Consumer Price Indices revised the roadmap and data collection instruments. Also, a common platform for the presentation of Consumer Price Indices in the region was developed and implemented.

172. In the area of balance of payment statistics, a concept note for the development of a regional programme on the harmonization of balance of payment statistics was adopted in April 2013 in Dakar, by representatives of Central Banks and Ministries of Finance. In addition, an assessment of the different practices in the Member States was undertaken, which led to the production of four documents (Methodological Guide, Regional Diagnostic and Framework for the Harmonization of Balance of Payment Statistics in the Region, Capacity Building Plan) which were validated by the Regional Technical Committee on Balance of Payments in March 2012.

173. The Regional Diagnostic document and the Framework for Capacity Building for the harmonization of Balance of Payment Statistics were examined in October 2012 by the ECOWAS Statutory Committee on Statistics which recommended their adoption by regional institutions for implementation in the region.

174. Also, the ECOWAS Macroeconomic database for multilateral surveillance (ECOMAC) was officially launched at the session of the ECOWAS Council of Ministers held in August 2011. The database is now operational and accessable online through www.ecomac.ecowas.int.

4.2.4.2 Harmonization of Domestic Taxes

175. In collaboration with the UEMOA Commission, the ECOWAS Commission is working with Member States to harmonize the list and rates of products subject to excuse duty. This work should result in the harmonization of the two existing directives (that of the UEMOA Commission and that of the ECOWAS Commission) on excise duties. In this respect, a meeting between the two Commissions was held in Abuja from 3 to 5 April, 2013 with a view to harmonizing domestic taxes within ECOWAS. The meeting enabled a review of the existing directives of the two Commissions relating to domestic taxes, and in the process brought out the areas of divergence. The major difference between the two texts relates to the number of products subject to taxation (14 products for UEMOA against 19 for ECOWAS) and the tax rates. At the end of the meeting the two Commissions agreed on a roadmap on the timeframe and actions for the harmonization of Value-Added Tax (VAT) and excise duties.

176. Also, the ECOWAS Commission provided technical and financial assistance to The Gambia and Liberia in their efforts to introduce Value-Added Tax. This support enabled the two countries to establish Steering Committees which will be responsible for the introduction of VAT.

4.2.5. Harmonisation of Public Finance Frameworks

177. The harmonization of management frameworks of public finances is one of the activities provided for in the roadmap of the programme for the ECOWAS single currency. For the execution of these activities, the ECOWAS Commission engaged consultants to undertake four studies, mentioned below, of which the drafts were presented and discussed at a meeting held from 1 to 5 November 2010 in Lome. Following this meeting, a second meeting was held in Dakar from 20 to 24 June 2011 to consider the improved versions

178. These studies were intended to assess the methods for the preparation, presentation and execution of state budgets with a view to harmonising the regulatory framework for managing public finance in ECOWAS member States. It also aimed at improving transparency in public administration.

179. To date, these studies have developed differently.

i. Studies on the Accounting Framework for Public Finance in the ECOWAS Region

180. This study aims at analyzing the accounting frameworks of public finance in the ECOWAS Member States with a view to recommending a harmonized framework, particularly in terms of the budget nomenclature and accounting plan. Validation of this study has been scheduled for end of 2013.

ii. Study on the Statistical Framework of Public Finance within the ECOWAS Region

181. This study is intended to assess the current frameworks for the management of public debt in the Member States of ECOWAS. It places particular emphasis on the formulation of reforms to strengthen the harmonization and coordination of policies on management of public debt in the ECOWAS region. In addition, the study aims, among others things, to propose an action plan for the development of a harmonized policy framework and procedures for the management of public debt.

