

West Africa Economic Outlook 2019

Macroeconomic
performance
and prospects

Regional integration
and structural
transformation
in West Africa



AFRICAN DEVELOPMENT BANK GROUP



West Africa Economic Outlook 2019



AFRICAN DEVELOPMENT BANK GROUP



The opinions expressed and arguments employed herein do not necessarily reflect the official views of the African Development Bank, its Boards of Directors, or the countries they represent. This document, as well as any data and maps included, are without prejudice to the status of or sovereignty over any territory, to the delimitation of international frontiers and boundaries, and to the name of any territory, city, or area.

Cover design by the African Development Bank based on images from Shutterstock.com

© African Development Bank 2019

ISBN 978-9938-882-96-4 (print)

ISBN 978-9938-882-96-4 (electronic)

You may copy, download, or print this material for your own use, and you may include excerpts from this publication in your own documents, presentations, blogs, websites, and teaching materials, as long as the African Development Bank is suitably acknowledged as the source and copyright owner.

CONTENTS

Acknowledgments	v
Executive summary	1
Part 1	
Macroeconomic performance and prospects	5
Economic performance and outlook	5
Macroeconomic stability and outlook	11
Unemployment remains a challenge	20
Part 2	
Regional integration and structural transformation in West Africa	23
Regional integration	23
Infographic: Moving Across West Africa	26
Structural transformation	28
Implications of regional integration for structural transformation	32
Key findings, challenges, and recommendations	36
Notes	40
References	40
Annex	43
Statistical annex	45
Box	
1 Regional value chain development in West Africa's cement industry	37
Figures	
1 GDP per capita in West Africa, by country, 2014–18	6
2 GDP growth in West African countries, 2014–20	6
3 Real GDP growth in Nigeria and the rest of West Africa, 2014–20	7
4 Real GDP growth in Africa, by region, 2014–20	7
5 Sectoral composition of GDP in West Africa, by country, 2014–18	8
6 Sectoral contributions to GDP growth in West Africa, by country, 2014–18	9
7 Demand composition of GDP in West Africa, by country, 2014–18	10

8	Demand-side contributions to GDP growth in West Africa, 2014–18	11
9	Inflation in West Africa, by country, 2008–20	13
10	Real exchange rate indices in selected non–West African Economic and Monetary Union countries, 2008–18	14
11	Annual change in terms of trade in selected West African countries, 2000–18	14
12	External debt in West Africa, by country, 2010 and 2018	19
13	External debt service payments in West Africa, by country, 2010–20	19
14	Unemployment in West Africa, by country, 2010–18	20
15	Share of intra–Economic Community of West African States exports in total ECOWAS exports, 1980–2016	27
16	Number of industrial products registered under the ECOWAS Trade Liberalization Scheme, by sector, 1988–2018	28
17	Global value chain participation in West Africa, by country, 2010–17	36

Tables

1	Fiscal balances in West Africa, by country, 2014–20	15
2	Estimated domestic revenue in West Africa, by country, 2018	16
3	Current account balances in West Africa, by country, 2014–20	18
4	Country and product groupings and tariff elimination obligations under the ECOWAS Trade Liberalization Scheme	25
5	Intra–Economic Community of West African States trade, 2011–16	25
6	Share of total intra–Economic Community of West African States trade, by country, 2011–16	27
7	Number of industrial products registered under the ECOWAS Trade Liberalization Scheme, by country, 1988–2018	28
8	Structure of production (gross value added), by region 1950–2005	30
9	Sectoral share of employment in West Africa, by country, 2000 and 2015	31
10	Sectoral share of GDP in West Africa, by country, 2000 and 2015	32
11	Regression results on the impact of regional integration on structural transformation	34
A1	Number of enterprises registered under the ECOWAS Trade Liberalization Scheme, by country, 1988–2018	43

Statistical tables

1	Basic indicators, 2018	45
2	Real GDP growth, 2010–20	46
3	Demand composition and growth rate, 2017–20	47
4	Public finances, 2017–20	48
5	Monetary indicators	49
6	Balance of payments indicators	50
7	Intraregional trade, 2017	51
8	Demographic indicators, 2018	53
9	Poverty and income distribution indicators	54
10	Access to services	55
11	Health indicators	56
12	Major diseases	57
13	Education indicators	58
14	Labor indicators, 2018	59

ACKNOWLEDGMENTS

The West Africa Economic Outlook 2019 was prepared in the Vice Presidency for Economic Governance and Knowledge Management, under the supervision and general direction of Célestin Monga, Vice President and Chief Economist, with support from Eric Kehinde Ogunleye, Amah Marie-Aude Ezanin Koffi, Tricia Baidoo, and Vivianus Ngong.

The preparation of the outlook was led and coordinated by Ferdinand Bakoup, Acting Director, Country Economics Department, with a core team consisting of Anthony Simpasa, Lead Economist, Nigeria Country Department, and James Wahome, Lead Economist, West Africa.

The data appearing in the report were compiled by the Statistics Department, led by Charles Lufumpa, Director, and Louis Kouakou, Manager, Economic and Social Statistics Division. Their team included Anouar Chaouch, Mbiya H. Kadisha, Soumaila Karambiri, Stephane Regis Hauhouot, Slaheddine Saidi, Kokil Beejaye, Adidi Ivie, and Guy Desire Lakpa.

Contributions were received from Moono Mupotola, Director, Regional Integration, and Ometere Omoluabi-Davies, Regional

Integration Coordinator, Nigeria Country Department. Olawale Ogunkola (University of Ibadan) contributed a background note to the report. Abou Fall, Trade Facilitation Officer, Industrial and Trade Development Department, and external consultant Nene Akwetey-Kodjoe contributed a background note for the infographic on people and goods moving across West Africa. Jacob Oduor, Robert Asogwa, and Nelnan Koumtingue reviewed the report.

Augustin Fosu (University of Ghana) and Peter Montiel (Williams College) served as peer reviewers.

The cover of the report is based on a general design by Laetitia Yattien-Amiguet and Justin Kabasele of the Bank's External Relations and Communications Department. Editing, translation, and layout support was provided by a team from Communications Development Incorporated, led by Bruce Ross-Larson and including Joe Brinley, Joe Caponio, Meta de Coquereaumont, Mike Crumplar, Peter Redvers-Lee, Christopher Trott, and Elaine Wilson, with design support from Debra Naylor and translation support from Jean-Paul Dailly and a team at JPD Systems.



EXECUTIVE SUMMARY

West Africa's 15 economies are diverse across many dimensions of development. In 2018, income per capita ranged from \$452 in Niger to \$3,678 in Cabo Verde. Nine countries saw growth of at least 5.0 percent in 2017 and 2018, and five have been growing at that rate since 2014–16. While growth in those countries has been driven by agriculture, the service sector has emerged to complement agriculture.

In 2018, estimated real GDP growth for West Africa was 3.3 percent, up from 2.7 percent in 2017. Between 2014 and 2017, West Africa's GDP growth trailed the rate for Africa as a whole, though it was faster than in Central and Southern Africa. The tepid growth reflected lower commodity prices, shrinking oil production in Nigeria (by far the largest economy in the region), and the impact of the Ebola virus outbreak. Growth contraction in Nigeria overwhelmed the high growth in some of the smaller economies, pulling down the region's average. Growth in the region is projected to remain subdued, at 3.6 percent in 2019 and 2020.

Positive net exports and investments were the main demand-side drivers of GDP growth in 2018, while government consumption and household consumption contributed marginally. There was considerable variation across countries, however, with household consumption dominating GDP growth in 10 countries and investment dominating in Nigeria and Sierra Leone.

Historically, higher prices for the region's commodities have bolstered growth, so a sustained recovery in prices, conditioned on strong global demand, could improve growth and macroeconomic conditions in the short

to medium term. Major risks for the region's economic prospects in 2019–20 include fragile security conditions in Mali, Niger, and northern Nigeria.

Among macroeconomic indicators, inflation, fueled in part by expansionary fiscal policy and supply-side constraints, remains a challenge to investment and sustainable economic growth in West Africa. Inflation rose sharply to 13 percent in 2017, before declining to 9.5 percent in 2018. It is projected to rise slightly in 2019 before leveling off, assuming sound management of monetary and fiscal policies and stable fuel and energy prices. Inflation was low in members of the West African Economic and Monetary Union (WAEMU) at 0.9 percent in 2017, but it was 11.0 percent in non-WAEMU countries.

Between 2008 and 2018, all the currencies in the region depreciated in real terms. West African countries must maintain a difficult balance between keeping exchange rates stable to tame inflation and building reserve buffers to deploy when commodity windfall revenues are lower.

After improving during 2014–16, the average fiscal deficit deteriorated in 2017. The fiscal deficit has generally been above 3 percent for most West African countries, the

Weak transparency and accountability—and political instability and fragility—have historically prevented West African countries from mobilizing enough domestic resources to meet development needs

convergence criterion, because of weak domestic revenue mobilization and expansionary fiscal policies. Efforts to diversify revenue sources have been hampered by the private sector's limited capacity and by a reluctance to implement difficult tax reforms and end costly government subsidies.

Weak transparency and accountability—and political instability and fragility—have historically prevented countries from mobilizing enough domestic resources to meet development needs. For most countries, the bulk of tax revenue is collected from taxes on goods and services; international trade and transactions; and income, profit, and capital gains. Countries need to explore innovative means of raising revenue through reforms that enhance tax collection, minimize tax evasion, and curb illicit financial flows. Widening the tax base, including by bringing the informal sector into the tax net, could increase revenue.

