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COMMISSION DE LA CEDEAO



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Table of Contents

TABLE OF CONTENTS	2
LIST OF FIGURES	5
ACKNOWLEDGEMENT	6
INTRODUCTION	7
I. EXTERNAL ENVIRONMENT: THE GLOBAL ECONOMIC ENVIRONMENT	9
II. ECONOMIC AND FINANCIAL SITUATION IN ECOWAS MEMBER STATES IN 2014	13
2.1 ECONOMIC AND FINANCIAL SITUATION IN BENIN IN 2014	13
2.1.1 REAL SECTOR	13
2.1.2 PUBLIC FINANCE AND PUBLIC DEBT	14
2.1.3 EXTERNAL SECTOR	15
2.1.4 MONETARY SECTOR	16
2.1.5 STATUS OF MACROECONOMIC CONVERGENCE	16
2.1.6 CONCLUSION AND RECOMMENDATIONS	17
2.2 ECONOMIC AND FINANCIAL SITUATION IN BURKINA FASO IN 2014	18
2.2.1 REAL SECTOR	18
2.2.2 PUBLIC FINANCE AND PUBLIC DEBT	19
2.2.3 EXTERNAL SECTOR	20
2.2.4 MONETARY SECTOR	20
2.2.5 STATUS OF MACROECONOMIC CONVERGENCE	21
2.2.6 CONCLUSION AND RECOMMENDATIONS	22
2.3 ECONOMIC AND FINANCIAL SITUATION IN CABO VERDE IN 2014	23
2.3.1 REAL SECTOR	23
2.3.2 PUBLIC FINANCE AND PUBLIC DEBT	23
2.3.3 EXTERNAL SECTOR	23
2.3.4 MONETARY SECTOR	24
2.3.5 STATUS OF MACROECONOMIC CONVERGENCE	24
2.3.6 CONCLUSIONS AND RECOMMENDATIONS	25
2.4 ECONOMIC AND FINANCIAL SITUATION IN CÔTE D'IVOIRE IN 2014	26
2.4.1 REAL SECTOR	26
2.4.2 PUBLIC FINANCE AND PUBLIC DEBT	27
2.4.3 EXTERNAL SECTOR	28
2.4.4 MONETARY SECTOR	28
2.4.5 STATUS OF MACROECONOMIC CONVERGENCE	29
2.4.6 CONCLUSION AND RECOMMENDATIONS	30
2.5 ECONOMIC AND FINANCIAL SITUATION IN THE GAMBIA IN 2014	31

2.5.1	REAL SECTOR	31
2.5.2	PUBLIC FINANCE AND PUBLIC DEBT	31
2.5.3	EXTERNAL SECTOR	33
2.5.4	MONETARY SECTOR	34
2.5.5	STATUS OF MACROECONOMIC CONVERGENCE	35
2.5.6	CONCLUSION AND RECOMMENDATIONS	37
2.6	ECONOMIC AND FINANCIAL SITUATION IN GHANA IN 2014	38
2.6.1	REAL SECTOR	38
2.6.2	PUBLIC FINANCES AND PUBLIC DEBT	38
2.6.3	EXTERNAL SECTOR	40
2.6.4	MONETARY SECTOR	41
2.6.5	STATUS OF MACROECONOMIC CONVERGENCE	42
2.6.6	CONCLUSION AND RECOMMENDATIONS	43
2.7	ECONOMIC AND FINANCIAL SITUATION IN GUINEA IN 2014	45
2.7.1	REAL SECTOR	45
2.7.2	PUBLIC FINANCE AND PUBLIC DEBT	46
2.7.3	EXTERNAL SECTOR	47
2.7.4	MONETARY SECTOR	48
2.7.5	STATUS OF MACROECONOMIC CONVERGENCE	48
2.7.6	CONCLUSION AND RECOMMENDATIONS	49
2.8	ECONOMIC AND FINANCIAL SITUATION IN GUINEA BISSAU	50
2.8.1	REAL SECTOR	50
2.8.2	PUBLIC FINANCE AND PUBLIC DEBT	50
2.8.3	EXTERNAL SECTOR	52
2.8.4	MONETARY SECTOR	52
2.8.5	STATUS OF MACROECONOMIC CONVERGENCE	53
2.8.6	CONCLUSIONS AND RECOMMENDATIONS	53
2.9	ECONOMIC AND FINANCIAL SITUATION IN LIBERIA	54
2.9.1	REAL SECTOR	54
2.9.3	EXTERNAL SECTOR	55
2.9.4	MONETARY SECTOR	56
2.9.5	STATUS OF MACROECONOMIC CONVERGENCE	56
2.9.6	CONCLUSION AND RECOMMENDATIONS	58
2.10	ECONOMIC AND FINANCIAL SITUATION IN MALI IN 2014	59
2.10.1	REAL SECTOR	59
2.10.2	PUBLIC FINANCE AND PUBLIC DEBT	60
2.10.3	EXTERNAL SECTOR	61

2.10.4	<i>MONETARY SECTOR</i>	62
2.10.5	<i>STATUS OF MACROECONOMIC CONVERGENCE</i>	62
2.10.6	<i>CONCLUSION AND RECOMMENDATIONS</i>	63
2.11	<i>ECONOMIC AND FINANCIAL SITUATION IN NIGER</i>	64
2.11.1	<i>REAL SECTOR</i>	64
2.11.2	<i>PUBLIC FINANCE AND PUBLIC DEBT</i>	65
2.11.3	<i>EXTERNAL SECTOR</i>	66
2.11.4	<i>MONETARY SECTOR</i>	67
2.11.5	<i>STATUS OF MACROECONOMIC CONVERGENCE</i>	67
2.11.6	<i>CONCLUSIONS AND RECOMMENDATIONS</i>	68
2.12	<i>ECONOMIC AND FINANCIAL SITUATION IN NIGERIA IN 2014</i>	69
2.12.1	<i>REAL SECTOR</i>	69
2.12.2	<i>PUBLIC FINANCE AND PUBLIC DEBT</i>	70
2.12.3	<i>EXTERNAL SECTOR</i>	70
2.12.4	<i>MONETARY SECTOR</i>	72
2.12.5	<i>STATUS OF MACROECONOMIC CONVERGENCE</i>	73
2.12.6	<i>CONCLUSION AND RECOMMENDATIONS</i>	74
2.13	<i>ECONOMIC AND FINANCIAL SITUATION IN SENEGAL IN 2014</i>	75
2.13.1	<i>REAL SECTOR</i>	75
2.13.2	<i>PUBLIC FINANCE AND PUBLIC DEBT</i>	76
2.13.3	<i>EXTERNAL SECTOR</i>	78
2.13.4	<i>MONETARY SECTOR</i>	78
2.13.5	<i>STATUS OF MACROECONOMIC CONVERGENCE</i>	79
2.13.6	<i>CONCLUSIONS AND RECOMMENDATIONS</i>	80
2.14	<i>ECONOMIC AND FINANCIAL SITUATION IN SIERRA LEONE IN 2014</i>	81
2.14.1	<i>REAL SECTOR</i>	81
2.14.2	<i>PUBLIC FINANCE AND PUBLIC DEBT</i>	82
2.14.3	<i>EXTERNAL SECTOR</i>	84
2.14.4	<i>MONETARY SECTOR</i>	84
2.14.5	<i>STATUS OF MACROECONOMIC CONVERGENCE</i>	85
2.14.6	<i>CONCLUSION AND RECOMMENDATIONS</i>	87
2.15	<i>ECONOMIC AND FINANCIAL SITUATION IN TOGO IN 2014</i>	88
2.15.1	<i>REAL SECTOR</i>	88
2.15.2	<i>PUBLIC FINANCE AND PUBLIC DEBT</i>	89
2.15.3	<i>EXTERNAL SECTOR</i>	90
2.15.4	<i>MONETARY SECTOR</i>	91
2.15.5	<i>STATUS OF MACROECONOMIC CONVERGENCE</i>	91

2.15.6	CONCLUSION AND RECOMMENDATIONS	92
III.	STATUS OF MACROECONOMIC CONVERGENCE OF ECOWAS MEMBER STATES IN 2014	93
	PRIMARY CRITERIA	93
	SECONDARY CRITERIA	95
IV.	POLICY HARMONISATION AND INSTITUTIONAL ARRANGEMENTS	100
4.1	RATIFICATION OF PROTOCOLS, CONVENTIONS AND SUPPLEMENTARY ACTS	100
4.2	ESTABLISHMENT OF PRESIDENTIAL TASKFORCE ON SINGLE CURRENCY	101
4.3	IMPLEMENTATION OF ROAD MAP FOR THE SINGLE CURRENCY	101
	CONCLUSION	105

LIST OF FIGURES

<i>Figure 1 : Member States' budget deficit in 2013 and 2014</i>	93
<i>Figure 2 : ECOWAS Member States' inflation rates in 2013 and 2014</i>	94
<i>Figure 3: Gross External Reserves(in months of import) of Member States in 2013 and 2014</i>	95
<i>Figure 4: Ratio of Tax revenue/GDP in 2013 and 2014</i>	96
<i>Figure 5: Ratio of Wage bill/Tax revenue in 2013 and 2014</i>	97
<i>Figure 6: Domestically-financed public investment/tax revenue in 2013 and 2014</i>	98
<i>Figure 7: Public debt/GDP ratio in 2013 and 2014</i>	98
<i>Figure 8: Nominal exchange rate in 2013 and 2014</i>	99
<i>Figure 9: Real interest rate in 2013 and 2014</i>	99

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INTRODUCTION

1. The ECOWAS Convergence report for 2014 gives a comprehensive account of the status of macroeconomic convergence in the ECOWAS region in 2014 within the framework of the ECOWAS Monetary Cooperation Programme adopted in 1987 and the ECOWAS Multilateral Surveillance Mechanism adopted in 2001 via Decision A/DEC/17/12 /01 and amended in 2012 via Supplementary Act A/SA.3/06/12. The new Article 8 of the Supplementary Act 2012 which deals with Evaluation of Convergence, enjoins the Convergence Council to consider half-yearly reports on multilateral surveillance prepared by the ECOWAS Commission.
2. An important development in the implementation of ECOWAS Multilateral Surveillance Mechanism during the review period was the organisation of the inaugural meeting of the Presidential Taskforce on ECOWAS Single Currency Programme in Niamey, Niger on 21 and 22 February 2014. The Presidential Task Force was established by the Presidents of Ghana and Niger who were appointed by the ECOWAS Authority of Heads of State and Government at their Extraordinary Summit on 25 October 2013 in Dakar to oversee the creation of the ECOWAS single currency in a timely manner and within the single track approach by 2020. In addition, the ECOWAS Authority of Heads of State and Government at their Summit held on 10 July 2014 in Accra adopted the revised macroeconomic convergence criteria and mandated the ECOWAS Commission to ensure the effective implementation of the Roadmap for the ECOWAS Single Currency Programme as well as the rationalisation of the functions of the regional institutions involved in the process. The roadmap for the ECOWAS single currency was subsequently revised at a special Technical Meeting in Accra from 27 to 31 October 2014 and adopted at the Third meeting of the Presidential Task Force from 4 to 6 February 2015 in Niamey.
3. The report serves as part of the mechanism for the continuous monitoring and assessment of the performance of the economies of ECOWAS Member States and progress being made by each Member State in meeting the macroeconomic convergence criteria. In this context, the report was prepared with inputs, in the form of country reports, provided by the National Coordinating Committees (NCCs) of the respective countries, on the economic situation and performance in relation to macroeconomic convergence during the year under review. The country reports then went through a process of reviews aimed at enhancing their quality. They were first reviewed at the ECOWAS Commission by the Joint Secretariat, an institutional organ of the Multilateral Surveillance Mechanism comprising the ECOWAS Commission and other regional institutions involved in the ECOWAS Multilateral Surveillance Mechanism namely, West African Monetary Agency (WAMA), West Africa Monetary Institute (WAMI), UEMOA Commission, and the ECOWAS Bank for Investment and Development (EBID). The reports were subsequently discussed at a regional meeting of the NCCs before being consolidated into the convergence report.
4. Thus, the report essentially provides an overview of the performance of the economies in the region in the given year and the extent to which the individual countries and the region as a whole are moving towards macroeconomic

convergence. It also highlights the challenges the countries and the region faced as a whole during the year. The year in reference was characterized by two important events that posed particular challenge to policy-makers and managers of the economies of the region – the outbreak of Ebola Virus Disease (EVD) and decline in international commodity prices. The outbreak of EVD in the region was catastrophic and unprecedented in the region. With a death toll of more than 10,000 (according to the World Health Organisation), the epidemic exerted enormous pressure on the resources of the region, particularly in the three countries that were most severely affected - Guinea, Liberia and Sierra Leone. Efforts to contain the disease over-stretched government budgets, while the second round effects affected revenue and foreign exchange earnings of countries that depend on tourism as tourist arrivals declined drastically.

5. The shock from the near-collapse of international commodity prices was felt by almost all the countries in the region as most of the traded commodities from the region were affected. The hardest hit commodity was crude oil whose price per barrel fell by more than twenty % during the period. The prices of other commodities such as gold, iron ore, bauxite, manganese, diamond and cotton which are some of the key export products from the region, experienced considerable declines. The price shock affected government revenue, export earnings and foreign reserves leading to budget deficits, deterioration of trade balances and dwindling foreign reserves of Member States.
6. This report is structured as follows: Following this introduction is Section I – External Environment: Global Economic Environment which analyses developments in the global economy in 2014 and its impact on the economic and financial performance of ECOWAS Member States; Section II provides an overview of the economic and financial situation of ECOWAS Member States in 2014 and analyses the performance of the economies of Member States in 2014 with implications for macroeconomic convergence; Section III assesses the status of macroeconomic convergence in 2014 and analyses the performance of each Member State with respect to meeting each of the convergence criteria and the number of criteria met in 2014; Policy Harmonisation and Institutional Arrangements is discussed in Section IV, and the report ends with Conclusion and Recommendations in Section V.

I. EXTERNAL ENVIRONMENT: THE GLOBAL ECONOMIC ENVIRONMENT

7. In 2014 the global economy started on a shaky take-off which was characterised by unfavourable weather conditions in the USA and political and civil conflict in Ukraine, Syria and Iraq. Despite the early shaky start, the global economic performance gradually improved from a growth of 3.3 % in 2013 to 3.4 % in 2014. Growth for 2015 was projected to be 3.8 %. The rebounding of growth in the high income regions namely, US, Euro Area and Japan was the main impetus to the global growth as indicated by improvements in private spending and in labour market. A significant relaxation in the pace of fiscal consolidation and improved labour market conditions which in turn led to improvement in demand and business confidence in advanced economies increased GDP growth to 1.9 % in 2014 from 1.3 % in 2013.
8. The acceleration of economic activity in developing countries was projected to be more muted, as the recovery from the crisis of 2008 was by and large complete for these economies. In addition, economic rebalancing in China and a gradual tightening of financial conditions as the recovery in high income countries progressed were expected to moderate outturns. Developing-country GDP growth was projected to stay flat for the third year in a row at 4.8 % in 2014 and to rise only gradually to 5.5 % by 2016.
9. In general, growth in high income countries was strengthened and the economies were on the path of recovery. In the United States, the economy expanded by 2.1 % in 2014, up from 1.9 % in 2013. Despite the first quarter contraction growth rebounded in the subsequent quarters which saw the economy growing close to 3 % in response to a reduced drag from fiscal consolidation, improving labour market conditions and an upturn in investment spending. The combined effects of these factors were expected to boost growth further to 3.0 % in 2015.
10. In the Euro Area, reduced fiscal drag and easing of the monetary policy stance supported acceleration in growth from -0.4 % in 2013 to 1.1 % in 2014, which was the first annual increase in three years. In subsequent years growth was projected to increase further, reaching 1.9 % in 2015. Japan is the only major developed economy that slowed down in 2014 to 1.3 %, from 1.5 % in 2013, partly because the growth impetus from monetary policy stimulus and fiscal drag did not produce satisfactory results.
11. Overall economic activity in emerging markets and developing countries slowed in 2014. Industrial production in emerging markets and developing countries grew at 3.7 % in 2014, far below the average of 7.6 % recorded between 2000 and 2013. The overall decline was attributed to the weakness in the Chinese economy. China's annual GDP growth rate was estimated to have slowed to 5.8 %, with industrial production slowing sharply due to financial re-regulation planned to correct past misallocation of credit. Sluggish economic performance was also evidence in India, Mexico and even turning negative in South Africa and Peru.
12. Growth in Sub-Saharan Africa slowed at around 4.7 % in 2014 mainly due to weakness in South Africa and oil-infrastructure challenges in Nigeria and Angola, some of the region's largest economies. Growth in the rest of the region remained

robust, boosted by resilient domestic demand due to a drop in the international oil prices. In the medium term, with most economies operating at or close to potential, growth was projected to rise to about 5.1 % in 2015 and 2016. The persistent fiscal and current account imbalances required a tightening of monetary and fiscal policy to contain macroeconomic stability risks in several economies.

13. Employment trend globally, was estimated to have grown by 1.4 per cent in 2013, compared to 1.7 % in 2012. The global unemployment rate remained unchanged at 6 per cent in 2013. In advanced economies, long-term unemployment has been on the increase, which could lead to higher levels of structural unemployment. Across emerging and developing countries, a main challenge remains the level of informal employment (which remain unaccounted for officially), which, on average, reaches between 40 and 50 per cent in Africa, Asia and Latin America and the Caribbean.
14. The emerging economies and developing countries experienced tighter financial conditions in 2014 and the situation was expected to continue over the next five years as monetary policy is normalized in high income economies. This also meant fragile financial flows and rising costs of capital for emerging economies and developing countries. The hikes in the long term US policy rate pushed up borrowing costs, which spread to developing countries.
15. World trade growth saw modest improvement in 2014 in response to gradual increase in imports demand by advanced economies. Real exports grew by 4.1 per cent in 2014, almost twice as fast as in 2013, but still below the pre-crisis trend of double the global output growth. Further improvement is expected to continue into 2015. The current macroeconomic and financial instabilities in various developing countries, as well as declining growth in large emerging economies, dampened the outlook for trade, particularly primary commodity exporters. Thus, the forecasts for 2015 was revised downwards slightly, owing to downward revisions in output growth rates for both Japan and China and a number of developing regions. Trade in services continued to grow more strongly than merchandise trade, although still at a lower level than in the pre-crisis years. World commercial services exports which stood at \$4.6 trillion in 2013 was projected to grow by 5.5 % in 2014.
16. Global average inflation increased slightly from 2.4 per cent in 2013 to 2.7 per cent in 2014, the third-lowest level since 2000. However, the trends at the sub-regional levels vary. While average inflation for developed economies increased from 1.2 % in 2013 to 1.5 per cent in 2014 due to higher inflation in Japan, inflation in the European Union decreased from 1.5 per cent to 1.1 % because of the sizable output gap, the weakness of the recovery and continued depreciation of regional currencies.
17. Average inflation in the developing economies remained relatively stable. While inflation for Africa and Western Asia declined slightly, a more pronounced decrease was reported in South Asia, mainly due to a decline in inflation in India and the Islamic Republic of Iran. In Africa, inflation decreased to 6.5 % in 2014 from 6.9 per cent in 2013 and was projected to remain at the same level of 6.5 per cent in 2015 due to steady or lower commodity prices. However, in various commodity-exporting economies, Nigeria and Ghana for example, the lower commodity prices have also

contributed to currency depreciation, offsetting some of the gains of decrease in inflation.

18. International commodity prices have generally remained at high levels by historical standards, but in 2014 it experienced downward pressures and great variation across commodities. Falling commodity prices are a relief for importing countries from inflationary pressures but a risk for commodity exporting countries especially low-income countries.
19. The energy prices which have been on the rise since 2012 decreased in 2014. The effects of the ongoing substitution away from petroleum products due to high price of crude oil and improved supplies of unconventional oil and natural gas from the US, more than offset the impact of disruptions in OPEC supply (in Libya, Iraq, Nigeria and other oil-exporting countries). Coal and iron ore prices have declined more than 40 % since 2011 due to declining demand in China and improved supplies from highly competitive producers in Australia, Russia and North America.

Prices of Major Raw Materials

20. Below are highlights of price developments of some major raw materials in 2014. The prices of these commodities affected the fiscal situation of the ECOWAS Member States.

- **Petroleum**

21. The annual average price of a barrel of Brent crude oil, decreased in 2014 by 9.11 % to \$98.94 from \$108.86 in 2013. This decrease was related to the substitution away from petroleum products due to high price of crude oil by some advanced economies and improved supplies of unconventional oil and natural gas from the US.

- **Cotton**

22. The world price of a kilogram of cotton decreased in 2014 by 8.07 compared to an increase of 1.30 % in 2013. A kilogram of cotton traded at an average of US\$1.83 in 2014 compared to \$1.99 in 2013.

- **Sugar**

23. The average world price of sugar declined further in 2014 by 3.06 against a decline of 17.88 % in 2013. The annual average price per kilogram was \$0.37 compared to \$0.39 in 2013. The decline could be explained by the good harvest in Brazil, the largest producer and exporter of sugar.

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- **Wheat**

24. The average world price of wheat started to decline since 2013 and continued in 2014. In 2014, the average global price further declined by 8.76 % compared to 0.32 % in 2013. On average, the world price per metric ton in 2014 was estimated at US\$ 284.9 compared to US\$ 312.25 in 2013.

- **Rice**

25. The world price of a tonne of rice maintained its downward trend throughout 2014. On average, the price of rice declined by 16.42 % in 2014 compared to 10.14 % in 2013, from US\$ 504.89 in 2013 to US\$ 422.83 in 2014.

- **Gold**

26. The price of gold also fell by 15.46 %, due to the reflux of global demand partly resulting from the coercive measures taken by Indian authorities to limit gold imports to reduce the current account deficit of the country's balance of payments. The downward trend was also due to the renewed interest of investors in financial assets denominated in American dollars. On average, an ounce of gold stood at US\$ 1265.58 in 2014 against US\$ 1411.46 in 2013.

II. ECONOMIC AND FINANCIAL SITUATION IN ECOWAS MEMBER STATES IN 2014

2.1 *Economic and Financial Situation in Benin in 2014*

27. In 2014, economic activity took place within the context of continued implementation of Government's five-year economic policy (2012-2016). It resulted in a 6.5% growth rate against 6.9% in 2013. This growth was achieved under low inflationary conditions and driven by the secondary and tertiary sectors.

2.1.1 *Real Sector*

28. Regarding supply, the 6.5% growth recorded in 2014 was mainly due to the secondary and tertiary sectors and, to some extent, the primary sector. Compared to 2013, developments in these sectors were as follows:

29. The primary sector recorded a 5.1% increase against 5.3% in 2013. This increase was made possible by agriculture (5.8%). The other components also recorded increases which stood at 3.4% for livestock and hunting and 3.1% for fishing, fish farming and forestry. Growth in agriculture was attributed to cashcrop farming (cotton production) and subsistence farming following measures put in place by the Gouvernement. Indeed, cotton production increased mainly owing to incentives granted to producers (attractive seed-cotton and inputs prices), enhancement of extension services for greater compliance with technical agricultural itineraries, provision of inputs, of the right quality and at the right time, for production, and timely payment to producers. For its part, subsistence farming benefited from implementation of reforms to ensure improved productivity in the sector. It included provision of specific inputs for food production and agricultural mechanisation.

30. The sector accounted for 22.1% of GDP against 22.4% in 2013. It contributed 1.1 points to GDP growth against 1.2 points in 2013.

31. As regards the secondary sector, it grew by 7.2% in 2014 against 3.7% in 2013. This increase arose from manufacturing activities, mainly food processing (6.4%), as well as construction and public works (7.6%).

32. The secondary sector's contribution to GDP in 2014 stood at 19.2% against 19.1% in 2013. Its contribution to growth in 2014 was 1.4 points against 0.7 in 2013.

33. With respect to the tertiary sector, it recorded an increase of 7.1% in 2014, same as in 2013, due to the strong performance of transport and telecommunication activities (6.3%), other financial activities (14.0%), trade, hotels and restaurants (9.5%). On the other hand, non-market activities increased by 6.0% against 5.3% in 2013.

34. The tertiary sector contributed 58.7% to GDP and 4.0 points to GDP growth in 2014.

35. Final consumption grew by 3.6% against 4.3% in 2013. This growth was driven by household final consumption (3.9%) and final public consumption (2.2%). The contribution of consumption to GDP was 3.1 % in 2014 against 4.8 %% in 2013. Investment stagnated in 2014 compared to 2013. Investment's contribution to GDP

growth was zero % in 2014 against 9.0% in 2013. As regards net export the deficit compared to 2013 reduced by 18.5%. In 2014, trade contribution to GDP stood at 3.4 points against a negative contribution of 5.9 points in 2013.

36. With respect to changes in prices, inflation stood at -1.1% in 2014 mainly due to the availability of local food commodities, in particular food crops, and the fall in the international prices of crude oil since June 2014, accompanied by the pass-through effects on transport costs.

2.1.2 Public Finance and Public Debt

37. The outturn of Government's fiscal operations in 2014 resulted in decrease of total revenue and grants by 1.4% as well as a decline of 3.7% in total expenditure and net lending. This execution resulted in an overall deficit of CFA Franc 91.8 billion (-1.9% of GDP), a decline compared to that of 2013 which stood at CFA Franc 115.6 billion (-2.6% of GDP). Excluding grants, the overall deficit decreased from CFA Franc 156.5 billion (-3.5% of GDP) in 2013 to CFA Franc 135.8 billion (-2.9% of GDP) in 2014.
38. Total revenue and grants mobilised in 2014 stood at CFA Franc 824.8 billion (17.4% of GDP) against CFA Franc 836.4 billion (18.6% of GDP) in 2013. Tax revenue, which represents the main component of total revenue, amounted to CFA Franc 701.2 billion, compared to CFA Franc 668.2 billion in 2013, representing an increase of 4.9%. This increase mainly arose from customs and domestic revenues. Indeed, customs revenue increased by 2.6 % to reach CFA Franc 371.6 billion in December 2014 compared to CFA Franc 362.1 billion at the end of December 2013. With respect to domestic revenue, it increased by 32.8%, moving from CFA Franc 223.2 billion in 2013 to CFA Franc 296.5 billion in 2014. The underlying reasons for this performance include, among others: (i) cleaning up of taxpayer database of the Small Business Tax Office; (ii) widespread registration of taxpayers with IFU; (iii) intensification of tax collection across the country; and (iv) strengthening tax audit of businesses and fight against import-related fraud.
39. Non-tax revenue, standing at CFA Franc 127.3 billion in 2014, rose by 14.1% compared to CFA Franc 111.6 billion in 2013.
40. Grant mobilisation increased to CFA Franc 44.0 billion at the end of December 2014 against CFA Franc 41.0 billion a year earlier, accounting for a 7.5% rise, due mainly to project grants. Mobilisation of programme grants fell by 36.2% in 2014 compared to 2013, while project grants increased to CFA Franc 358.6 billion in 2014 from CFA Franc 281.5 billion in 2013.
41. Total expenditure and net lending commitments as at end-December 2014 stood at CFA Franc 916.5 billion, against CFA Franc 952.0 billion a year earlier, representing a decline of 3.7%. This resulted from a 10.9% fall in capital expenditure mitigated by a 2.3% increase in current expenditure. In terms of nominal GDP, total expenditure and net lending represented 19.4% in 2014, compared to 21.2% in 2013.
42. Current expenditure amounted to CFA Franc 640.0 billion in 2014 against CFA Franc 625.5 billion in 2013. This development came about through increases in salaries and

allowances (+5.7%), transfers and subsidy (+10.5%), which were mitigated by a 19.1% reduction in expenditure for goods and services. Salaries and allowances increased from CFA Franc 300.2 billion, representing 44.9% of tax revenue in 2013, to CFA Franc 317.4 billion in 2014, representing 45.3% of the year's tax revenue.

43. Investment expenditure amounted to CFA Franc 263.1 billion against CFA Franc 295.3 billion in 2013, a decrease of CFA Franc 32.2 billion. This decrease was on account of capital expenditure funded from internal resources (-9.2%) and capital expenditure funded with external resources (-12.55%). The decline in capital expenditure funded with internal resources was caused mainly by administrative challenges such as (i) delay in the processing and payment of invoices; (ii) poor technical capacity of Project Management Units and Offices of Programming and Forecasting in monitoring and implementation; (iii) lack of understanding of public expenditure and procurement procedures by credit managers; and (iv) late validation of Annual Work Plan by certain ministries.
44. With regard to debt, Benin's total public debt stock¹ in 2014 stood at CFA Franc 1 461.8 billion, against CFA Franc 1 144.0 billion in 2013, representing an increase of 27.8%, with external debt accounting for 65.0% while domestic debt accounted for 35.0%. Expressed in terms of GDP, the debt stock increased from 25.4% in 2013 to 30.9% in 2014.

2.1.3 External Sector

45. Benin's transactions with the rest of the world in 2014 resulted in a surplus in the overall balance of payments of CFA Franc 175.1 billion (3.7% of GDP), against CFA Franc 99.1 billion (+2.2% of GDP) in 2013. This increase is attributed to improvement in the current account deficit recorded in 2013 and the positive balance of the capital and financial accounts, having fallen in 2013.
46. The current account deficit stood at CFA Franc 361.7 billion in 2014, an improvement of 44.5%, or CFA Franc 278.9 billion. This development is linked with the performance of components of the current account. Indeed, the trade balance, by virtue of a 21.6% decline in imports coupled with a 7.0% rise in export, significantly improved to stand at CFA Franc -244.5 billion (-5.2% of GDP) in 2014 compared to CFA Franc -649.5 billion (-14.4% of GDP) in 2013. The surplus in current transfers rose by 19.1%, while deficit in the balance of services widened by CFA Franc -215.3 billion.
47. Current account deficit was compensated by the surplus in capital and financial accounts. In fact, the capital account recorded a surplus of CFA Franc 129.6 billion in 2014 against CFA Franc 84.1 billion in 2013, while the financial account recorded a surplus of CFA Franc 285.7 billion in 2014.

¹ Debt stock including treasury bills

2.1.4 Monetary Sector

48. As at the end of December 2014, the monetary situation was characterised by an increase in money supply of CFA Franc 302.1 billion, in relation to the sharp rise in foreign assets (CFA Franc 175.0 billion compared to December 2013) and domestic credit (CFA Franc 85.9 billion compared to December 2013).
49. Net foreign assets of the banking system reached CFA Franc 1 060.0 billion in 2014 against CFA Franc 885.0 billion in 2013, representing an increase of 19.18%. This increase was largely due to the Central Bank's assets which rose by 21.7% to stand at CFA Franc 210.0 billion and that of deposit banks which increased from CFA Franc 670.5 billion in 2013 to CFA Franc 799.0 billion in 2014.
50. Domestic credit swelled by 9.7% in 2014 against 15.0% in 2013. This was due to the deterioration of Government's net position of 17.2% and an increase of 6.0% credit to the economy. Domestic credit in absolute terms, increased from CFA Franc 882.2 billion in 2013 to CFA Franc 968.1 billion in 2014, representing 19.6% and 21.5% of GDP respectively.
51. Money supply, reflecting counterpart growth, stood at CFA Franc 2 023.8 billion in December 2014 against CFA Franc 1 721.7 billion in December 2013, representing an increase of 17.5%. Money supply represented 45.0% of GDP against 38.3% in 2013. Growth in money supply in 2014 was reflected in its components, with currency in circulation and demand deposits increasing by 23.9% and 2.0% respectively.