182. Following the validation meeting held from 15 to 17 March 2012 in Banjul, it was recommended, among other things, to ensure the harmonization of the management of public debt in the ECOWAS Member States, using the UEMOA framework as a working document. In this context, the ECOWAS Commission, with the support of GIZ, launched a consultancy for the preparation of the harmonization project. The draft study report was discussed during the technical meeting of regional institutions on 25 and 26 March 2013 in Abuja and validated at a regional meeting of experts from the Member States from 21 to 24 May 2013. At the end of the meeting participants made the following key recommendations:

- ✓ Member States must define their debt strategies and make systematic analysis of debt sustainability;

- ✓ Member States prepare annual debt programmes which should be integrated into their national budgets to enable management of risks and cost of debt;
- ✓ Member States should properly monitor contingent liabilities, in terms of their impact on public deficits;

Iii. Study on existing Laws, Institutions and Practices in Public Procurement in ECOWAS Member States

183. The purpose of this study is to analyze current practices and legal and institutional arrangements in the field of public procurement in the Member States of ECOWAS and propose an action plan for the development of a harmonised framework in this area.

184. At the first regional validation meeting held from 12 to 14 March 2012 in Banjul, experts from Member State recommended the revision of the report on the study in order to update it and that the UEMOA Directives on public procurement should serve as the basis of the work. In this regard, the ECOWAS Commission, with the support of GIZ, launched a consultancy to update the study and produce a draft harmonization document. The draft document was discussed at a technical meeting held on 25 and 26 March 2013 in Abuja and and validated at a regional meeting of experts from the Member States from 21 to 24 May 2013. At the end of the meeting the following key recommendations were made:

- ✓ the harmonization process should involve both administrative and legal frameworks;
- ✓ a regulatory framework for markets should be developed for the harmonization process;
- ✓ the regulatory and legal framework of the UEMOA and the compliance analysis tool OECD should be used as working tools in the process of formulating the strategy for harmonization within ECOWAS.

4.2.6 Removal of All Tariff and Non-Tariff Barriers to Free Movement of Goods, Persons and Services within ECOWAS

185. The removal of barriers to free movement of merchandise would enable the consolidation of a free trade area and the realisation of a custom union within the community. Also, the elimination of barriers to free movement of persons will enhance factor mobility within the region, a condition which is necessary for the creation of a monetary union.

4.2.6.1 Consolidation of Free Trade Area in ECOWAS

186. Consolidation of Free Trade Area is being implemented through the ECOWAS Trade Liberalization Scheme (ETLS). The objective of the Scheme is to promote intra-community trade by eliminating tariff and non-tariff barriers on imports and exports originating from Member States.

187. To achieve this objective in the medium and long-term, the ECOWAS Commission undertook several activities for the effective implementation of the ETLS by Member States. These include, notably:

- ✓ analysis and validation of applications granted and approved by National Approval Committees in order to notify all Member States;
- ✓ finalised the harmonisation of regulatory texts on intra-regional trade by the two regional institutions namely, ECOWAS and UEMOA Commission;
- ✓ establishment of an ECOWAS website dedicated to the ECOWAS Trade Liberalization Scheme;
- ✓ monitoring and addressing complaints from economic operators on cases of violations of the provisions on intra-Community trade in Benin, Liberia, Sierra Leone and Guinea.

188. Notwithstanding progress made, the persistence of non-tariff barriers continues to impede the development of intra-Community trade.

4.2.6.2 Establishment of a Custom Union

189. As part of the establishment of a customs union within the ECOWAS, the Common External Tariff of ECOWAS (CET) and its accompanying measures were finalized in 2012. Indeed, these initiatives permitted, following the adoption of the fifth band of 35%, to get a CET with 5899 tariff lines in five (5) categories in version SH 2007. The proposed nomenclature, Version HS 2007, approved by the Joint Management Committee of the CET has been discussed with the World Customs Organization (WCO) and the comments that ensued have been incorporated. The transcription of tariff in Version HS 2012 has been completed. In addition, the accompanying measures and safeguards of the ECOWAS CET were developed by experts from the ECOWAS and UEMOA Commissions to provide countries with additional instruments for protection and flexibility.

190. It should be noted that the ECOWAS CET was adopted at the meeting of the Ministerial Monitoring Committee (MMC) in Praia in March 2013 and discussions on the Regional Integration Community Levy are underway at the highest level.

4.2.6.3. Free Movement of Persons and Right of Establishment

191. The free movement of citizens of the community within the ECOWAS and the right of their establishment in the Member States is one of the pillars of the integration process.