The current account turned to a surplus of 0.2 percent of GDP in 2017 and an estimated 0.4 percent in 2018, driven mainly by the 3.7 percent surplus in Nigeria. The deficits in other countries ranged from 2.7 percent in Côte d'Ivoire to 22.4 percent in Liberia.

The ratio of external debt to GDP is trending upward for many West African countries. The average ratio increased from 13.5 percent in 2013 to an estimated 23.7 percent in 2018. Debt service payments have also increased since 2010 and are projected to remain high in the medium term. The region's ratio of debt service to revenue is projected to decrease to 16 percent in the medium term. The decrease is based on ongoing reform efforts to improve domestic resource mobilization, as well as instituting new debt management initiatives.

High unemployment presents an important socioeconomic and policy challenge in West Africa. After declining from 4.2 percent in 2010 to 3.7 percent in 2015, the region's average rate of unemployment shot up to 5.2 percent in 2018. But unemployment data are deceptive because they mask high informal employment and underemployment. The data also do not reflect the long-term structural effects of informality on job creation and of high population growth. Unemployment reflects the economic structure and population dynamics in individual countries, many

of which are dominated by the largely informal agricultural and service sectors.

Structural transformation remains weak in West African economies, especially those dependent on extractive resources. From 2000 to 2015, labor shifted from agriculture only marginally, by 6.4 percentage points, and industry's share increased by only 2.2 percentage points. Two-thirds of the shift was captured by the service sector, whose productivity does not seem to be much higher than agriculture's.

The Economic Community of West African States (ECOWAS) seeks to drive economic transformation by deepening integration through the ECOWAS Trade Liberalization Scheme (ETLS). But the proportion of intra-ECOWAS exports in total ECOWAS exports was still just 11.9 percent in 2017—below the proportion of intra-Africa exports in total African exports (16 percent).

Despite the immense potential for regional value chain development, West African exports tend to be biased toward advanced economies, with more than 70 percent of goods for further export directed to Europe and North America. ECOWAS member countries tend to be mainly suppliers of primary inputs without significant value addition to penetrate export markets. Smaller economies appear to be more globally integrated than larger ones.

Lower integration into global value chains may reflect the high prevalence and perverse effect of informal trade, which may lead to a substantial underestimate of the volume of trade. Formal intraregional trade flows are also low because of weak trade complementarity among West African countries, the higher revealed comparative advantage of foreign countries than of West African countries in the products imported into West Africa, and the higher trade costs within than outside the region. These factors reduce the competitiveness of local West African products, while weak institutional and physical infrastructure also drive up costs. Nontariff barriers and import bans further limit intraregional trade.

Several challenges must be addressed to strengthen regional integration and engender structural transformation that enhances growth, creates jobs, and tackles poverty and other social ills in West Africa.

The first challenge is to increase the share of intraregional exports in total exports, which should enhance structural transformation. The second challenge is to expand structural transformation beyond the service sector to the manufacturing sector. The third challenge is to strengthen the primary links between regional integration and structural transformation by developing a dynamic industrial base with manufactured exports.

Policymakers need to focus on building productive capacities, particularly for goods and services for which trade complementarity can be enhanced over the short to medium term. National and regional policies must be consistent, and protectionist measures must be avoided, as they are a disincentive to competitive regional trade and help to perpetuate informal trade.

While services may become an engine of growth in Africa, manufacturing remains an important anchor for transformation and industrialization in West Africa. Regional industrial clusters or economic zones, supported by properly designed and interlinked transport and power networks, could trigger transformation.

As regional and continental integration activities gain momentum—the ECOWAS Common External Tariff and the African Continental Free Trade Area (CFTA)—their impacts on West Africa are likely to be profound. Nigeria, as the largest economy in Africa, should accelerate its consultations with key stakeholders to guide its membership in the CFTA. The CFTA is fully consistent with the founding principles of ECOWAS; without ECOWAS’s leadership, regional integration in West Africa and at the continental level will not fulfill its promise.



MACROECONOMIC PERFORMANCE AND PROSPECTS

This report is organized into two parts. The first presents a comprehensive economic analysis of West Africa, focusing on key macroeconomic variables, including growth, inflation, employment, fiscal position, and external debt. The second analyzes the interplay between regional integration and structural transformation, with a view of how the former can effectively lead to the latter.

ECONOMIC PERFORMANCE AND OUTLOOK

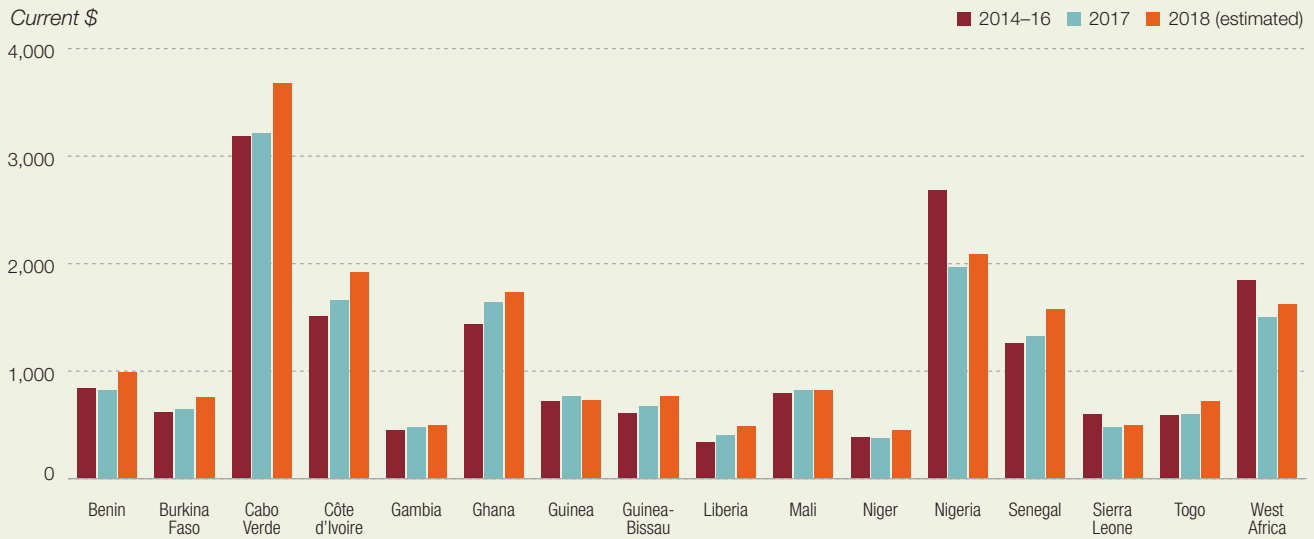
West Africa's 15 economies are diverse across many dimensions of development, and the region is home to some of the continent's least developed countries. In 2018, income per capita ranged from \$452 in Niger to \$3,678 in Cabo Verde, one of the region's few lower-middle-income countries (figure 1). Nigeria's income per capita was an estimated \$2,089, and its GDP was an estimated \$409 billion, or about two-thirds of West Africa's total. The country accounts for half the region's population, and its size dominates the region's economic performance. Lower GDP per capita is symptomatic of fragile growth in a region with a growing population. From 2010 to 2017, volatility in output averaged 1.5 percent, resulting in part from weak economic diversification.

Growth rates differ considerably over time and across West African countries. Some countries have experienced high growth, even exceeding 7 percent in 2017 and 2018. Nine countries saw growth of at least 5 percent in 2017 and 2018, and four of them (Côte d'Ivoire, Guinea, Mali, and Senegal) have been growing at that rate since 2014–16

(figure 2). Performance in these five fast-growing countries has been driven by agriculture. But other sectors have emerged to complement agriculture. In Côte d'Ivoire, manufacturing has rebounded, benefiting from the private sector's renewed dynamism since the end of the 2011 political crisis, and the energy sector and domestic consumption have also contributed to higher growth. In Guinea, investment in the mining sector has helped drive growth. Guinea holds about 40 percent of the world's bauxite reserves and the world's largest iron ore deposits. Because of continued investment in the sector, the country has had an uninterrupted bauxite supply. It is developing a framework to increase local content in bauxite while working to increase world market share of aluminum. In both countries, public investment, especially in infrastructure, has also helped growth.

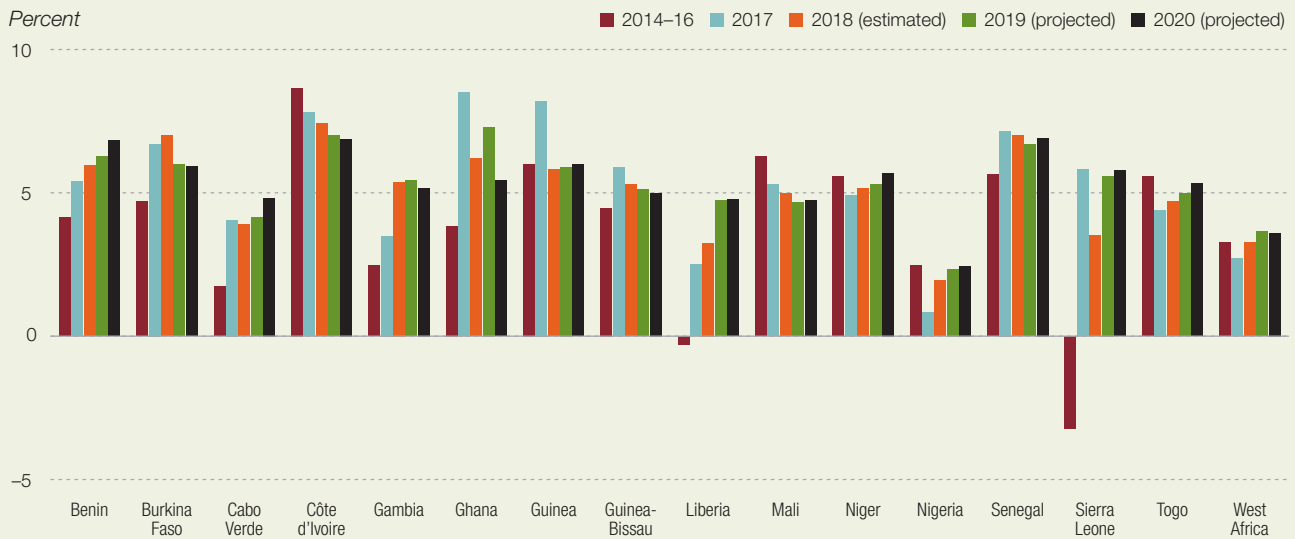
Despite security challenges, growth in Mali has gained pace, bolstered by favorable performance of the primary sector, mainly agriculture. Niger's growth is also explained by good performance in agriculture, but oil has also emerged as an important driver. Rising investment, as well as robust exports of zircon, peanuts, and phosphate, drove growth in Senegal in 2018. Zircon exports

FIGURE 1 GDP per capita in West Africa, by country, 2014–18



Source: African Development Bank statistics.