2.1.5 Status of Macroeconomic Convergence

52. In 2014, Benin met seven (7) convergence criteria out of the eleven (11) criteria, of which three (3) were primary criteria and four (4) were secondary criteria. As regards the secondary criteria, the ratio of tax revenue/GDP, wage bill/tax revenue ratio and ratio of domestically-financed public investment/tax revenue criteria were not met. In 2013, Benin met eight criteria.
53. Benin's convergence performance in 2013 and 2014 is as follows:

Convergence Criteria	Targets	2013	2014
Primary Criteria			
Ratio of Budget deficit (including grants on commitment basis) / GDP	≤ 3%	-2.6%	-1.9%
Average Annual Rate of Inflation	5%	1.0	-1.1
Central Bank Financing of Budget deficit	≤ 10% of tax revenue n-1	0	0
Gross External Reserves in months of imports	≥ 6 months	4.7	4.8
Secondary Criteria			

Payments arrears	Non-accumulation	0	0
Ratio of Tax Revenue/GDP	≥ 20%	14.8	14.8
Ratio Wage bill/tax revenue	≤35%	44.9	45.3
Ratio of Domestically-financed Public Investment/Tax Revenue	≥ 20%	21.1	18.2
Ratio of Public Debt / GDP	≤70%	25.4	30.9
Nominal Exchange Rate : Stable	±10%	4.1	0.1
Real Interest Rate: Positive	Positive	2.5	4.6
Number of criteria satisfied		8	7

2.1.6 Conclusion and Recommendations

54. In 2014, economic activity declined slightly and real GDP growth rate stood at 6.5% against 6.9% in 2013 and 5.4% in 2012. Growth could improve in the medium-to-long term should efforts be geared towards structural reforms and redirection of fiscal policy into productive investments. Looking ahead, economic growth may stand at 6.0% at the end of 2015, driven by recovery in all sectors of the economy and the expected outcome of the Paris Roundtable.
55. In order to maintain macroeconomic stability, accelerate economic growth and ensure effective convergence, the Government of Benin is encouraged to:
- ✓ Continue to provide extension services to producers and speed up the diversification of the economy, particularly through restructuring the new agricultural sectors (cashew nuts, pineapples, etc.);
 - ✓ Foster public-private partnership and improve investment climate;
 - ✓ Strengthen the business environment;
 - ✓ Sustain revenue collection efforts by widening the tax net, fighting fraud and avoiding tax evasion ; and
 - ✓ Pursue efforts to ensure the control of recurrent expenditure, in particular the wage bill.

2.2 Economic and Financial Situation in Burkina Faso in 2014

56. Economic activity in Burkina Faso in 2014 was shrouded in socio-political uncertainty, resulting from the popular uprising of 30 and 31 October 2014. This contributed largely to a slowdown in economic activity owing to the wait-and-see attitude of economic operators. Growth therefore stood at 4.0% against 6.6% in 2013. Growth was driven by all the sectors, with the primary, secondary and tertiary sectors accounting for 0.5 points, 1.0 %points and 2.5 points of growth respectively. In 2015, growth is projected to be 5.0%.

2.2.1 Real Sector

57. On the supply side, developments in the primary, secondary and services sectors relative to 2013 are as follows:

58. The value-added of the primary sector decelerated in 2014 with a growth of 1.8% in 2014 against 3.5% in 2013. The slowdown was largely due to agriculture, a main component of the sector, whose growth stood at 0.3% against 3.5% in 2013. This development was due to food crop farming whose added value decreased by 6.7% in 2014 while cashcrop farming increased by 4.2%. Decline in the value of subsistence farming resulted from a drop in food production by 8.2% due mainly to the late start of rainfall. Regarding its contribution to GDP, the primary sector recorded a marginal decrease from 25.8% in 2013 to 25.3% in 2014. With respect to growth, the sector's contribution stood at 0.5 points in 2014, a decline compared to 2013 which was 0.9 points.

59. Due to the socio-political situation, the secondary sector also recorded a sharp fall in value-added, recording a growth of 5.2% in 2014 against 8.3% in 2013. This development is attributed to downturns in construction activities (4.3% in 2014 against 10.2% in 2013) and manufacturing industries (3.7% in 2014 against 6.9% in 2013). On the contrary, the extractive industries recorded a growth of 8.5% in 2014 following an 8.1% rise in 2013. The secondary sector's contribution to GDP rose slightly from 19.3% in 2013 to 19.5% in 2014. On the other hand, the sector's contribution to growth declined considerably from 1.6 points to 1.0 point in 2014.

60. The tertiary sector recorded a growth of 5.6% in 2014 compared to 7.4% in 2013. This decline was attributable to the non-market services sub-sector whose value-added grew at 6.3% and to a lesser extent, to the market services sub-sector(+5.0%). This notwithstanding, it should be noted that the market services sub-sector was affected, during the year, by the cancellation of major events such as the Ouagadougou International Arts and Craft Fair (SIAO), the International Tourism and Hotel Fair (SITHO), the Faso Cycling Tour and other international events in order to curb the spread of the Ebola Virus Disease in Burkina Faso. The tertiary sector's contribution to growth stood at 2.5 point in 2014 against 4.1 point a year earlier.

61. On the demand side, final consumption rose by 5.5% against 4.6% in 2013, driven by household consumption which increased by 7.7% in 2014 against 6.5% a year earlier. Gross fixed capital formation was negatively affected by the socio-political situation of 2014, recording a negative growth of 2.1 %% largely due to private GFCF (-9.3%),

while public GFCF increased by 7.4%. As regards trade, exports grew by 2.5%, driven by gold and cotton, whereas imports shrank by 2.7% , due to the wait-and-see attitude of economic operators, against an increase of 3.1% in 2013. Consumption, trade and investments contributed to growth, accounting for 3.2 %, 1.6 points and - 0.8 point respectively.

62. With regard to price development, inflation stood at -0.3% in December 2014, against 0.5% in 2013. Inflation in 2014 was largely due to falling prices of « Food and Non-Alcoholic Beverages ». Good harvest in the 2013/2014 crop year positively impacted on price changes of cereal-based products.

2.2.2 Public Finance and Public Debt

63. The Government's fiscal operations in 2014 was led by the pursuit of commitments made in March 2014 to improve the purchasing power of the population on the one hand, and the wait-and-see attitude of economic operators on the other hand. There was therefore a deficit of CFA Franc 113.5 billion (1.8% of GDP) against a deficit of CFA Franc 210.9 billion (3.5% of GDP) in 2013. Excluding grants, the overall budget deficit amounted to CFA Franc 369.9 billion (6.0% of GDP) as at the end of December 2014, compared to a deficit of CFA Franc 535.3 billion (8.9% of GDP) in 2013.
64. In terms of resource mobilisation, total revenue and grants collected in 2014 declined compared to 2013 to stand at CFA Franc 1 321.1 billion at the end of December 2014 against CFA Franc 1 441.7 billion during the same period in 2013, representing a decrease of 8.4%. This development is attributed to total revenue (CFA Franc -52.7 billion) and grants (CFA Franc -67.9 billion) compared to ending 2013. The decline in total revenue was due to the fall in tax revenue (-5.2%), in particular «Value Added Tax » (CFA Franc -36.4 billion) ; «taxes on trade and international transactions» (CFA Franc -24.9 billion) and «taxes on income, profits and capital gains» (CFA Franc -12.3 billion). Various reasons account for the fall in tax revenue including decrease in the volume of imports, decline in contribution from the mining sector due to falling gold prices as well as the socio-political situation in the country..
65. With respect to grants, the country recorded a decrease of 20.9% in 2014 compared to 2013 and was explained by the combined effect of the decline in project grants (CFA Franc -47.7 billion) and programme grants (CFA Franc -20.2 billion). The decline in programme grants was due to the non-disbursement of the World Bank's Fourth Growth and Competitiveness Credit (GCC4) in the amount of CFA Franc 17.5 billion originally planned for 2014, but postponed to 2015.
66. Commitments also declined compared to ending 2013. This situation was due to the underperformance of domestic resource mobilisation and non-disbursement of external funds. Government paid investment expenditure of 35.4% at the end of December 2014 compared to 2013. Thus, compared to December 2013, investment expenditure financed from domestic resources fell by CFA Franc 167.7 billion, those financed from external sources amounted to CFA Franc 50.0 billion while capital transfer expenditure and recapitalisation² amounted to CFA Franc 86.6 billion.

However, current expenditure, driven mainly by salary expenditure increased by 8.3%. Indeed, expenditure on salaries rose by 23.0% compared to 2013 due to the implementation of a new salary scale for workers, which took effect from 1st January 2014 and taking into account integration and statutory obligations.

67. At the end of December 2014, the provisional public debt stock stood at CFA Franc 1 855.9 billion (30.0% of GDP), representing an increase of 10.1% compared to the end of December 2013. This increase in the debt stock between ending 2013 and ending 2014 was due to domestic debt (16.7%) and foreign debt (7.0%). In terms of composition, total public debt as at end December 2014 comprised external debt of CFA Franc 1 225.2 billion (66.0%) and domestic debt in the amount of CFA Franc 630.7 billion (34.0%). The issuance of bonds and six treasury bills in 2014 changed the structure of public debt slightly, with domestic debt accounting for 34% of the debt stock, from 32.1% in 2013.

2.2.3 External Sector

68. Regarding transactions with the rest of the world, overall balance of payments recorded a deficit of CFA Franc 135.5 billion in 2014 compared to a deficit of CFA Franc 147.0 billion in 2013.
69. The current account deficit recorded an improvement, driven largely by balance of trade whose deficit reduced from CFA Franc 328.8 billion in 2013 to CFA Franc 89.7 billion in 2014, representing an improvement of CFA Franc 239.1 billion due to the decline in the value of imports and a slight increase in exports. Indeed, imports declined by 9.1% (CFA Franc 149.4 billion) compared to an increase of 6.9% (CFA Franc 90.4 billion) in 2013. The fall in imports, for reasons mentioned above, was attributed to capital goods (-21.1% or CFA Franc 127.9 billion), food (-6.3%, or CFA Franc 9.1 billion) and intermediate goods (-9.3%, or CFA Franc 34.4 billion).
70. The deficit of services balance worsened by 5.2% compared to the deficit of CFA Franc 459.4 billion recorded in 2013 due largely to other services, particularly financial services and information. With regard to income, the deficit stood at CFA Franc 70.7 billion in 2014, an improvement of 24.2% compared to 2013, due to lower net payments to non-residents for returns on investments (-30.3%) made particularly by mining and telecommunication companies. Concerning secondary income, the positive balance declined by 4.8% in 2014 compared to 2013, due to public service transfers.

2.2.4 Monetary Sector

71. With regard to the monetary situation at the end of December 2014, monetary aggregates between end-December 2013 and end-December 2014 was characterised by a fall in net foreign assets (-25.3%) and expansion of domestic credit (+24.5%), leading to increase in money supply (+12.4%).
72. Net Foreign Assets (NFA) decreased by CFA Franc 135.5 billion at the end of December 2014, to stand at CFA Franc 399.4 billion against CFA Franc 534.9 billion at

the end of December 2013. This decline was largely due to a decline of CFA Franc 150.7 billion in Central Bank's NFA, while banks recorded an increase NFA of CFA Franc 15.2 billion.

73. Domestic credit expanded by CFA Franc 377.0 billion (+24.5%) at the end of December 2014, to stand at CFA Franc 1 913.4 billion against CFA Franc 1 536.4 billion at the end of December 2013. This increase was related to a rise in credit to the economy of CFA Franc 282.1 billion and deterioration of Net Government Position (NGP) of CFA Franc 94.8 billion during the year.
74. Money supply, reflecting counterpart growth, stood at CFA Franc 2 164.1 billion at the end of December 2014 (12.4%). This increase is reflected in deposits (CFA Franc 192.5 billion, or +11.2%) and currency in circulation (CFA Franc 47.1 billion, or 23.2%).

2.2.5 Status of Macroeconomic Convergence

75. As regards convergence in 2014, Burkina Faso met eight (8) convergence criteria against seven (7) in 2013. In 2014, the country met three (3) primary criteria and five (5) secondary criteria. The situation in 2013 and 2014 is as follows:

Convergence criteria	Targets	2013	2014
Primary criteria			
Ratio of budget deficit (commitment basis)/GDP	≤ 3%	3.5%	1.8%
Average annual inflation rate	5%	0.5%	-0.3%
Central Bank financing of budget deficit	≤ 10% of previous year 's tax revenue	0	0
Gross external reserves	≥ 6 months of imports	4.7	4.8
Secondary criteria			
Arrears : Non-accumulation of new domestic and external arrears	Non-accumulation	0	0
Ratio of Tax revenue/ GDP	≥ 20%	16.6%	15.2%
Ratio of Wage bill/Tax revenue	≤35%	35.8%	46.5%
Ratio of domestically-financed public investments/Tax revenue	≥ 20%	50.0%	35.0%
Ratio of Public Debt / GDP	≤70%	28.2%	30.0%
Nominal exchange rate : Stable	±10%	+4.1%	+0.1%
Real interest rate: Positive	Positive	3.0%	3.8%
Number of criteria satisfied		7	8

2.2.6 Conclusion and Recommendations

76. Burkina Faso's economy slowed down in 2014 to reach a level well below the average recorded in recent years. This deceleration of the growth rate, the fiscal outturn as well as the fall in imports are attributed to the socio-political situation in the country during the year under review. The year's results show that economic activities can not thrive and flourish in an environment of incertitude. In this context, the authorities of Burkina Faso are encouraged to:

- Continue their efforts to achieve a peaceful political transition leading to free, fair and transparent elections;
- Continue their efforts to restore the authority of Government and ensure the security of persons and goods for the conduct of economic activities; and
- Pursue efforts to implement public sector reforms through increased mobilisation of domestic resources and expenditure control, in particular the wage bill.

2.3 Economic and Financial Situation in Cabo Verde in 2014

2.3.1 Real Sector

77. Provisional estimates of Cape Verde's economy in 2014 put growth rate at 2.7% against 1.1% in 2013. The higher-than-expected growth was supported by the good performance of the telecommunication and construction sectors.
78. On the demand side, growth was driven by investments in other sectors of the economy and private consumption. Investments increased by 11.6% compared to 2013. Regarding private consumption, it increased from CVE 99 902 million in 2013 to CVE 100 901 million, representing a growth of 1%.
79. As regards net foreign demand, it declined largely due to a drop in tourism revenues. Imports of goods and services grew by 13%, whereas exports of goods and services fell sharply by 25% in 2014.
80. With respect to prices, a deflation was observed in 2014. In fact, annual average inflation stood at -0.2% in December 2014 against 1.5% during the same period in 2013. This downturn was due to the impact of falling international oil prices in 2014 and deflation in the euro zone. The drop in fuel prices led to lower costs of food, rent, transportation and energy.

2.3.2 Public Finance and Public Debt

81. As regards public finance, the execution of Government's financial transactions resulted in an overall primary deficit which stood at 7.4% of GDP in 2014 against 9.1% of GDP in 2013. The budget deficit on cash-bases stood at 8.5% against 8.8% in 2013. This was due to a sharp decline in total revenue vis-a-vis an increase in government spending. Total revenue dropped by 5.7% in 2014, associated with with a 1.7% reduction in taxes and 11.8% in grants. The decline in grants was partly due to the current status of Cape Verde, which is now considered as a middle-income country. This led countries like Portugal to significantly reduce their grant contributions to the country.
82. Total expenditure and net lending recorded an increase of 4.6% largely due to a rise in investment expenditure (+18.0%). On the other hand, recurrent expenditure grew by 2.6% in 2014.
83. Cape Verde's public debt stood at 114% of GDP in 2014 against 101.6% of GDP in 2013. This increase was linked to the appreciation of the dollar, which substantially increased the amounts denominated in that currency. This notwithstanding, the debt level is so far sustainable as shown by the country's debt sustainability analysis.

2.3.3 External Sector

84. In 2014, Cape Verde's foreign transactions was characterised by an improvement of the overall balance of payments, showing a surplus of CVE 7965.99 million, representing 5.2% of GDP against CVE 5602.87 million (4.0% of GDP) a year earlier, or an improvement of 42.2%. This development is largely due to the consolidation of

the surplus of the capital and financial account, even though it recorded a slight decline.

85. On the other hand, the current account deficit (including public transfers) continued to worsen, reaching CVE 11 727.7 million in 2014, against CVE 7486.6 million in 2013. Excluding public transfers, this deficit is estimated at CVE 18 162.6 million against CVE 12 176.02 million in 2013, representing a deterioration of 49.2%. This deterioration is due to a rise of 2.5% in the deficit of the trade balance, coupled with a decline of 8.9% in surplus of the services account caused by a drop in tourism earnings in 2014.
86. The capital account surplus improved, reaching CVE 678.7 million against CVE 533.4 million. The financial account surplus remained substantial despite a decline in 2014 (CVE 15 932.1 million in 2014 against CVE 15 997.7 million in 2013). This is largely due to the stimulation of foreign direct investment of 13.3% compared to 2013

2.3.4 Monetary Sector

87. The monetary policy objective of the Central Bank of Cape Verde in 2014 continued to be support for the parity between the Escudo and the Euro. The monetary policy is based on tighter liquidity management. The policy, deposit facility and rediscount rates underwent two changes in 2014, a reduction from 5.75% in 2013 to 4.25% in March 2014 and a further reduction to 3.75% in August 2014.
88. Money supply grew by 7.3% in 2014 reaching CVE 146 004.8 million against 15.4% in 2013. The growth in money supply was associated with the increase in net foreign assets (+22.0%) and domestic credits (+2.6%). The increase in net foreign assets was largely due to the raise in the Central Bank's net foreign assets, but also to that of the deposit banks. Regarding domestic credit, its increase was related to the deterioration of 23.8% in government's net position, due to a slight decline in credits to public companies (-2.2%) and the private sector (0.1%). The increase in money supply reflected on quasi money and demand deposits, which grew by 3.9% and 15.2% respectively, as well as currency in circulation which rose by 6.0%

2.3.5 Status of Macroeconomic Convergence

89. At the end of 2014, Cabo Verde met six (6) convergence criteria just as in 2013, including two (2) primary criteria.

	Target	2010	2011	2012	2013*	2014**
		Dec	Dec	Dec	Dec	Dec
Primary criteria:		2	2	2	2	2
i) Ratio of Budget Deficit (on commitment basis) /GDP	≤ 3%	10.5	9.5	10.3	8.8	8.5
ii) Average Annual Inflation Rate	≤ 5%	2.1	4.5	2.5	1.5	-0.2
iii) Central Bank financing of budget deficit	≤ 10% previous year's tax revenue	0.0	0.0	0.0	0.0	0.0

iv) Gross External Reserves	≥6 months of imports	4.2	3.2	4.0	4.9	5.9	
Secondary criteria		4	3	4	4	4	
Arrears: Non-accumulation of new domestic and external arrears		0.0	0.0	0.0	0.0	0.0	
Ratio of Tax revenue /GDP		≥ 20%	19.1	21.2	18.3	23.0	21.0
Ratio of Wage Bill /Tax Revenue		≤ 35%	50.2	46.8	51.9	43.1	47.0
Ratio of Domestically-financed investment/Tax Revenue		≥20%	9.4	16.4	20.2	10.1	11.6
Real interest rate :Positive		> 0	1.9	-0.5	1.5	2.0	3.7
Nominal exchange rate : stable		± 10%	-3.9	1.4	-4.0	4.1	0.1
Ratio of Public Debt/ GDP		≤ 70%	66.4	79.4	90.4	101.6	114.0
Number of criteria satisfied		6	5	6	6	6	

2.3.6 Conclusions and Recommendations

90. 2014 was a difficult year, but it did not prevent growth rate from being stronger than expected. This performance, which was driven by the Telecommunication and Construction sectors, positively impacted on macroeconomic convergence performance. However, efforts are still needed to improve budget deficit. In that regard, the authorities of Cape Verde are encouraged to consider the following recommendations:

- Improve public finance management by enhancing revenue collection (strengthen tax administration, widen the tax net, review tax exemptions on consumer goods and create a database of wholesale and retail businesses to ensure effective monitoring of VAT revenue);
- Enhance budgetary policy to reduce budget deficit to the barest minimum and ensure continued sustainability of public debt (domestic and foreign);
- Divest non-productive State-enterprises in order to reduce public sector's wage bill;
- Diversify the countries of origin of tourists with a view to reducing risks associated with the overdependence of the Cape Verdian tourism on the European Union. The authorities should also continue to promote inclusive and high-quality tourism.

2.4 Economic and Financial Situation in Côte d'Ivoire in 2014

91. The economy of Cote d'Ivoire grew at 8.5% in 2014 compared to 9.2% in 2013. Growth was driven by the robust performance of the primary and tertiary sectors. Economic activity took place in a context marked by low prices with average annual inflation rate of 0.4%, against 2.6% in 2013.

2.4.1 Real Sector

92. On the supply side, GDP growth was driven by the primary and tertiary sectors, which contributed %2.3 points and 5.5 ponits respectively to growth. The secondary sector's contribution stood at 0.7 point.

93. Growth of the primary sector increased in 2014 to reach 12.0% against 6.9% in 2013. This growth was mainly due to crop farming which benefited from the implementation of the agricultural sector's development policy through the National Agricultural Investment Programme (NAIP). Growth in crop farming reached 18.7% against 5.5% in 2013. Export-oriented agriculture, driven by reforms in coffee, cocoa and cotton sectors, grew by 2.8% in 2014.

94. The secondary sector grew by 3.7% in 2014 against 8.8% in 2013. This slowdown resulted largely from the decline in « extractive industries » (-3.3%), « petroleum products » (-2.8%) and « energy » (-8.0). However, sub-sectors such as « agri-food industries » (8.6%), « Building and Construction » (15.5%) and « other manufacturing industries» (6.2%) recorded good performance. .

95. The fall in the extractive industries was attributed to « crude oil and natural gas production» which fell by -21.3% even though « other mining activities » (gold, sand, gravel) recorded an increase of 25.1%. Regarding petroleum products, the decline was due to technical difficulties encountered by some production units which interrupted production as well as contraction of refining margins for a large part of the year.

96. As regards «food and tobacco» industries, the good performance was linked to improved household consumption. On their part, construction activities benefited from the development of major socio-economic infrastructure projects currently underway and the take-off of new projects including Abidjan-Bassam Highway, construction of basic social infrastructure, as well as the Riviera-Marcory, Jacqueline and Bouaflé bridges.

97. Spurred by the normalisation of the socio-political situation and the positive effects of measures implemented by Government to improve the security situation, the tertiary sector recorded a 10.2% growth against 9.6% in 2013, backed by a strong primary sector and to some extent, the secondary sector. Transport grew by 9,4%, telecommunications 3.5%, trade 11.1%, and « other services » by 12.6%.

98. On the demand side, growth was driven by final consumption with a contribution of 8.1 %. % Investment and foreign trade contributed 0.2 % each.

99. Final consumption grew by 10.0%, driven by increased job creation and higher incomes in the private sector, particularly increased incomes of cocoa farmers and increase in the minimum wage. Public consumption grew by 11.5% while household consumption recorded growth of 9.8%.
100. Investments rose by 16.6% largely due to an increase in private investments which rose by 27.0% in view of an improvement in the business climate. Public investments, on the other hand, grew by 5.2% linked mainly to the development of key public economic and social infrastructure. .
101. Regarding external trade in 2014, imports rose by 3.8%, driven mainly by intermediate and capital goods, while exports grew by 4.1%.
102. As regards price development, inflation stood at 0.4% in 2014 against 2.6% in 2013. This easing of inflation stemmed from lower prices of «food products and non-alcoholic beverages » (-2.1%) while non-food products increased by 1.4%. The fall in prices of «food products and non-alcoholic beverages » resulted from all the sub-components with the exception of fish and dairy products, due to better market supply and price control introduced by Government.

2.4.2 Public Finance and Public Debt

103. Government's financial transactions during the review period resulted in an overall deficit of CFA Franc 376.2 billion against a deficit of CFA Franc 346.2 billion in 2013. In terms of nominal GDP, these deficits represented -2.2% for both years. Excluding grants, the deficit worsened from CFA Franc -547.6 billion (-3.5% of GDP) in 2013 to CFA Franc -680.2 billion (-4.0% of GDP) in 2014. These upward trends were due to an increase in both total expenditure and net lending and total revenue and grants by the same proportion (8.4%).
104. Total revenue (including grants) amounted to CFA Franc 3293.7 billion (19.4% of GDP), an increase of 8.4% compared to the CFA Franc 3039.5 billion (19.7% of GDP) recorded in 2013. This growth was largely due to grants which rose by 50.9% and, to some extent, total domestic revenue which increased by 5.3%.
105. The increase in domestic revenue was driven by its main component, tax revenue, which grew by 6.8%, with non-tax revenue declining by 3.1% compared to 2013. In terms of mobilisation, tax revenue increased from CFA Franc 2 408.6 billion in 2013 to CFA Franc 2 573.3 billion. The ratio of tax revenue to GDP reduced slightly from 15.6% in 2013 to 15.2% in 2014. The rise in tax revenue mobilisation is as a result of the policy regarding the optimisation of tax revenue collection, which is a government's priority. The increase in tax revenue in 2014 was the combined result of growth in revenue mobilisation through taxes on « income and other allowances » (20.9%), « property taxes (4.2%) and 'domestic taxes and levies on goods and services » (74.6%) and decline in import taxes and levies (29.5%) as well as income, profit and capital gain taxes (15.8%).
106. Non-tax revenue stood at CFA Franc 416.1 billion (2.4% of GDP), a fall of 4.1% compared to CFA Franc 429.4 billion (2.8% of GDP) in 2013. This decline was attributed to a fall in revenue mobilisation from administrative levies (29.6%) and

other non-tax revenue (41.7%); social contributions (received under the general budget of the State), however increased by 10.9%.

107. With respect to grants, mobilisation increased by 50.9% in 2014 compared to 2013. This increase was observed in both programme grants (+58.7%) and project grants (+42.3%). In terms of GDP, grants increased by 1.8% in 2014 compared to 1.3% in 2013.
108. Total expenditure and net lending grew by 8.4% in 2014, representing 21.6% of GDP in 2014 against 21.7% in 2013. In nominal terms, total expenditure increased to CFA Franc 3 669.6 billion in 2014 from CFA Franc 3 385.6 billion in 2013, or an increase of CFA Franc 283.9 billion, which was attributed to a 8.6% increase in recurrent expenditure as well as a 6.4% increase in capital expenditure.
109. The increase in recurrent expenditure in 2014 was mainly driven by expenditure on wages and salaries (+13.9%) and goods and services (19.2%). In turn, the increase in spending on wages and salaries was linked to recruitments, unfreezing of index-related promotions in January 2014 and claims made by the military during the first quarter of 2014. Expenditure on transfers and subsidies declined by 6.4%. On the whole, recurrent expenditure represented 15.6% of GDP in 2014 against 15.8% in 2013..
110. Capital expenditure increased by CFA Franc 994.2 billion in 2014 against CFA Franc 934.2 billion in 2013, driven largely by expenditure financed from external sources (22.1%). Capital expenditure financed from domestic resources declined by 1.6% and represented 23.6% of tax revenue in 2014 against 25.7% of tax revenue in 2013. In terms of GDP capital expenditure in 2014 constituted 5.9% compared to 6.04% in 2013.

2.4.3 External Sector

111. The country's foreign transactions was characterised by an improvement of the current account, resulting essentially from improved performance of the balance of trade and secondary income account, culminating in a surplus of the overall balance of payments of CFA Franc 226.2 billion in 2014, from CFA Franc 2.6 billion in 2013.
112. The improvement in the current account deficit in 2014 is due to the rise in trade balance surplus whose impact was mitigated by worsening income account deficit. The positive development of the trade balance stemmed mainly from an increase in cocoa exports, due to good prices coupled with an increase in production.
113. Capital account recorded a positive balance higher than the previous year, due to an increase in project grants. The financial account was characterised by net incurrence in financial liabilities, driven by foreign direct investments, investment portfolios and public withdrawals.

2.4.4 Monetary Sector

114. The net foreign position of monetary institutions improved by CFA Franc 226.2 billion to stand at CFA Franc 1 784.7 billion at the end December 2014, due to an increase of

CFA Franc 259.2 billion or 19.9% of the Central Bank's net foreign assets. Following the issuance of euro-bonds, the net foreign position of banks declined by CFA Franc 33.0 billion or -12.8%.

115. The domestic credit stock stood at CFA Franc 4 936.7 billion at the end of December 2014, increasing by CFA Franc 799.3 billion or 19.3% compared to December 2013. Government's net debt position, standing at CFA Franc 1 490.3 billion, declined by CFA Franc 183.7 billion compared to CFA Franc 1 306.6 billion in December 2013. Total credit to the economy stood at CFA Franc 3 446.4 billion at the end of December 2014, increasing by 21.7% compared to the CFA Franc 2.830,7 trillion recorded at the end of December 2013. The increase in bank credit to the private sector is reflected by an increase of CFA Franc 526.2 billion, or 19.9%, of regular credits and CFA Franc 89.4 billion, or 48.0%, of seasonal credits. Growth in regular credits is largely due to new measures put in place for businesses operating in the agro-industry, construction, telecommunications, petroleum resources and transportation sectors.
116. Money supply increased by 16.1%, to stand at CFA Franc 6 363.8 billion at the end of December 2014. This increase in overall liquidity was reflected in bank deposits, which grew by 20.2% and currency in circulation, which increased by 7.4%.

2.4.5 Status of Macroeconomic Convergence

117. As regards convergence, Côte d'Ivoire met eight convergence criteria just as in 2013. The only primary criteria the country did not meet was Gross Reserves in months of import, which is the same for all UEMOA countries given the joint management of their reserves. With respect to the secondary criteria, tax burden and wage bill remain key challenges. The convergence performance for 2013 and 2014 is presented as follows:

Convergence criteria	Targets	2013	2014
Primary criteria			
Ratio of budget deficit(commitment basis) / (GDP)	≤ 3%	-2.2%	-2.2%
Average annual inflation rate	5%	2.6%	0.4%
Central bank financing of budget deficit	≤ 10% of previous year's tax revenue	0	0
Gross external reserves	≥ 6 months of imports	4.7	4.8
Secondary criteria			
Arrears : Non-accumulation of new domestic and external arrears	Non-accumulation	0	0
Ratio of Tax revenue/ GDP	≥ 20%	15.6%	15.2%
Ratio of Wage bill/Tax revenue	≤ 35%	43.1%	46.0%

Ratio of domestically-financed public investments/tax revenue	≥ 20%	25.7%	23.6%
Ratio of Public Debt / GDP	≤70%	43.3%	45.9%
Nominal exchange rate : stable	±10%	+4.1%	+0.1%
Real interest rate: positive	Positive	+0.9%	3.1%
Number of criteria satisfied		8	8

2.4.6 Conclusion and Recommendations.

118. Economic activity in Côte d'Ivoire remained dynamic in 2014, supported by the implementation of the projects as contained in the medium-term development plan "PND" 2012 to 2015. The growth rate stood at 8.5% compared to 9.2% in 2013. Inflation rate was virtually stable at 0.4%, thanks to the measures undertaken by the Government to fight against high prices. With regard to public finance, there was a downward trend in tax burden, while expenditure on wages and salaries increased.
119. To enable the country remain on the growth path and enhance convergence performance, the authorities should:
- Pursue and strengthen efforts for the conduct of the forthcoming elections in a secure and transparent environment;
 - Implement the recommendations of Fiscal Policy Committee to ensure increased revenue mobilisation; and
 - Pursue efforts geared towards controlling current expenditure, in particular the wage bill.

2.5 Economic and Financial Situation in The Gambia in 2014

2.5.1 Real Sector

120. The economy of The Gambia recorded a growth rate of 1.6 % in 2014 compared to 4.8 % in 2013 largely due to the effects of late and inadequate rainfall on agriculture and the impact of the Ebola epidemic on the tourism sector. Agriculture declined by 8.4 % as crop production dropped by 20.0 %, while livestock, forestry and fishing grew by 2.1 %, 3.0 % and 3.4 % respectively. Industry grew by 6.0 % in 2014 compared to 4.5 % in 2013 buoyed by the mining & quarrying and gas & water supply sub-sectors which grew at 10.1 % and 7.2 % respectively. Manufacturing grew sluggishly at 2.8 % compared to 3.2 % in 2013, while construction recorded growth of 6.6 % in 2014 compared to 4.5 % in 2013.
121. Performance of the Services sector declined from 8.1 % in 2013 to 6.9 % in 2014 as hotels and restaurants declined by 9.1 % due to the adverse effects of the Ebola outbreak. However, growth in other Services was buoyed by education (13.8), finance & insurance (13.3%), communications (10.7%) and public administration (10.1%).
122. In terms of sectoral contributions to GDP, the Services sector continued to be the dominant sector of the economy as its share in GDP increased from 62 % in 2013 to 65 % in 2014, with the share of agriculture declining from 23 % in 2013 to 20 % in 2014. Industry however, maintained its share of 15 % as in the previous year.
123. The economy experienced considerable inflationary pressures in 2014 as food prices rose and the exchange rate depreciated. Headline inflation rose from 5.6 % in December 2013 to 6.9 % in December 2014. The 12-month moving average was 5.9 % in December 2014, slightly higher than the 5.7 % recorded in the corresponding period the previous year.
124. Consumer food inflation, the main factor driving the overall inflation rate in The Gambia, rose to 8.3 % in December 2014, from 6.6 % recorded in December 2013. Non-food consumer inflation was also relatively high at 4.7 % compared to 3.9 % in December 2013. Core 1 inflation, which strips out energy and utility prices, rose to 7.0 % in December 2014, from 5.3 % in December 2013. Similarly, Core 2 inflation, which excludes the prices of energy, utilities and volatile food items, increased to 6.9 % in December 2014 from 5.9 % in December 2013.