192. In this context, the Commission has, with the support of technical and financial partners, opened at some borders, information and observation centres on the free movement which will be used to raise awareness of citizens of the community, migrants and

government officials on the need for all ECOWAS texts relating to the free movement of persons, right of residence and right of establishment.

193. So far, 11 Member States have adopted the standard model of the ECOWAS passport containing technical specifications that conform to ICAO standards.

194. Regarding capacity building, the training module on freedom of movement for institutions that train border control (immigration) officers, which was developed with the assistance of migration experts of the European Union (BEST), was adopted. The aim is to harmonize the training within the ECOWAS region in order to establish a uniform system of procedures for border management. The training manual also includes issues related to human rights and labor law.

195. Trans-boundary common infrastructure for health, conservation and storage of food and other social and economic achievements were made and others are under construction or at the conceptual stage in areas such as Sikasso-Korhogo-Bobo-Dioulasso, Southern Senegambia, Mano River Union and Kano-Katsina-Maradi. Also, the Commission is looking for external partners for the implementation of the trans-boundary cooperation programme.

196. In the tourism sector, the Commission has revised the standards for the classification of hotels, motels and inns adopted by ECOWAS Ministers in charge of tourism. Work is in progress on the development of a tourist guide "Destination ECOWAS."

4.2.7. Harmonization of Monetary Policy Frameworks

197. As part of the creation of the ECOWAS single currency, harmonization of monetary policy frameworks is aimed at the harmonisation of rules, practices and procedures of monetary policy with the ultimate goal of achieving a monetary policy framework for the ECOWAS Monetary Union. In this context, a regional workshop was held in November 2011 in Accra which enabled a comparative analysis of monetary policy frameworks in the region to be made. Following the workshop, a report on the comparative analysis of monetary policy frameworks was prepared and submitted to the authorities of WAMA.

4.2.8. Harmonization of Accounting and Reporting Frameworks for Banks and other Financial Institutions

198. This activity aims at achieving a harmonised framework for accounting and financial reports for banks in the ECOWAS region, in accordance with IFRS. This proposal will include, among others, issues related to the legal framework, the disclosure of information, content and format of presentation as well as the harmonization of the accounting year.

199. In addition to the collection of information relating to accounting and reporting frameworks for banks and other financial institutions in the Member States, WAMA organized a workshop in September 2012 in Conakry. This regional meeting enabled a comparative analysis of accounting and reporting framework for banks and other financial institutions to be made and to adopt IFRS as the basis for harmonization. On this basis, the Committee of Governors of Central Banks of ECOWAS Member States urged Member States countries to adopt the IFRS norms and asked WAMA to monitor the process in the framework of multilateral surveillance missions.

4.2.9. Harmonization of Regulatory and Supervisory Framework for Banks and Other Financial Institutions

200. This activity of the roadmap is to enable ECOWAS to provide for the banking and financial sector, a harmonized financial and banking legislation with international standards, in particular, the basic principles of Basel I and II. Its implementation will strengthen the stability of the financial sector in the sub-region. The report on the comparative analysis of existing frameworks and detailed implementation of the harmonization scheme has commenced following the organization of a regional workshop to make a comparative analysis of existing frameworks and develop a schedule for harmonization.

4.2.10. Stabilization of Exchange Rates

201. WAMA conducts the daily calculation of the exchange rates and publication of periodic reports. Also, the Agency conducted a study on exchange rate misalignment and its impact on the single currency project. In addition, the reflection is thought is being given on how to establish the ECOWAS exchange rate mechanism.

4.2.11. Harmonization of Regulation governing Transactions of Current and Capital Accounts within ECOWAS

202. The objective of this activity is to provide a harmonized legislative framework for the liberalization of current and capital accounts within ECOWAS. In this context, following the collection of information on the laws of Member States in respect of external financial relations, a report on comparative analysis of current legislative frameworks was prepared by WAMA, with the assistance of WAIFEM. On the basis of this document, a regional workshop was organized to define a harmonized scheme

4.2.12 Integration of Financial Markets

203. Given the importance of the integration of financial markets for the success of monetary integration, the ECOWAS Commission, in collaboration with the Bankers Association of West Africa (WABA), launched in February 2011, a call for expressions of interest to undertake a feasibility study on the creation of a regional system of payments and settlement within ECOWAS. This study is currently underway.