FIGURE 2 GDP growth in West African countries, 2014–20



Source: African Development Bank statistics.

increased by about \$4 million between August 2017 and August 2018.¹

Liberia and Sierra Leone have recovered from the Ebola outbreak, which caused their economies to contract in 2014–16. Since then, growth in

Liberia has accelerated to 2.5 percent in 2017 and an estimated 3.2 percent in 2018. Sierra Leone has followed the same pattern, despite flooding in 2018. Growth rates in both countries are projected to return to pre-outbreak levels in 2019 and 2020.

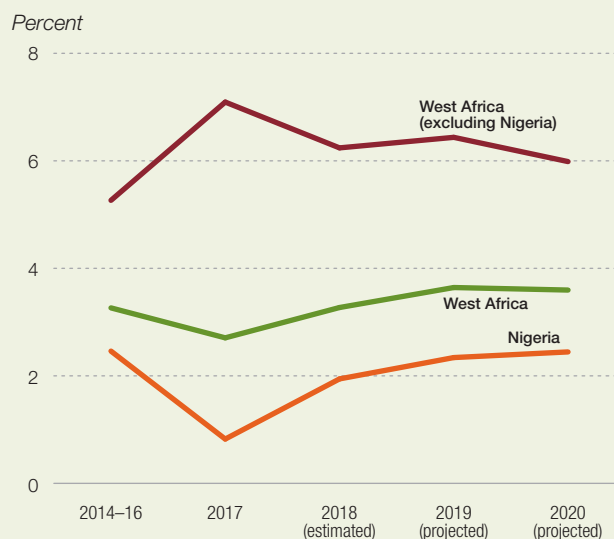
In 2018, average real GDP growth for West Africa was an estimated 3.3 percent, up from 2.7 percent in 2017, when Nigeria consolidated its recovery from the recession (see figure 2). In 2016, the Nigerian economy shrank by 1.6 percent, as output contracted across all sectors except agriculture, which grew by 4.1 percent. Industrial output contracted due to disruption in oil production associated with vandalism of oil installations in the Niger Delta. The contraction dwarfed the high growth of smaller economies, resulting in lower average growth for the region. Nigeria's growth recovered to 0.8 percent in 2017 and accelerated to an estimated 1.9 percent in 2018, buoyed by the strong performance of both the oil and nonoil sectors, the latter led by an expansion in services, industry, manufacturing and mining, and agriculture. Nigeria accounts for about two-thirds of the region's GDP, and any shock to its growth is reflected in lower average growth for West Africa. Thus average growth without Nigeria has consistently been higher than average growth with Nigeria (figure 3).

Between 2014 and 2018, West Africa's GDP growth rate trailed the rate for Africa as a whole. East Africa had the highest growth rates, while Central and Southern Africa both trailed West Africa (figure 4). The medium-term outlook remains positive in West Africa though much lower than in other regions, except Southern Africa, and only marginally higher than in Central Africa. In recent years, Central Africa has been buffeted by lower commodity prices and political instability, while Southern Africa's growth has been weighed down by the weak performance of South Africa, the region's leading economy.

West Africa's tepid growth over the past five years was triggered largely by lower commodity prices, shrinking oil production in Nigeria, and the impact of the Ebola virus outbreak. The outbreak's greatest toll was in Guinea, Liberia, and Sierra Leone during 2014–15.

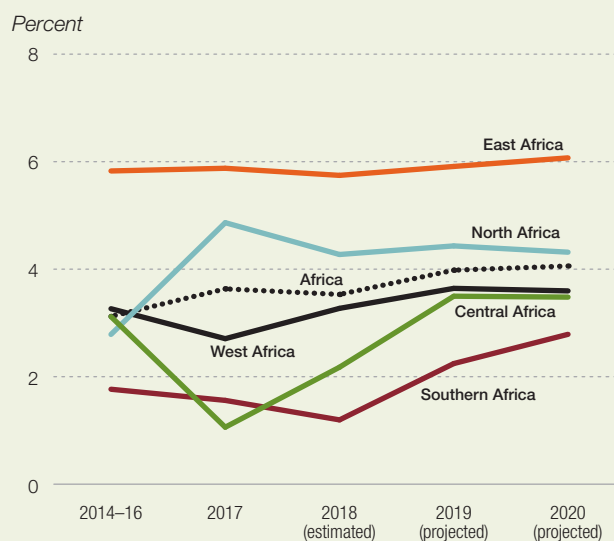
Growth is projected to remain subdued at 3.6 percent in 2019 and 2020, still lagging behind the continent's average of 4.0 percent in 2019 and 4.1 percent in 2020. The projected recovery will be underpinned by structural and policy reforms, such as Nigeria's Economic Recovery and Growth Plan (2017–20), Senegal's energy sector reform (2016–21), Benin's Government Action Plan, and

FIGURE 3 Real GDP growth in Nigeria and the rest of West Africa, 2014–20



Source: African Development Bank statistics.

FIGURE 4 Real GDP growth in Africa, by region, 2014–20



Source: African Development Bank statistics.

Burkina Faso's National Economic and Social Development Plan (2016–20), which covers energy, agricultural development, and road and telecommunications infrastructure.

Postrecession growth in Nigeria, projected at 2.3 percent in 2019 and 2.4 percent in 2020, is expected to benefit from a recovery in oil production as well as other sectoral drivers of growth—services, agriculture, and industry (mining, quarrying, and manufacturing). Successful general elections in 2019 and the ability to address some challenges, including clashes between herders and farmers, will further stimulate growth prospects. Côte d'Ivoire's economy is projected to grow by 7.0 percent in 2019, and Ghana's by 7.3 percent, buoyed by the expected recovery in commodity prices (especially cocoa and gold) and the sustained expansion of other key sectors.

GDP growth by sector

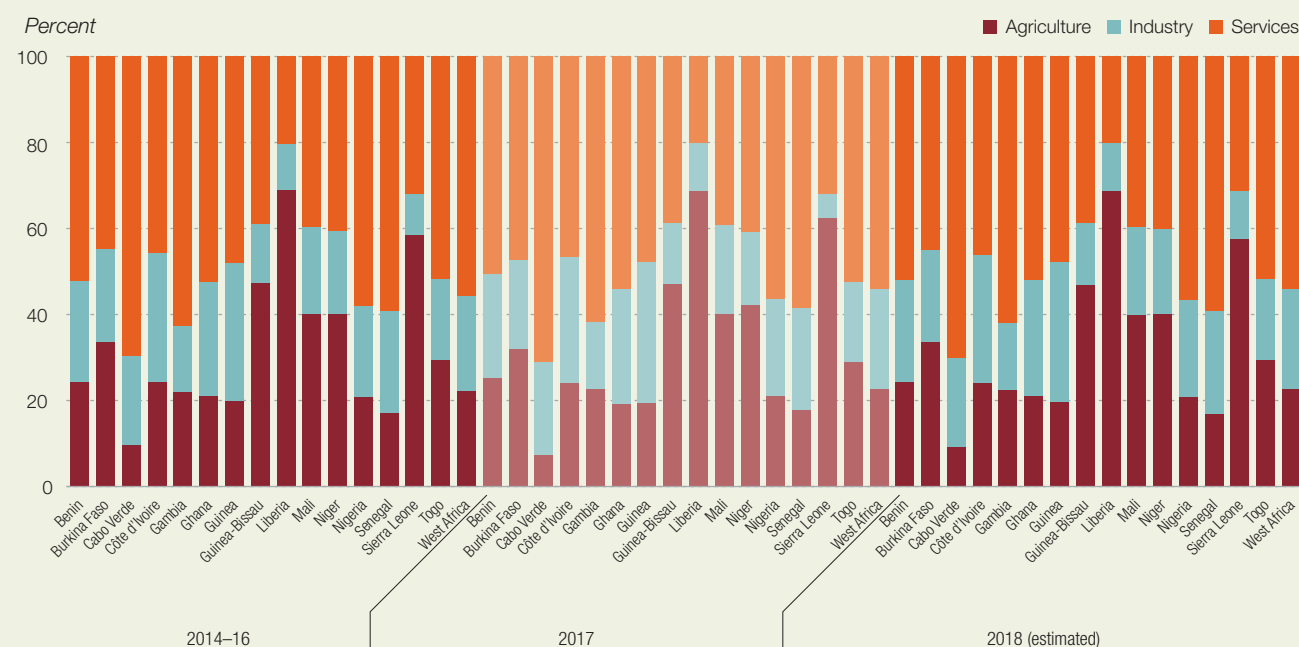
Analysis of the contribution of different sectors to GDP and to GDP growth reveals that, as in most African countries, structural transformation remains weak in West African economies, especially among those dependent on extractive resources.²

Services remain the dominant sector in value added, accounting for half of the region's GDP

in 2018, virtually unchanged from 2015 (figure 5). Tourism in Cabo Verde and financial services in Ghana and Nigeria are the dominant subsectors. Agriculture and industry each accounted for about a quarter of the region's GDP in 2018. Manufacturing accounts for a small share of industry and is confined to light processing of primary products and production of consumer goods.