2.5.2 Public Finance and Public debt

125. The fiscal operations of the Government of The Gambia in 2014 resulted in an overall deficit, including grants of D3384.3 million (9.5 % of GDP³) compared with the deficit of D2826.7 million (8.7 % of GDP) recorded in 2013.
126. Total revenue and grants stood at D7793.0 million (21.9 % of GDP) in 2014, representing a 30.9 % increase over the outturn in 2013. Domestic revenue

³ The annual nominal GDP estimate for 2014 (D35, 513 million) and actual for 2013 (D32, 430 million) were used in all calculations involving GDP.

amounted to D6508.3 million (18.3 % of GDP), and comprised tax revenue of D5602.9 million (15.8 % of GDP) and non-tax revenue of D905.4 million (2.5 % of GDP). The amount represents a 24.5 % increase over the outturn in 2013 when domestic revenue collected stood at D5226.6 million (16.1 % of GDP).

127. Tax revenue represented 86.1 % of domestic revenue (and 71.9 % of total revenue) and consisted of direct tax in the amount of D1712.3 million (30.6 % of tax revenue) and indirect tax of D3890.6 million (69.4 % of tax revenue). Compared to the previous year tax revenue increased by 23.2 %. Value Added Tax (VAT) which was recently introduced has been making considerable progress. Revenue from this tax amounted to D723.7 million in 2014, representing 12.9 per cent of tax revenue and an increase of 12.1 % over the previous year.
128. Grants for the period amounted to D1284.7 million (16.5 per cent of total revenue), a significant 77.2 % increase compared to 2013 when it stood at D725.1 million and represented 12.2 % of total revenue.
129. Total expenditure and net lending amounted to D11177 million (31.5% of GDP), an increase of 27.3 % compared to 2013 when it was D8778.4 million (27.1% of GDP). Revenue loss through the impact of the Ebola outbreak and financial stress of state owned enterprises, amongst other factors, exerted considerable pressure on Government's fiscal position during the year.
130. Recurrent expenditure which amounted to D7267.5 million (20.5% of GDP), grew by 12.7 % year-on-year and accounted for 65.0 % of total expenditure. At D1927.7 million the wage bill accounted for 26.5 % of recurrent expenditure (and 34.4 % of tax revenue), while interest payments on domestic and external debt which amounted to D1894.6 million during the period, accounted for 26.1 % of recurrent expenditure. Thus, the wage bill (wages and salaries) and interest payment on the public debt together accounted for 52.6 % of recurrent expenditure. The largest component of recurrent expenditure, however, was "other charges" which include expenditure on goods and services, subsidies and transfers. This component amounted to D3445.2million, an increase of 14.4 % the level in 2013, and accounted for 47.4 % of recurrent expenditure.
131. Capital expenditure amounted to D2489.6 million, representing an increase of 8.1 % from the previous year and accounted for 22.3 % of total expenditure. The bulk of capital expenditure was financed from external sources to the tune of D1830.9 million (73.5% of capital expenditure), while internally funded capital investments from the Gambia Local Fund (GLF) stood at D658.6 million (26.5 % of capital expenditure), a 37.5 % increase from the D479.0 million recorded in 2013.
132. The overall balance, on commitment basis excluding grants, was a deficit of D4669.0 million (13.1% of GDP), which represented an increase of 31.5 % over the D3551.8 million (10.9% of GDP) recorded in 2013. The deficit was financed from both domestic and external sources. With respect to domestic borrowing, D372.6 million was bank borrowing while D1285.5 million was non-bank compared to the corresponding period in 2013 when bank borrowing was D1759.7 million and non-bank was D172.7 million.

Public Debt

133. In terms of GDP The Gambia's public debt stock stood at 103.8 % at end-December 2014. Domestic debt amounted to D 18,753.1 million (52.8 % of GDP) while external debt stood at US\$ 401.3 million (51.0 % of GDP). Domestic debt mainly consists of short-term treasury bills, long-term Government Bonds (with maturities of 10 and 30 years) and Sukuk Al-Salaam Bonds (SAS), with treasury bills accounting for 78.1 % of the domestic debt stock while Sukuk Al-Salaam Bonds and Government Bonds accounted for 3.2 % and 10.3 % respectively.
134. As at end-December 2014, commercial banks accounted for 56.7 % of Treasury Bills, the Central Bank of Gambia (CBG) accounted for 23.7 %, while the non-bank sector held 19.6 %. Regarding the SAS bills, commercial banks held 84.5 % while non-banks accounted for 15.5 %. Of the D1956.7 million in Government bonds, the Central Bank accounted for 100 % of the bonds. In view of its short maturity, the domestic debt weighs heavily on the government's finance. In 2014, interest payment on the domestic debt constituted 23.1 % of tax revenue.
135. With respect to external debt, bilateral debt accounted for 30.2 % of total external debt equivalent to US\$ 121.8 million in 2014, while debt owed to multilateral institutions accounted for 69.8 % and stood at US\$ 281.2 million. Total external debt service as a %age of exports of goods and non-factor services was 33.5 % in 2014, higher than the 14.5 % recorded in the corresponding period the previous year.

2.5.3 External Sector

136. The Gambia's external sector recorded a significant improvement in 2014 compared to 2013. The value of trade increased by 24.6 % from D16357.2 million in 2013 to D20376.2 million in 2014, with both exports and imports increasing by 13.0 and 28.1 respectively. The total value of imports amounted to D16071.9 million while exports stood at D4304.3 million, resulting in a widening of the trade deficit by 34.6 % from D8741.1 million in 2013 to D11767.6 million in 2014.
137. The main origins of The Gambia's imports continued to be the ECOWAS region, Asia, and the European Union. The share of imports from the ECOWAS region decreased from 29.3 % in 2013 to 26.0 % in 2014 while imports from the EU increased from 22.2 % in 2013 to 24.7 % in 2014. The share of imports from Asia decreased from 30.9 % in 2013 to 30.5 % in 2014 while the share of imports from the Americas decreased slightly from 14.0 % in 2013 to 13.9 % in 2014.
138. As in the case of imports, the main destinations of The Gambia's exports are the ECOWAS region, Asia and the European Union. The value of domestic exports to the ECOWAS region increased by 151.7 % from D9.8 million in 2013 to D24.6 million in 2014. The share of exports to the EU reduced from 17.0 % in 2013 to 11.7 % in 2014, while the share of exports to Asia increased from 74.8 % in 2013 to 81.5 % in 2014. The main export products of The Gambia in 2014 were wood & articles thereof, edible fruits and nuts, oil seeds, fish, iron & steel and fabrics (textiles and clothing), mainly re-exported to the ECOWAS region.

139. The ECOWAS region was the largest source of The Gambia's imports in 2014. The value of imports from the ECOWAS region increased by 13.7 % from D3674.4 million in 2013 to D4176.3 million in 2014. The increase was attributed mainly to increased imports of petroleum products from the region (mainly from Cote D'Ivoire). Cote D'Ivoire and Senegal accounted for 97.4 % of the value of imports from the region and thus, dominated imports from the ECOWAS region.
140. The ECOWAS region lost its position as the main destination for The Gambia's domestic exports in the year 2014 as it was surpassed by Asia and the European Union, even though the value of domestic exports to the region increased by 151 % in 2014. The main destinations of The Gambia's exports to the ECOWAS region were Senegal, Cote d'Ivoire, Mali and Sierra Leone. These four countries accounted for 91.9 % of the value of exports to the ECOWAS region and 3.4% of The Gambia's total value of domestic exports in 2014.
141. The performance of components of the balance of payments was mixed. The services account balance as at end-December 2014 decreased by 30.9 % to a surplus of US\$45.5 million from US\$ 65.8 million in the year 2013. This was due to the significant decline in transportation services from a surplus of US\$ 3.7 million in 2013 to a deficit of US\$ 15.1 million in 2014 as well as declines in communications services by 213.4 % and insurance services by 10.8 %. The deficit of the income account widened slightly by 4.9 % US\$ 22.4 million in 2013 to US\$ 23.5 million in 2014 while the capital and financial account decreased by 15.6 % to US\$116.6 million (14.8% of GDP) in 2014 from US\$138.2 million (16.6% of GDP) in 2013. The decline was mainly attributed to the reduction in foreign direct investment which decreased by 44.4 % from US\$ 49.2 million in 2013 to US\$ 27.4 million in 2014.
142. The Dalasi underwent intense pressure against the major currencies during the period, in part due to the excess domestic currency supply as a result of expansionary fiscal policies. At end-December 2014, the Dalasi depreciated against the US Dollar by 19.4 %, against the British Pound by 11.6 %, against the euro by 3.6 % and against the CFA Franc by 5.9 %. A similar trend was observed in terms of averages. The Dalasi depreciated against the US Dollar by 15.7 %, against the Pound by 11.2 %, against the euro by 4.5 % and against the CFA Franc by 6.1 %.

2.5.4 Monetary Sector

143. The thrust of monetary policy in 2014 was laid on price stability and containment of inflation below 5.0 %. To this end, the central bank continued to rely on Open Market Operations to manage liquidity in the economy.. In the twelve months to end-December 2014, growth in overall liquidity (M2) increased by 11.2 % compared to 15.1 % in the corresponding period in 2013, with the sources of growth being attributed to increases in net domestic assets (NDA) of the banking system and net foreign assets (NFA).
144. Narrow money (M1), comprising of currency outside banks and demand deposits, increased by 10.1 while currency outside banks and demand deposits grew by 7.5 % and 11.4 % respectively year-on-year. Quasi money, comprising of time and savings deposits, grew by 12.4 % in 2014 compared to 3.3 % in 2013.

145. The net foreign assets (NFA) of the banking system increased by 2.2 % to D4578.9 million in 2014 compared to an 8.7 % decline in the previous year. The NFA of the CBG decreased by 47.4 % to D1491.5 million in 2014 compared to 17.6 % decline recorded in 2013. Gross official reserves also decreased by 17.0 % to D5067.0 million (US\$111.9 million) while foreign liabilities increased by 8.4 % to D3923.9 million. The decline in the Bank's foreign reserves stemmed from advances to Government for the payment of external liabilities of some public enterprises. The NFA of commercial banks recorded an increase of 87.5 % to reach D3087.4 million in 2014, as foreign assets increased by 40.3 % to D4143.5 million while foreign liabilities decreased by 19.2 % to D1056.1 million. The net domestic assets (NDA) of the banking system rose by 14.2 % to stand at D15785.7 million on account of a 15.0 % increase in domestic credit.
146. The banking industry remained highly competitiveness in 2014, with each of the twelve banks in the country vigorously trying to increase its market share. Total assets of the banking system increased 18.6 % year-on-year to D28208.5 million in December 2014 with the industry's asset base being dominated by the three large banks, which accounted for 53.3 % of total assets.
147. Deposits and loans & advances also increased during the period under review. Total deposits grew by 12.0 % from D15,053.8 million in December 2013 to D16,856.6 million in December 2013, while loans & advances decreased by 7.3 % over the same period. Commercial banks' investments were predominantly skewed towards treasury bills which accounted for about 82.6 % of the total investments of the banking system.
148. Following the conclusion of the second phase of the capital augmentation of banks, the banking industry remained adequately capitalized, stable and sound. Capital and reserves increased by 28.8 % year-on year to D3897.0 million in December 2014. The industry recorded an average capital adequacy ratio of 30.0 % in December 2014 compared to 28.0 % a year ago, with all banks maintaining levels above the required minimum of 10 %. Non-performing loans decreased by 66.0 % year-on-year to D390.0 million in December 2014 compared to D1146.7 million in December 2013.
149. The banks' lending to sectors of the economy showed wide disparities. Distributive trade (34.0 %) and other commercial sectors (33.0 %) accounted for 67 % of total lending, while credit to priority sectors such as agriculture, construction, tourism and transport remained low, accounting for 1.2 %, 7.0 %, 3.0 % and 13.7 % respectively. Average lending rate increased slightly from 22.0 % in 2013 to 22.5 % in 2014, while the average savings rate declined from 4.3 % in 2013 to 4.1 %, thus widening further an already wide spread between lending and savings rates.

2.5.5 Status of Macroeconomic Convergence

150. The Gambia's performance under the ECOWAS convergence criteria in 2014 remained unchanged as in 2013 with the country meeting two criteria, the same number as in 2013. However, none of the primary criteria was met in 2014. The two

criteria met by The Gambia were the ratio of wage bill to tax revenue and positive real interest rate.

Primary Criteria	Target	2010	2011	2012	2013	2014
Average Annual Inflation Rate	<5%	5.0	4.8	4.3	5.7	5.9
Ratio of Budget Deficit (commitment basis) / GDP	≤3%	-8.9	-4.3	-4.7	-8.7	-9.5
Central Bank Financing of Fiscal Deficit	< 10%	27.3	-0.3	0.4	48.3	41.1
Gross External Reserves	≥6 months of imports	7.1	6.5	6.1	6.3	3.4
Number of Criteria Satisfied		2	3	3	1	0
Secondary Criteria	Target	2010	2011		2013	2014
Arrears: Non-accumulation of new domestic and external arrears	=0	n/a	n/a	n/a	n/a	n/a
Ratio of Tax Revenue/GDP	≥ 20%	12.1	13.0	14.1	14.0	15.8
Ratio of Wage Bill/ Tax Revenue	≤ 35%	43.6	45.5	43.3	46.9	34.4
Ratio of Domestically- financed Investment/ Tax Revenue	≥ 20%	10.6	8.3	7.3	10.5	11.8
Ratio of Public Debt/GDP	≤ 70%	66.3	75.4	77.5	89.5	103.8
Real Interest Rate: Positive	≥ 0	-1.0	3.6	4.6	10.1	7.1
Nominal Exchange Rate: Stable	±10%	-3.2	-6.9	12.2	14.6	-15.7
Number of Criteria Satisfied		2	2	1	1	2

PRIMARY CRITERIA

- Ratio of Budget Deficit to GDP: This criterion was not achieved. The fiscal deficit in 2014 was 9.5 % of GDP, an increase from the 8.7 % recorded in 2013.
- Average annual inflation rate: This criterion was not met. Average annual rate of inflation rose to 5.9 % from 5.7 % in 2013.
- Central bank financing of the fiscal deficit: The criterion was not met. Central bank financing of the 2014 budget deficit was about 41.1 % of the previous year's tax revenue.
- Gross external reserves: This criterion was not met. The country's Gross external reserves in 2014 were equivalent to 3.4 months of import cover.

SECONDARY CRITERIA

- Ratio of Tax Revenue / GDP: The criterion was not met. The ratio stood at 15.8 % in 2014.
- Ratio of Wage Bill/Tax Revenue: This criterion was met. The ratio of the wage bill to tax revenue was 34.4 %.
- Ratio of domestically financed public investment to tax revenue: The criterion was not met. The level of investments financed from domestic sources increased to 11.8 % of tax revenue from 10.5 % in 2013 but is still below the target of 20 %.
- Ratio of Public debt/GDP: The ratio of total public debt to GDP increased from 89.5 % in 2013 to 103.8 % in 2014, thus, failing to meet the required benchmark.
- Positive Real Interest Rate: This criterion was met. The real interest rate when calculated using the 91-day T-Bill rate (14.0%), yields a positive real interest rate of 7.1 %.
- Nominal Exchange Rate Stability: This criterion was not met. The nominal exchange rate depreciated by 15.7 % in 2014 failing to meet the required benchmark as the Dalasi was under pressure due both domestic and international developments.

2.5.6 Conclusion and Recommendations

151. Growth of The Gambian economy slowed down in 2014 compared to the previous year as agriculture was adversely affected by late and inadequate rainfall and tourism was hit by the impact of the Ebola epidemic. Both the budget deficit and public debt recorded significant increases, the trade deficit continued to deteriorate.
152. Against this backdrop, the following recommendations are proposed:
 - Agriculture should be transformed by introducing modern technology and reducing its dependence on rain by developing infrastructure such as irrigation;
 - Diversify the production base to address the country's over-reliance on a few primary export products;
 - Enhance tax revenue further by undertaking new reforms and continuing to strengthen the tax collection apparatus and widen the tax base.

2.6 Economic and Financial Situation in Ghana in 2014

2.6.1 Real Sector

153. Economic growth slowed down in 2014 with the real GDP growing at 4.0 % compared to 7.3 % in 2013, triggered by disruptions in energy production, effects of the depreciation of the Cedi (the national currency) and rising inflation. Agriculture recorded growth of 4.6 %, with all the subsectors achieving growth rates of more than 3 %, except the fishing sub-sector which contracted by 5.7 %. Crops, Livestock, and Forestry and Logging recorded growth rates of 5.7 %, 5.3 % and 3.1 % respectively. Industry recorded the least growth rate of 0.9 % as manufacturing and water and sewerage sub-sectors contracted by 0.4 % and 1.0 % respectively, under the influence of the energy crisis. The Services sector recorded the highest growth of 5.7 % on account of the high growth in the Information and Communication (38.4 %), Finance and Insurance (22.6 %) and Education (7.1 %) sub-sectors.
154. Inflationary pressures continued to prevail during the period, driven mainly by the pass through effects of the sharp depreciation of the domestic currency (31.3% year-on-year), upward adjustments in the prices of petroleum products (16.7% - 60.9%) and utility (12.9% - 28.36%), and about 40.0 % increase in transportation costs. Headline inflation ended the year at 17.0 %, with food and non-food inflation at 6.8 % and 23.9 %, respectively. Eight subgroups of the food and non-alcoholic beverages group recorded inflation rates higher than the group's average rate of 6.8 %. For the non-food group, housing, water, electricity, gas and other fuels recorded the highest rate of 35.2 %, while transport had a rate of 30.8 %. Inflation was lowest in the communication subgroup (12.8%).

2.6.2 Public Finances and Public Debt

155. Government's fiscal operations in 2014 resulted in a deficit equivalent to 9.4 % of GDP against the revised target of 8.8 %. Total revenue and grants for the period amounted GH¢24,745.5 million (22.0 % of GDP), an increase of 27.1 % over the outturn in 2013. The increase was attributed mainly to a strong growth in domestic revenue resulting from the implementation of new tax measures, particularly the 2.5 %age point increase in value added tax (VAT). Domestic revenue amounted to GH¢23,931.3 million, an increase of the GH¢ 18732.1 million recorded in 2013 and accounted for 96.7 % of total revenue and grants.
156. Total tax revenue amounted to GH¢19,229.8 million, 2.8 % lower than the budget target of GH¢19,788.6 million, but constituted an increase of 34.4 % over the outturn in 2013. The shortfall in tax revenue compared to the budget target was partly due to the slowdown in economic activity triggered by the energy challenges and lower imports volumes, resulting in lower corporate income taxes and taxes from imports. The steady year-on-year growth in tax revenue stemmed from the strong growth in oil tax revenue by about 73 % and proceeds from VAT which recorded an increase of about 40.8 % over the level in 2013. Total non-tax revenue amounted to GH¢3,047.00 million.

157. Grant disbursement from the development partners amounted to GH¢ 814.1 million, representing an increase of 10.1 % over the outturn in 2013. The amount of grants for the period was about 41.5 % lower than expected and the shortfall resulted from the slow disbursement of programme grants from the Multi Donor Budget Support partners.
158. Total expenditure, including payments for the clearance of arrears and outstanding commitments amounted to GH¢35,381.7 million (31.4 % of GDP), an increase of 22.3 % compared to 2013 but 2.7 % lower than the budget target of GH¢36,358.3 million (31.7 % of GDP). Wages and salaries amounted to GH¢9,448.6 million, an increase of 14.6 % compared to 2013 and accounting for 26.7 % of total expenditure and 49.1 % of tax revenue. Interest payment, the second largest component of Government expenditure, amounted to GH¢7080.9 million representing an increase of 61.0 % compared to the GH¢4397.0 million recorded in 2013. In relation to tax revenue interest payment during the period constituted 36.8 % and together with the wage bill comprised 85.9 % of tax revenue and 46.7 % of total expenditure.
159. Expenditure on Good and Services amounted to GH¢1,776.6 million, representing an increase of 22.6 % compared to the previous year, while Arrears Clearance and Tax Refund increased from GH¢ 2352.5 million in 2013 to GH¢3322.9 million in 2014, an increase of 41.3 %.
160. Capital expenditure amounted to GH¢6,095.7 million, compared to the Budget target of GH¢5,990.2 million and represented an increase of 27.2 % over the outturn in 2013. The performance of capital expenditure was mainly the result of higher-than-estimated externally financed capital expenditure due to a higher inflow of project loans.
161. An amount of GH¢11,454.0 million (about 10.1 % of GDP) was recorded as the overall fiscal deficit. The deficit was financed mainly from foreign sources, with total foreign financing amounting to GH¢5,874.1 million which included GH¢3,161.9 million from the issue of Eurobond. Net Domestic Financing (NDF) of the budget amounted to GH¢6,142.7 million, a decline of 1.6 % from the outturn in 2013.
162. Ghana's total public debt stock stood at GH¢79,665.48 (US\$24,817.13) million as at end December, 2014 up from GH¢52,125.91 (US\$24,021.16) million at end of December 2013. Out of this, total external debt amounted to GH¢44,625.31 (US\$13,901.53) million and domestic debt was GH¢35,040.17 (US\$10,915.60) million, representing 56.02 per cent and 43.98 per cent of the debt stock respectively. The increase in the total debt stock was attributed to an increase in net issuance of domestic securities, the depreciation of the local currency and net disbursement on ongoing loan facilities. As a %age of GDP, total debt stood at 70.23 per cent as at end December, 2014 compared to the 54.90 per cent recorded in December 2013.
163. The bulk of external debt, about 35.25 % valued at US\$4,900.73 million, was owed to multilateral institutions. Other components of the debt are commercial debt in the amount of US\$2278.63 million (16.39 %), export credits of US\$1154.51 million (8.30 %), bilateral debt of 1140.43 million (8.20 %), international capital market bonds of

US\$2,530.51 million (18.20%) and other concessional facilities in the amount of US\$1,896.72 million (13.64%).

164. The total domestic debt stock of the country which stood at GH¢35,040.17 (US\$10,915.60) million at the end of December 2014 represented a 28.57 % increase from the GH¢27,254.00 (US\$12,559.45) million recorded at the end of December, 2013. In terms of GDP the domestic debt stood at 30.89 % compared to 28.71 % as at the end 2013. Out of this total, short-term instruments amounted to GH¢13,686.13 (US\$4,263.46) million, accounting for about 39.06 % of the total domestic debt stock. Medium-term instruments amounted to GH¢12,893.50 (US\$4,016.54) million and accounted for 36.80 % of the domestic debt stock, while long-term instruments and standard loans amounted to GH¢7,888.88 (US\$2,457.52) million (22.51 % of domestic debt stock) and GH¢571.69 (US\$178.09) million (1.63 % of domestic debt stock) respectively.

2.6.3 External Sector

165. Developments in the external sector in 2014 showed declines in both export receipts and imports payment. Imports was adversely affected by the sharp depreciation in the value of the cedi while exports receipts declined as a result of falling commodity prices on the international market. Merchandise exports amounted to US\$12,918.2 million in 2014 indicating a decrease of 6.1 % compared to 2013 and mainly explained by falling international commodity prices , especially for gold and crude oil. Total value of merchandise importss for 2014 was US\$14,541.7 million, a decline of 17.4 % compared to the outturn in 2013. The decline was the result of a drop in non-oil imports, mainly on account of the sharp depreciation of the cedi. The trade balance, thus, ended with a deficit of US\$1,623.48 million compared with a deficit of US\$3,839.51 million recorded in 2013.
166. The country's gross international reserves decreased by US\$171.1 million to US\$5,461.0 million in 2014 from US\$5,632.2 million at the end of December 2013. This level of reserves was sufficient to provide 3.2 months of importss cover compared to 3.1 months in 2013.
167. The Ghana cedi came under intense pressure during the first eight months of 2014 on account of declining international commodity prices, reduced inflows and increased demand pressures. The currency, however, gained marginal stability during the fourth quarter following receipts of proceeds from the Eurobond floatation and the COCOBOD syndicated loan. In the Interbank market, the Ghana cedi traded weak against the major currencies. On an annual basis, the cedi depreciated by 31.25 %, 26.26 % and 20.48 % against the US dollar, the Pound sterling and the euro respectively. This compares with depreciation of 14.55 per cent, 16.7 per cent and 20.1 per cent against the US dollar, the British pound and the euro in 2013.
168. In the retail end of the market (foreign exchange bureau) the cedi's depreciation was relatively lower. Cumulatively, the currency depreciated against the US dollar, the pound sterling and the euro by 27.64 %, 24.49 % and 20.21 % respectively, compared with depreciation of 16.3 %, 17.5 % and 19.3 % against the US dollar, the pound sterling and the euro respectively in 2013.

2.6.4 Monetary Sector

169. Faced with the challenges of rising inflation and inflation expectations, falling commodity prices and foreign exchange market pressures that led to loss of reserves and significant depreciation of the domestic currency, monetary policy continued to be directed at inflation targeting. The policy rate was cumulatively raised by 500 basis points together with other macro prudential policy measures to address the elevated inflation risks. Growth in key monetary aggregates was strong in 2014, driven largely by increases in net domestic assets of the banking system (NDA). Broad money supply (M2+) grew by 36.8 % in December 2014 compared with 19.1 % in 2013, resulting from strong growth in the NDA of the banking system which went up by 30.8 % in December 2014.
170. Currency outside banks also exhibited increasing trend during the period. Foreign currency deposits and currency outside banks expanded by 49.1 % and 25.4 % year-on-year respectively in December 2014 while Reserve Money grew by 30.1 %, up from 15.1 % in December 2013. The growth reflected mainly in the Central Bank's NDA, which was in turn driven by strong net claims on Government (NCG) and a reduced pace of open market operations (OMO) sterilization.
171. Deposits Money Bank's credit was generally strong in 2014. Total credit to the private sector and public institutions grew by 42.1 % year-on-year in December 2014 compared with a 28.6 % growth in December 2013. Real credit growth was 21.9 % compared with 13.3 % in 2013. A large part of the credit growth was funded by domestic deposits. In terms of composition, most sectors experienced increases in the flow of credit in 2014 compared with 2013. Manufacturing, Miscellaneous, Export trade and Agriculture, Forestry & Fishing recorded significant increases in the flow of credit.
172. Interest rates on the money market generally trended upward. The Bank of Ghana Monetary Policy Rate (MPR) was increased by 500 basis points (bps) in 2014 to 21 per cent from 16 per cent as at the end of December 2013. Rates on the 91-day and 182-day bills also increased by 699 bps and 756 bps, year-on-year, respectively to 25.79 per cent and 26.39 per cent at the end of December 2014. This may be compared with same period in 2013 where the rates on the 91-day and the 182-day bill experienced significant declines by 410 bps and 405 bps, from 22.90 % and 22.88 % respectively at end-December 2012. The interbank weighted average rate also increased by 760 bps from 16.34 % to 23.94 %, while the average base rate of banks' increased by 416 bps from 21.52 per cent at end-December 2013 to 25.68 per cent as at December 2014.
173. The banking sector exhibited a degree of stability. Total assets of the sector grew by 42.2 % to GH¢51.44 billion as at end December 2014 compared with 32.8 % recorded in December 2013, with the domestic assets component increasing by 39.9 % to GH¢46.70 billion while the foreign assets component grew by 69.4 % to GH¢4.74 billion at end December 2014.
174. The banking sector's total deposits liabilities as at end December 2014 was GH¢32.43 billion and showed an annual growth of about 39 % compared with a 19.2 % growth

in December 2013. Net advances constituted 43.2 % of banks' assets in December 2014 compared with 42.6 % in December 2013. Investment share in total assets however, declined to 23.5 % at end-December 2014, from 30.1 % in the same period in 2013. Total deposits' share of total liabilities was 63 % at end December 2014, lower than the 64.5 % recorded in December 2013. The non-performing loans (NPLs) of the banking industry was 11.3 % in December 2014 as against 12 % in December 2013. Similarly, loan loss provision to gross loans also declined to 4.6 % in December 2014 from 5.5 % in December 2013.

2.6.5 Status of Macroeconomic Convergence

175. Ghana did not meet any of the primary criteria, but met one of the secondary criteria – positive real interest rate. The details are presented as follows:

Convergence Criteria

PRIMARY CRITERIA	Target	2012	2013	2014
Ratio of budget balance (commitment basis) to GDP	≤-3%	-10.8	-10.1	-10.1
Average annual inflation rate	≤5%	9.1	11.7	17
Central Bank financing of Budget Deficit	≤10% of previous year's tax revenue	22.5	9.3	11.1
Gross External Reserves	≥6 months of imports	3	3.1	3
Number of Criteria Satisfied		0	1	0
SECONDARY CRITERIA	Target	2012	2013	2014
Arrears: Non-accumulation of new domestic and external arrears	≤0	not met	not met	not met
Ratio of tax revenue to GDP	≥20%	17.4	15.3	17
Ratio of wage bill to tax revenue	≤35%	53.3	56.7	49.3
Ratio of domestically-financed public investment to tax revenue	≥20%	28.8	11.5	6.6
Ratio of total public debt to GDP	≤70%	48.1	52.8	70.2
Nominal exchange rate: stable	±10%	17.5	14.6	31.3
Real interest rate: Positive	>0	13.6	5.7	8.8
Number of Criteria Satisfied		1	2	1

- Budget deficit (including grants)/GDP ratio ≤ 3%: Ghana did not meet this target. The budget deficit was 10.1 % of GDP.

- Average Annual Inflation rate $\leq 5\%$: Ghana was unable to achieve this criterion as the average annual inflation stood at 17.0 % in 2014.
- Central Bank financing of the budget deficit $\leq 10\%$ of previous year's tax revenue: This criterion was not met. The Central Bank financing of the 2014 budget deficit was about 11.1 % of the previous year's tax revenue.
- Gross external reserve \geq (greater or equal to) six months' imports cover: Ghana did not meet this criterion. Gross international reserves at the end of 2014 amounted to US\$5,461.0 million which was equivalent to 3.2 months of imports cover.
- Arrears: Non-accumulation of new domestic and external arrears: Ghana did not meet this criterion during the period in review as there were outstanding arrears to meet.
- Ratio of Tax revenue to GDP $\geq 20\%$: This criterion was not met as the ratio stood at 17.0 %.
- Ratio of Wage bill to Tax revenue $\leq 35\%$: This criterion was not met. The ratio of wage bill to tax revenue was 49.3 %.
- Ratio of Domestically financed public investment to Tax Revenue $\geq 20\%$: Ghana did not meet this criterion. Public investment expenditure as a %age of tax revenue was about 6.6 % at the end of 2014.
- Positive real interest rate: Ghana met this criterion. At the end of 2014, inflation was 17.0 % whilst interest rate of 91-day bill was 25.8% resulting in positive real interest rate of 8.8 %.
- Nominal exchange rate stability (Variation $\pm 10\%$): Ghana did not meet this criterion. The Ghana Cedi depreciated against the US dollar, the pound sterling and the euro by 31.3, 26.3 and 20.5 %, respectively.
- Ratio of total debt to GDP $\leq 70\%$: Ghana did not meet this criterion. At the end of 2014, the stock of debt as a %age to GDP was 70.23 % compared to 54.9 % in the same period in 2013.

2.6.6 Conclusion and Recommendations

176. The economy of Ghana went through difficult times in 2014, with GDP growth declining drastically to 4.0 % from 7.0 the previous year. Supply side challenges from energy (electricity, petroleum products, and gas), upward adjustments in utility prices and depreciation of the cedi affected adversely affected the productive sectors, in particular manufacturing, and also contributed to rising inflation. Implementation of new public sector salary structure resulted in wage bill slippages with undue consequences on government expenditure and ultimately, of the budget deficit. Also, the public debt recorded considerable increases and ended the year at a level above the ECOWAS convergence threshold. Falling commodity prices affected export revenue while depreciation of the exchange rate led to a decline imports, resulting in a narrowing of the balance of trade deficit.
177. The following recommendations are proposed:
- Long-term solution should be found to the perennial energy crisis by reviewing the energy mix to reduce the over-dependence on hydro-power and developing new energy sources such as renewable energy;

- Diversification and structural transformation of the economy to boost productivity and competitiveness;
- Promotion of export drive of value-added products to reduce over-dependence on a few primary export commodities.