204. It should be noted that the Charter of the West African Council for the integration of capital markets was signed in January 2013. Regarding insurance, the Commission has conducted a feasibility study for the establishment of the Investment Guarantee Agency within ECOWAS to deal with political risks. This study will be submitted to the sectoral ministers for adoption in order to complete the project.

205. In the area of financial market, a consultant has been engaged to conduct a feasibility study on the payment system and cross-border interbank settlements, identified as a

necessary element that will facilitate the integration of monetary and financial markets and financial inclusion in region.

206. It is also envisaged to establish a central credit risk which will be accessible to all financial institutions in the region and contain information on all resident debtors or residents who have obtained loans from credit institutions operating in the ECOWAS region.

4.2.13 Listing and Trading in Currencies of ECOWAS

207. WAMA conducted a study in 2010 on "Convertibility and the use National Currencies for Intra-Regional Transactions'' which was submitted for consideration by the Committee of Governors at a meeting held in July 2010 in Banjul. The Committee, however, deemed it necessary to adopt a cautious approach because of the existence of misaligned real exchange rates of several currencies and potential speculative attacks. On that note, the Committee therefore requested that WAMA and WABA work together on this issue and submit new proposals. The two institutions are currently working on this issue. The main objective is to develop an appropriate framework and institutional arrangements for the promotion and realisation of listing and trading in national currencies within ECOWAS.

4.2.14. Completion of Payment Infrastructure in The Gambia, Guinea, Liberia and Sierra Leone

208. At its Fourth Meeting which took place in September 2012, the Steering Committee of the project made changes to the date for project completion from 31 December 2012 to 30 June 2014. The next steps include looking for technical and financial support for the infrastructure of the payments system of West African Central Banks and linking RTGS systems of NCB with the central platform.

209. With this activity the situation varies from one country to the other. Indeed, in The Gambia, implementation of the ACP/ACH was completed in December 2011 and the RTGS was started and has been functional since 16 December 2011. In Guinea, the start date was changed from 13 December 2013 to 3 February 2014, due to delays in meeting deadlines agreed for the fulfilment of conditions in Guinea. In Liberia, the launch of the ACP/ACH component is scheduled for 27 June 2014. In Sierra Leone, the implementation of the ACP/ACH has been completed and was launched on 5 August 2013 and is effectively functional.

V. PROSPECTS

210. In the context of the slight acceleration of growth in the global economy, which is projected at 2.9% in 2013 against 3.2% in 2012, Sub-Saharan Africa is expected to achieve a real growth rate of 5.04%. This renewed activity in Sub-Saharan Africa is due to the dynamics of production in the natural resources sector that strengthens public spending, especially in infrastructure projects.

211.In West Africa, growth prospects remain favourable with an increase of 6.3% in real GDP in 2013 against 6.6% in 2012. This growth is due, in particular, to the expected recovery in global demand for minerals and hydrocarbons, as well as the improvement of production in the agricultural sector. The dynamism of the regional economy would be supported by the consolidation of growth in the major economies of ECOWAS; namely Nigeria (6.9%), Côte d'Ivoire (9.0%), Ghana (8.0%) and Senegal (4.0%). In addition, other Member States such as Sierra Leone (14.6%), Gambia (6.4%), Liberia (8.1%), Burkina Faso (6.8%), Mali (5.1%), Togo (5.6%) and Benin (6.1%) would record sustained growth rates.

212. With respect to inflation, despite the effects of rainfall on agriculture, inflationary pressures will record a downward trend in 2013 within ECOWAS, from an average rate of 9.84% in 2012 to 8.3% in 2013.

213. As regards public finance, the reduction in budget deficit in the region expected in 2013 would be related to improvement in the deficit positions of most member states.

214. The ECOWAS region will remain in surplus, although declining from 1.1% of GDP in 2012 to 0.4% in 2013. This result is mainly due to the relative decline in the current account surplus of Nigeria which would be 5.5% of GDP in 2013, and the sharp deterioration in the external balance of Cote d'Ivoire (-2.7% against -2.2% in 2012).