The regional picture hides important country variations. The share of services in GDP in 2018 ranged from 20.3 percent in Liberia to 70.1 percent in Cabo Verde. Services accounted for more than 50 percent of GDP in Benin, Ghana, Nigeria, Senegal, and Togo. Agriculture accounted for more than 40 percent of GDP in Guinea-Bissau, Liberia, Mali, and Sierra Leone. The share of industry in GDP was above the regional average of 23.2 percent in only three countries (Côte d'Ivoire, Ghana, and Guinea) and was lowest in Liberia (11.0 percent). The regional average of manufacturing value added (9.7 percent) also hides wide variation, from 1.8 percent in Sierra Leone to 17.4 percent in Côte d'Ivoire. Six countries—Benin,

FIGURE 5 Sectoral composition of GDP in West Africa, by country, 2014–18



Source: African Development Bank statistics.

Côte d'Ivoire, Guinea, Guinea-Bissau, Mali, and Senegal—were above the regional average.

Services accounted for 2.0 percentage points of West Africa's 3.3 percent GDP growth in 2018, agriculture accounted for 1.0 percentage point, and industry accounted for 0.6 percentage point. Services dominated economic growth in 9 of the region's 15 countries: services' contribution to GDP growth ranged from 47.4 percent in Mali to 81.8 percent in Cabo Verde (figure 6).

Agriculture contributed 1.0 percentage point to West Africa's 3.3 percent GDP growth in 2018, with wide variations across countries. Agriculture accounted for more than a quarter of GDP growth in Gambia, Guinea-Bissau, Liberia, Mali, Niger, Nigeria, and Sierra Leone.

Industry accounted for only 0.6 percentage point of the region's GDP growth. Its contribution was lowest in Cabo Verde and highest Sierra Leone.

Demand-side drivers of growth

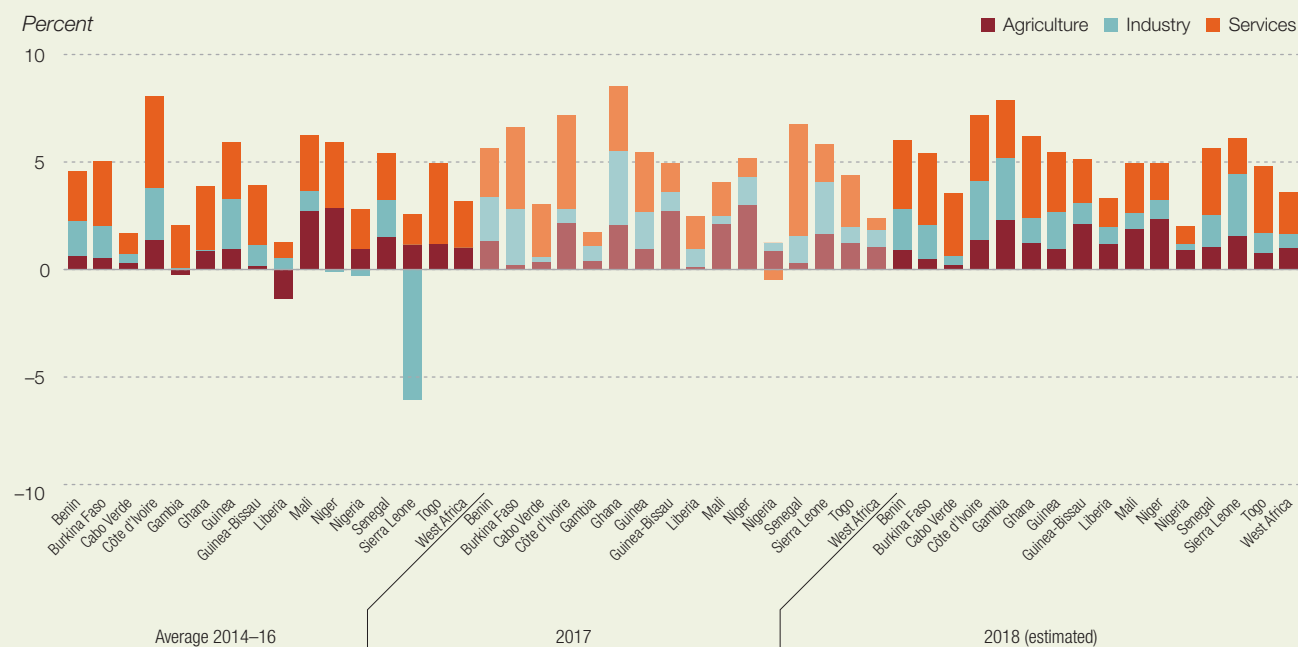
Private consumption remains the dominant demand-side component of GDP in the region,

accounting for more than 75 percent (figure 7). Private consumption is buoyed by strong consumer sentiment and by the growing middle class in a majority of countries. The middle class accounts for an estimated 33 percent of the population in Ghana compared with 23 percent in Nigeria. In both countries, the middle class is highly vulnerable to shocks.³

All countries in the region except Côte d'Ivoire, Guinea-Bissau, and Nigeria recorded negative net exports—importing more goods than they exported. In 2018, net exports reduced West Africa's real GDP growth by 1.5 percentage points. While exports have been found to be growth enhancing in Africa,⁴ the reverse is the case for imports,⁵ pointing to the need to limit them. To the extent that imports comprise investment or intermediate products, they may contribute to growth. But excessive imports of consumer products may be detrimental to growth.

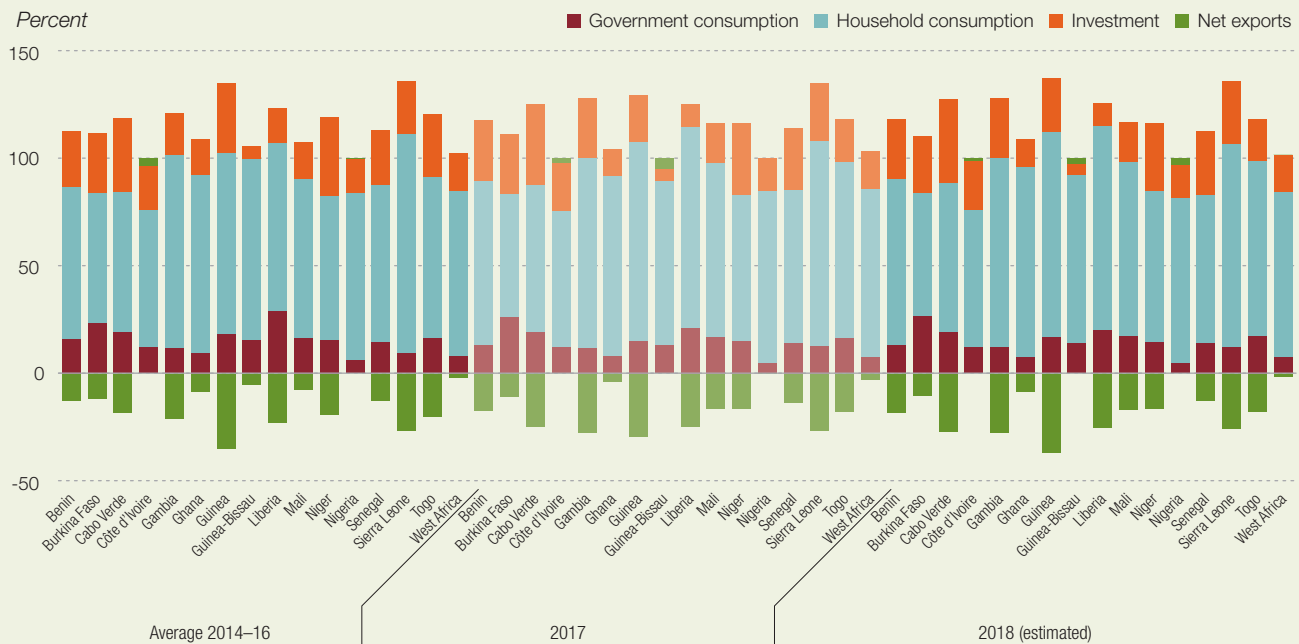
Efforts to achieve a positive external balance would greatly benefit from export promotion policies, especially ones targeted at diversifying from exporting primary commodities. Investment as

FIGURE 6 Sectoral contributions to GDP growth in West Africa, by country, 2014–18



Source: African Development Bank statistics.

FIGURE 7 Demand composition of GDP in West Africa, by country, 2014–18



Source: African Development Bank statistics.

a share of GDP averages about 18 percent and has remained stable since 2014. Investment in West Africa and across Africa more generally is limited by inadequate financing. Across the continent, the infrastructure financing needed to meet the African Development Bank’s flagship High 5s agenda is around \$130–\$170 billion a year.⁶ In Nigeria, \$3 trillion is needed over 2014–44 to bring infrastructure to global standards, with the bulk of funding going to the energy sector. The pattern of the gap in investment resources is similar across the region.