2.7 Economic and Financial Situation in Guinea in 2014

178. In 2014, economic activity was affected by the spread of the Ebola Virus Disease, which was officially declared at the end of March the same year. The disease, which was then unknown in the country, negatively affected activities in most sectors of the economy. Growth sharply slowed down during the year, declining to 1.1% from 2.3% in 2013, and was driven by the secondary and primary sectors. The services sector, which was greatly affected by the Ebola Virus Disease, negatively contributed to growth in 2014.

2.7.1 Real Sector

179. The primary sector slowed down to 2.7% from 5.1% in 2013. The downturn affected all the sub-sectors as follows: agriculture (2.7% in 2014 against 5.7% in 2013), livestock (3.4% in 2014 against 4.3% in 2013), forestry and hunting (1.1% in 2014 against 2.3% in 2013), and fishing, fish farming and aquaculture (2.8% in 2014 against 6.9% in 2013). The slower growth in agriculture was due to a decline in the production of rice, maize, cassava, fonio and groundnut. This situation was triggered by the Ebola Virus Disease which resulted in the death of farm workers, loss of workers in areas affected by the disease owing to the hype created and disruption of traditional support groups. Regarding livestock, restrictions on the movement of people, closure of livestock markets and borders resulted in poor sales in the sector's by-products.

180. In terms of contribution to GDP, the primary sector accounted for 22.9% in 2014 against 22.6% in 2013. With respect to GDP growth, its contribution stood at 0.6 point in 2014 against 1.1 points in 2013.

181. On its part, the secondary sector recorded an accelerated growth rate in 2014 to reach 3.2% against 0.9% in 2013. Key sub-sectors that drove this performance were mining (4.0% against -6.8% in 2013), water and electricity (9.0% in 2014 against -7.5% in 2013) and construction (4.0% in 2014 against 8.5% in 2013), even though growth in the latter declined compared to its performance in the previous year. Manufacturing activities declined by 1.0% against an increase of 5.5% in 2013. The growth of mining activities during the period was attributed to a rise in the production of bauxite (+1.3%) and gold (+28.1%). The impact of the Ebola Virus Disease on these activities was reflected in the postponement or cancellation of exploration activities. Regarding the production and distribution of water and electricity, the increase in value-added was largely due to growth in the production of electricity(10.0%) and potable water (2.8%). Construction activities demonstrated resilience against the Ebola disease due to the many private firms operating in the sector and the use of mainly unskilled labour. However, the decline in manufacturing activities stemmed from the prevalence of Ebola which led to a general slowdown in activities and disrupted customer-supplier relationships in the sub-region.

182. In 2014, the secondary sector contributed 32.9% of GDP formation against 32.2% in 2013, while its contribution to growth was 1.0 point against 0.3 point in 2013.

183. Following a sharp decline of 14.0% in 2013, growth of the tertiary sector slowed again in 2014 to reach 1.1%. This downturn was caused by all the sub-sectors. Trading activities declined by 3.3% in 2014 against +2.5% in 2013 due to restricted movement of people between the affected and non-affected areas, decrease in visits to markets and closure of weekly livestock markets. Transportation and communication activities were also negatively affected in 2014 with a rate of -2.3% against +2.5% in 2013. This downward trend was due to flight reduction or cancellation by airlines because of the Ebola disease as well as restrictions imposed on people's mobility between Guinea and its neighbours. Other market services, particularly hotel services, were equally affected by the health situation.
184. The tertiary sector's contribution to GDP stood at 44.2% in 2014 against 45.2% in 2013. The sector's contribution to GDP growth was -0.5 points.
185. On the demand side, growth was driven by total final consumption and investments, which contributed 2.4 points and 1.7 points respectively. On its part, trade contributed negatively (-3.0 points) to growth in 2014. %
186. Final consumption grew by 2.6% following an increase of 6.3% in 2013. This rise was largely driven by private final consumption (12.6% in 2014 against 6.3% in 2013), while public consumption expenditure declined by 13.1% following an increase of 4.9%. Investment rose by 3.2% following a 2.0% increase in 2013 which was largely due to private gross fixed capital formation (GFCF), the main component, with a growth rate of 15.8%, while public GFCF decreased by 38.6%. With respect to trade, a higher import value of GNF 436.4 billion (representing an 7.9%) than export (GNF 167.4 billion, an increase of 10.4%), resulted in a worsening of the trade balance by 6.9% between 2013 and 2014.
187. Regarding price developments, annual average inflation stood at 9.7% in 2014 against 11.9% in 2013. Inflation, recorded in 2014, was largely due to a rise in the prices of food particularly, fish (+19.2%), vegetable (+16.6%), potato, cassava and other tubers (+11.5%). The other major increase related to health (+12.8%), furniture, household equipment (+10.5%) as well as clothing and footwear (+10.0%).

2.7.2 Public Finance and Public Debt

188. Government's financial transactions were affected by the health situation in the country. On one hand, this situation resulted in a poor performance in total revenue and grant mobilisation compared to 2013, and on the other, it led to higher expenditure commitments compared to the previous year. Thus, the overall deficit worsened to reach GNF 1 977.7 billion (-3.9% of GDP) against compared to a deficit of GNF 1 280.0 billion (-2.9% of GDP) at the end of December 2013. Overall deficit excluding grants stood at 6.2% of GDP in 2014 against 6.9% of GDP in 2013.
189. Total revenue and grant mobilisation declined by 0.1% compared to 2013 largely due to a drop of 35.4% (GNF 639.6 billion) in grants. Total revenue, driven particularly by non-mining revenue, grew by 8.2% or GNF 647.2 billion. However, due to a slowdown of mining activities as a result of the Ebola Virus Disease, the 2014 performance was poorer compared to 2013. Revenue from the sector slumped from GNF 1488.9

billion in 2013 to GNF 1348.3 billion in 2014, representing a decline of 9.4%. Tax revenue increased by 0.2%, with the ratio of tax revenue to GDP declining from 17.0% in 2013 to 15.9% in 2014. On the other hand, non-tax revenue rose sharply to reach GNF 478.3 billion in 2014, from GNF 270.8 billion in 2013, representing an increase of 76.6%. This upsurge resulted from measures taken by the authorities for revenue mobilisation such as the identification of revenue collection structures and reminder of obligations to pay administrative revenue into the public treasury account as well as the signing of fishing contracts.

190. Grants declined by 35.4% to reach GNF 1 165.2 billion (2.3% of GDP), from GNF 1 804.8 billion (4.0%) in 2013. This downturn was largely due a decline of project grants by 50.0% and programme grants by 27,5%.
191. Total expenditure and net lending grew by 6.4% and constituted 23.0% of GDP in 2014 compared to 24.5% of GDP in 2013. The rise in commitments between the two periods resulted from an increase of recurrent expenditure by 7.1% and capital expenditure by 3.0%.
192. Total recurrent expenditure increased from GNF 7142.9 billion (16.0% of GDP) in 2013 to GNF 7652.4 billion (15.1% of GDP) in 2014. With the exception of interests payment on the public debt, the other components recorded increases: wages and salaries by 12.8%, goods and services by 4.3%, and expenditure on transfers and subsidies by 11.9%. The increase in the wage bill was largely due to the application of special status in the sectors of education, health and, youth as well as the recruitment of additional workers as part of the response to the EVD.
193. With respect to capital expenditure, the country recorded an increase of 3.0% in 2014 compared to 2013, and was mainly driven by domestically-financed capital expenditure which rose by 44.8% (GNF 979.9 billion) and was mitigated by a decline of 54.1% (GNF -877.0 billion) in capital investment financed by external resources. Capital expenditure represented 7.8% of GDP in 2014 against 8.5% in 2013.
194. Regarding debt, Guinea's total public debt stock increased by 76.0% to reach GNF 45 284.7 billion, or 81.9% of GDP. This debt consists of 24.6% in foreign debt (GNF 11 153.7 billion) and 75.4% in domestic debt (GNF 34 131.0 billion, or 67.2% of GDP). The domestic debt consists of 31.7% in the Central Bank's debt, 61.98% in suppliers' credit, 0.37% in oil debt (EDG's debt) and 6% in treasury bills. Foreign debt stock, which declined in 2012 and 2013, rose by 12.9% in 2014 driven by the multilateral debt (8.4%) as well as the bilateral debt (16.7%).

2.7.3 External sector

195. Guinea's transactions with the rest of the world recorded a deficit of GNF 13 867.8 billion (27.3% of GDP) against GNF 12 859.8 billion, representing 28.7% of GDP in 2013. This worsening overall deficit in nominal terms was due to the widening current account deficit, which could not be covered by the improvement in the capital and financial account surplus.
196. The current account balance was in deficit in the amount of GNF 19 783.7 billion (38.9% of GDP) against GNF 18 409.0 billion (41.1% of GDP) in 2013. The worsening

current account balance was driven by balances of goods (16.3%) and services (1.5%) which could not be compensated by improvement in the deficit in net factor income (29.8%) and increase in the surplus of net current transfers (8.1%). The widening deficit of the trade balance was largely due to a sharp rise in imports (11%) not offset by exports (+3.1%). Growth in imports was driven by petroleum and non-petroleum products (12.1% for food, 8.7% for other consumer goods, 10.4% for intermediate goods, 7.2% for capital goods and 9.6% for other imports). On the other hand, exports were largely driven by bauxite (+21.3%) and diamond. Gold exports (the most important component) declined by 9.7%.

197. The capital and financial account surplus, driven largely by the financial account, rose by 6.8% to reach 11.6% of GDP, compared to 12.4% a year earlier. The increase in balance is as a result of a sharp decline in inflows of net direct investments by 77.3% and an increase of 23.7% of other investments.

2.7.4 Monetary Sector

198. At the end of December 2014 development in monetary aggregates was characterised by 11.9% growth of money supply (M2), resulting from an increase of 29.4% in net domestic assets, with net foreign assets declining by 23.6%.
199. Net foreign assets declined from GNF 4 489.5 billion in 2013 (10.0% of GDP) to GNF 3 432.2 billion (6.8% of GDP). The downturn was largely due to a sharp decline of 90.5% in the foreign position of commercial banks, with that of monetary authorities improving by 5.1%.
200. Domestic credit consolidated by 25.1% in 2014 to reach 27.3% of GDP against 24.8% of GDP in 2013. The rise of 25.1% was largely due to the worsening of Government net position of 15.6% and an increase in credit to private companies by 40.2%, while credit to public companies declined by 33.0%. The worsening Government net position was caused by a decline of 27.3% in Government deposits and an increase of 14.8% in total credit to the State.
201. Following development trends of its components, money supply swung up by 11.9% moving from GNF 13 606.3 billion (30.4% of GDP) to GNF 15 230.6 billion (30.0% of GDP). This development was reflected in its components, particularly currency in circulation, which recorded growth of 6.6%, while demand deposits grew by 20.7%.

2.7.5 Status of Macroeconomic Convergence

202. As regards convergence, the country's performance in 2014 was the exact opposite of its achievement in 2013. Only four convergence criteria which included one primary and three (3) secondary criteria were met. The convergence performance in 2013 and 2014 is presented as follows:

Convergence criteria	Targets	2013	2014
Primary criteria			
Ratio of budget deficit (commitment basis) to GDP	≤ 3%	2.9%	3.3%
Average annual inflation rate	5%	11.9%	9.7%
Central Bank financing of the budget deficit	≤ 10% of previous year's tax revenue	0	0
Gross external reserves	≥ 6 months of imports	2.6	2/5
Secondary criteria			
Arrears : non-accumulation of new domestic and external arrears	Non-accumulation	N/A	N/A
Ratio of tax revenue to GDP	≥ 20%	17.0%	15.9%
Ratio of wage bill to tax revenue	≤ 35%	27.6%	29.4%
Ratio of domestically-financed public investment to tax revenue	≥ 20%	28.7%	29.3%
Ratio of total public debt to GDP	≤ 70%	57.5%	89.1%
Nominal exchange rate :Stable	±10%	-2.5%	-1.5%
Real interest rate: Positive	Positive	-5.0%	-5.5%
Number of criteria satisfied		6	4

2.7.6 Conclusion and recommendations.

203. In 2014, Economic and financial activities in 2014 in Guinea were affected by the outbreak and spread of the Ebola Virus Disease. Growth slowed, while public finance worsened. As regards trade with the outside world and monetary situation, performance was also affected. As current account balance deficit widened, net foreign assets also declined sharply. In terms of convergence, the year was characterised by poor performance due to the fact that only one primary criterion was satisfied out of the four met during the year. On the basis of the performance of the economy, the following recommendations have been put forward:

- Take all the necessary steps to completely eradicate the Ebola Virus Disease whose impact went beyond 2014 ;
- Tighten measures regarding mobilisation and expenditure control;
- Take all necessary measures for the effective implementation of the post Ebola response plan; and
- Continue the processes already underway for the development of computer application to enhance the mechanism for compiling the BOP and IIP.

2.8 Economic and Financial Situation in Guinea Bissau

204. The year 2014 was marked by the successful conduct of presidential and legislative elections as well as the inauguration of a new Government. This led to resumption of cooperation with major development partners, including the IMF, the World Bank and the European Union. This new development also facilitated the mobilisation of external resources needed to finance public projects. Thus, growth rate reached 2.9% in 2014 against 0.9% in 2013.

2.8.1 Real Sector

205. The primary sector was projected to grow by 2.3% in 2014 against 3.1% in 2013. This slowdown in growth is attributed to agriculture, particularly crop farming due to the late start of the raining season and the uneven distribution in space and time. For livestock and the other sub-sectors (forestry and fishing) recorded growth of 1.5% and 2.3% respectively..

206. The sector's contribution to GDP reached 41.8%, while its contribution to growth was 1.0 point.

207. Growth in the secondary sector was projected at 2.9% against 1.9% in 2013, and was driven by improvement in electricity and increased activity in building and construction. Activities in the construction sector, supported by public investment, notably upgrading of roads in the capital and the hinterland, grew by 12.0% compared to 1.9% in 2013. Improvement in the production and distribution of water and electricity drove growth to 3.0% against 1.9% a year earlier. Mining and food industry grew by 3.4% and 2.3% respectively.

208. The sector accounted for 13.0% of GDP in 2014 and contributed 0.4 points to GDP growth.

209. The tertiary sector was also expected to recover and record growth rate of 3.5% in 2014 against -1.1% in 2013, supported by market and non-market services. As regards market services, growth accelerated compared to 2013: businesses, restaurants and hotels (3.0% against -1.6% in 2013), transportation and communications (3.1% against -1.1% in 2013), Banking, insurance and other services (3.0% against 0.6% in 2013). With respect to non-market services, growth accelerated to 5.0% compared to a 1.1% decline in the previous year.

210. Regarding price development, inflation stood at -1.0% against 0.7% in 2013 due to drop in the price of food and non-alcoholic beverages, stabilisation of transportation costs and falling health costs.

2.8.2 Public Finance and Public Debt

211. In 2014, Public finance was marked by an increase in revenue and budgetary support.

212. As at end-December 2014, total revenue and grants increased by CFA Franc 42.0 billion compared to the same period the previous year to reach CFA Franc 105.8 billion. This increase was largely due to tax and non-tax revenue, as well as budgetary

support which rose from CFA Franc 2.5 billion at the end of December 2013 to CFA Franc 14.2 billion at the end of December 2014 owing to resources received to finance the presidential and legislative elections.

213. Tax revenue rose to CFA Franc 44.2 billion at the end of December 2014 against CFA Franc 35.4 billion at the end of December 2013, representing an increase of 24.8%. This change arose from an increase in the consumption and international trade tax components. The rise in customs revenue was due to tight control measures and fight against fraud. Regarding domestic revenue mobilisation, the good performance was explained by recovery efforts made by the tax office.
214. Non-tax revenues were estimated at CFA Franc 21.4 billion at the end of December 2014 against CFA Franc 5.7 billion during the same period in 2013, representing a rise of CFA Franc 15.7 billion in absolute terms. Revenue collected by the Treasury increased to CFA Franc 16.8 billion at the end of December 2014, from CFA Franc 2.2 billion at the end of December 2013, representing an increase of CFA Franc 14.6 billion, largely due to the disbursement, in 2014, of the financial compensation provided for under the fisheries agreements, whereas no fund was released in 2013 as a result of the suspension of relations between Guinea-Bissau and the European Union.
215. At the end of December 2014, grants went up to CFA Franc 40.3 billion against CFA Franc 22.6 billion the same period in 2013, representing an increase of CFA Franc 17.7 billion. This rise was largely due to the disbursement of project grants of CFA Franc 26.2 billion in 2014 compared to CFA Franc 17.5 billion in 2013, as well as budgetary support which increased from CFA Franc 11.7 billion to reach CFA Franc 14.2 billion in 2014.
216. Total expenditure and net lending rose to CFA Franc 119.3 billion (20.0% of GDP) from CFA Franc 76.6 billion at the end of December 2013, representing an increase of CFA Franc 42.7 billion. This rise was largely due to capital and recurrent expenditures.
217. At the end of December 2014, recurrent expenditure commitments reached CFA Franc 77.5 billion against CFA Franc 50.1 billion at the end of December 2013, representing an increase of 54.6% growth. All the components under these expenditures increased significantly compared to 2013. In fact, wages and salaries went up by CFA Franc 31.4 billion at the end of December 2014 against CFA Franc 24.4 billion at the end of December 2013, due to increased staffing in the health and education sectors as well as payment of salary arrears to teachers and nurses. Transfers reached CFA Franc 19.6 billion at the end of December 2014 from CFA Franc 12.9 billion the same period in 2013, representing a rise of CFA Franc 6.7 billion. Expenditure on goods and services stood at CFA Franc 11.0 billion, against CFA Franc 8.9 billion in 2013. Lastly, the other expenditure grew by CFA Franc 9.2 billion to reach CFA Franc 12.8 billion in 2014 due to election-related costs.
218. With respect to capital expenditure, an amount of CFA Franc 39.9 billion expended in 2014 compared to CFA Franc 22.5 billion in 2013. This increase was largely due to capital expenditure financed from external sources, as disbursements of some

outstanding funds resumed. These external resources declined by CFA Franc 0.8 billion.

219. On the whole, at the end of December 2014, the country recorded an overall budget deficit on commitment basis of CFA Franc 13.4 billion, against CFA Franc 12.8 billion in 2013. Overall balance on commitment basis (excluding grants) stood at CFA Franc 53.7 billion, compared to a deficit of CFA Franc 35.5 billion the previous year.

2.8.3 External Sector

220. On the basis of projections for 2014, the external sector was expected to record an improvement in the overall balance of payment surplus to reach CFA Franc 65.8 billion in 2014 against CFA Franc 10.9 billion in 2013, due to a reduction in the deficit of the current and capital accounts as well as the accumulation of higher-than-expected net external commitment.
221. Current account would improve due to the increase in the surplus of the secondary income account, mitigated by an increase in the trade deficit. The primary income deficit was expected to show relative stability.
222. Current and capital account deficit would be financed by a build-up of to the tune of CFA Franc 24.2 billion in 2014 against CFA Franc 15.8 billion in 2013.

2.8.4 Monetary Sector

223. The monetary situation as at end-December 2014, compared to the same period in 2013, saw an increase in net foreign assets, a decline in domestic credit stock and a build-up in money supply. Compared to end-September 2014, net foreign assets and money supply dropped, in a context marked by reduction in the domestic credit stock.
224. Net foreign assets of monetary institutions stood at CFA Franc 160.7 billion at the end of December 2014 against CFA Franc 173.1 billion at the end of September 2014, representing a drop of CFA Franc 12.4 billion, which was attributed to the Central Bank and commercial banks. Compared to the situation at the end of December 2013, net foreign assets grew by CFA Franc 65.8 billion, due to a rise in the export prices of cashew nut and resources mobilised by the State.
225. Domestic credit stock fell by CFA Franc 3.1 billion at the end of December 2014 compared to end of September 2014, to reach CFA Franc 82.9 billion against CFA Franc 86.0 billion at the end of September 2014. This decline followed a slump of CFA Franc 1.0 billion in Net Government Position (NGP) and a drop of CFA Franc 4.1 billion in credits to the economy.
226. At end-December 2014, money supply fell by CFA Franc 8.7 billion to reach CFA Franc 244.8 billion against CFA Franc 253.5 billion at the end of September 2014, due to weakening net foreign position of the monetary institutions.

2.8.5 Status of Macroeconomic convergence

227. As regards convergence, Guinea Bissau met five convergence criteria out of the eleven, which included three primary and two secondary criteria. Guinea Bissau's convergence performance at the end of December 2014 is presented in the table below.

Convergence criteria	Targets	2013	2014
Primary criteria			
Ratio of budget deficit(commitment basis) to GDP	≤ 3%	-1.7%	-2.2%
Average annual inflation rate	5%	0.7%	-1.0%
Central Bank financing of budget deficit	≤ 10% previous year's tax revenue	0	0
Gross external reserves	≥ 6 months of imports	4.7	4.8
Secondary criteria			
Arrears : Non-accumulation of new domestic and external arrears	Non-accumulation	7.6	3.9
Ratio of tax revenue to GDP	≥ 20%	6.2%	7.4%
Ratio of wage bill to tax revenue	≤35%	68.9%	71.1%
Ratio of domestically-financed public investments to tax revenue	≥ 20%	4.7%	1.7%
Ratio of total public debt stock to GDP	≤70%	NA	NA
Nominal exchange rate : Stable	±10%	+4.1%	+0.1%
Real interest rate: Positive	Positive	2.8%	4.5%
Number of criteria satisfied		5	5

2.8.6 Conclusions and Recommendations

228. Guinea Bissau's economic situation remains fragile and will require increased efforts to arrest public deficits and create a conducive environment to promote the the private sector. The focus should therefore be on:

- Further strengthening public finance management to boost public revenue and control expenditure, in order to avoid the accumulation of domestic arrears and ensure proper implementation of PIP;
- Restoration of relations particularly with the European Union and the AfDB, with a view to resuming projects which they support.

2.9 Economic and Financial Situation in Liberia

2.9.1 Real Sector

229. The country experienced a remarkable decline in the real GDP growth rate, which went down to 0.34 % in 2014 from 7.49 % in 2013. The decline in the growth rate resulted from the devastating effect of the Ebola Virus Disease (EVD) that ravaged the country and the decline in the prices of the country's primary export commodities, particularly iron ore and rubber. All the primary and secondary activities were affected by the EVD as crop production and fishing declined by 2.89 %, compared to negative 0.53 % in the previous period, Mining and Quarrying grew by negative 1.98 % compared to 0.55 % in 2013, manufacturing by negative 0.77 % compared to 9.24 % in 2013. However, the performance of the services sector improved marginally to 2.99 % in 2014 compared to 1.79 % in 2013.
230. In terms of contribution to GDP, the dominance of the Services sector continued to rise with a total of share of 45.05 % in 2014 as compared to 43.89 % in 2013. The Primary sector was the second largest sector, with a contribution of about 34.49 % to the real GDP, while the Secondary sector was the least , contributing about 20.55%. Despite the incidence of the EVD, on average, domestic inflation for the period ending December 2014 increased moderately to 9.4 % from 8.0 % recorded in 2013.
231. The moderate increase in inflation was generally explained by exchange rate stability as well as a decline in both the domestic and global prices of oil. Food inflation stood at 10.8 % during the review period, compared with 9.1 % for the same period a year earlier. Non-food inflation, on the other hand, rose to 7.8 %, compared to 6.8 % in 2013.

2.9.2 . Public Finance and Public Debt

232. The government's fiscal operations during the period under review, resulted in a surplus of US\$3.7 million (0.2 % of GDP) compared to a surplus of US\$40.6 million in 2013. Total revenue and grants receipts in 2014 amounted to US\$573.3 million, representing an increase of 1.52 % compared to US\$ 564.7 million in 2013, while total expenditure amounted to US\$569.6 million in 2014, compared to US\$524.1 million in 2013.
233. Relative to GDP total revenue and grants declined to 28.5 % in 2014 from 29.0 % in 2013 and the rate of growth of domestic revenue also slowed in the reference year relative to the recent past years on account of depressed economic activities in 2014 partly caused by the EVD.
234. Total expenditure and net lending rose by 8.7 % to \$569.6 million (28.3 % of GDP) in 2014 from \$524.1 million (26.9 % of GDP) in 2013. The increase in health related spending in the form of recruitment of more health workers and purchase of treatment materials in response to the EVD exerted enormous pressure on the budget.

235. Consequently, the budget surplus declined to \$3.7 million, (0.2 % of GDP) in 2014 from a surplus of \$40.6 million (2.1 % of GDP) in 2013. However, excluding grants, the budget outturn resulted in a deficit of US\$1.5 million compared to a deficit of \$21.2 million (1.1 % of GDP) in 2013.
236. Liberia's public debt stock at end-December, 2014, rose to US\$749.5 million (37.3 % of GDP), from US\$630.5 million (34.6 % of GDP) in 2013, representing an increase of 18.9 %. External and domestic debt stocks at end-December 2014 stood at US\$458.8 million (22.8 per cent of GDP) and US\$290.7 million (14.5 per cent of GDP), constituting 61.2 % and 38.8 % of the total public debt stock, respectively. The rise in public debt stock was attributed to increased credit from international financial institutions to help finance the country's budget constraints in the wake of the Ebola virus outbreak. Despite the build-up in public debt, the country was at low risk of debt stress and remained within sustainable debt thresholds.

2.9.3 External Sector

237. Merchandise export receipts declined by 65.0 % to \$55.7 million in 2014, from US\$159.1 million in 2013, mainly on account of decline in the value of iron ore and rubber exports. Under the influence of fallen international commodity prices and domestic constraints posed by the EVD crisis, iron ore export earnings shrunk by 65.3 per cent to US\$61.4 million at end-December 2014, from US\$93.9 million at end-December 2013. Imports payments increased by \$7.7 million to US\$217.4 million in 2014 from US\$209.7 million in 2013. However, petroleum imports fell by 58.2 per cent to US\$23.9 million from US\$57.2 million a year earlier, occasioned by a decline in the price of crude oil on the global market
238. The current account deficit in 2014 improved to \$742.5 million (36.9 % of GDP) in 2014, from \$840.9 million (43.2 % of GDP) in 2013, attributable to the improved merchandise trade balance, services net and current transfers. The capital and financial account balance weakened to \$570.50 million (28.4 % of GDP) in 2014, compared to \$709.60 million (36.5 % of GDP) in 2013 explained by the decline in foreign direct investment.
239. The overall balance of payments deteriorated to a deficit of \$37.4 million (1.9 % of GDP) in 2014, compared to a deficit of \$5.8 million (0.9 % of GDP) mainly due to the twin shock of the depressed international commodity prices and the domestic health crisis occasioned by the EVD. The decline in capital and financial accounts off-set the improvement in the current account, thus worsening the balance of payments deficit in the review period. The deficit was mainly financed by borrowing from the IMF.
240. The stock of gross external reserves increased by 2.6 % to \$517.0 million at end December 2014, compared to \$503.7 million in December 2013. However, expressed in months of imports, it declined to 2.6 in the reference period, compared with 2.8 in the previous year on account of an increase in services payments.
241. Exchange rate variation during the course of the reference year was kept within a single digit fluctuation band, ranging from a maximum depreciation of 5.6 % in March

to a maximum appreciation of 9.7 % in July. However, the exchange rate remained flat at L\$82.5 to the US dollar at end December 2014 compared to end-December 2013. The value of the local currency in terms of the US dollar was supported by the Central Bank of Liberia's (CBL) increased interventions in the foreign exchange market, substantial inflow of remittances and capital transfers as well as issuance of CBL Notes.

2.9.4 Monetary Sector

242. The monetary policy stance of the Central Bank of Liberia (CBL) continued to be focused on the achievement of exchange rate and price stability. Broad money declined by 2.3 % in the review period compared to a growth of 22.8 % in the previous year due to a decline in the Net Domestic Asset (NDA) by 29.2 %, attributable to the reduction in net claims on government. Net Foreign Assets (NFA) on the other hand, increased by 22.9 % to L\$34,864.9 million.
243. Following the recent introduction of the money market in Liberia, a total of L\$344.75 million of 91-day T-bills was issued at a weighted average discount rate of 4.38 per cent. In the preceding period, the amount of L\$478.6 million of 91-day T-bills was issued on behalf of the government at a discount rate of 3.98 %. The reduction in the amount of T-bills was ascribed to the dramatic decline in the stock of excess liquidity in 2014. Excess liquidity during the period averaged L\$736.6 million, a decline of 39.4 per cent below the average of L\$1,216.2 million in the preceding period.
244. However, credit to the private sector rose by 5.8 % in 2014, compared to 44.6 % in the preceding year, attributable to the lull in economic activity mainly explained by the outbreak of EVD.
245. Towards the second half of 2014, the Liberian dollar appreciated against the US dollar. During the third quarter of the year, the domestic currency appreciated by 5.3 %, from L\$89.22/US\$1 at end-June to L\$84.50/US\$1 at end of the third quarter, 2014. Equally, the Liberian dollar further strengthened in the fourth quarter by 2.2 % anchoring at L\$82.61/US\$1 at end-December, 2014. The strengthening of the Liberian dollar was principally occasioned by the increased intervention in the foreign exchange market by the Central Bank of Liberia and higher remittance inflows during the peak of the Ebola epidemic. However, the annual average exchange rate depreciated marginally by 0.9 % against the US\$ in 2014 compared to 2013.

2.9.5 Status of Macroeconomic Convergence

246. Liberia met five of the macroeconomic convergence criteria in 2014 - two primary criteria (ratio of budget deficit to GDP and central bank financing of the budget deficit) and three secondary criteria (non-accumulation of arrears, Nominal Exchange Rate Stability and total public debt to GDP).

Primary Criteria:

- Ratio of Budget Deficit to GDP: This criterion was met. Liberia sustained its achievement on the budget deficit benchmark as the budget ended in a surplus;

- Average Annual Inflation Rate: This criterion was not met. The country's average annual inflation rate stood at 9.9 %;
- Central Bank financing of the budget deficit: This criterion was met as the budget ended in a surplus. Thus, no financing was required;
- Gross External Reserves: This criterion was not met. The country's Gross External reserves in 2014 was equivalent to 2.8 months of imports cover

Primary criteria	Target	Country position
Ratio of Budget Deficit to GDP	≤3%	(2.1) Achieved
Average Annual Inflation Rate	≤5%	(9.9) Not achieved
Central Bank Financing of Budget Deficit	≤ 10% of Previous Year's Tax Revenue	(0.0) Achieved
Gross External Reserves	≥6 months of imports	(2.8) not achieved
Secondary criteria		
Arrears: Non-accumulation of new domestic and external arrears		(0.0) Achieved
Ratio of Tax Revenue to GDP	≥ 20%	(19.5) Not achieved
Ratio of Wage Bill to Tax Revenue	≤35%	(54.3) Not achieved
Ratio of Domestically financed Public Investments to Tax Revenue	≥ 20%	(11.7) Not Achieved
Real Interest Rate: Positive	> 0	(-3.65) Not Achieved
Nominal Exchange Rate: Stable	± 10%	(8.7) Achieved
Ratio of Total Public Debt to GDP	≤ 70%	(37.3) Achieved
Number of criteria attained		5

Secondary Criteria:

- Arrears: Non-accumulation of new domestic and external arrears: This criterion was met. There was no accumulation of new arrears domestic or external;
- Ratio of Tax Revenue to GDP: This criterion was not met as tax revenue for the period constituted 19.5 % of GDP;
- Ratio of Wage Bill to Tax Revenue: This criterion was not met. The Wage Bill / Tax Revenue ratio stood at 54.3 %;
- Ratio of domestically financed public investment to tax revenue: The criterion was not met. The ratio stood at 11.7 %;
- Positive Real Interest Rate: The criterion was not met. Real interest rate was negative 3.65 %;
- Nominal Exchange Rate Stability: This criterion was achieved as nominal exchange rate depreciated by 5.6 % in March and appreciated by 9.7 % in July 2014, remaining constant to the US dollar at end-December 2014;

- Ratio of Public Debt to GDP: The criterion was achieved. The total debt stock as a ratio of GDP was 37.3 %.