215. In the context of strengthening the mechanism of multilateral surveillance of economic and financial performance of Member States, joint missions were undertaken to the Member States. Similarly, regional meetings of the NCCs were held in view of their importance in the process of multilateral surveillance. In this context, the ECOWAS Commission will continue to strengthen the capacity of National Coordinating Committees (NCC) and monitor the regular production of quarterly reports by the NCCs. In particular, strengthening the technical capacity would be necessary for the NCCs to produce the Multi-annual Convergence Programme within the framework of the Macroeconomic and Stability Pact adopted in June 2012 by the Summit of Heads of State and Government.

CONCLUSIONS AND RECOMMENDATIONS

216. In an international context marked by slow economic growth, dynamics of the economies of West Africa was consolidated. However, this momentum has not translated into improved performance in terms of macroeconomic convergence of Member States. Based on the assessment of the number of countries that met the convergence criteria, the situation in 2012 was as follows:

- ✓ 7 Member States,as opposed to 9 others, in 2011 met the criterion on ratio of the budget deficit / GDP ;
- ✓ 8 Member States against 9 in 2011 met the target of average annual inflation;
- ✓ 14 countries against 15 in 2011 met the criterion on financing the budget deficit by the Central Bank;
- ✓ 2 countries against 10 in 2011 met the target on gross external reserves to months of imports;
- ✓ 11 countries against 14 in 2011 met the criterion on non accumulation of domestic and external arrears ;
- ✓ No Member State reached the target for the ratio of nominal tax revenue / GDP in 2012 against one country a year earlier;
- ✓ Sustained at 3 the number of countries that met criterion on ratio of salary mass / total tax revenues;
- ✓ 10 against 11 Member States in 2011 met the criterion on ratio of public investment financed by domestic resources / total tax revenue;
- ✓ 8 Member States against 5 in 2011 met the criterion on real interest rate ;
- ✓ Concerning the stability of nominal exchange rate and ratio of public debt as a percentage to GDP, the situation remained unchanged as 13 Member States met these criteria.

217. However, based on the number of criteria met by countries, only three countries have a lower performance than the previous year, while others have recorded increases of between 1 and 3 criteria satisfied in relation to the year 2011.

218. The analysis of the macroeconomic performance of the Member States shows that efforts should be concentrated at improving public finances, in particular, at increasing tax revenue and controlling current expenditure in order to help reduce the budget deficit, reduce the ratio of salary mass to tax revenue and increase resources for public investment.

219. In terms of recommendations, Member States are encouraged to:

- ✓ **Under Real Sector**

  - continue efforts to diversify economies, restructuring and supporting the agricultural sector, and the upgrading of infrastructure;;

  intensify efforts to improve the business climate and supply of electrical energy

- ✓ **Under Public Finance**

  - pursue efforts for improving collection of tax revenues, in particular by broadening the tax base, deepening the fight against fraud and tax evasion and strengthening controls;

  - ensure control of current expenditure, including those relating to the payroll;

- ✓ **Under the Monetary Secto**r

  - implement a prudent monetary policy in order to maintain price stability and low inflation

- ✓ **Under External Sector**

  - Consolidate gross external reserves by strengthening positive balances of payments;

- ✓ **Under harmonization and institutional arrangements**

  - Ratification and effective implementation of ECOWAS protocols and conventions Develop and submit to the ECOWAS Commission, on a timely basis , periodic NCC reports with statistical annexes in Excel format corresponding to the ECOMAC database and in accordance with the guidelines for the preparation of such reports

- ✓ **Under ECOMAC database**

  - Take steps to regularly update the ECOMAC database ;

220. La recommandation à l'endroit de la Commission de la CEDEAO

Prendre les dispositions pour participer effectivement aux séances des missions du FMI/Banque Mondiale au titre de l'article IV des statuts du Fond Monétaire International en vue de mieux accompagner les actions de développement des Etats membres et favoriser la prise en compte de leurs engagements au niveau communautaire dans les programmes avec les partenaires techniques et financiers.