At the regional level, positive net exports and investments were the main demand-side drivers of GDP growth in 2018, while government consumption and household consumption contributed marginally (figure 8). Again, the regional average hides variations across countries. Household consumption dominated GDP growth in 10 of the region’s 15 countries—Burkina Faso, Cabo Verde, Gambia, Ghana, Guinea-Bissau, Liberia, Mali, Niger, Senegal, and Togo.

Investment dominated GDP growth in Nigeria and Sierra Leone, both of which benefited

from investment in public infrastructure. Guinea is exceptional: after the 2017 violent protest in the bauxite sector, foreign direct investment rebounded, driven by Chinese investment.

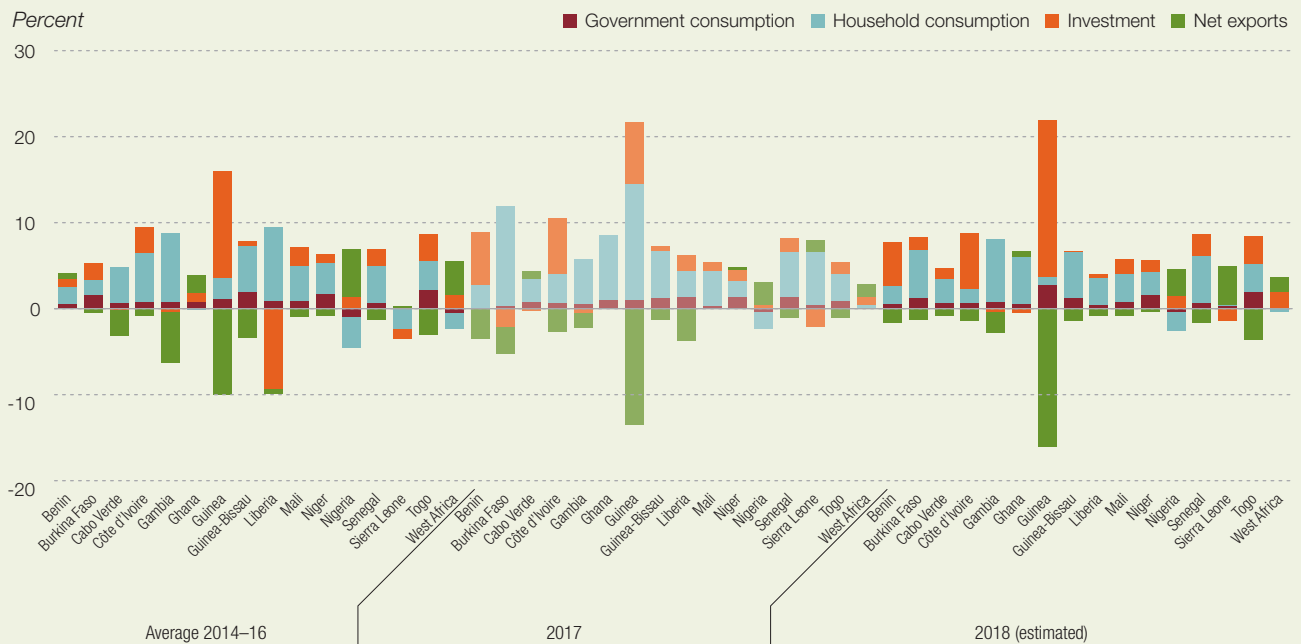
Opportunities and risks in the short to medium term

Historically, higher prices for the region’s commodities—oil, gold, cocoa, cashew nut, and iron ore—have bolstered growth. A sustained recovery in prices, conditioned on strong global demand, could improve growth and macroeconomic conditions in the short to medium term.

Various public infrastructure developments are expected to reduce the costs of doing business and to boost investment confidence in the region. They are seen as a way to attract firms relocating from China due to rising wages there.⁷

A regional integration approach in West Africa should take into account the concerns of small economies and the development of regional value chains in order to increase market size for trade. This will require effectively implementing various ECOWAS protocols and agreements,

FIGURE 8 Demand-side contributions to GDP growth in West Africa, 2014–18



Source: African Development Bank statistics.

especially the Common External Tariff and the ECOWAS Trade Liberalization Scheme. Dismantling nontariff barriers to trade in inputs and intermediate and final goods and supporting strategies that promote regional joint ventures can create economies of scale and thus unleash the potential of an enlarged and unimpeded regional market.

Major risks for the region's economic prospects in 2019–20 include fragile security situations in Mali, Niger, and northern Nigeria. The recovery in international commodity markets seems sustained, but changes could threaten economic prosperity. So could unexpected natural disasters such as drought, flooding, and pests or a shift in climatic conditions, which are currently favorable to agricultural production. Political risk has also grown in Togo, with recurring civil protests against the government.

Peaceful general elections in Nigeria and Senegal in 2019, successful change of power in Sierra Leone and Gambia, and effective macroeconomic management are expected to ease political risks and improve the region's economic performance.

MACROECONOMIC STABILITY AND OUTLOOK

Macroeconomic developments in West Africa were shaped by a combination of domestic and global economic conditions. Globally, commodity prices recovered, leading to relative improvement in external balance. But fiscal expansion in several countries and rising debt levels have overshadowed the gains from increased commodity prices. The outlook in the medium term appears favorable on multiple fronts, but underlying challenges could retard macroeconomic stability.

Price movements

Inflation

Inflation, fueled in part by expansionary fiscal policy and supply-side constraints, remains a challenge to investment and sustainable economic growth in West Africa. Inflation rose sharply, from an average of 9.4 percent in 2014–16, to a peak of 13 percent in 2017, before declining to an estimated 9.5 percent in 2018. It is projected to rise

Inflation, fueled in part by expansionary fiscal policy and supply-side constraints, remains a challenge to investment and sustainable economic growth in West Africa

slightly in 2019 before leveling off the follow year, in both cases remaining in the single digits. These projections are premised on continued efforts to remove inflationary pressure, including sound management of monetary and fiscal policies, and on stable fuel and energy prices, especially for net oil exporters such as Nigeria. The projections also assume that various infrastructure projects, especially Nigeria's Lagos–Ibadan standard gauge railway, are completed and have a positive impact on the prices of goods.

Improved agricultural production, limits on central bank financing of fiscal deficits, and prudent monetary policy will further moderate inflation risks as countries strive to attain macroeconomic convergence criteria for a single currency union in 2020.

Two main inflation regimes in the region can be identified: inflation in WAEMU countries⁸ and inflation in non-WAEMU countries. Inflation in WAEMU countries has remained low, supported by the CFA franc exchange rate peg to the euro, which allows these countries to import low inflation from the euro zone. In 2014–16, inflation averaged 0.3 percent in WAEMU countries and 8.6 percent in non-WAEMU countries (figure 9). In 2017, it was 0.9 percent in WAEMU countries and 11.0 percent in non-WAEMU countries.

Inflation in non-WAEMU countries ranged from –0.5 percent in Cabo Verde to 16.7 percent in Ghana in 2014–16 and from 0.8 percent in Cabo Verde to 18.2 percent in Sierra Leone in 2017 (see figure 9). Countries with high inflation also had the largest fiscal deficits. Factors in non-WAEMU countries included better fiscal positions, as evidenced by lower fiscal deficits (supported by buoyant revenue), and less volatile exchange rates, thanks to improved foreign exchange reserves that allowed countries to smooth short-term fluctuations. Some countries, notably Ghana, also took steps to address financial sector fragilities, which limited the extent of domestic financing of the fiscal deficit.

Real exchange rates

Two types of exchange rate systems operate in West Africa: fixed/pegged regimes and flexible regimes. In WAEMU countries, the bloc's currency (CFA franc) is pegged to the euro but is flexible

against other tradable currencies, including the US dollar. Non-WAEMU countries, except Liberia, have a floating or managed float system.⁹ Between 2008 and 2018, all the currencies in the region depreciated in real terms, led by Ghana, Nigeria, and Sierra Leone (figure 10). The Ghanaian cedi depreciated by a factor of more than four in 2018, fueled largely by a stronger US dollar and prospects of interest rates hikes, which pushed investors to unwind their dollar holdings. In absolute terms, the currency depreciated from 1.1 cedi per US dollar to 4.8 cedi. The real exchange rate for Gambia and Cabo Verde depreciated only moderately.

Several central banks in the region, especially in non-WAEMU countries, periodically intervene in the foreign exchange market to smooth out fluctuations and limit currency volatility. In 2018, buoyed by the recovery in international reserves as oil revenue improved, the Central Bank of Nigeria intervened in the foreign exchange market to support the naira. But at the end of 2018, growing demand pushed the rate in the parallel market to above 360 naira per US dollar compared with the official rate of 307 naira. Demand pressures and growing uncertainty around the February 2019 general election, coupled with rising inflation and possible weakening of oil prices in 2019, could draw the Central Bank of Nigeria into increased interventions.

West African countries face an intricate balance between keeping exchange rates stable to tame inflation and building reserve buffers to deploy when commodity windfall revenues are lower. This balance is even more acute in smaller economies with fragile macroeconomic conditions. Intervention in foreign exchange markets to keep domestic currency artificially strong and domestic inflation high relative to trading partners' rates are both inimical to competitive real exchange rates.

Terms of trade

The terms of trade, defined as the relative price of a country's exports in terms of its imports, are determined by global demand for the region's products relative to the region's supply. Hence, the composition of exports and imports matters for the magnitude and movement of the terms of trade. West African countries tend to export commodities, whose prices are exogenously

FIGURE 9 Inflation in West Africa, by country, 2008–20



Source: African Development Bank statistics.