2.9.6 Conclusion and Recommendations

247. In 2014, the Liberian economy was faced with two shocks, the devastating effects of the Ebola Virus Disease and falling international prices of iron ore and rubber. The effects of this twin shocks adversely affected the economy, with growth declining to 0.34 % in 2014 from 7.49 % in 2013. Considering the above performance of the Liberia economy, the following recommendations are proposed for consideration by the Liberian authorities:

- The government should align fiscal and monetary policies in line with external developments so as to ameliorate any external shocks.
- Concerted effort should be geared towards a policy that would minimize the cost of doing business and encourage private sector growth.
- Finally, the authorities are urged to pursue all the legal and constitutional arrangements and amendments that are needed for resolving the dual currency system as well as aligning the fiscal year to calendar year in order to be in line with other ECOWAS member countries.

2.10 Economic and Financial Situation in Mali in 2014

248. In 2014, economic activity recorded an accelerated growth in an environment characterised by low inflationary pressures. Growth rate stood at 7.2% against 1.7% in 2013, while inflation was 0.9%. Growth in economic activity was mainly driven by the primary sector.

2.10.1 Real Sector

249. From the supply side, all the sectors contributed significantly to GDP growth by 3.8 %, 1.6 % and 1.8 % respectively for the primary, secondary and tertiary sectors. Developments in the various sectors are presented as follows:

250. The primary sector grew by 10.4% in 2014 against a slump of 7.4% in 2013. This growth was largely due to agriculture which grew at 14.8% in 2014 against a drop of 13.7% in 2013. Livestock's value-added rose by 3.7% while fishing and forestry recorded a 4.0% growth each. The increase in agriculture was mainly due to crop farming excluding rice (22.7% in 2014 against a 25.8% fall in 2013) and the consolidated cotton sector (24.5% in 2014 against a 2.1% drop in 2013).

251. The primary sector's output accounted for 37.6% of GDP in 2014 against 36.5% in 2013. Its contribution to growth stood at 3.8 points against negative 3.0 points in 2013.

252. The secondary sector recorded an accelerated growth from 5.5% to 9.1%. This increase immanated largely from food industry-beverages-tobacco (35.0% against 14.1% in 2013), textile industry, in particular cotton-seed ginning (28.0% in 2014 against -4.8% in 2013), water and electricity production (10.0% in 2014 against 9.9% in 2013) and building and construction (5.0% in 2014 against 10.0% in 2013). Mining activities slowed down in 2014 due to low production in four major mining firms, which registered -2.2% growth rate against -1.5% in 2013. The other manufacturing sectors recorded 0.4% in 2014 against a 5.8% rise in 2013.

253. The sector's contribution to GDP stood at 18.4% in 2014 against 18.1% in 2013. Its contribution to GDP growth increased from 1.0point in 2013 to 1.6points in 2014.

254. Following an 8.9% growth in 2013, the tertiary sector recorded a 4.2% decline in 2014. This downturn was attributed to slow growth in both market and non-market services: trade (2% in 2014 against 8.0% in 2013), transportation and telecommunication (7.4% against 9.0% in 2014), other non-financial services (3.0% in 2014 against 15.0% in 2013) and financial services (4.0% in 2014 against 5.0% in 2013). Non-marketservices grew by 6.2% in 2014 against 7.4% a year ago.

255. The tertiary sector contributed 44.1% to GDP in 2014 against 39.7% in 2013. Its contribution to GDP growth slowed compared to the other two sectors and stood at 1.8 %points against 3.2 %points in 2013.

256. On the demand side, GDP growth was supported by investment and to some extent by final consumption, while trade's contribution to growth turned negative in 2014.

257. Final consumption grew by 3.6% in 2014, representing a 3.0 percentage point drop compared to 2013. This downturn was attributed to private final consumption (3.0% in 2014 against 6.0% in 2013) and government final consumption (5.5% in 2014 against 8.5% in 2013). Final consumption's contribution to growth stood at 2.8 percentage points in 2014 against 4.9 percentage points in 2013.
258. Following a drop of 18.2% in 2013, investment grew by 31.6% due mainly to public Gross Fixed Capital Formation (GFCF) which recorded a growth of 35.0% in 2014. Private GFCF only increased by 5.0%. Investment's contribution to GDP growth in 2014 was 4.8 percentage points against a negative contribution of 3.4 percentage points in 2013.
259. Trade recorded higher growth in imports (4.5%) compared to exports (2.0%). Their contribution to growth was negative and stood at -0.4 point.
260. As regards price development, inflation stood at 0.9% in 2014 against -0.6% in 2013.

2.10.2 Public Finance and Public Debt

261. Government fiscal operations in 2014 resulted in a widening of the budget deficit compared to its level in 2013, due to increased total expenditure and net lending (21.1%), which were higher than total revenue and grants (12.7%). Overall deficit increased from CFA Franc 145.3 billion (2.7% of GDP) in 2013 to CFA Franc 272.1 billion (4.6% of GDP). Excluding grants, overall deficit increased from 6.4% of GDP in 2013 to 7.8% in 2014.
262. Total revenue and grant amounted to CFA Franc 1 298.1 billion (21.9% of GDP), representing a 12.7% rise compared to CFA Franc 1 151.5 billion (21.3% of GDP) in 2013. Total revenue and grant growth was largely due to an increase in domestic revenue (16.3%), with grants declining by 4.3% compared to 2013. The increase in total domestic revenue was driven by an increase in tax revenue of 18.0%, (the most important component), non-tax revenue of 10.8% and other revenue, including revenue for special treasury accounts and supplementary budgets of 7.6%.
263. Tax revenue reached CFA Franc 949.4 billion (16.0% of GDP) in 2014 against CFA Franc 804.8 billion (14.9% of GDP) in 2013. This strong performance was largely due to the high level of mobilisation of (i) domestic taxes and levies on goods and services which moved from CFA Franc 348.3 billion (6.4% of GDP) to CFA Franc 424.5 billion (7.2% of GDP), representing an increase of 21.9%, (ii) taxes on wages, profits and capital gains which stood at CFA Franc 220.1 billion against CFA Franc 176.4 billion, representing a 24.8% growth and, (iii) taxes on wages and other emoluments, which grew by 36.4% to reach CFA Franc 78.0 billion against CFA Franc 61.9 billion in 2013.
264. Although non-tax revenue accounted for the same ratio (0.6%) to GDP in 2013 and 2014, it grew by 10.8% compared to 2013 and stood at CFA Franc 37.9 billion against CFA Franc 34.2 billion a year ago.
265. Grants declined in both relative terms, from 3.7% of GDP in 2013 to 3.2% in 2014 and in absolute terms from CFA Franc 200.0 billion in 2013 to CFA Franc 191.4 billion in 2014. This downturn resulted from a slump in programme grants (-31.4%) and other revenues (-100%), even though project grants recorded an increase of 63.7%.

266. Total expenditure and net lending grew by 21.1% in 2014 compared to 2013 to stand at CFA Franc 1 570.0 billion (26.5% of GDP) against CFA Franc 1 303.0 billion (24.1% of GDP) in 2013. This change was mainly due to strong growth in capital expenditure (47.0%) and to some extent, recurrent expenditure, which grew by 5.6%. Recurrent expenditure amounted to CFA Franc 845.1 billion (14.3% of GDP) against CFA Franc 800.6 billion (14.8% of GDP) in 2013, driven by increases in all its components with the exception of expenditure on goods and services which remained at the same level as in 2013. Changes in the other components were 7.7% for expenditure on wages, salaries and allowances, 6.4% for expenditure on transfers and subsidies, and 21.6% for payment of interest on the public debt.
267. Capital expenditure, driven by expenditure financed from domestic resources (23.8%) and expenditure financed on external resources (75.7%), grew by 47.0% to reach CFA Franc 578.9 billion (9.8% of GDP), against CFA Franc 393.9 billion (7.3% of GDP) in 2013. Capital expenditure financed from domestic resources stood at CFA Franc 269.8 billion in 2014 against CFA Franc 218.0 billion in 2013. These expenditures represented 27.1% and 28.4% of tax revenue mobilised in 2013 and 2014 respectively. On the other hand, capital expenditure financed from external resources went up from CFA Franc 175.9 billion in 2013 to CFA Franc 309.1 billion in 2014.
268. As regards debt, Mali's public debt stock stood at CFA Franc 2 006.7 billion, representing 33.9% of GDP at end-December 2014. This debt stock consists of 26.0% of domestic debt in the amount of CFA Franc 522.1 billion or 26.0% and foreign debt of CFA Franc 1 484.6 billion or 74%.

2.10.3 External Sector

269. In 2014, Mali's trade with the rest of the world recorded an overall deficit of CFA Franc 145.6 billion (-2.5% of GDP) against a surplus of CFA Franc 23.6 billion (0.4% of GDP) in 2013. This downturn in overall balance was due to widening current account deficit of CFA Franc 249.9 billion, which could not be compensated for by an increase of CFA Franc 62.7 billion in capital and financial operation account surplus.
270. The current account deficit deteriorated from CFA Franc 185.1 billion (3.4% of GDP) in 2013 to CFA Franc 435.0 billion (7.3% of GDP) in 2014. The widening of the deficit was largely due to decline in goods, services and net factor income balances. Positive balance of net current transfers, which grew by 3.3% (CFA Franc 32.7 billion) was supported by both public and private transfers.
271. The goods, services and net factor income balances worsened by 134.9% (CFA Franc -165.7 billion), 10.3% (CFA Franc -87.6 billion) and 13.7% (CFA Franc -29.3 billion) respectively. Movement in trade balance was due to the combined effect of a 6.2% drop in exports (CFA Franc 88.6 billion) and a 5.0% increase in imports (CFA Franc 77.1 billion). The decline in exports was due to a 10.1% drop (CFA Franc 98.6 billion) in gold exports and 5.8% (CFA Franc 10.3 billion) in cotton exports.
272. The surplus of the capital and financial account grew by 27.6% to reach CFA Franc 289.4 billion (4.9% of GDP), against CFA Franc 226.7 billion (4.2% of GDP) in 2013.

The growth was driven by an increase in capital account and financial account of 42.2% and 15.5% respectively. The increase in the capital account balance accrued from net capital transfers, notably to government (58.5%), whereas the rise in financial account was the result of a fall in net direct investments (37.3%) which was compensated for by growth recorded in the portfolio investment (10.1%) and other investments, particularly public administration, which went up from CFA Franc 62.8 billion to CFA Franc 152.0 billion, a 142.0% increase.

2.10.4 Monetary Sector

273. Development in monetary aggregates in 2014 was marked by a fall of 17.8% in net foreign assets (CFA Franc 134.8 billion), a rise of 21.7% in domestic credit (CFA Franc 245.0 billion) and an increase of 7.2% in the money supply (CFA Franc 132.1 billion).
274. The decline in net foreign assets of monetary institutions was attributed to the Central Bank, which posted a fall of CFA Franc 159.6 billion in its foreign credit position, owing to weak foreign resource mobilisation in 2014. Banks strengthened their foreign assets by CFA Franc 24.9 billion, due to an increase in assets compared to their counterparts abroad.
275. Domestic credit, amounting to CFA Franc 1353.9 billion at the end of December 2014, grew by CFA Franc 245.0 billion compared to the same period the previous year. This development resulted from sustained credits to the economy and improved Government's net position, which stood at CFA Franc -85.6 billion at the end of December 2014, compared to CFA Franc -100.7 billion at the end of December 2013, representing an increase of CFA Franc 15.1 billion. This development was largely due to the significant increase in Government deposits (CFA Franc +139.9 billion) compared to Government's credit (CFA Franc +98.3 billion). Total credit to the economy was estimated at CFA Franc 1458.2 billion at the end of December 2014, representing an increase of CFA Franc 229.9 billion. This increase was largely due to support for businesses operating in agricultural sector, agricultural inputs, building and construction, general trade and petroleum resources.
276. Reflecting growth in domestic credit, money supply increased by CFA Franc 132.1 billion to reach CFA Franc 1977.4 billion at the end of December 2014, against CFA Franc 1845.4 billion a year earlier. This increase in overall liquidity was reflected in bank deposits which grew by CFA Franc 196.9 billion or 14.7%. Currency in circulation declined by CFA Franc 64.9 billion or 12.7%.

2.10.5 Status of Macroeconomic Convergence

277. In terms of convergence, Mali met eight convergence criteria in 2014 just as in 2013. However, in 2014, the criterion relating the ratio of budget deficit to GDP was not met. Only two primary criteria were satisfied in 2014 against three a year ago. The convergence criteria performance in 2013 and 2014 is as follows:

Convergence criteria	Targets	2013	2014
Primary criteria			
Ratio of budget deficit (commitment basis) to GDP	≤ 3%	-2.7%	-4.6%
Average annual inflation rate	5%	-0.6%	0.9%
Central Bank financing of budget deficit	≤ 10% previous year's tax revenue	0	0
Gross external reserves	≥ 6 months of imports	4.7	4.8
Secondary criteria			
Arrears : Non-accumulation of new domestic and external arrears	Non-accumulation	0	0
Ratio of tax revenue to GDP	≥ 20%	14.9%	16.0%
Ratio of wage bill to tax revenue	≤ 35%	36.1%	33.0%
Ratio of domestically-financed public investments to tax revenue	≥ 20%	27.1%	28.4%
Ratio of total public debt to GDP	≤ 70%	27.1%	33.9%
Nominal exchange rate : Stable	±10%	+4.1%	+0.1%
Real interest rate: Positive	Positive	4.1%	2.5%
Number of criteria satisfied		8	8

2.10.6 Conclusion and Recommendations

278. Mali's economy grew by 7.2% in 2014 following a zero growth in 2012 and 1.7% in 2013. Growth in 2014 was achieved in an atmosphere of peace and security coupled with good rains. The execution of Government's fiscal outturn resulted in a widening of the overall deficit relative to GDP, which almost doubled compared to 2013. In the years to come, sustaining growth, reducing the deficits and improving convergence performance are contingent on:

- Permanent return to peace, including the implementation of the provisions of the Algiers peace accord by all signatories;
- Sound public finance management, including the implementation of measures to ensure increased mobilisation of domestic revenue and control of recurrent expenditure.

2.11 Economic and Financial Situation in Niger

279. In 2014, economic activity took place in a context of continued implementation of the Recovery Programme through Government Policy Statement (GPS), Economic and Social Development Plan (ESDP 2012-2015) and 3N Initiative Action Plan (Nigériens feeding Nigériens). The period was also characterised by the implementation of the Economic and Financial Programme (2012-2014), supported by the IMF, which helped boost external resource mobilisation as well as management of the regional security situation. Growth went up by 6.9% against 4.6% in 2013. Inflation rate stood at 0.9% against 2.3% a year earlier..

2.11.1 Real Sector

280. The primary sector grew by 9.0% in 2014 against a fall of 0.8% in 2013. This performance was attributed largely to agriculture whose value-added went up by 11.9% following a 3.0% decline in 2013. Growth in agriculture was mainly driven by irrigated crops which increased by 17.7% in 2014, compared to a 7.3% rise in 2013. Growth of crops cultivated during the rainy season was modest in 2014 standing at 4.8%.

281. The primary sector's contribution to GDP rose slightly to 42.3% in 2014 from 41.5% in 2013. Its contribution to GDP growth reached 3.7 points following a negative contribution of 0.3 point in 2013.

282. The secondary sector recorded a decline of 0.3% compared to an increase of 11.8% rise in 2013. This downturn was attributed to developments in the sector's main components, mining (-1.5% against 11.6% in 2013) and manufacturing (-1.9% against 15.7% in 2013). The decline in mining activities was due to the fall in crude oil, oil refinery and uranium productions whose price per kilogramme dropped between 2013 and 2014. This notwithstanding, the fall was mitigated by increased production in the energy (6.0%) and construction (5.0%) sectors.

283. The sector's contribution to GDP dropped in 2014 to 15.7% against 16.8% in 2013. Its contribution to GDP growth was zero in 2014 following a 1.9 points contribution in 2013.

284. The tertiary sector continued its upward trend with a 6.8% rate in 2014 against 5.7% in 2013. This upward movement was largely due to non-market services which grew by 12.1%. Although market services went up in 2014, they posted a slowed growth compared to 2013. In addition to taxes on products, the contribution of the tertiary sector to GDP rose from 41.7% in 2013 to 42.1% in 2014. Also, its contribution to growth increased to 3.2 points against 3.0 points in 2013.

285. On the demand side, real GDP growth was mainly driven by final consumption and investments which contributed 7.3 %% (3.2 %% in 2013) and 3.6 %% (1.8 %% in 2013) respectively. Trade's contribution to GDP growth was negative 4.0 %%.

286. Final consumption grew by 8.8% in 2014 against 3.8 % in 2013, driven by household final consumption (6.6%) and public consumption (19.7%).

287. Following a 5.4% rise in 2013, investments grew by 10.6% in 2014. This growth was largely due to its main component, private GFCF, which grew by 11.5% compared to 3.2% in 2013 and, to some extent, public GFCF which posted a growth of 4.5% against 16.0% in 2013.
288. Foreign trade was characterised by a reduction of 5.0% in exports (compared to a 7.9% rise in 2013), and a 6.2% growth in imports (following a 5.7% increase in 2013). This development was reflected in a deterioration of the external balance from a deficit of 17.2% of GDP in 2013 to a deficit of 19.9% of GDP in 2014.
289. As regards price development in 2014, the general level of consumer prices fell by 0.9% following a 2.3% rise in 2013. This development was due to Government's measures on the sale of cereals at moderate prices, free distribution of food to vulnerable populations exposed to severe food insecurity.

2.11.2 Public Finance and Public Debt

290. The execution of Government's financial operations was marked by a deterioration of the budget deficit. The overall deficit excluding grants went up from CFA Franc 393.9 billion (10.4% of GDP) in 2013 to CFA Franc 442.3 billion (11.0% of GDP) in 2014. Including grants, the deficit amounted to CFA Franc 223.6 billion (5.5% of GDP) in 2014 against CFA Franc 89.0 billion (2.3% of GDP) in 2013. This development was largely due to an increase of 13.1% in total expenditure and net lending, with total revenue and grants being relatively stable.
291. At end-December 2014, total revenue and grants did not grow compared to 2013. This situation resulted from an increase of 13.6% in revenue excluding grants and a 28.2% reduction in grants. In nominal terms, the reduction in grants and increase in revenue excluding grants translated to a net value of CFA Franc 87.7 billion.
292. Total domestic revenue grew by 13.6% to reach CFA Franc 714.2 billion, against CFA Franc 628.5 billion in 2013. This increase was driven by tax revenue which grew by 9.7% to reach CFA Franc 633.2 billion, from CFA franc 577.3 billion in 2013, and non-tax revenue which increased considerably by 65.3%. This growth was due to a rise of 8.6% in income and profit taxes, 12.8% in taxes and levies on goods and services, 4.6% in foreign trade taxes and 15.5% in other tax revenue. This achievement was a the result of measres taken by the Government to improve tax collection, which encompassed tax reforms, fight against tax fraud, improvement in VAT collection and cap on exemptions. More specifically, it was due to measures taken by tax offices to simplify the income tax system, a more efficient and appropriate taxation for small-size enterprises and strict control of exemptions.
293. Grants amounted to CFA Franc 218.9 billion, a fall of 28.2% compared to 2013. This decline was due to a fall in project grants by 39.8%, even though programme grants shot up by 25,9%..
294. Total expenditure and net lending for the year amounted to CFA Franc 1 156.5 billion, representing an increase of 13.1% compared to commitments at the end of

December 2013. This increase was driven by recurrent expenditure which rose by 16.1% and investment expenditure which saw an increase of 11.2%.

295. The upward movement in recurrent expenditure was largely due to increases in spending on wages and salaries (13.1%), goods and services (20.4%) and transfers and subsidies (15.2%). The rise in expenditure on goods and services was related to the security situation in the Sahel, whereas the increase in wages and salaries was due to continued recruitment into the Public Service.
296. With respect to investment expenditure, the 11.2% rise recorded was mainly attributed to domestically-financed investments which grew by 66.5% to reach CFA Franc 323.9 billion, as investment financed from external sources, on account of the fall in foreign grants, declined by 21.9% to reach CFA Franc 253.1 billion in 2014.
297. Regarding the public debt, its stock amounted to CFA Franc 986.9 billion at end-December 2014, representing 24.8% of GDP, compared to CFA Franc 904.4 billion in 2013, representing 24.7% of GDP. This debt consists of 93.7% in foreign debt (CFA Franc 934.8 billion) against 5.3% in domestic debt (CFA Franc 52.1 billion). Compared to 2013, the debt stock increased by 9.1%, largely due to foreign debt, which grew by 11.1% while domestic debt fell by 17.2%..

2.11.3 External Sector

298. Overall balance of payments recorded a surplus of CFA Franc 181.4 billion (4.5% of GDP) in 2014, compared to a surplus of CFA Franc 99.0 billion (2.6% of GDP) in 2013.. This improvement in overall balance surplus was due to improved capital and financial accounts, particularly a 44.8% increase in the financial account.
299. Current account balance, including public transfers, slightly worsened from a deficit of CFA Franc 568.3 billion (16.1% of GDP) in 2013 to a deficit of CFA Franc 569.7 billion (15.2% of GDP) in 2014. This development resulted from the combined effect of the worsening of the balance of trade deficit by 64.6%, improvement of the deficit of the services balance by 8.9% (CFA Franc 36.7 billion), reduction in the deficit of net income factor by 61.1% (CFA Franc 55.7 billion) as well as an increase in the surplus of balance of current transfers and income by (CFA Franc 43.3 billion (29.7%).
300. The worsening of the deficit of merchandise trade resulted from the combined effect of a drop in exports of CFA Franc 75.3 billion (9.6%) and increase of CFA Franc 61.9 billion (6.2%) of imports. Following the fall in output and prices, the country's main exports registered a sharp decline in gold (47.8%), oil (28.0%) and uranium (20.3%). This fall was mitigated by a 22.2% rise in other exports. The rise in imports was largely due to an increase in food products and capital goods by 16.7% and 24.5% respectively.
301. The deficit of balance of services improved by 8.9% from CFA Franc 410.7 billion (10.8% of GDP) in 2013 to CFA Franc 374.0 billion (9.3% of GDP) in 2014. Also, the negative primary income balance was expected to fall by CFA Franc 55.7 billion in 2014, due to lower dividend payments to major mining companies, moderated by transfers of expatriate workers' earnings, particularly the Chinese. With respect to

the secondary income balance, it is expected to improve by CFA Franc 43.3 billion compared to 2013.

302. Regarding the capital and financial account, its positive balance grew by 11.3% in 2014 to reach CFA Franc 751.1 billion. This growth was due to a positive balance on financial transactions which went up by 44.8% in 2014, while the balance of the capital account declined by 35.5%.

2.11.4 Monetary Sector

303. In 2014, the development of the monetary situation resulted in a consolidation of net foreign assets (+34.0%), expansion of domestic credits (+15.0%) and money supply (26.1%).
304. Net foreign assets strengthened by CFA Franc 181.4 billion to reach CFA Franc 715.2 billion at the end of December 2014. This consolidation comes both from the Central Bank's net foreign assets of 24.2% (CFA Franc +112.7 billion) and deposit banks' net foreign position of 101.5% (CFA Franc + 68.7 billion). This situation was due, among other things, to repatriations of mining and oil export revenues, mobilisation of external financial support and calls for fund by mining companies.
305. The domestic debt stock grew by CFA Franc 65.2 billion in 2014 to reach CFA Franc 498.5 billion. This growth resulted from a deterioration of the Net Government Position (NGP) by 13.1%, representing CFA Franc 11.4 billion, and a 10.4% increase of credit to the economy of 10.4%, representing CFA Franc 53.8 billion.
306. Money supply grew by 26.1% (CFA Franc +226.8 billion) in 2014 compared to end-December 2013 to stand at CFA Franc 1 112.6 billion. This growth was reflected in the growth of its components namely, currency in circulation (26.7%, or CFA Franc 106.2 billion) and bank deposits (25.6%, or CFA Franc 121.0 billion). The upward movement in currency in circulation can, among other things, be explained by payments in cash of salary back-pay and financial implications of contract staff and national service personnel, as well as payments to oil company workers located in under-banked areas. The increase in bank assets was due to upward movement in demand deposits of non-financial economic establishments, in particular mining, trade, oil, and transportation and telecommunication companies.

2.11.5 Status of Macroeconomic Convergence

307. In terms of convergence, Niger met eight (8) convergence criteria in 2014 against nine (9) in 2013. Regarding the primary criteria, Niger was only able to satisfy the criterion on inflation and Central bank financing of the budget deficit. The primary criterion on ratio of budget deficit to %GDP could not be met as it worsened sharply. The performance for 2013 and 2014 is as follows:

Convergence criteria	Targets	2013	2014
Primary criteria			
Budget deficit/Gross Domestic Product (GDP) ratio, including grants (commitment basis)	≤ 3%	-2.3%	-5.5%
Average annual inflation rate	5%	2.3%	0.9%
Budget deficit financing by the Central Bank	≤ 10% tax revenue n-1	0	0
Gross reserves in months of imports	≥ 6 months	4.7	4.8
Secondary criteria			
Arrears	Non-accumulation	0	0
Tax revenue/nominal GDP ratio	≥ 20%	15.2%	15.7%
Wage bill/tax revenue ratio	≤ 35%	32.6%	33.6%
Domestically-financed public investments/tax revenue ratio	≥ 20%	33.7%	51.2%
Debt stock/nominal GDP ratio	≤ 70%	23.8%	24.4%
Nominal exchange rate	±10%	+4.1%	+0.1%
Real interest rate	Positive	1.2%	2.6%
Number of criteria satisfied		9	8

2.11.6 Conclusions and recommendations

308. Niger recorded an accelerated growth in 2014 compared to 2013, driven by the primary and services sectors. The secondary sector faced some difficulties due, inter alia, to the fall in price of uranium and gold, which negatively impacted their production and exports. As regards public finance, Government's fiscal operations resulted in the worsening of the overall budget deficit, which more than doubled between 2013 and 2014. In terms of convergence, Niger satisfied 8 convergence criteria in 2014 against nine (9) in 2013.
309. With a view to sustaining growth and improving convergence performance, Niger should :
- Pursue and sustain efforts to guarantee security in the face of terrorist threats in the region; and
 - Pursue and sustain efforts and measures to significantly boost revenue mobilisation and control recurrent expenditure.

2.12 Economic and Financial Situation in Nigeria in 2014

2.12.1 Real Sector

310. Real GDP grew by 6.31 % in 2014, compared to 5.49 % in 2013. The aggregate growth was driven by the non-oil sector which expanded by 7.18 % in 2014 as against a growth rate of 8.42 % in 2013. However, the oil sector recorded negative growth rate of 1.32 % in 2014, indicating an improvement from the previous year when the sector grew at negative 32.47 %. The relative improvement was due to the reduced incidence of oil pipeline vandalism and theft.
311. The growth rate of the non-oil GDP slowed but remained strong at 7.18 per cent in real terms in 2014 compared with 8.42 % recorded in 2013. The growth in non-oil GDP was attributed to the impressive performance of the sectors particularly, agriculture, manufacturing and information and communication technology. Electricity and Gas supply were the only non-oil sectors that recorded poor performance in 2014.
312. The share of primary sector activities, which include crop production, livestock, forestry and fishing, that lost its position as the largest contributor to GDP since the rebasing of the Nigerian in 2013, continued to decline. In 2014 the share of the sector further declined to 22.9 % compared to 23.33 in 2013. However, the real growth rate of the sector increased to 4.27 % in 2014 as against 2.94 % in 2013.
313. The secondary sector had its share of GDP remain relatively stable in 2014 at 24.93 % compared to 24.81 % in 2013, even though the sector's growth rate increased considerably from 2.16 % in 2013 to 6.76 % in 2014. The impressive performance was achieved notwithstanding the poor performance of the energy sector (oil and electricity) in 2014. Growth of the sector was spurred by manufacturing which grew at 14.72 %, water supply and waste management 23.08 % and construction 13.03 %. Even though commendable, this performance fell below the level achieved in 2013 which stood at 21.8, 45.34 and 14.22 % respectively.
314. The tertiary sector which continued to make steady progress as its contribution to real GDP in 2014 rose to 52.16 %, from 51.86 % in the preceding year and, thus, remained the leading sector in terms of contribution to GDP. In real terms however, the sector's growth declined by 1.54 percentage points from 8.38 % in 2013 to 6.85 % in 2014 mainly as a result of reduction in the growth rates of accommodation, telecommunications and real estates.
315. The general price level was relatively stable at a single digit in 2014. The annual average inflation in 2014 stood at 8.06 %, compared to 8.48 % in the preceding year. Headline inflation rate on year-on-year basis remained unchanged at 8.0 % as at end-December 2013 and 2014. Core inflation moderated considerably from 7.9 % at end December 2013 to 6.2 % in the corresponding period in 2014. The annual average food inflation also fell slightly to 9.48 % in December 2014 from 9.70 % in December 2013. The lower inflation rate experienced in 2014 could be attributed to the continued monetary tightening by the Central Bank as well as improved agricultural

output. Average food inflation rate of 9.2 % was observed in December 2014 as against the 9.7 % recorded in December 2013.

2.12.2 Public Finance and Public Debt

316. Overall fiscal performance was relatively impressive in the review period. The 2014 fiscal policy focused on achieving fiscal consolidation with job creation and inclusive growth as cardinal objectives. The Federal Government retained revenue stood at ₦3,287.77 billion in 2014, which was about 3.65% of GDP, while total expenditure amounted to ₦4,123.42 billion, about 4.57% of GDP. This resulted in a deficit of ₦835.64 billion, about 0.93% of GDP, which is a slight improvement over the 2013 level which was about 1.49% of GDP. The deficit was propelled by high domestic investment expenditure and interest payments on the public debt, even though the pattern indicated a moderation from the 2013 level. The improvement in deficit relative to the 2013 level was largely attributed to improvement in non-oil receipts while oil receipt largely accounted for the positive difference of the 2014 federally collected revenue budget estimate.
317. Revenue from taxation amounted to ₦4,714.56 billion in 2014 compared to ₦4,805.64 billion in 2013, representing a decline of 1.9 %. Oil taxes amounted to ₦2,453.95 billion, accounting for 52.09 % of tax revenue, while non-oil taxes amounted to ₦2,260.61 billion and accounted for 47.95 per cent. The decline in oil taxes was attributed to the crisis and oil theft in the Niger Delta which caused a reduction in oil production as well as the decline in the international prices of crude oil.
318. The income and expenditure of the Federal Government in 2014 resulted in a deficit of N835.65 billion indicating a moderation of N317.85 billion compared to the N1, 153.49 billion recorded in the 2013 fiscal year. This translates to a budget deficit to GDP ratio of 0.93 %. The deficit was financed wholly through domestic borrowing.
319. Nigeria's total public debt stock outstanding as at end-December, 2014 stood at US\$56,759.22 million, compared with US\$54,544.31 million at end-December, 2013, representing an increase of US\$2,214.91 million or 4.06 %. The increase was reflected in both domestic and external debts. External debt increased by US\$889.55 million or 10.08 % over the level recorded at end-December, 2013 and was mainly due to additional disbursements on existing/new loans, while domestic debt saw a growth of US\$1,325.36 million or 2.90 % as a result of net issuance of FGN Bonds and NTBs during the period under review. The FGN instruments were utilized to refinance matured securities as well as for funding part of the approved budget deficit through domestic borrowing for the period 2014. The domestic debt continued to dominate the debt portfolio, accounting for more than 85.69 % of the total public debt outstanding in 2014, while external debt accounted for 14.31 %.

2.12.3 External Sector

320. Total trade improved from N21, 261.09 billion in 2013 to N24, 435.30 billion in 2014, representing a growth rate of 14.93 % as against a decline of 24.26 % in 2013. This was largely attributed to improvements in exports which increased by N3, 048.61

billion to reach N17, 293.88 billion in 2014, from N14, 245.27 billion in 2013. This reflects a recovery from a decline of 36.54 % in 2013 to a growth rate of 20.77 % in 2014. Imports rose modestly by 3.07 % in 2014 to N7, 231.44 billion as against a growth rate of 24.73 % in 2013. Consequently, trade balance (surplus), driven largely by improvements in exports, increased by 37.96 % to N9, 972.46 billion in 2014. Compared to negative 57.03 % in 2013.