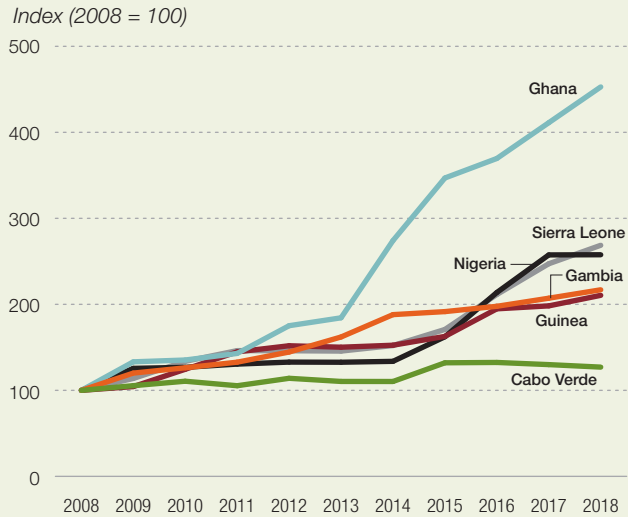
West African countries face an intricate balance between keeping exchange rates stable to tame inflation and building reserve buffers to deploy when commodity windfall revenues are lower

determined, and import manufactured products. In such a situation, the relative prices of commodities are critical.

Prior to the 2009 global financial crisis, many West African countries enjoyed favorable terms of trade (figure 11). As commodity prices surged, the overall macroeconomic situation improved as well. The rally was halted by the crisis, with large commodity-dependent economies such as Nigeria

especially affected. The 2010 recovery was short-lived, and the so-called commodity “super cycle” came to an end. Since 2013, terms of trade have deteriorated for most countries in the region, except Côte d’Ivoire and Liberia. But even in these countries, the recovery was modest. Côte d’Ivoire has been one of the region’s fastest growing economies, underpinned by structural reforms and large public infrastructure outlays. Since 2016,

FIGURE 10 Real exchange rate indices in selected non-West African Economic and Monetary Union countries, 2008–18



Source: UNCTADstat database.

the recovery in commodity prices, particularly for oil, has lifted the terms of trade, but the percentage increase remains below pre-crisis levels. In general, the change in terms of trade in most West African countries is subject to movements

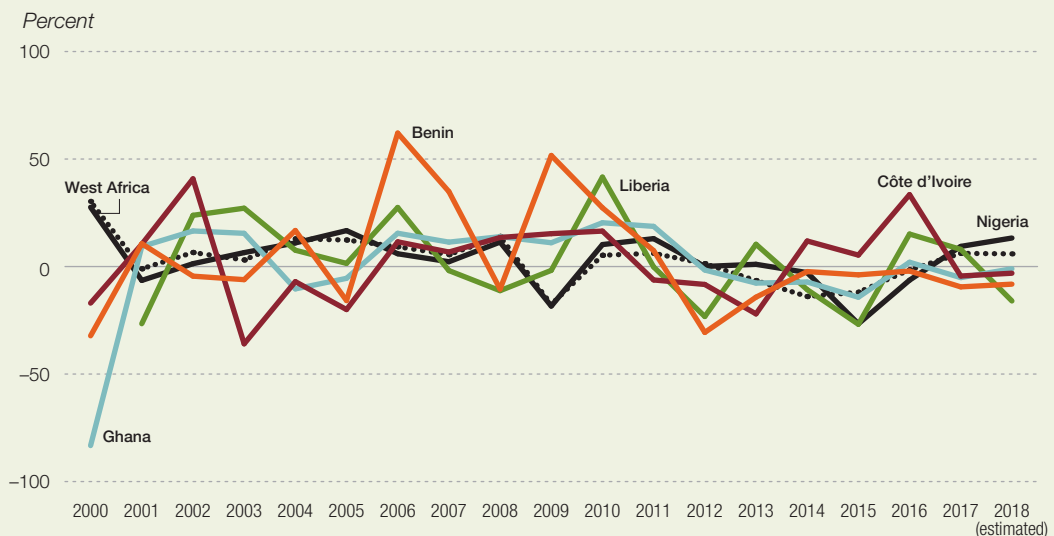
in prices of key export commodities—oil for Nigeria, gold for Ghana, rubber for Liberia, and cocoa for Côte d'Ivoire. Strong dependence on primary commodities reinforces the impact of terms of trade shocks on countries that already have poor macroeconomic policy management—a majority of West African countries.

Fiscal and current account balances and government finances and sources

Fiscal deficits

The macroeconomic convergence criteria require countries in West Africa to keep their fiscal deficit below 3 percent of GDP, which countries have historically had difficulty achieving.¹⁰ This is reinforced by the need to limit central bank financing of the deficit. The fiscal deficit has generally been above 3 percent for most countries—for two main reasons: weak domestic revenue, compounded by dependence on a single source of revenue (exports of primary commodities), and expansionary fiscal policy, biased toward recurrent expenditure. Efforts to diversify revenue sources have been hampered by the private sector's limited capacity and by a reluctance to implement difficult tax reforms and end costly government subventions. So only a few

FIGURE 11 Annual change in terms of trade in selected West African countries, 2000–18



Source: African Development Bank statistics.

countries have achieved the convergence criteria on the fiscal deficit. And sustaining this over a long period has been a challenge.

After improving during 2014–16, the average fiscal deficit deteriorated in 2017 (table 1). A favorable revenue situation in some large economies, including Nigeria, helped narrow the fiscal deficit in 2018 for the region as a whole, although the deficit remained higher than in 2014–16. The improved fiscal position in Nigeria offset the deterioration in smaller economies such as Guinea, Sierra Leone, and Togo. In Guinea and Sierra Leone, lower revenue and the residual impact of the Ebola crisis limited recovery. Ghana also experienced challenges in containing the fiscal deficit, despite fiscal consolidation measures in 2018. Pressures to meet new spending commitments, such as the free senior high school program and the fiscal burden from the bailout of the banking sector, were central to Ghana's elevated fiscal deficit.

Several countries improved their fiscal performance from 2017 to 2018, including Burkina Faso, Gambia, and Liberia. In Gambia, expenditure and net lending declined from 17.7 percent of GDP in

the first half of 2017 to 11.7 percent in the first half of 2018, as the new government sought to rein in spending. This substantially improved the primary balance from 1.7 percent of GDP in the first half of 2017 to 0.6 percent in the first half of 2018. The fiscal deficit for the region is projected to narrow from 4.2 percent of GDP in 2018 to 3.9 percent in 2019 and 2020. The improvement is expected to come from reductions in all countries except Nigeria, whose deficit is projected to rise from 4.0 percent of GDP in 2018 to 4.2 percent in 2019, and Sierra Leone, whose deficit is projected to rise from 7.7 percent of GDP to 7.8 percent in 2019.

Fiscal deficits of less than 2 percent of GDP are projected in 2019 in Cabo Verde, Gambia, Liberia, and Togo. Gambia will consolidate gains made in 2018, and Liberia will see improvement because of the new administration's renewed commitment to containing unproductive expenditure caused by the challenging revenue environment and the rising debt burden. Togo faces serious social and political challenges, and achieving a fiscal deficit of 2 percent could prove problematic. Yet, Togo's authorities have demonstrated

Several countries improved their fiscal performance from 2017 to 2018, including Burkina Faso, Gambia, and Liberia

TABLE 1 Fiscal balances in West Africa, by country, 2014–20 (% of GDP)

	2014–16	2017	2018 (estimated)	2019 (projected)	2020 (projected)
Benin	-5.4	-5.9	-4.7	-2.6	-1.9
Burkina Faso	-2.6	-7.5	-4.9	-2.9	-3.0
Cabo Verde	-5.1	-3.1	-2.4	-1.9	-1.7
Côte d'Ivoire	-3.0	-4.2	-3.8	-3.2	-2.9
Gambia	-7.9	-7.9	-3.9	-0.6	-1.6
Ghana	-7.2	-5.9	-5.7	-4.4	-3.9
Guinea	-3.8	-2.2	-4.4	-3.5	-1.0
Guinea-Bissau	-2.5	-1.3	-2.5	-2.2	-2.0
Liberia	-4.9	-7.9	-3.9	-0.6	-1.9
Mali	-2.9	-2.9	-2.5	-2.4	-1.5
Niger	-7.8	-5.2	-5.9	-4.5	-3.6
Nigeria	-3.0	-5.2	-4.0	-4.2	-4.4
Senegal	-3.7	-3.0	-3.5	-3.3	-3.1
Sierra Leone	-6.4	-6.8	-7.7	-7.8	-6.9
Togo	-9.1	-2.1	-6.7	-1.6	-0.3
West Africa	-3.4	-5.0	-4.2	-3.9	-3.9

Source: African Development Bank statistics.

Domestic resource mobilization across West Africa is generally low. In 2018, countries averaged 15 percent of GDP in tax revenue and 18 percent of GDP in total (tax and nontax) revenue

a strong commitment to improving infrastructure and reforming institutions. Overall, the trend in West African countries is one of lower fiscal deficits, translating into a projected improved regional average. This projection is based on the likely implementation of fiscal measures as countries strive to meet convergence criteria for membership in the single currency union, scheduled for 2020. In addition, a potential decline in commodity prices may compel governments to undertake fiscal adjustments, while trying to maintain momentum on public infrastructure development in the key sectors of energy and transport. In some countries, such as Ghana, fiscal consolidation is already under way, but this needs to be strengthened and sustained.

Strengthening domestic resource mobilization is key in service delivery

Domestic resource mobilization across West Africa is generally low. In 2018, countries

averaged 15 percent of GDP in tax revenue and 18 percent of GDP in total (tax and nontax) revenue (table 2). The tax-to-GDP ratio is lower than the continental average of 17 percent. But the average masks huge variations. Lesotho collects 36 percent of GDP from taxes, while Nigeria, Africa's largest economy, collects only 3 percent. Including oil revenue, revenue collections total about 7 percent of GDP in Nigeria. In West Africa, only Cabo Verde collects more than 20 percent from taxes.

For most countries, the bulk of tax revenue is collected from taxes on goods and services; international trade and transactions; and income, profit, and capital gains. Payroll and property taxes account for only a small proportion. The low share of personal income tax reflects the high unemployment across the region (and Africa more generally). Apart from Nigeria, only Côte d'Ivoire, Ghana, and Nigeria collect revenue from oil exports, but the amounts as a proportion of GDP

TABLE 2 Estimated domestic revenue in West Africa, by country, 2018 (% of GDP)

	Tax revenue	Oil revenue	Other revenue	Total revenue (excluding grants)
Benin	13.4	0.0	4.3	17.7
Burkina Faso	17.2	...	2.1	19.3
Cabo Verde	21.1	...	5.1	26.1
Côte d'Ivoire	13.4	2.4	2.5	18.3
Gambia	17.1	...	2.3	19.4
Ghana	16.4	1.2	0.2	17.8
Guinea	14.8	...	0.6	15.4
Guinea-Bissau	10.6	...	2.6	13.2
Liberia	18.3	...	4.1	22.4
Mali	15.5	...	3.3	18.8
Niger	12.9	...	1.3	14.2
Nigeria	3.0	3.6	0.4	7.0
Senegal	15.6	...	1.5	17.1
Sierra Leone	11.0	...	1.1	12.2
Togo	19.3	...	2.0	21.4
Unweighted average for West Africa	14.6	1.8 ^a	2.2	17.5

... is not available.

a. Average for countries with data.

Source: African Development Bank statistics.

are equally small. Revenue from social contributions is virtually nonexistent.

Improving domestic resource mobilization is an imperative in West Africa. But increasing tax rates can be distortionary, with unintended effects on private investment, which could in turn harm economic growth. In many countries, the challenge is enforcing existing tax codes. In some cases—such as Nigeria, where tax rates are extremely low—a small increase could yield substantial revenue. More important, countries need to explore innovative means of raising revenue through reforms that enhance tax collection, minimize tax evasion, and curb illicit financial flows. Widening the tax base, including by bringing the informal sector into the tax net, could increase revenue.

Some countries provide exemptions to investors to attract private capital. Often these exemptions are not revenue neutral, and they have ultimately cost governments substantial revenue without commensurate increases in investment or employment. Reform of these tax holidays and income tax exemptions, coupled with stronger financial management and governance structures, could systematically improve revenue mobilization to fund public investment and social services. In addition, low financial inclusion and shallow capital markets are common across most West African countries and have hampered domestic savings mobilization.

Weak transparency and accountability—and political instability and fragility—have historically prevented countries from mobilizing enough domestic resources to meet development needs. This is not unique to West Africa—it is common across Africa. For instance, the ratio of direct taxes to GDP in many fragile countries is lower than 1 percent compared with about 10 percent in Namibia, a nonfragile country. By contrast, the ratio of indirect taxes to GDP is lower than 5 percent in fragile countries but more than double, 10 percent, in many nonfragile countries. Indeed, countries with more corruption and in a state of fragility have lower direct and indirect tax revenue.

Current account balance

The current account balance, which captures trade balance, net factor income, and cash transfers, is an important indicator of a country's

external financial position. A positive (surplus) current account implies that a country is a net lender to the rest of the world, and a negative (deficit) current account implies that it is a net borrower.

In 2014–16, the average current account deficit in West Africa was 2.3 percent of GDP (table 3). This reflected the challenging economic conditions in the region, weighed down by the sharp fall in commodity prices, especially oil, which contributed to the recession in Nigeria in 2016. In 2016 alone, Nigerian earnings from oil and gas exports declined by nearly a quarter, and foreign direct investment fell by about a third. These factors, coupled with lower economic activity, had spillover effects on neighboring countries, such as Benin, which depend on Nigeria for exports. The 2017 reversal was bolstered by economic reforms and recovery in key exports in Guinea and by stronger revenue from oil and gas exports and a 34 percent surge in net foreign direct investment in Nigeria. But the rising debt burden and lower export receipts in Liberia and the slow recovery of tourism inflows in Gambia widened the current account deficit in these countries.

The current account turned to a surplus of 0.2 percent of GDP in 2017 and an estimated 0.4 percent in 2018, driven mainly by the 3.7 percent surplus in Nigeria. The deficits in other countries ranged from 2.7 percent of GDP in Côte d'Ivoire to 22.4 percent in Liberia.

Nigeria's current account balance is projected to remain at a surplus of 3.3 percent of GDP in 2019 and 2.9 percent in 2020 because of continued foreign inflows. This is underpinned by accelerated implementation of the country's Economic Recovery and Growth Plan 2017–20, which is projected to attract about \$25 billion in foreign investment by 2020. The current account surplus is likely to be supported by lower imports of staples such as rice, which will be progressively substituted by domestic production. Oil and gas exports are also likely to remain stable despite production quotas imposed by the Organization of the Petroleum Exporting Countries. Constrained global demand for other regional export commodities will limit improvements in other countries. Thus, at the regional level, a marginal deficit is projected for 2020, and Nigeria is the only country projected to have a surplus.

The current account turned to a surplus of 0.2 percent of GDP in 2017 and an estimated 0.4 percent in 2018, driven mainly by the 3.7 percent surplus in Nigeria



Cabo Verde had the highest external debt-to-GDP ratio in 2018, an estimated 103 percent, followed by Senegal, Niger, and Sierra Leone

TABLE 3 Current account balances in West Africa, by country, 2014–20 (% of GDP)

	2014–16	2017	2018 (estimated)	2019 (projected)	2020 (projected)
Benin	-9.2	-11.2	-10.8	-7.3	-4.1
Burkina Faso	-8.0	-7.6	-7.2	-7.4	-6.6
Cabo Verde	-5.0	-7.6	-8.5	-7.4	-6.9
Côte d'Ivoire	-0.1	-1.8	-2.7	-2.8	-2.9
Gambia	-11.5	-19.3	-19.0	-20.5	-21.0
Ghana	-7.9	-4.5	-4.4	-7.1	-9.9
Guinea	-18.1	5.5	-4.6	-4.9	-3.3
Guinea-Bissau	0.4	-0.6	-3.2	-2.3	-2.2
Liberia	-20.1	-22.7	-22.4	-22.3	-22.4
Mali	-5.8	-6.0	-6.5	-6.3	-6.1
Niger	-17.3	-14.7	-16.0	-16.7	-17.5
Nigeria	-0.7	2.8	3.7	3.3	2.9
Senegal	-5.4	-7.3	-6.9	-5.4	-4.9
Sierra Leone	-15.1	-13.0	-16.9	-18.4	-20.8
Togo	-10.3	-8.0	-7.9	-6.8	-5.6
West Africa	-2.3	0.2	0.4	0.1	-0.2

Source: African Development Bank statistics.

Debt dynamics

When a country's spending exceeds its income, debt is inevitable. To service and pay off the debt, a country's expected discounted returns must exceed the cost of debt.¹¹ Debt accumulation may be desirable if resources are invested in economic infrastructure—energy, transportation, communication, and distribution networks (such as ports)—with revenue streams to ensure self-financing of the debt. But using debt to finance public consumption is economically imprudent.

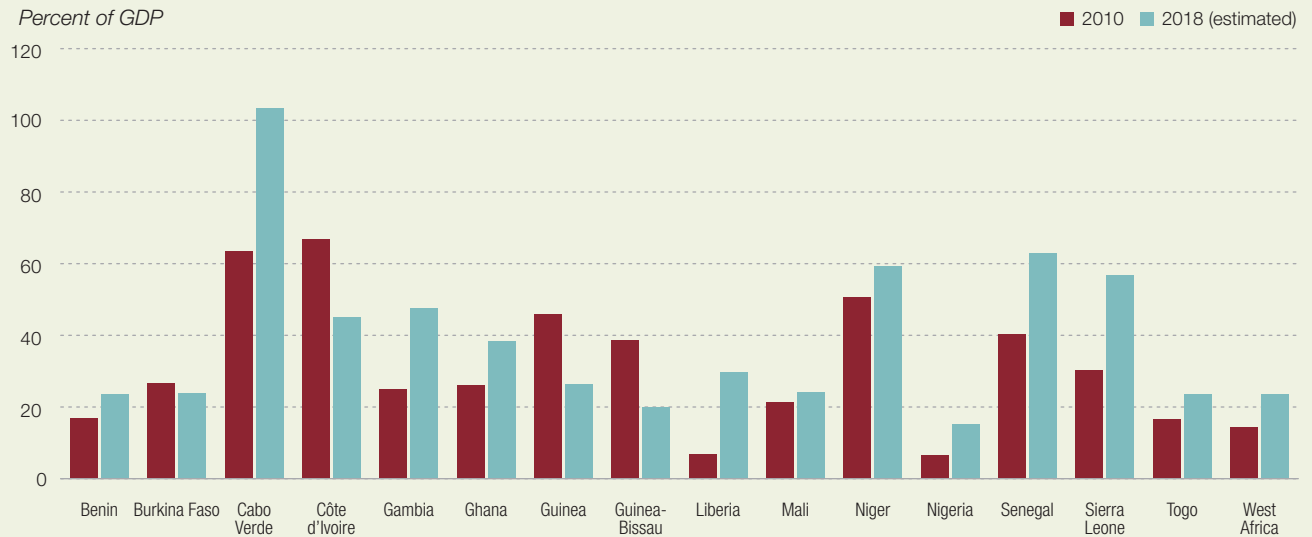
The ratio of external debt to GDP—a measure reflecting the capacity to repay—is trending upward for many West African countries. The average ratio increased from 13.5 percent in 2013 to an estimated 23.7 percent in 2018 (figure 12).