321. Nigeria's external sector performance significantly worsened in 2014 relative to 2013. Current account balance surplus slumped to US\$8.63 billion (1.58 % of GDP) in 2014 from US\$20.2 billion (3.97 % of GDP) in 2013. This indicates a drastic drop of 57.19 % over the period. The worsening current accounts performance is a result of the decline in the surplus recorded in the goods account and the increase in deficit in the net services account. The surplus in the goods account narrowed to US\$30.76 billion in 2014 from US\$43.77 billion in 2013 while the deficits in services (net) widened to US\$22.98 billion in 2014, from US\$20.11 billion in 2013. On the other hand the deficit in income account narrowed to US\$21.44 billion in 2014 from US\$25.73 billion in 2013. However, the surplus on current transfers (net) improved slightly in dollar terms to US\$22.29 billion in 2014 from US\$22.22 billion in 2013.
322. The financial account recorded a surplus of US\$10.07 billion in 2014 compared with a surplus of US\$7.75 billion in 2013, an increase of 30.00 % and equivalent to 1.69 % of GDP. The Foreign Direct Investment (FDI) net declined to US\$1.49 billion in 2014 compared to US\$4.37 billion recorded in 2013 indicating a significant drop of 65.98 %. Portfolio investment net also declined from US\$10.41 billion in 2013 to US\$1.96 billion in 2014, indicating a decrease of 81.13 %. The overall balance of payment recorded a deficit of US\$8.6 billion (1.54 per cent of GDP) in 2014 compared to a deficit to GDP of 0.1 % in 2013.
323. Gross official external reserves stood at \$34.25 billion as at December 31, 2014 compared with \$42.85 billion in the corresponding period of 2013, representing a decrease of \$8.6 billion or 20.1 per cent. The decrease in the reserves was driven largely by increased funding of the foreign exchange market interventions to stabilize the exchange rate. The country's external reserve as at the end of December 2014 could finance 7.44 months of imports.
324. The CBN's policy of maintaining an official exchange rate corridor of +/-3.0 per cent around a mid-point of N155/US\$ could not be sustained in the face of increasing pressure on the naira during the period. The pressure was due to the effects of capital reversals induced by the United States Federal Reserve Bank quantitative easing (QE) policy, declining accretion to external reserves, as well as speculative activities in the foreign exchange market. Consequently, the CBN moved the exchange rate mid-point to N168/US\$, and widened the band to +/-5.0 per cent. The depreciation was targeted at stemming the dwindling reserves occasioned by falling oil prices and capital reversals as well as curbing the heightened demand for foreign exchange in the market.
325. The naira depreciated significantly in all three segments of the foreign exchange market. At the Retail Data Auction System (rDAS), the naira depreciated by 7.90 per cent to N169.68/US\$ at end-December 2014 from N157.26/US\$ at end-December

2013. Similarly, at the interbank foreign exchange market, the average exchange rate depreciated by 11.8 per cent to N180.33/US\$ at end-December 2014 from N159.05/US\$ at end-December 2013. The foreign exchange market (Bureau de Change) rate depreciated by 9.05 %, averaging N188.45/US\$ at end-December 2014 compared with N171.40/US\$ at end-December 2013.

2.12.4 Monetary Sector

326. Monetary policy in 2014 was aimed at sustaining the preceding year's achievements of moderating the level of banking system liquidity consistent with the Central Bank's objective of price stability conducive to economic growth. To this end, the Bank sustained its tight monetary policy measures to moderate banking system liquidity. These included the retention of the Monetary Policy Rate (MPR) at 12.0 per cent before increasing it by 100 basis points to 13.0 per cent in November 2014. However; the symmetric corridor of +/-200 basis points around the MPR was maintained throughout 2014. The Bank also increased the public sector cash reserve ratio (CRR) from 50.0 to 75.0 per cent in January 2014 and maintained it at that level for the rest of the year. Similarly, the CRR on private sector deposits was raised from 12.0 to 15.0 % in March and later to 20.0 % in November 2014. The Liquidity Ratio (LR) of the Deposit Money Banks (DMBs) was retained at 30.0 % during the year under review
327. In 2014, monetary aggregates performed less than the set benchmarks. Broad money supply (M2) grew by 7.29 per cent at end-December 2014 to N16, 833.24 billion, compared with the indicative benchmark of 15.02 % for 2014 fiscal year and the growth of 1.32 % at end-December 2013. The development was driven largely by the expansion in domestic credit (net) of the banking system. On the liabilities side, narrow money supply, M1, declined significantly by 10.89 % at end-December 2014 compared with a decline of 5.23 per cent at end-December 2013. Both currency components, currency outside banks and demand deposits decreased by 5.53 % and 12.28 % respectively, at end December 2014 compared with an increase of 11.18 % and a decrease of 8.72 % at the end of the preceding year.
328. Quasi-Money, however, grew by 22.07 %, compared with 7.36 % at end-December 2013. The development reflected growth in savings and time deposits particularly, the foreign currency deposit with commercial banks which grew significantly by 34.73 % in the review period. Thus, the observed growth in M2 was largely accounted for by the increase in quasi-money during the period.
329. Net Foreign Assets (NFA) of the banking system decreased by 15.02 per cent to N7358.15 billion at end-December 2014 compared with a decline of 4.26 per cent at the end of December 2013. The development reflected the decrease in net foreign assets holdings of the CBN and DMBs, which stood at N6,388.60 billion and N969.55 billion respectively, down from N7,043.93 and N1,614.72 billion at end-December 2013. NFA as a share of M2 was 56.29 % at end-December 2014, compared with 44.81 % at end December 2013.
330. Developments in interest rates were in line with credit and liquidity conditions in the banking sector. Apart from the month of December, interest rates were

generally lower in 2014 than in 2013. The higher interbank (call) rate of 26.15 % and open-buy-back rate of 23.46 per cent observed in December 2014 were traceable to the shortage of liquidity in the interbank market following the raise of the Monetary Policy Rate (MPR) by 100 basis points and the Cash Reserve Ratio (CRR) on private sector deposits by 500 basis points.

2.12.5 Status of Macroeconomic Convergence

331. Nigeria is one of the best performing countries in recent years under the macroeconomic convergence programme. Nigeria met three primary and four secondary criteria during the review period, compared to three primary and two secondary criteria in 2013. Performance under the primary and secondary criteria is highlighted as follows.

Primary Criteria	Benchmark	2010	2011	2012	2013	2014
Ratio of budget deficit (commitment basis) to GDP	≤ 3 %	5.8	2	2.5	1.7	0.9
Average Annual Inflation Rate	≤ 5 %	11.8	10.3	12	8	8
Central Bank financing of budget deficit	≤ 10 %	0	0	0	0	0
Gross External Reserves	≥ 6 months of imports	7.8	6.4	8.4	10.8	7.4
Secondary Criteria	Benchmark	2010	2011	2012	2013	2014
Arrears: Non-accumulation of domestic and external arrears		0	0	0	0	0
Ratio of Tax Revenue to GDP	≥ 20 %	10	12.6	13.1	12.7	12.7
Ratio of Wage Bill to Tax Revenue	≤ 35 %	47.3	38.6	34.7	40	55.9
Ratio of domestically financed Public Investment to Tax Revenue	≥ 20 %	21	21.8	14.3	17.3	17.3
Real Interest Rate: Positive	> 0 %	-8.6	-8.9	-11	-0.4	2.8
Nominal Exchange Rate: Stable	± 10 %	-9.8	-5.2	-11	-0.9	-0.9
Ratio of Total Public Debt to GDP	≤ 70 %	15.4	15.4	17.5	19.4	19.6

Primary Criteria

- Ratio of Budget Deficit/GDP ≤ 3%. This criterion was met as the fiscal deficit was 0.9 % of GDP in 2014;
- The inflation criteria continued to be the major challenge as the country failed to meet the ECOWAS inflation criterion of 5.0 per cent, but was able to retain a single digit inflation rate of 8.0 %;
- Central bank financing of the budget deficit ≤ 10 % of previous year's tax revenue: This criterion has been consistently met by Nigeria since 2009. The CBN financing of Government budget deficit was zero % in both 2013 and 2014;
- Gross External Reserves ≥ 6 months of imports: Nigeria met this criterion during the period under review. The country's gross external reserves at end-December 2014 stood at US\$34,241.54 million, equivalent to about 7.4 months of imports cover.

Secondary Criteria

- Non-accumulation of arrears and liquidation of existing arrears: Nigeria met this criterion during the review period as arrears were not accumulated;
 - Ratio of Tax Revenue to GDP ≥ 20 : Nigeria did not meet this criterion. Total tax revenue as a ratio GDP remained below the threshold of 20 % in 2014;
 - Ratio of Wage Bill to Tax Revenue ≤ 35 %: Nigeria did not meet this convergence criterion in 2014. The wage bill as a ratio of tax revenue stood at 55.9 % in 2014;
 - Ratio of domestically financed public investment to tax revenue ≥ 20 %: This criterion was not met Public investment financed from domestic sources stood at 17.3 % of tax revenue in 2014;
 - Ratio of total Public Debt to GDP ≤ 70 %: This criterion was met. Nigeria's public debt to GDP ratio remained stable at about 19.6 % in 2013 and 2014;
 - Positive Real Interest Rate: Nigeria met this criterion during the review period. The real interest rate improved from -0.4 % in 2013 to 2.8 % in 2014;
- Stability of the Nominal Exchange Rate ± 10 : Nigeria maintained a stable exchange rate in 2014 to meet this criterion. The Naira exchange rate movement against the major currencies of the world was -0.9 % in 2014.

2.12.6 Conclusion and Recommendations

332. In spite of the challenges the Nigerian economy faced in 2014 in areas of infrastructure, dwindling oil price and oil theft and security, the economy was able to post an impressive growth rate of 6.22 per cent. With regards to the macroeconomic convergence criteria, the Nigerian economy met three of the four primary criteria and four of the seven secondary criteria.
333. In order to effectively address the challenges confronting the Nigerian Economy, the following recommendations are proffered:
- To arrest the continued growth of public debt in general, and domestic debt in particular, to ensure long term debt sustainability;
 - To embark on measures aimed at diversifying the economy to avoid over dependence on the oil revenue, such as investment in agriculture and agro-allied industries, energy and infrastructure.

2.13 Economic and Financial Situation in Senegal in 2014

334. In 2014, economic activity took place in context marked by the adoption and implementation of a new development strategy, the Emerging Senegal Plan, which seeks to boost economic growth and put Senegal on the path of recovery. The economy recorded a growth rate of 4.7%, compared to 3.6% in 2013, driven mainly by the tertiary sector

2.13.1 Real Sector

335. Growth in 2014 was mainly led by the tertiary sector, although the primary and secondary sectors also contributed positively, albeit to a lesser extent.

336. Output of the primary sector grew by 3.6% compared to the 2.7% rate recorded in 2013. This growth was largely due to the agricultural sub-sector whose growth went up from 0.4% in 2013 to 4.7% in 2014. The sub-sector benefited from the implementation of the Programme for Accelerated Agricultural Growth in Senegal (PRACAS) which aims at developing a competitive, diversified and sustainable agriculture, in consonance with the guidelines of the Emerging Senegal Plan (PSE). Growth in agriculture was mainly supported by crop farming. Although the other sub-categories of the primary sector went up, they experienced a slowdown in growth rates. Livestock grew by 2.7% in 2014 against 8.3% in 2013, growth in fishing stood at 0.9% against a contraction of 4.6% in 2013, while forestry and hunting grew at 3.0%, against 4.5% in 2013.

337. In terms of contribution to GDP, the primary sector accounted for 12.4% in 2014, against 12.5% in 2013. Its contribution to growth went up by 0.4 %% against 0.3 %% in 2013.

338. Growth of the secondary sector declined to 2.9% in 2014, from 3.3% in 2013. This downturn was largely due to a drop in mining and manufacturing activities, mitigated by an increase in electricity production as well as in building and construction. Mining activities declined by 3.9% following a 13.2% rise in 2013 which was explained by a drop in phosphate production by 16.4% due to mechanical and electrical breakdowns, technical failures and load-shedding. The fall in Manufacturing also declined by 0.5% in 2014 against an increase of 2.0% in 2013. This downturn was supported by all the components owing to (i) high production costs in the manufacture of fats and oils, (ii) shutdown in sugar production due to marketing difficulties, (iii) shutdown in chemical products production due to lack of spare parts and consumables, (iv) lack of inputs (sulphur) but also electrical and mechanical failures, and (v) low cotton production during the 2013/2014 season. Growth of building and construction declined slightly to 11.5%, from 12.5% in 2013 and was attributed to the successful implementation of infrastructural works supported by major projects financed by the Millenium Challenge Account. With respect to energy production, an increase of 6.5% was recorded, against 4.7% in 2013, due to upgrading of production capacity and the introduction of additional capacity through the installation of new plants.

339. The secondary sector's contribution to GDP declined marginally to 20.4%, from 20.7% in 2013. Its contribution to growth also declined slightly to 0.6 %%, from 0.7 %% in 2013.
340. The tertiary sector continued its momentum in 2014 growing by 5.0% against 4.8% in 2013 due to the good performance of the post and telecommunication sector, financial services, transportation as well as commercial activities. However, the secteur was negatively affected by the outbreak of the Ebola Virus Disease, particularly its impact on tourism. As regards telecommunication, rapid development in mobile telephone due to increased competition accounted for growth in 2014. With respect to transportation, the renewed growth was attributed to the expansion of the road network. Lastly, financial services grew by 9.3% in 2014 due to the diversification of financial services and facilitation of access to credit. This notwithstanding, it is important to note a fall in hospitality activities (2.3% in 2014 against 10.1% in 2013) and catering services due to the spread of the Ebola Virus Disease.
341. Contribution of the tertiary sector to GDP stood at 67.3% in 2014 against 66.7% in 2013, while contribution to growth stood at 3.7 points in 2014 against 2.6 points in 2013.
342. On the demand side, growth was supported by public final consumption with a 3.7points contribution to growth in 2014 against 2.3points in 2013.
343. Final consumption grew by 3.7% following a 2.5% rise in 2013, driven by public consumption which went up by 4.9% in 2014 (against 1.4% in 2013) while private final consumption rose by 3.5% in 2014 against 2.7% in 2013. Final consumption's contribution to GDP went up from 2.3 % in 2013 to 3.3 % in 2014.
344. Regarding investment, growth rate declined drastically to 2.3% in 2014, from 26.9% in 2013. This development was largely due to Private Gross Fixed Capital Formation (GFCF) whose growth declined from 22.8% in 2013 to 6.0% in 2014. Public GFCF on the other hand, recorded an increase in growth from 2.7% in 2013 to 10.3% in 2014. Investment contributed 0.6% to GDP growth %against 5.3 %% in 2013.
345. With respect to trade, the combined effect of a 0.1% drop in imports compared to 2013, and a 3.3% rise in exports, lowered the deficit. Its contribution to growth stood at 0.9% in 2014 against a negative contribution of 4.0% in 2013.
346. Concerning price changes in 2014, inflation declined 1.1% in 2014 compared to 2013. This development was mainly reflected in a drop in «housing, water, gas, electricity and other household fuel » (4.8%) and « food and non-alcoholic beverages» (1.9%). This downturn was mitigated by the rising prices of leisure and cultural activities (0.9%), education (0.8%), health (1.0%) and communication (3.7%).

2.13.2 Public Finance and Public Debt

347. The execution of Government's financial operations in 2014 resulted in a deficit of CFA Franc 384.0 billion (5.0%), an improvement compared to the deficit of CFA Franc 400.4 billion in 2013 (5.4%) of GDP. The deficit excluding grants, increased from 8.0%

of GDP (CFA Franc 587.9 billion) in 2013 to 8.2% of GDP (CFA Franc 637.5 billion) in 2014. Total revenue and grants grew by 16.2% compared to 2013, driven by the implementation of tax reforms, while total expenditure and net lending rose by 12.2%. Total revenue and grants mobilised was equivalent to 24.9% of GDP in 2014, against 22.5% in 2013.

348. Total revenue and grants increased by 16.2% in 2014 to reach CFA Franc 1 927.0 billion (21.6% of GDP), against CFA Franc 1 659.0 billion (19.9% of GDP) in 2013. This increase was attributed to increases in total domestic revenue of 13.7% and grants of 35.2%. The upward movement in domestic revenue was due to tax revenue whose mobilisation went up from CFA Franc 1 471.4 billion in 2013 to CFA Franc 1 673.5 billion, representing an increase of 13.7%, and other non-classified revenue which went up from CFA Franc 38.4 billion in 2013 to CFA Franc 98.8 billion in 2014, representing an increase of 157.3%. The increase in tax revenue may also be justified by (i) revenue from direct taxes due to widening of the tax net by virtue of the modernisation and restructuring of tax administration and, (ii) direct taxes supported by huge VAT mobilisation owing to renewed economic activity. The taxation of the economy thus stood at 19.2% in 2014 against 18.2% a year ago.
349. Grants increased to CFA Franc 253.5 billion (3.3% of GDP) against CFA Franc 187.5 billion (2.5% of GDP) in 2013, representing a 35.2% growth. This development was largely due to project grants which grew by 27.1% to reach CFA Franc 45.5 billion and programme grants which went up by 103.1% to reach CFA Franc 20.5 billion.
350. In 2014, total expenditure and net lending rose to CFA Franc 2 310.0 billion (29.7% of GDP), against CFA Franc 2 064.5 billion (27.9% of GDP) in 2013. This increase was largely due to recurrent expenditure (14.8%) and capital expenditure (12.2%).
351. Recurrent expenditure went up from CFA Franc 1 227.8 billion (16.6% of GDP) to CFA Franc 1 409.3 billion in 2014, representing a 14.8% rise. This increase was largely due to expenditure on goods and services (41.2%), interest charges on public debt (15.7%), wages, salaries and allowances (4.5%) and, to some extent, transfers and subsidies (4.1%). Commitments on recurrent expenditure accounted for 18.2% of GDP in 2014, an increase compared to the 16.6% growth posted in 2013.
352. Capital expenditure grew by 12.2% in 2014 against a drop of 1.5% in 2013. In absolute terms, they went up from CFA Franc 801.3 billion (11.8% of GDP) in 2013 to CFA Franc 899.1 billion (11.6% of GDP). This increase was attributed to domestically-financed capital expenditure (6.5%) and capital expenditure financed from external resources (20.6%). The latter increased to CFA Franc 390.8 billion in 2014 (5.0% of GDP), from CFA Franc 324.0 billion (4.4% of GDP) in 2013, while the former rose from CFA Franc 477.3 billion (35.5% of tax revenue) in 2013 to CFA Franc 508.2 billion, representing 34.3% of tax revenue mobilised in 2014.
353. As regards debt, total public debt stock went up from CFA Franc 3 341.7 billion in 2013 to CFA Franc 4 112.9 billion at the end of 2014, representing a 23.1% increase (CFA Franc 771.2 billion). The debt stock stood at 53.1% of GDP in 2014 against 45.2% a year earlier. The 2014 debt stock comprised of CFA Franc 3 047.3 billion (74.1%) of foreign debt and CFA Franc 1 065.6 billion (25.9%) of domestic debt. In 2014, public

external debt-service accounted for 7.8% of budget revenue and 6% of exports of goods and services.

2.13.3 External Sector

354. Senegal's foreign trade recorded a positive balance of CFA Franc 219.6 billion against a deficit of CFA Franc 26.5 billion in 2013. This improvement was as a result of an 11.1% reduction in current account deficit and a 22.7% increase in positive balance on the capital and financial account.
355. The current account balance stood at negative CFA Franc 680.3 billion (8.8% of GDP) in 2014, against negative CFA Franc 765.5 billion (10.4% of GDP) in 2013. This situation resulted in improved current transfers of CFA Franc 37.4 billion and a reduction in the trade balance deficit of CFA Franc +57.6 billion, mitigated by a downturn in the income balance of CFA Franc 10.2 billion. The improvement in the merchandise balance resulted from a 1.8% rise in exports coupled with a 1.1% drop in imports due to the fall in prices of oil, food and capital goods. The increase in exports was due to fishery products, oil and fertilizers.
356. The balance of services recorded a deficit of CFA Franc 55.8 billion in 2014, compared to CFA Franc 54.9 billion. Due to investments made abroad, the deficit in net income balance worsened by 6.4% to reach CFA Franc 169.7 billion in 2014 against CFA Franc 159.4 billion in 2013. As regards net current transfers, the surplus moved from CFA Franc 920.9 billion to CFA Franc 958.3 billion, representing an increase of CFA Franc 37.4 billion (4.1%). This improvement was due to the increase in inflow of migrant remittances from abroad and budgetary support to the public sector.
357. The capital and financial account surplus improved to reach CFA Franc 899.9 billion against CFA Franc 733.4 billion in 2013, representing an increase of CFA Franc 166.5 billion, due to an increase in the financial account balance by CFA Franc 125.7 billion and capital account balance by CFA Franc 40.8 billion.
358. The capital account balance stood at CFA Franc 222.3 billion in 2014 against CFA Franc 181.5 billion in 2013, due largely to a jump in capital transfers from central government (CFA Franc 45.5 billion). The balance of the financial account amounted to CFA Franc 677.6 billion in 2014 against CFA Franc 551.8 billion in 2013, representing an increase of CFA Franc 125.8 billion, which was attributed to an increase of CFA Franc 326.9 billion in net public capital, mitigated by a drop of CFA Franc 201.2 billion in net private capital. Indeed, public capital benefited from capital raised by Government on international market in the amount of USD 500 million in 2014.

2.13.4 Monetary Sector

359. The monetary situation in 2014 was characterised by an improvement of 25.6% in net foreign assets, an increase of 2.8% in domestic credit and an expansion of 11,4% in money supply.

360. Net foreign assets of monetary institutions stood at CFA Franc 1 078 billion in 2014 against CFA Franc 858.3 billion in 2013, representing a rise of CFA Franc 219.7 billion. This jump was due to the consolidation of deposit banks' net foreign assets of CFA Franc 119.1 billion (126.4%) and the Central Bank's CFA Franc 100.4 billion or 13.1%.
361. In 2014, domestic credit stock was estimated at CFA Franc 2 637.6 billion against CFA Franc 2 565.4 billion in 2013, an increase of CFA Franc 72.2 billion due to growth in credit to the economy (CFA Franc 155.3 billion), mitigated by an improvement in Net Government Position (CFA Franc -83.1 billion). On the whole, bank financing of the economy was estimated at 37.2% in 2014 against 36.4% in 2013.
362. Reflecting growth of its components, , money supply was projected to grow by 11.4% in 2014 against 8% in 2013. This increase in overall liquidity was reflected in enhanced bank deposits and currency in circulation. On the whole, overall liquidity rate went up from 45.3% in 2013 to 48.1% in 2014.

2.13.5 Status of Macroeconomic Convergence

363. As regards macroeconomic convergence, Senegal met eight (8) convergence criteria in 2014, as in 2013, of which two (2) were primary criteria. The criterion on ratio of budget deficit to %GDP was not satisfied, as in 2013. The performance in 2013 and 2014 is as follows :

Convergence criteria	Targets	2013	2014
Primary criteria			
Ratio of budget deficit(commitment basis) to GDP	≤ 3%	5.4%	5.0%
Average annual inflation rate	5%	0.7%	-1.1%
Central Bank financing of budget deficit	≤ 10% tax revenue n-1	0	0
Gross external reserves	≥ 6 months of imports	4.7	4.8
Secondary criteria			
Arrears : Non-accumulation of new domestic and external arrears	Non-accumulation	0	0
Ratio of tax revenue to GDP	≥ 20%	18.2%	19.2%
Ratio of wage bill to tax revenue	≤35%	34.6%	32.7%
Ratio of domestically-financed public investment to tax revenue	≥ 20%	35.5%	34.3%
Ratio of Total Public Debt to GDP	≤70%	45.2%	53.1%
Nominal exchange rate :Stable	±10%	+4.1%	+0.1%
Real interest rate: Positive	Positive	+2.8%	4.6%
Number of criteria satisfied		8	8

2.13.6 Conclusions and Recommendations

364. The growth rate of Senegal's economic activity accelerated in 2014 to reach 4.7% against 3.6% in 2013. This growth was mainly driven by the services sector. As regards public finance, overall budget deficit as %age of nominal GDP remained high. With respect to macroeconomic convergence, the country met eight criteria in 2014 just as in 2013.
365. To ensure a good performance of the Senegalese economy and comply with Community targets in terms of convergence, it is important to:
- Ensure successful implementation of the Emerging Senegal Plan (PSE) ;
 - Sustain and improve production and distribution of energy to support production activities ;
 - Enhance business climate to boost FDIs ;
 - Pursue and sustain measures and actions for increased own revenue mobilisation; and
 - Monitor the debt level to ensure its sustainability.

2.14 Economic and Financial Situation in Sierra Leone in 2014

2.14.1 Real Sector

366. The economy of Sierra Leone made tremendous progress in 2014 in the midst of two major shocks – the outbreak of Ebola Virus Disease and decline of international prices of iron ore (now the country's major export). Real GDP growth stood at 7.0 %, with non-iron ore GDP registering growth of 1.0 %. This should be compared with the robust growth of 20.1 % recorded in 2013. Growth in 2014 was largely driven by iron ore production which, despite the fall in international prices, recorded an increase on 31 % with output leveling at 19.3 million metric tons compared to 14.7 million metric tons in 2013.
367. Agriculture recorded growth of 1.0 % as the sector received the shock from the Ebola virus disease, with the key sub-sectors growing at not more than 1.1 % (agriculture 1.0 %, livestock 0.8 %, forestry 0.9 %, fishery 1.1 %). Initiatives taken by the Government to spur growth and development of the sector included expansion of extension services, provision of seedlings (oil palm and rice), rehabilitation of farms, administration of vaccines to livestock and construction and rehabilitation of feeder roads.
368. Driven by the mining sub-sector, Industry recorded a growth rate of 22.6 % in 2014. Mining and quarrying, including iron ore, recorded overall growth of 27.5 %. Production of most minerals experienced appreciable increase, with iron ore recording the highest. Only gold, diamond and rutile experienced declines in output during the period. Manufacturing was badly hit by the Ebola epidemic. All key manufactured products recorded declines in production during the second half of 2014. For the year as a whole however, all key products except Beer and Stout, recorded increases in production. Construction activities during the period declined as government and donor-funded projects were suspended as part of measures to stem the spread of the Ebola epidemic. Output of the sub-sector, thus, declined by 7.6 %. Electricity sub-sector grew by 5.5 % as the Bumbuna hydro-project became fully operational. Total units of electricity generated increased by 27 % to 194 GW/h in 2014 from 153.2 GW/h the previous year.
369. The Services sector grew by 1.8 %, driven largely by finance, insurance and real estate which recorded growth of 2.6 % and Government services, with a growth rate of 6.8 %. However, output of transport, storage and communications declined by 2.5 % while trade and tourism grew slightly at 0.3 %, with Financial Intermediation Indirectly Measures growing at 3.5 %.
370. With respect to end-use of GDP, total export of goods and services increased by 45.2 % while total imports of goods and services declined by 5.95 %. Final consumption decreased by 20.74 %, of which, private consumption (the largest component), dropped by 24.25 % while Government consumption increased by 8.4 %. NPISH grew by 5.7 % in 2014. Capital formation increased by 1.8 % on account of the significant scaling down in operations that involved changes in inventory.

371. Inflationary pressures continued to decline in the first half of the year reflecting the increased domestic food production, stable world food prices, tight monetary policy supported by prudent fiscal policy and stable exchange rate. However, inflationary pressures started to build up in June largely due to disruptions in the supply of essential commodities and depreciation of the currency triggered by the Ebola outbreak.
372. The national year-on-year headline inflation declined to 6.4 % in April, and thereafter picked up slightly to reach 6.5 % in May following the outbreak of the Ebola epidemic. Inflation further increased to 7.88 % in November before closing the year at 7.85 % in December 2014. The average annual rate stood at 7.18 %.

2.14.2 Public Finance and Public Debt

373. In nominal terms, total government revenue, comprising domestic revenue and external grants, amounted to Le 3.2 trillion (13.49 % of GDP) in 2014, compared to Le2.83 (13.29 % of GDP) trillion in 2013, representing an increase of 13.07 %, with the increase being explained in part by the grant component which saw an upward surge of 75 % in 2014.
374. Total domestic revenue amounted to Le2.23 trillion (9.4 % of GDP) compared to Le 2.28 trillion (10.7 % of GDP) in 2013, representing a decline of about 2.2 % which was attributed to shortfalls in income tax and revenue from mines and other departments which more-than offset increases in Goods and Services Tax (GST) and customs and excise duties. Revenue from income tax, the largest component of domestic revenue, declined by 3.6 % from Le 929.3 billion (4.4 % of GDP) in 2013 to Le 895.7 billion (3.8 % of GDP) in 2014, with the effect of the Ebola outbreak and financial challenges encountered by the iron ore companies being key factors accounting for the decline. Goods and Services Tax increased by 4.3 % to Le 459.1 billion, from Le 440.3 billion in 2013.
375. Total Grants received for the year amounted to Le959.5 billion, compared to the Le 547.6 billion recorded in 2013, with programme grants accounting for 71.5 % while project grants accounted for 28.5 %. The surge in grants resulted from the scaling up of donor support to fight the Ebola epidemic.
376. Total expenditure and net lending in 2014 amounted to Le 4.02 trillion (16.9 % of GDP) compared to Le3.17 trillion (14.6 % of GDP) in 2013, representing an increase of 26.8 %. Recurrent expenditure, which composed 67.2 % of total expenditure and net lending, increased by 24.4 % to Le2.7 trillion (11.4 % of GDP) in 2014 from Le2.2 trillion (10.3 % of GDP) in 2013, on account of overruns in wages and salaries as well as non-salary and non-interest expenditure. Of the total recurrent expenditure, wages and salaries (wage bill) accounted for 53 %. The increase in the wage bill was triggered by overspending on payment of pensions, gratuities and other allowances, payment of salaries for staff of subvented institutions and additional recruitment of staff into these agencies.
377. Non-salary, non-interest recurrent expenditures increased by 27.6 % to Le 1.1 trillion (4.6 % of GDP) from Le 823.9 billion (3.9 % of GDP) in 2013 on account of factors

associated with the Ebola epidemic. Total interest payments amounted to Le221.8 billion in 2014 (accounting for 8.2 % of recurrent expenditure) compared to a target of Le340 billion and thus, recorded a savings of over Le100 billion, mainly due to lower interest rates on treasury bills and bearer bonds.

378. Domestic capital expenditure increased by 36.7 % to Le 569.9 billion, from Le 416.8 billion in 2013, on account of unbudgeted payment for the procurement of Immigration Security apparatus and equipment for the national airport, additional payments towards the construction of market stalls at Sewa grounds, contribution towards the West African Power Pool Project and payment towards the attainment of the European Fish Certification Export.
379. The budgetary outturn for the year resulted in an overall budget deficit, excluding grants, of Le1.79 trillion (7.5 % of GDP) compared to Le883.9.0 billion (4.2 % of GDP) in 2013, while the deficit including grants amounted to Le749.72 billion (3.2 % of GDP) relative to the Le341.8 billion (1.6 % of GDP) recorded in 2013.
380. With a total financing requirement of Le 877.3 billion (3.7 % of GDP) in 2014, domestic financing amounted to Le 600.9 billion (2.5 % of GDP), whilst foreign financing amounted to Le 265.7 billion (1.1 % of GDP). Of the domestic financing, Bank financing amounted to Le668.9 billion (2.8 % of GDP), of which commercial banks accounted for 67.2 % (Le 449.4 billion) and Central Bank, 32.8 % (Le 219.5 billion). Net foreign financing, comprising of project and programme loans was Le 361.6 billion.
381. Sierra Leone's total public debt stock stood at Le8.08 trillion (US\$1,839.13 million) as at end December 2014 compared to Le6.57 trillion (US\$1,492.58 million) in December 2013, an increase of about 23.16 %. The increase was attributed mainly domestic borrowing to finance fiscal policy implementation, project and budgetary support disbursements as well as the pass-through effects of the depreciation of the Leone against the major currencies. Of the total debt stock, domestic debt accounted for 30.19 % and stood at Le 2.44 trillion, while external debt accounted for 69.8 % and amounted to Le5.64 trillion (69.81 %).
382. The domestic debt portfolio was mainly made up of short-term Government Treasury Bills and Bonds, the Bank of Sierra Leone's securities and Domestic Arrears, comprising domestic debt accrued to State-Owned Enterprises, Domestic Suppliers and Salary Arrears. The country's external debt was dominated by multilateral debt which accounted for 68 % of total external debt stock and stood at US\$766.8 million as at end-December 2014. Debt owed to bilateral creditors increased to US\$151.45 million in 2014 from US\$141.08 million in 2013, showing an increase of 7.9 %. The stock of external commercial debt stood at US\$208.7 million. This represented a drop of about 2.3 % compared to the position at end-December 2013.

%.

2.14.3 External Sector

383. The external sector experienced unprecedented challenges in the second half of the year following the emergence of the Ebola Virus Disease (EVD). The value of total external trade contracted by 15.83 % from US\$ 3.48 billion in 2013 to US\$ 2.93 billion in 2014. A decline in imports value by 12.0 % and export receipts by 19.0 % resulted in the narrowing of trade surplus recorded during the year. Total export earnings declined from US\$ 1.92 billion in 2013 to US\$ 1.55 billion in 2014 due, mainly, to a fall in receipts from mineral exports notably, iron ore, rutile and “other minerals” which dropped by 30.3 %, 25.8 % and 24.2 % respectively. Mineral exports remained the backbone of export trade and accounted for about 89.6 % of total export value. Total imports (f.o.b.) value contracted to US\$1.38 billion in 2014 from US\$1.57 billion in 2013.
384. Services (net) recorded a deficit of US\$ 1.17 billion in 2014 compared to a deficit of US\$ 518.9 million in 2013. The Income account also recorded a deficit of US\$ 128.7 million in 2014 relative to a deficit of US\$ 557.3 million in 2013. The combined effect of these transactions was a deficit of the current account to the tune of US\$466.9 million, which was improvement of about 8.8 % over the deficit of US\$511.8 million recorded in 2013.
385. The capital and financial account recorded a surplus of US\$593 million compared to US\$566.5 million in 2013, reflecting the increase in foreign direct investments and portfolio investments in the financial account. The surplus in the financial account therefore increased to US\$512.4 million, from US\$467.2 million in 2013.
386. The overall balance of payments recorded a surplus of US\$55.1 million in 2014, a figure which slightly exceeded the US\$46.6 million recorded in 2013 and was attributed to the improvement in the financial account.
387. The exchange rate remained relatively stable during the first half of 2014, but came under intense pressure following the outbreak of the Ebola Virus Disease (EVD) in May 2014. The nominal exchange rate depreciated against major international currencies, while the parallel market premium increased. The Leone depreciated against the United State dollar in the Parallel market by 8.67 %, auction by 5.50 %, official rate by 4.43 %, commercial banks by 4.27 % and foreign exchange bureau by 3.30 %. The gross external reserves of the Bank of Sierra Leone as at end-December 2014, stood at US\$553.59 million (equivalent to at least 3 months of imports cover), representing an increase of 16.5 % over the US\$474.96 million achieved in December 2013. The improvement in the reserves was driven mainly by the increase in inflows which outpaced outflows in the review period.

2.14.4 Monetary Sector

388. The central bank of the country, Bank of Sierra Leone (BSL), continued to employ market-based instruments in pursuance of its monetary policy objectives. The monetary policy rate (MPR) and required reserve ratio (RRR) remained unchanged at 10.0 and 12.0 %, respectively, in order to help mitigate the downside risks associated

with the Ebola epidemic . The Bank enforced the statutory limit (of no more than 5 % of previous year's domestic revenue) on its direct lending for budgetary execution.

389. Growth in monetary aggregates was expansionary during the review period. Broad Money (M2) grew by 16.54 % compared to 16.71 % in 2013. The expansion in M2 growth was due to the increase in both the Net Foreign Assets (NFA) and Net Domestic Assets (NDA) of the Banking system. NFA grew by 14.9 % while NDA increased by 20.0 % in 2014, compared to 13.5 % and 23.6 % growth respectively, in 2013. The increase in NFA stemmed from inflows including export receipts, external budgetary supports and aid disbursement in support of Government efforts to contain the Ebola virus disease. The growth in NDA mainly stemmed from an increase in Government borrowing from the banking system.
390. Reserve Money (RM) recorded an annual growth rate of 30.08 %, driven mainly by increased demand for money by economic agents to cope with Ebola-related inflationary pressures and supply side shocks. Net Claims on Government by the banking system grew significantly over the review period by 53.96 %, compared with 21.26 % in 2013, reflecting increased financing of government operations by the banking system owing to shortfalls in domestic revenue emanating from Ebola related supply side shocks coupled with delays in external budgetary support disbursement.
391. Credit to the private sector by commercial banks grew by 5.06 % (Le49.99bn) compared to 11.32 % in 2013. The slowdown reflected crowding out effects of Government borrowing from the banking system, coupled with risk averse lending behaviour of commercial banks in the face of the Ebola-related downside risk to the banking system.
392. Interest rates movement showed downward trend during the period. Increased liquidity in the banking system and the resulting expansion in demand for Government securities, together with reduced government borrowing contributed to the drop in yields on Government securities. The monthly average annual yield on 3-months, 6-months and 12-months Treasury Bills declined by 103, 467 and 435 basis points to stand at 2.36, 2.83 and 5.12 %, respectively, as at December 2014.
393. In terms of sectoral distribution of loans and advances, imports trade remained the highest lending sector, accounting for 19.51 % of the total loan and advances, followed by construction (18.48 %), business services (9.19 %), export trade (8.79 %), agriculture, forestry & fishing, (6.37 %), other trade and tourism and electricity (1.65 %), while gas and water accounted for 1.68 %.

2.14.5 Status of Macroeconomic Convergence

394. The country met one (1) primary criterion namely, Central Bank financing of the fiscal deficit, and two (2) secondary criteria, namely, domestic investments/tax revenue and ratio of public debt to GDP.

Criteria	Target	2012	2013	2014	Comments
Primary Criteria					
Ratio of budget deficit (commitment basis) to GDP	≤3%	5.2	1.6	3.2	Not met
Average Annual Inflation Rate	≤5%	12.87	10.4	7.18	Not met
Central Bank financing of budget deficit	≤10%	0.0	0.0	7.6	Met
Gross External Reserves	≥6 months of imports	2.2	3.6	4.2	Not met
Number of criteria met		2	2	1	
Secondary Criteria					
Arrears: Non-accumulation of new domestic and external arrears		n.a	n.a	n.a	
Ratio of Tax revenue to GDP	≥20%	10.1	8.7	8.4	Not met
Ratio of Wage Bill to Tax Revenue	≤35%	59.2	57.0	77.6	Not met
Ratio of domestically financed public investment to tax revenue	≥20%	48.5	35.8	30.6	Met
Real interest rate: positive	>0	6.1	-2.3	-4.8	Not met
Nominal exchange rate: stable	±10%	-1.0	0.6	11.9	Not Met
Ratio of Public Debt to GDP	<70%	37.0	28.4	36.2	Met
Number of criteria met		2	3	2	

Primary Criteria

- Ratio Budget Deficit/GDP (including Grants): This criterion was not met. The ratio of budget deficit to GDP stood at 3.2 % in 2014.
- Average Annual Inflation Rate: This criterion was not met. Average annual inflation was 7.18 %
- Central Bank financing of budget deficit: This criterion was met as the total central bank financing amounted to 7.6 % of the previous year's tax revenue.
- Gross External Reserves: This criterion was not. With gross external reserves of US\$570 million at end 2014, this was equivalent to 4.2 months of imports cover.

Secondary Criteria

Arrears: Non-accumulation of new domestic and external arrears: There was no information on this criterion;

- Ratio of Tax Revenue to GDP: This criterion was not met. Tax revenue relative to GDP increased from 9.0 % in 2013 to 10.3 % in 2014.

- Ratio of Wage bill to Tax Revenue: The criterion was not met. The ratio increased from 57.0 % in 2013 to 77.6 % in 2014.
- Ratio of domestically financed public investment to Tax Revenue: This criterion was met. Public investment financed from domestic resources decreased from 35.8 % in 2013 to 30.6 % in 2014 but met the target.
- Real Interest Rate Positive: The real interest rate criterion was not met. The real interest rate deteriorated to -4.8 % in 2014 from -2.3 % in 2013, on account of the high inflationary pressure during the review period.
- Nominal Exchange Rate Stability: The country did not satisfy this criterion in 2014. The Leone depreciated by 11.9 % against the U.S dollar.
- Ratio of Public Debt to GDP: This criterion was met as the ratio of public debt to GDP in 2014 was 36.2 %.

2.14.6 Conclusion and Recommendations

395. Notwithstanding the impact of the twin shocks – outbreak of Ebola Virus Disease and decline of international prices of the country’s major export products, the economy of Sierra Leone showed a great degree of resilience, with relatively impressive growth performance. Even though Government’s fiscal operations and the external sector were affected by the twin shocks, the deterioration of the budget deficit was relatively moderate while trade balance and overall balance of payments remained in surplus, albeit considerable narrowing. Performance under the convergence criteria worsened though, with the country meeting three criteria down from five a year earlier.
396. Against this backdrop, the following recommendations are proposed:
- The need to expand, diversify and strengthen the productive base of the economy to make it able to withstand, to a greater extent, both external and domestic shocks;
 - The authorities should continue to enhance domestic revenue generation by improving tax administration, widening the tax base, addressing new revenue collection challenges through measures aimed at curbing tax evasion, strengthening controls and reducing duty waivers.
 - Take measures to diversify exports with a view to reducing reliance on a few primary export products and consequently the impact of shocks arising from declines in international prices of commodities.

2.15 Economic and Financial Situation in Togo in 2014

397. Economic activity in Togo in 2014 was characterised by continued implementation of the agricultural sector support projects through the National Agricultural Investment and Food Security Programme (PNIASA) and the implementation of major work policy to boost economic infrastructure. Growth stood at 5.9% in 2014 against 5.4% in 2013, driven mainly by the primary and tertiary sectors.

2.15.1 Real Sector

398. On the supply side, growth was driven by the primary sector with a 3.8 %% contribution, the tertiary sector with 1.8 %% and, to some extent the secondary sector with a 0.3 %% contribution to growth. The developments in these sectors are resented below :

399. The primary sector grew by 13.5% in 2014 against a zero growth in 2013. This surge was mainly driven by cashcrop and crop farming. - Output of agriculture increased by 21.0% in 2014 against a 2.7% drop in 2013. Owing to the combined effect of good climatic conditions as well as the implementation of several agricultural development support projects through PNIASA, crop farming rose to 20.8% against a 3.4% decline in 2013. Cashcrop farming on the other hand went up by 21.5% against a stagnation in 2013. This rise was due to increase in cotton and coffee production by 28.5% and 92.5% respectively. The increase in coffee production was supported by efforts geared towards boosting production through the implementation of several projects which led to redevelopment of farms (some years back) and the good agricultural and climatic conditions during the farming season. Regarding livestock and « forestry and fisheries », growth in 2014 was a paltry 0.9% and 0.7% respectively.

400. With respect to its contribution to GDP, the primary sector accounted for 30.0% in 2014 , compared to 27.9% in 2013.

401. Growth of the secondary sector in 2014 slowed to 1.3%, from 5.3% in 2013. The slowdown was due to the drop in the extractive industry (2.6%) and manufacturing industry (6.5%), mitigated by increases in water and electricity (2.5%) and building and construction (16.5%). The fall in value-added of the extractive industries was attributed to the decline in the production of phosphate (10.0%) and clinker (-9.5%) while the drop in output of the manufacturing industry was caused by all the components, with the exception of basic metals.

402. In terms of contribution to GDP, the secondary sector's contribution fell to 19.7%, from 20.5% in 2013. Its contribution to GDP growth was 0.3 %%.

403. As regards the services sector, the value-added of marketservices declined sharply to 1.0% in 2014 against 10.4% in 2013. This resulted from the downturn in all the sub-sectors of market services, namely trade (0.6% in 2014 against 10.4% in 2013), transports, storage and communication (1.2% in 2014 against 8.6% in 2013), banking and insurance (6.9% in 2014 against 10.6% in 2013) and other market services (0.0% in 2014 against 11.5% in 2013). Regarding non-market services, value-added grew by 1.9% in 2014 against 9.9% in 2013.

404. The tertiary sector's contribution to GDP stood at 50.3%, while its contribution to growth was 1.8 points.
405. On the demand side, growth was driven by consumption and investment, with contributions to growth of 4.4 % and 3.0 % respectively. Trade contributed negatively to growth by 1.5 %%. Final consumption went up by 4.0% against an increase of 25.4% in 2013. This downturn can be explained by the fall in private final consumption (5.5% in 2014 against 24.6% in 2013) coupled with a drop in public consumption (-4.4% in 2014 against 29.5% in 2013). Investment grew in 2014 to reach 10.3%, against 6.1% in 2013. This development was largely due to growth of public Gross Fixed Capital Formation (GFCF) which stood at +19.0% in 2014 against +1.2% in 2013. Private GFCF only grew by 0.4% in 2014 against 4.3% in 2013. -With respect to trade, a relatively higher increase in imports (3.6%) than exports (3.4%), worsened the trade deficit by CFA Franc 511.5 billion compared to CFA Franc 531.1 billion.
406. With respect to price development, inflation declined to 0.2% in 2014, from 1.8% in 2013. This drop was attributed to good harvests of the 2013/2014 crop year which resulted in lower food prices.

2.15.2 Public Finance and Public Debt

407. The execution of Government's financial operations in 2014 resulted in a reduction of the budget deficit. The overall deficit excluding grants stood at CFA Franc 121.0 billion (5.3% of GDP) in 2014 against CFA Franc 164.0 billion (7.9% of GDP) in 2013. Including grants, the deficit amounted to CFA Franc 75.3 billion (3.3% of GDP) in 2014 against CFA Franc 92.3 billion (4.5% of GDP) in 2013. This improvement in Government's fiscal operations was explained by a higher increase in total revenue and grants (5.6%) than total expenditure and net lending (2.0%).
408. In terms of revenue mobilisation, total revenue and grants stood at CFA Franc 551.2 billion, representing a 5.6% rise compared to the amount mobilised in 2013. This increase was largely due to a 12.2% increase in domestic revenue as grants declined by 36.2%.
409. The increase in domestic revenue was mainly driven by tax revenue, while non-tax revenue only grew by 0.7% compared to 2013. Tax revenue collected in 2014 went up by CFA Franc 458.2 billion (20.3% of GDP) against CFA Franc 403.5 billion (19.5% of GDP) in 2013, representing a 13.6% rise. The increase resulted from growth in income and profit taxes (22.6%) and taxes on goods and services (30.1%), as taxes on international transactions recorded a decline of 12.9%.
410. The good performance in tax revenue mobilisation can, among other things, be explained by (i) the establishment of the Board of the Togolese Tax Office; (ii) improvement in tax collection; (iii) enhanced coordination among the tax agencies; and, (iv) sensitisation activities.
411. Total grants received from partners in 2014 fell by 36.2%, following an increase of 49.4% in 2013. Grants declined from CFA Franc 71.7 billion (3.5% of GDP) in 2013 to CFA Franc 45.8 billion (2.0% of GDP) in 2014.

412. With regard to government spending during the year, , total expenditure and net lending went up by 2.0% to reach CFA Franc 626.4 billion (27.7% of GDP), against CFA Franc 614.4 billion (29.8% of GDP) in 2013. The rise in total expenditure and net lending can be explained by a 17.0% increase in capital expenditure, mitigated by a 4.1% decline in recurrent expenditure. Recurrent expenditure stood at CFA Franc 418.8 billion (18.5% of GDP) in 2014 against CFA Franc 436.5 billion (21.1% of GDP). This downturn was driven by decline in expenditure on transfers and subsidies (-18.5%) and expenditure on goods and services (-12.4%), and other expenditure (-13.0%), with expenditure on wages and salaries and interests on debt-servicing which increasing by 9.8% and 25.8% respectively.
413. Capital expenditure increase from CFA Franc 177.2 billion (8.6% of GDP) in 2013 to CFA Franc 207.3 billion (9.2% of GDP) in 2014. The increase was largely due commitments on capital expenditure financed by domestic resources which went up to CFA Franc 104.1 billion in 2014 against CFA Franc 61.6 billion, representing an increase of 68.9%. Expenditure financed by external resources declined by 10.7% to reach CFA Franc 103.2 billion in 2014 against CFA Franc 115.6 billion a year earlier.
414. Regarding debt, total public debt stock in 2014 stood at CFA Franc 1 037.8 billion, representing a 13.5% increase compared to 2013 when it stood at CFA Franc 914.1 billion. This debt comprised 45.3% of foreign debt and 54.7% of domestic debt. In 2013, domestic debt accounted for 60.9% of total public debt stock against 39.1% of foreign debt. This variation in the debt structure in 2014 compared to 2013 can be explained by an increase of 31.6% in foreign debt between the two periods while the domestic debt stock only recorded a 1.9% rise. The jump in the foreign debt stock was due to the effects of drawdowns and fluctuation of major currencies in which debts are denominated.
415. In terms of GDP, total public debt stood at 45.9% in 2014 against 44.3% in 2013. Foreign debt moved from 17.3% of GDP in 2013 to 20.8% of GDP in 2014, while the stock of domestic debt was equivalent to 25.1% of GDP in 2014 against 27.0% of GDP in 2013.

2.15.3 External Sector

416. In 2014, Togo's transaction with the rest of the world recorded an overall deficit of CFA Franc 77.0 billion (-3.4% of GDP) against a positive balance of CFA Franc 41.6 billion (+2.0% of GDP) in 2013. This downturn was due to a decline in the financial account from CFA Franc 164.2 billion (8% of GDP) in 2013 to CFA Franc 42.3 billion (1.9% of GDP) in 2014. On the other hand, the current account deficit improved from CFA Franc 280.7 billion (13.6% of GDP) to CFA Franc 275.2 billion (12.2% of GDP).
417. The current account deficit stood at CFA Franc 275.2 billion, an improvement of CFA Franc 5.5 billion over the level in 2013. This improvement resulted from increases in positive balances of services (13.4%), primary income (68.5%) and secondary income (3.2%), which more than offset the worsened trade deficit. The widening of the balance of trade deficit can be explained by higher increase in imports (1.7%) than exports. Compared to GDP, the trade balance moved from -20.8% in 2013 to -19.4% in 2014.

418. The positive balance of the capital account strengthened in 2014 to reach CFA Franc 156.0 billion (6.9% of GDP) against CFA Franc 155.6 billion (7.5% of GDP) in 2013. Concerning the financial account, net inflows stood at CFA Franc 42.2 billion against net inflows of CFA Franc 164.2 billion in 2013, representing a drop of CFA Franc 122.0 billion (or a 74.3% decline).

2.15.4 Monetary Sector

419. The monetary situation in 2014 was characterised by a fall of 24.4% in net foreign assets, a rise of 14.3% in domestic credit and a surge of 9.8% in money supply.

420. Net foreign assets went down from CFA Franc 315.4 billion in 2013 to CFA Franc 238.3 billion, representing a drop in value of CFA Franc 77.0 billion. This decline was due to falls in Central Bank's net foreign assets (65.2%) and commercial banks' net foreign assets (5.9%). The Central Bank's net foreign assets stood at CFA Franc 34.2 billion in 2014 against CFA Franc 98.4 billion in 2013, while the commercial banks' net foreign assets went down from CFA Franc 217.0 billion in 2013 to CFA Franc 204.1 billion in 2014.

421. At the end of December 2014, the domestic credit stock stood at CFA Franc 887.0 billion (39.2% of GDP) against CFA Franc 776.2 billion (37.6% of GDP). This increase was attributed to worsening government's net position of 33.9% and an increase of 11.6% in credit to economy.

422. The worsened government's net position was due to a rise in banks' holdings of bonds issued by the Public Treasury on the regional financial market. With respect to credit to the economy, the rise of 11.6% was attributed to a 12.0% increase in regular credit which stood at CFA Franc 762.5 billion against CFA Franc 680.9 billion in 2013.

423. Money supply grew by 9.8% to stand at CFA Franc 1 096.9 billion (48.5% of GDP) in 2014 against CFA Franc 999.0 billion (48.4% of GDP) in 2013. With respect to its components, a decline of 9.7% in currency in circulation was recorded in 2014, while bank deposits rose by 13.8% to reach CFA Franc 936.5 billion. This jump was driven by personal deposits, private companies and public agencies.

2.15.5 Status of Macroeconomic Convergence

424. In 2014, Togo met nine (9) convergence criteria including two (2) primary criteria and all the seven (7) secondary criteria. The primary convergence criteria that were not met are ratio of budget deficit to GDP % and gross reserves in months of imports. In 2013, Togo met seven (7) convergence criteria including two (2) primary and five (5) secondary criteria. The convergence performance in 2013 and 2014 is as follows:

Convergence criteria	Targets	2013	2014
Primary criteria			
Ratio of budget deficit(commitment basis) to GDP	≤ 3%	4.5%	3.3%
Average annual inflation rate	≤ 5%	1.8%	0.2%
Central Bank financing of budget deficit	≤ 10% previous year's tax revenue	0	0
Gross external reserves	≥ 6 months of imports	4.7	4.8
Secondary criteria			
Arrears : Non-accumulation of new domestic and external arrears	Non-accumulation	0	0
Ratio of tax revenue to GDP	≥ 20%	19.6%	20.3%
Ratio of wage bill to tax revenue	≤35%	32.4%	31.3%
Ratio of domestically-financed public investment to tax revenue	≥ 20%	15.3%	22.7%
Ratio of Total Public Debt to GDP	≤70%	44.3%	45.9%
Nominal exchange rate: Stable	±10%	+4.1%	+0.1%
Real interest rate: Positive	Positive	1.7%	3.3%
Number of criteria satisfied		7	9

2.15.6 Conclusion and Recommendations

425. Togo maintained the same growth momentum with a 5.9% growth following that of 5.4% in 2013. This growth was driven by the primary and tertiary sectors. The secondary sector faced some difficulties in 2014, in particular the mining sector. With regard to public finance, the mobilisation of domestic revenue, notably tax revenue, was effectively conducted and the country met the convergence target on the ratio of tax revenue to GDP. Concerning convergence, the country satisfied nine convergence criteria in 2014 against 7 in 2013.
426. To maintain the performance of the economy and macroeconomic convergence in the coming years, the country should focus on attention:
- Stenghtening the production base of the primary and secondary sectors to boost growth in the tertiary sector;
 - Continue the implementation of tax reforms, in particular the finalisation of the process for the setting up of the Togolese Tax Office for increased revenue mobilisation to support Government's budget; and
 - Pursue measures to control recurrent expenditure.

III. STATUS OF MACROECONOMIC CONVERGENCE OF ECOWAS MEMBER STATES IN 2014

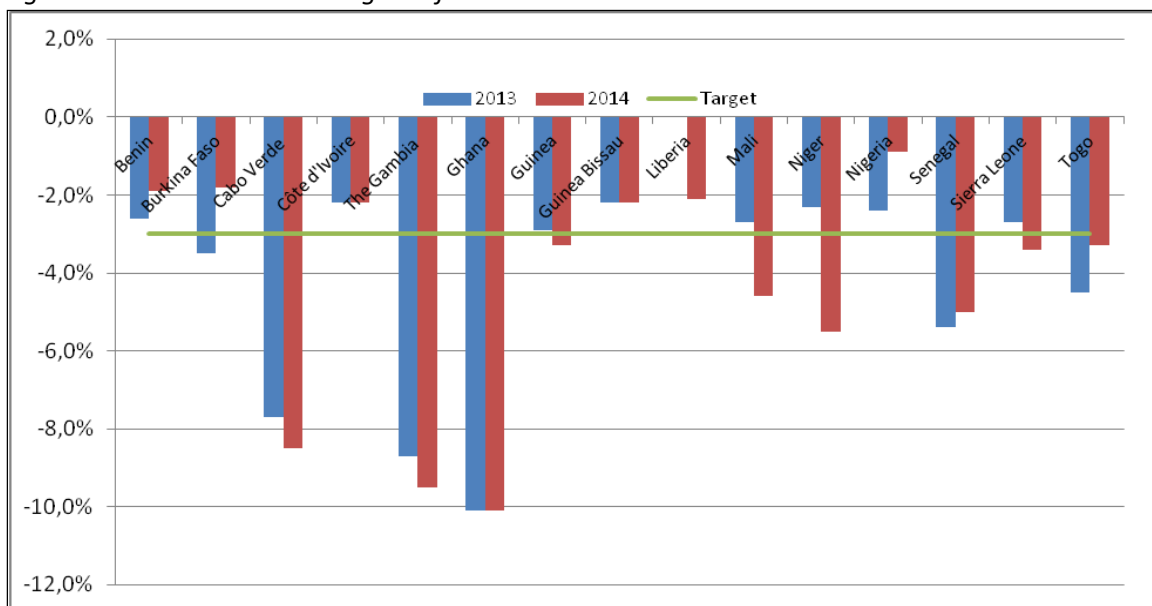
427. Member States' convergence performance was analysed on the basis of the convergence criteria adopted by Supplementary Act A/SA.4/06/02 on Convergence and Macroeconomic Stability Pact among ECOWAS Member States. The Act sets out eleven convergence criteria including four (4) primary criteria and seven (7) secondary criteria. This section will make a criterion-by-criterion assessment of each Member State's performance in 2013 and 2014.
428. Thus, for each criterion, an assessment will be made of Member States' performance in 2013 and 2014 while highlighting major developments at regional and country levels.

Primary criteria

- **Ratio of Budget Deficit(commitment basis)/GDP ($\leq 3\%$)**

429. 2014 was characterised by a deterioration in the level of compliance with this criterion. This resulted from significant increase in total expenditure and net lending which could not be offset by a rise in total revenue and grants. During the year under review, only six (6) Member States recorded a deficit below the Community target of a maximum of 3%, compared to nine (9) in 2013. The highest deficits in 2014 were recorded in Cape Verde (8.5% in 2014 against 7.7% in 2013), The Gambia (9.5% in 2014 against 8.7% in 2013) and Ghana (10.1% in both 2013 and 2014)
430. Mali, Niger and Sierra Leone that met the criterion in 2013 could not maintain the momentum in 2014, while Burkina Faso made efforts to contain the deficit within the 3% target, unlike in 2013. Member States' performance under this criterion is as follows:

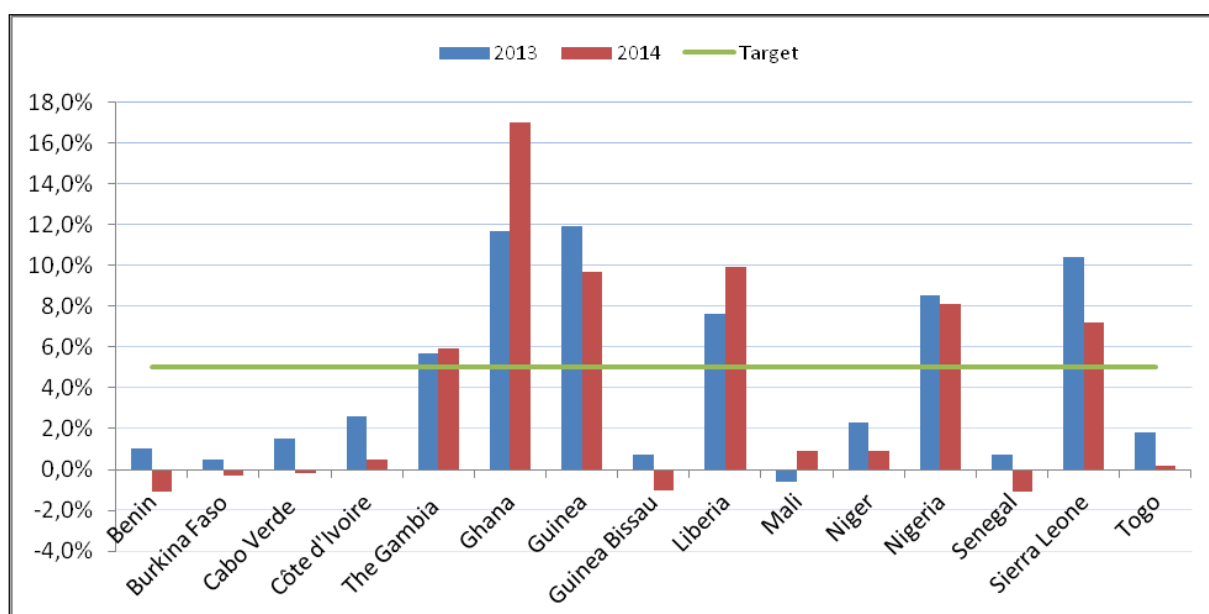
Figure 1 : Member States' budget deficit in 2013 and 2014



Average Annual Inflation Rate (≤5%)

431. In 2014, nine countries recorded an inflation rate below 5% as in 2013. With respect to UEMOA countries, inflation rates were particularly low in 2014 due to good harvests during the previous crop year and implementation of government measures to sell cereals at subsidised rates.
432. In 2014, Member States that recorded inflation rates above the convergence target are the same as in 2013. They are The Gambia (5.9% against 5.7% in 2013), Ghana (17.0% against 11.7% in 2013) due the sharp depreciation of the Cedi, Guinea (9.7% against 11.9 in 2013), Liberia (9.9% against 7.6% in 2013), Nigeria (8.1% against 8.5% in 2013) and Sierra Leone (7.2% against 10.4% in 2014).
433. The figure below show countries' inflation trends in 2013 and 2014.

Figure 2 : ECOWAS Member States' inflation rates in 2013 and 2014



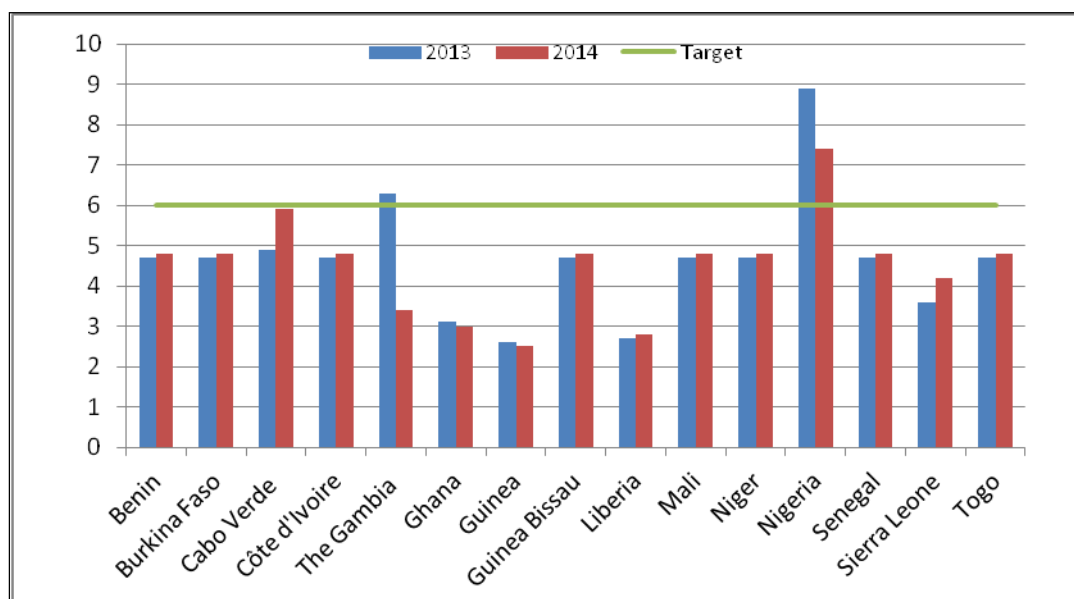
- **Central Bank Financing of the Budget Deficit**

434. Central bank financing of the budget deficit as a proportion of the previous year's tax revenue is an important criterion in that it reflects budget management and has an impact on monetary policy. This indicator is rigorously followed by Central Banks, although the fundamental texts of the Central Banks do not allow for that (this is the case for UEMOA Member States). In 2013 and 2014, the Bank of Ghana and the Central Bank of The Gambia used this mode of financing well above the Community target set at a maximum of 10%. Indeed, the Central Bank of The Gambia financed the deficit at 48.3% in 2013 and 41% in 2014 while Bank of Ghana provided 11.1% in 2014 against 9.3% in 2013.

- **Gross External Reserves (≥ 6 months of imports)**

435. Achieving this criterion is a problem for almost all the countries in the region. Owing to the joint reserve management, this criterion seems less of a difficulty for UEMOA countries compared to the other countries. In 2013 and 2014, only Nigeria had gross foreign reserves that exceeded the minimum 6 months of import cover set for the region, achieving 8.9 months and 7.4 months respectively. It is however important to note that in 2013, The Gambia's reserves were equivalent to 6.3 months of imports before the reserves dwindled to only 3.4 months of imports in 2014.. The figure below shows the performance of Member countries in relation to this criterion in 2013 and 2014.

Figure 3: Gross External Reserves(in months of import) of Member States in 2013 and 2014



Secondary criteria

- **Arrears: (Non-accumulation of Domestic and External Arrears)**

436. In 2014, the review of country reports revealed the existence of non-payment of arrears in The Gambia, Ghana, Guinea, Guinea Bissau and Sierra Leone.

437. Evaluation and declaration of payment of arrears by countries remain a challenge in the Community. It is therefore imperative to submit reliable statements.

- **Ratio of Tax revenue/GDP ($\geq 20\%$)**

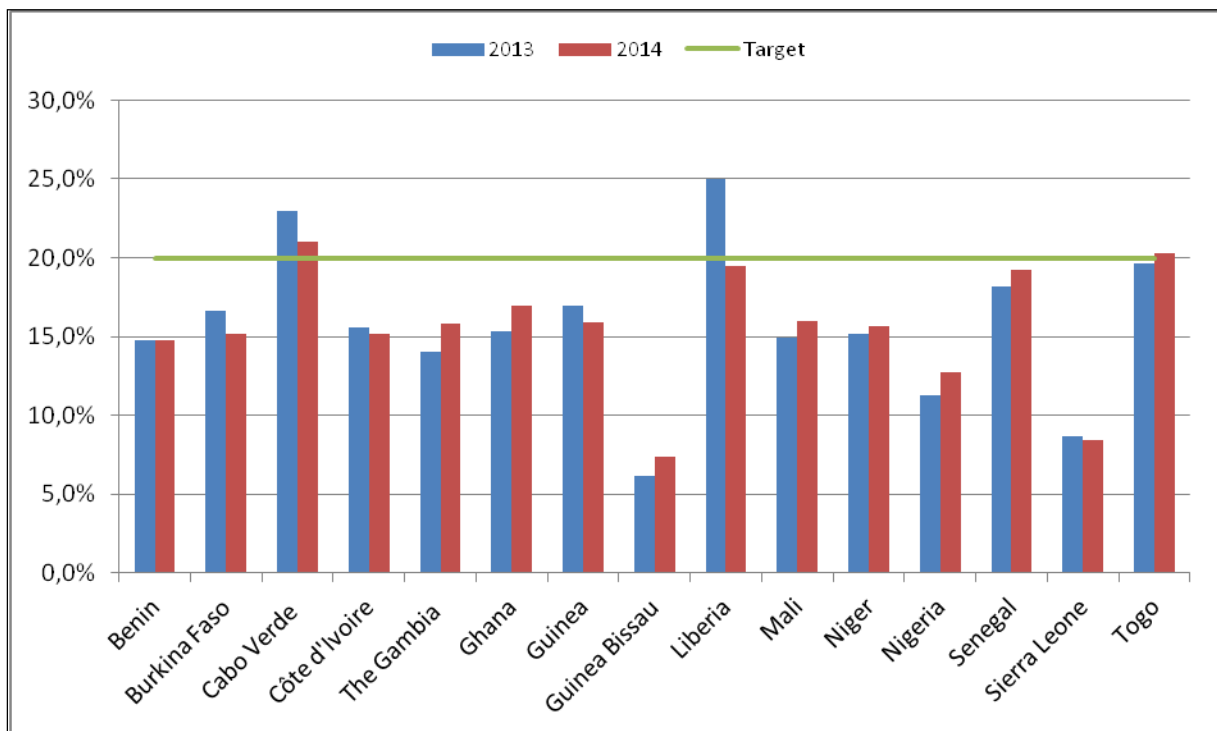
438. The mobilisation of sufficient tax revenue - the most important and most stable and predictable component of Member States' domestic revenue of most Member States- - is generally the most important source for financing recurrent expenditure and capital investment which drives growth. The minimum Community target set under this criterion is 20% of GDP.

439. As shown in the figure below, only Cape Verde (21%) and Togo (20.3%) achieved the target in 2014. In 2013, only two countries namely Cape Verde (23%) and Liberia

(25%) met the target of at least 20% of GDP. Efforts are being made by Member States to further mobilise resources through the implementation of reforms but the results are mixed from one year to another. At 7.4% and 8.4%, Guinea Bissau and Sierra Leone recorded the lowest tax revenue/GDP ratios respectively, in 2014.

440. In addition to the two countries that met the convergence target in 2014, nine countries recorded a fiscal pressure rate above 15% in 2014. They include Burkina Faso (15.2% against 16.6% in 2013), Côte d'Ivoire (15.2% against 15.6% in 2013), Ghana (17.0% against 15.3% in 2013), Guinea (15.9% against 17.0% in 2013), Liberia (19.5% against 25% in 2013), Mali (16.0% against 14.9% in 2013), Niger (15.7% against 15.2% in 2013) and Senegal (19.2% against 18.2% in 2013). The situation of fiscal pressure rates in 2013 and 2014 is as follows:

Figure 4: Ratio of Tax revenue/GDP in 2013 and 2014



- **Ratio of Wage bill/Tax Revenue ($\leq 35\%$)**

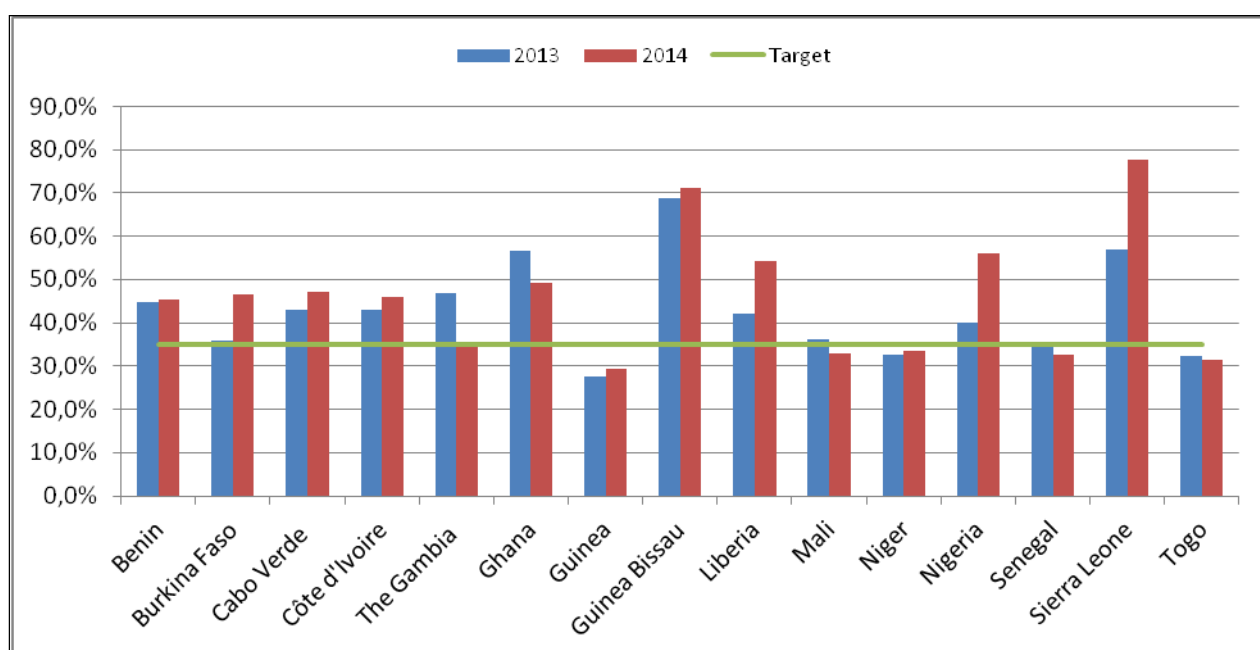
441. The highest proportion of tax revenue to be devoted to payment of wages is set at 35%. Thus, under Community provisions, Member States are enjoined to strive to contain expenditure on wages within that proportion. The results of the last two years show that Member States are struggling to meet this criterion due to pressure from social partners for better living conditions and difficulties in mobilising sufficient domestic resources, including tax revenue.

442. In 2014, six countries - The Gambia (34.4%), Guinea (29.4%), Mali (33.0%), Niger (33.6%), Senegal (32.7%) and Togo (31.3%) - recorded rates below the Community

target of a maximum of 35%, compared to four in 2013 - Guinea (27.6%), Niger (32.6%), Senegal (34.6%) and Togo (32.4%).

443. Member States that were not able to contain their expenditure on wages within the Community target, devoted a high proportion of their tax revenue to it in 2014. These proportions are above 45%. The highest rates were recorded in Sierra Leone (77.0%) and Guinea Bissau (71%).
444. The figure below shows the trend in 2013 and 2014 compared to the Community target.

Figure 5: Ratio of Wage bill/Tax revenue in 2013 and 2014

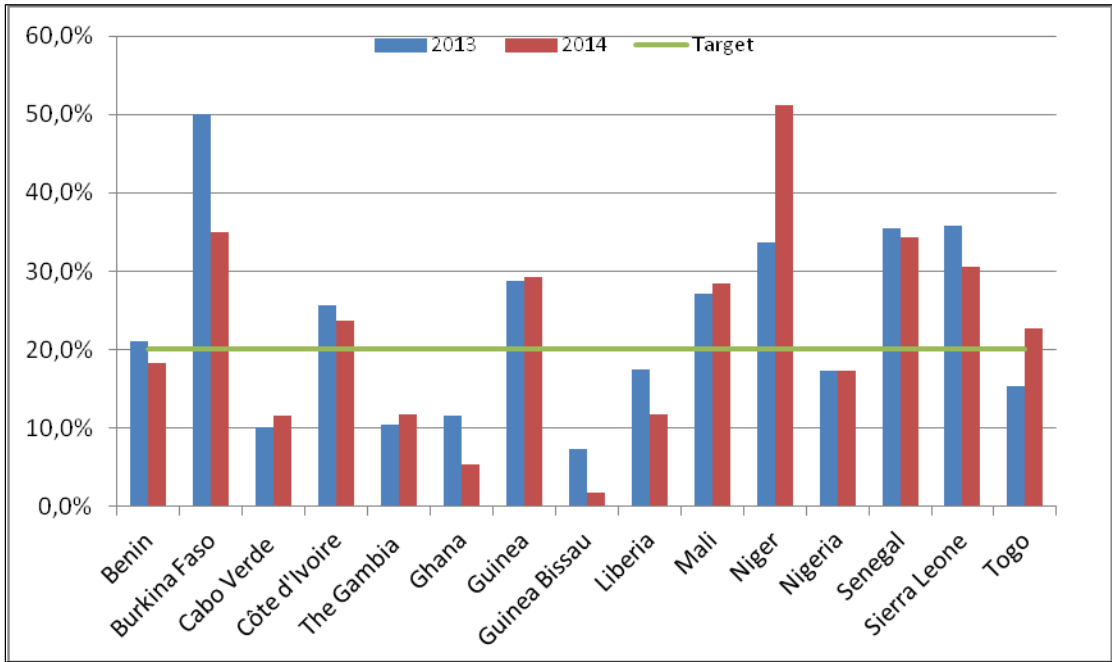


445. In view of the results above, it is necessary that countries should, while seeking to improve the living conditions of workers, ensure greater efficiency, implement reforms to enhance current revenue mobilisation, in particular tax revenue to address the situation.

- **Ratio of Domestically-financed Public Investment/Tax Revenue ($\geq 20\%$)**

446. To sustain growth, Member States should devote at least 20% of tax revenue to finance investments. As shown in the figure below, more than half (eight) of the Member States attained or exceeded the threshold. The most outstanding performance was recorded by Burkina Faso (35.0%) and Niger (51.2%). The weakest performance was recorded by Guinea Bissau (1.7%) and Ghana (6.6%).

Figure 6: Domestically-financed public investment/tax revenue in 2013 and 2014

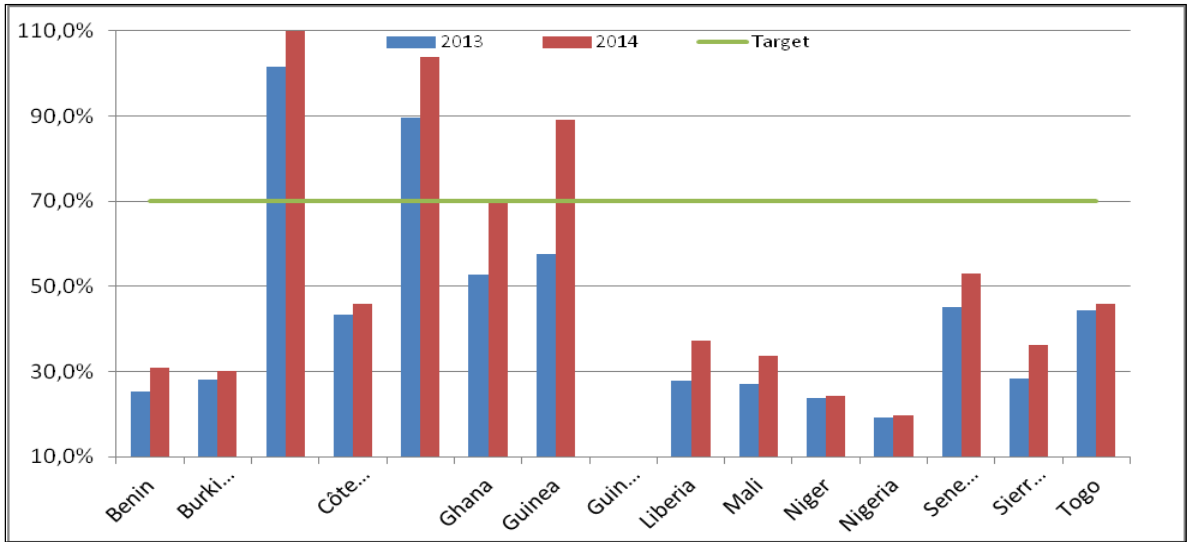


447. In addition to these two countries, poor performance under this criterion was recorded in The Gambia, Cape Verde, Liberia and Nigeria where the 2014 rate fell below 20%.

- **Ratio of Public Debt/GDP ($\leq 70\%$)**

448. The overall situation as regards achieving this criterion deteriorated in 2014 compared to 2013. Whereas only two countries could not meet this criterion in 2013, the number increased to four in 2014.

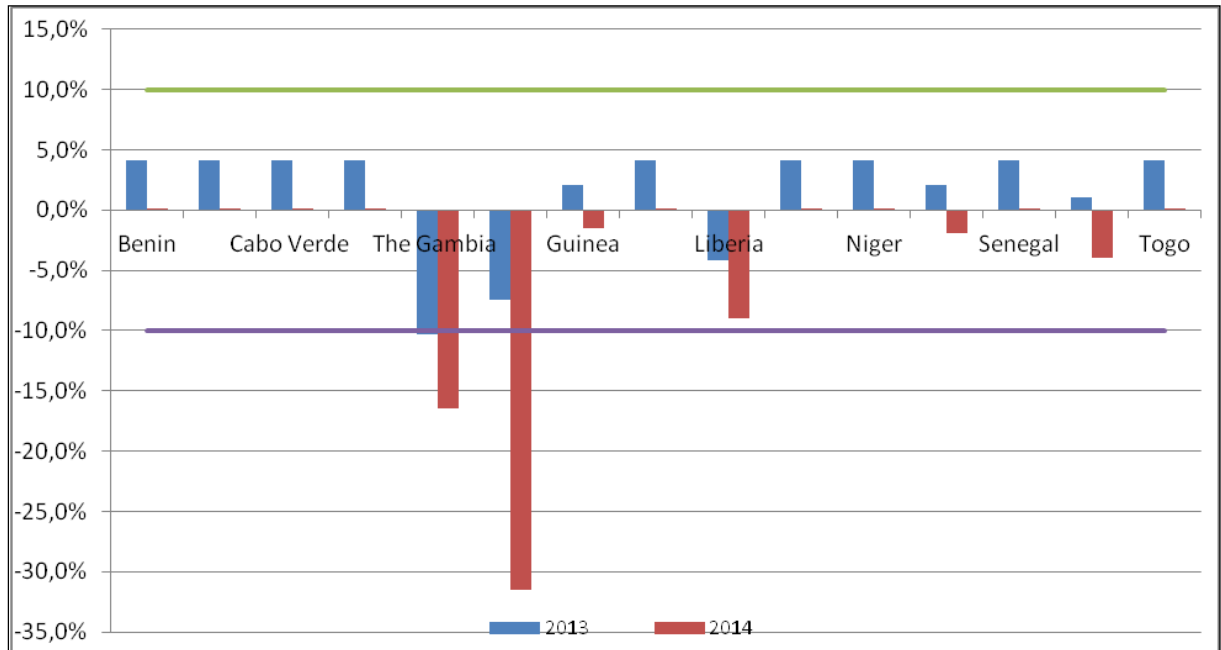
Figure 7: Public debt/GDP ratio in 2013 and 2014



- **Nominal exchange rate ($\pm 10\%$)**

449. Member States' currencies fluctuated in 2014, mostly within the $\pm 10\%$ range. Indeed, only the Gambian Dalasi and the Ghana Cedi fell below the range. Given the sharp depreciation of the Cedi, its exchange rate variation was -31.5% and -16.5% for the Dalasi.

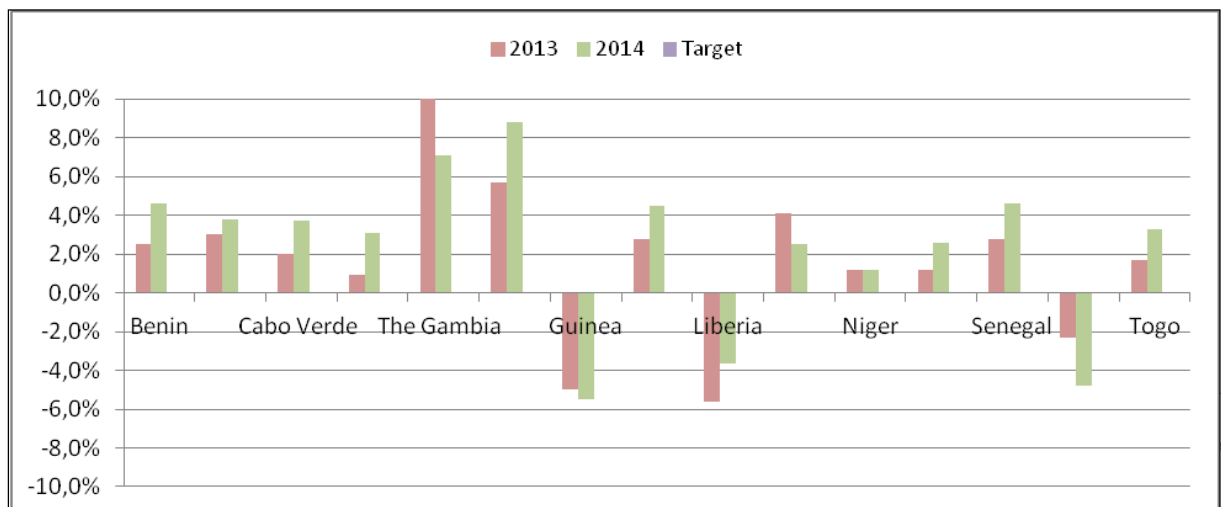
Figure 8: Nominal exchange rate in 2013 and 2014



- **Real interest rate (positive)**

450. As shown in the figure below, three countries namely Guinea, Liberia and Sierra Leone recorded negative real interest rates in 2014 as in 2013.

Figure 9: Real interest rate in 2013 and 2014



IV. POLICY HARMONISATION AND INSTITUTIONAL ARRANGEMENTS

4.1 Ratification of Protocols, Conventions and Supplementary Acts

451. Within the framework of the regional integration programme, several legal instruments have been adopted by the Authority of Heads of State and Government of the Community. These legal instruments establish the “rules of the game” through the creation of institutions, structures and mechanisms, and setting up the rules and norms that define the relationships among the various institutions, actors, stakeholders, etc to ensure the effective realization of the goals and objectives of the regional integration programme. Protocols and Conventions have provided the bedrock of the legal framework for the operations of the various ECOWAS institutions as well as regulating the relationship between the institutions and Member States on one hand, and among the Member States on the other.
452. As at 31 December 2014, 54 Protocols and Conventions had been adopted by the Authority of Heads of State and Government. However, the number of these legal instruments ratified by each Member State varied as shown in the table below.

Number of Protocols and Conventions signed as at 15 November 2013 = 54

	Countries	Number of Protocols and Conventions Ratified	Number of Protocols and Conventions not Ratified
	Burkina Faso	51	3
	Niger	43	11
	Ghana	43	11
	Togo	43	11
	Sierra Leone	42	12
	Mali	42	12
	Senegal	42	12
	The Gambia	42	12
	Nigeria	40	14
	Guinea	39	15
	Benin	38	16
	Cote d'Ivoire	31	23
	Liberia	25	29
	Guinea Bissau	24/51	28/53
	Cape Verde	24/50	26/51

453. As at 15 November 2014, only one country, Republic of Burkina Faso, had ratified 51 out of the 54 Protocols and Conventions signed, with 3 yet to be ratified. Three countries, Republic of Niger, Republic of Ghana and Republic of Togo, had ratified 43; four countries, Republic of Sierra Leone, Republic of Mali, Republic of Senegal and Republic of The Gambia had 42 each; while the Federal Republic of Nigeria, Republic of Guinea, Republic of Benin, Republic of Cote d'Ivoire and Republic of Liberia had

ratified 40, 39, 38, 31 and 25 respectively, out of 54. The Republic of Guinea Bissau had ratified 24 out of 51 Protocols and Conventions, while Republic of Cape Verde had ratified 24 out of 50.

454. With respect to entry into force, as at 15 November 2013, 38 Protocols and Conventions had entered into force, while as at 21 July 2014, 12 had entered into force provisionally upon signature, pending ratification and 17 were yet to enter into force.

4.2 Establishment of Presidential Taskforce on Single Currency

455. In a renewed effort to expedite the monetary integration programme in the region, the Authority of Heads of State and Government at their Summit in Dakar on 25 October 2013 appointed President Mahamadou ISSOUFOU of Niger and President John Dramani MAHAMA of Ghana to supervise the monetary integration process and oversee the processes leading to the creation of the common currency in a timely manner. To implement this decision, the two Presidents established a high level Presidential Task Force to accompany and advise them on all aspects relating to the acceleration of efforts for the realization of the ECOWAS single currency by 2020. These activities include the rationalisation of the macroeconomic convergence criteria and the revision of the roadmap for the ECOWAS single currency programme.
456. The composition of the Presidential Task Force comprised representatives of the Presidents of Ghana and Niger, Ministers of Finance of Ghana and Niger, Governors of Central Banks of ECOWAS Member States, Presidents of ECOWAS Commission and UEMOA Commission, and Director Generals of the West African Monetary Agency (WAMA) and the West African Monetary Institute (WAMI). The inaugural meeting of the Presidential Task Force was held in Niamey on 20 and 21 February in Niamey followed by the second meeting of the Task Force in Accra on 7 and 8 July 2014. The conclusions of the meeting in Accra included the adoption of the new rationalized macroeconomic convergence criteria and the establishment of an ECOWAS Monetary Institute by 2018 within a well-defined roadmap for the realization of the ECOWAS Single Currency.

4.3 Implementation of Road Map for the Single Currency

457. For the effective implementation of the roadmap of for the introduction of the ECOWAS single currency by 2020, regional institutions responsible for its implementation continued to undertake various activities during the year. 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 2014 include:

✓ National Coordination Committees (NCCs)

458. The National Coordination Committees are important organs of the multilateral surveillance mechanisms responsible for the collection, processing and analysis of data on the economy of each Member State. Their responsibilities also include,

among others, management of the multilateral surveillance database (ECOMAC), preparation of reports on economic and financial performance and monitoring economic policy and assessing their impact at the economic and financial levels. As at end-December 2014, all the fourteen Member States, except Cape Verde, had effectively established NCCs which operational. During the year, the Commission continued engagements and consultations with the authorities of Cape Verde in relation to the establishment of the country's NCC.

459. As part of their functions within the framework of the multilateral surveillance mechanism, the ECOWAS Commission organized a regional workshop for the NCCs in June 2014 in Accra to review their reports on assessment of the economic and financial situation and performance under macroeconomic convergence of Member States in 2013. The second regional workshop which should have taken during the second half of the year and assessed economic and financial performance in the first half, could not hold as a result of the outbreak and escalation of the Ebola Virus Disease in the region.

✓ **Conduct of Joint Multilateral Surveillance Missions**

460. Multilateral surveillance missions to Member States were jointly organized with WAMI and WAMA 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). The second joint surveillance missions which were scheduled for September 2014 could not hold in view of the Ebola epidemic.

✓ **Review of Convergence Criteria**

461. Adoption of Harmonized Convergence Criteria: The 45th Ordinary Session of the ECOWAS Summit endorsed the recommendations of the Second meeting of the Presidential Task Force relating to the revision of the roadmap for the ECOWAS Single Currency Programme as well as the rationalization of the macroeconomic convergence criteria and streamlining of the relevant regional institutions involved in its implementation. The implementation of the revised macroeconomic convergence criteria will commence as soon as the relevant Supplementary Act is signed by the Authority.
462. The new rationalized Convergence Criteria consist of four primary criteria and two secondary criteria as follows:

➤ **Primary Criteria**

- ❖ Ratio of Budget Deficit (including grants and on commitment basis) to GDP $\leq 3\%$
- ❖ Average Annual Inflation Rate $\leq 5\%$ (subject to an independent study to determine the optimal threshold)
- ❖ Ratio of Public Debt to GDP $\leq 70\%$
- ❖ Gross External Reserves ≥ 3 months of imports

➤ **Secondary Criteria**

- ❖ Central Bank financing of Budget Deficit $\leq 10\%$ of previous year's tax revenue
- ❖ Exchange Rate Variation $\pm 10\%$.

✓ **Harmonisation of Statistics**

463. Harmonization of National Accounts: All ECOWAS Members States have adopted and implemented the common platform for the compilation of national accounts reporting their GDP estimates according to SNA '93. The Commission has developed a common nomenclature is also developing a new Methodological Guide for the ECOWAS Harmonized National Account and a regional capacity building programme to implement SNA 2008.
464. Harmonization of Consumer Price Indices: A common platform for the presentation of CPI in the region has been developed and being implemented. A regional training on consumer price index statistics was organized for experts from Member States who are specialists in price statistics. The experts were trained in the calculation of weights to facilitate the implementation of a regional methodology. A drafted a Methodological Guide for the compilation of Harmonized Consumer Price Indices (HCPI) in the region and a capacity building plan for the implementation of the harmonized CPI in the region
465. Harmonization Balance of Payments statistics: The Commission finalized the formulation of a harmonized balance of payments manual. This manual, alongside the texts, aimed at strengthening the institutional foundation of the regional balance of payments, will be submitted to the authorities for approval and adopted. A Methodological Guide and legal text for the implementation of ECOWAS BOP has also been developed in collaboration with WAMA and validated.

✓ **Financial Integration**

466. Activities under financial market integration embody implementation of three main projects: ECOWAS Payment and Settlement Systems (EPSS) Project, Capital Markets Integration and ECOWAS Investment Guaranty Mechanism.
467. **ECOWAS Payment and Settlement Systems (EPSS) Project:** The final report of the feasibility study on establishment of the Regional Payment and Settlement Systems Project was received from the Consultants in February, 2014. The report was subsequently validated at different fora including a meeting of the WAMA Committee of Central Bank Governors of West Africa at their meeting held on 30 June 2014 which, among other things, recommended for a further review of the report and for the establishment of a Regional Payments System Project Implementation Committee comprising BCEAO and national Central Banks, ECOWAS Commission, UEMOA Commission, WAMA, WABA, WAMI, WACMIC and a representative of e-Payments' Association of West Africa.
468. **Capital Markets Integration:** Following the adoption of the reports of the two Technical Committees of the West African Capital Markets Integration Council on the harmonised rules and regulations and operational procedures for the three-phase

stock exchanges integration process in December 2013, sensitization workshops were organised for capital markets operators and stakeholders in Accra, Lagos, Abuja and Abidjan on the integration initiative and processes respectively. The workshop in Abidjan culminated in the Council's approval of the take off of the sponsored broker market access (SMA) programme and a directive of the Council to market operators to commence formalisation of applications, arrangements and relationships among willing Member States' brokers to access other Member States' stock exchanges through their sponsoring brokers. WACMIC announced the commencement of the first phase of the integration by sponsored access on 1st April, 2014.

469. As at September 2014, the SMA phase of the markets integration scheme had been implemented, with the Nigerian Stock Exchange and Ghana Stock Exchange deploying the relevant platforms for cross border **securities** trade in their markets.
470. **Establishment of ECOWAS Investment Guaranty Mechanism:** Following the adoption of the project by the Council of Ministers in December 2013, and the Council's directive on implementation of the project, the Project implementation Committee (PIC), comprising ECOWAS Commission, Nigeria, Cote d'Ivoire (representing member States) and ECOWAS Bank for Investment and Development (EBID), the West Africa Insurance Companies Association (WAICA) and African Trade Insurance Agency(ATI), was inaugurated on 16 May 2014 by the President of the Commission. The PIC at that meeting also developed a road map and timelines towards the implementation of the ECOWAS-ATI partnership, in line with the Council's directive.

CONCLUSION

471. The global economy continued to expand during 2014 at a moderate and uneven pace, and economic activities accelerated in many of the advanced economies on the back of fiscal consolidation, improved external demand and increased confidence. Inflationary pressure remained, although it broadly eased as a result of monetary tightening, structural improvements and stable prices of commodities.
472. The external and fiscal positions of many countries were adversely affected by the downward trend in global commodity prices and the outbreak of the Ebola Virus Disease (EVD) which also presented some downside risks to economic prospects in 2015. Revenue shortfall, mostly associated with inadequate tax mobilization, lingered in most of the countries while increased demand for recurrent expenditure in majority of the countries and expanding capital investments affected the fiscal operations of most of the Member States. Monetary policy continued to endure gradual exchange rate depreciation and built-up in excess liquidity, amidst low exposures of credit to the private sectors. The financial sector remained buoyant, despite the need to modernize the payments systems. Trade deficits still loom, albeit marginal improvements in the current account supported by growing exports in most of the countries.
473. Performance under the ECOWAS macroeconomic convergence criteria remained mixed and sluggish in 2014. None of the member states steadily met all of the primary macroeconomic convergence benchmarks over the last five years, despite notably improved performance in a few countries. However, top performers in 2014 under the convergence criteria were Togo, (9), Niger (8), Burkina Faso (8), Cote d'Ivoire (8) Nigeria (7), Mali (7) and Benin (7). Various policy harmonization programmes of ECOWAS are still ongoing, albeit several outstanding protocols are yet to be ratified by some countries. Implementation of the protocol on ETLS faces difficulty as cross border trade continued to be hindered by obstacles to free mobility of goods and people in the region.
474. In the medium term, growth in Sub-Saharan Africa is projected to rise to about 5.1 % in 2015 and 2016. Inflation is projected to remain at the same level of 6.5 per cent in 2015 due to steady or lower commodity prices. However, in various commodity-exporting economies, Nigeria and Ghana for example, the lower commodity prices have also contributed to currency depreciation and offsetting some of the gains of decrease in inflation. The persistent fiscal and current account imbalances will require a tightening of monetary and fiscal policy to contain macroeconomic stability risks in several economies. In consideration to the foregoing, the following recommendations are advanced as an addition to the ones earlier specified in this report:
- Increase domestic resource mobilisation, in particular expand the tax base as well as improve and modernise tax administration to lessen dependent on grants to meet the expenditure need;
 - Rationalize the recurrent–capital expenditure mix in favour of capital expenditure;

- Adhere to limit on financing of budget deficit by Central Banks in line with the ECOWAS macroeconomic convergence criteria;
- Enhance monetary–fiscal policy coordination;
- Increase efforts towards diversification and export promotion
- Prepare and regularly transmit the validated reports on the Economic and financial situation of Member States
- Update regularly the ECOMAC database and ensure timely transmission of data ECOWAS Commission.