Cabo Verde had the highest external debt-to-GDP ratio in 2018, an estimated 103 percent, followed by Senegal, Niger, and Sierra Leone. Liberia had the highest rate of debt accumulation between 2010 and 2018, at 329 percent, followed by Nigeria at 128 percent. Despite the increase, Nigeria still has one of the lowest external debt-to-GDP

ratios, at 15.2 percent. Benin, Guinea-Bissau, and Togo also have a ratio below 25 percent.

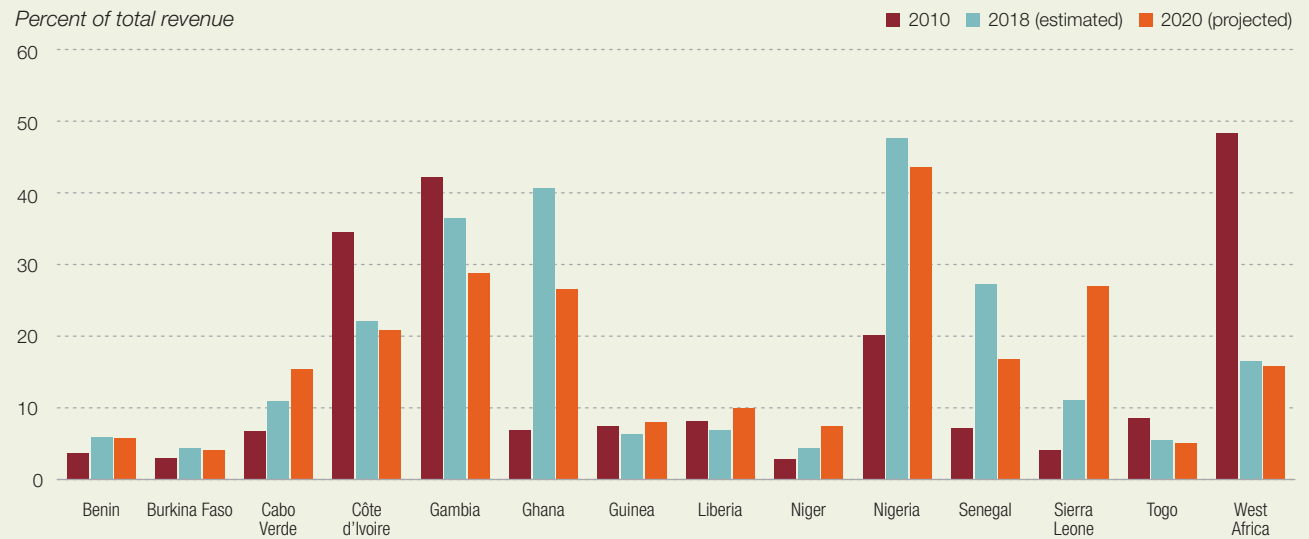
The rapid increase in external indebtedness remains a challenge, especially given the shift toward nonconcessional external debt. Debt service payments have also increased since 2010 and are projected to remain high in the medium term. The increase has heightened the fiscal burden in an already fiscally and growth-constrained environment. This raises important concerns regarding the sustainability of external debt. West African countries spend an average of 17 percent of revenue on servicing external debt (figure 13). In Nigeria, about half of revenue is used to service external debt. The increasing domestic debt burden means that the total proportion of revenue spent on servicing debt is even higher. In a country where only 6 percent of GDP is collected in revenue, the high burden of debt service is a major concern. Ghana falls into a similar category, with debt service accounting for 40 percent of revenue. The rising debt burden drove up the proportion of revenue allocated to servicing external debt by about 500 percent. This in a country once hailed as an example of a state with

FIGURE 12 External debt in West Africa, by country, 2010 and 2018



Source: African Development Bank statistics.

FIGURE 13 External debt service payments in West Africa, by country, 2010–20



Note: Data for Guinea-Bissau are not shown because of the country's extraordinary value of 520.7 percent in 2010. Data for Mali are not available.
Source: African Development Bank statistics.

a strong commitment to structural and macroeconomic reforms in the post-Heavily Indebted Poor Countries debt relief initiative period. Ghana has also succeeded politically in pursuing multiparty

democracy, a system that tends to have higher fiscal deficits and debt.¹²

The authorities in Ghana and Nigeria recognize the potential risk of rising unproductive debt

to growth and to the economy more generally. In both cases, the debt service burden is projected to decline. In Ghana, it will decline because of fiscal consolidation measures instituted in 2018. In Nigeria, it will decline as the country transitions to a new debt management strategy that shifts the cost of debt onto foreign borrowing, targeting infrastructure development to stimulate growth. The challenge is that most of the new debt is of a commercial nature, and interest costs may increase because interest rates are likely to rise. The risk of domestic debt problems remains high. In Ghana, domestic debt is estimated at 75 percent of GDP while external debt is estimated at 40 percent. Several countries have maintained a consistently low debt-servicing ratio since 2010, and in Côte d'Ivoire, Guinea-Bissau, and Togo, debt service payments have actually decreased.

For countries moving from low-income status to middle-income status (such as Nigeria), the possibility of accessing concessional debt or increasing the proportion of grants appears remote. Their strategy should therefore be to contract debt of longer maturities and favorable terms, including longer grace periods that coincide with the gestation of the projects that the debt finances. This

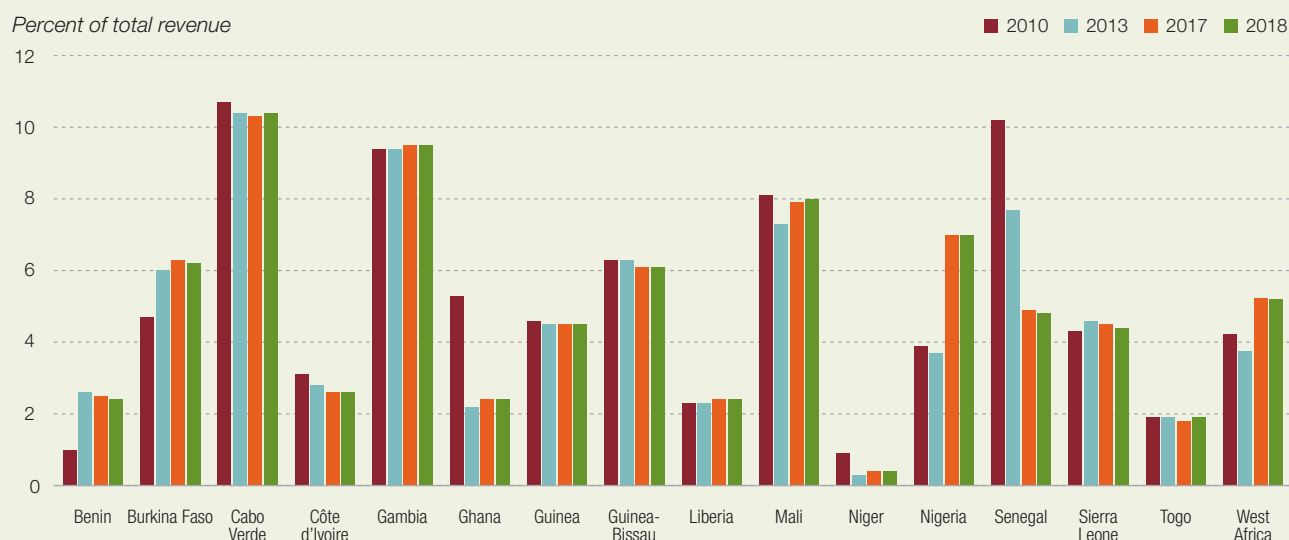
will ensure that debt is self-financing and will allow countries to avoid a debt overhang.

Based on outstanding external debt stock and the debt structure of West African countries, the region's ratio of debt service to revenue is projected to decrease to 16 percent in the medium term. The decrease is based on ongoing reform efforts to improve domestic resource mobilization, such as expanding the tax base and increasing the efficiency of tax institutions, as well as instituting new debt management initiatives, which include mapping new debt to specific projects.

UNEMPLOYMENT REMAINS A CHALLENGE

High unemployment presents an important socio-economic and policy challenge in West Africa. After declining from 4.2 percent in 2010 to 3.7 percent in 2015, the region's average rate of unemployment shot up to 5.2 percent in 2018 (figure 14). In 2018, the lowest unemployment rate was in Niger (0.4 percent) and the highest was in Cabo Verde (10.3 percent). Other countries with high unemployment rates include Gambia, Mali, and Nigeria.

FIGURE 14 Unemployment in West Africa, by country, 2010–18



Source: African Development Bank statistics.

Unemployment in West Africa reflects the economic structure and population dynamics in individual countries, many of which are dominated by the largely informal agricultural and service sectors. The informality and subsistence nature of these economies may limit countries' capacity to create gainful and productive employment opportunities. Unemployment data are deceptive because they mask high informal employment, underemployment, and youth unemployment. The data also do not reflect the long-term structural effects of informality on job creation and of high population growth. For instance, official statistics in Nigeria indicate that unemployment rose sharply during the recession of 2016 and has continued to trend upward, as the effects of the recession become more apparent. Youth unemployment is generally much higher than adult unemployment, often more than twice as high.¹³ High youth unemployment is a recipe for social discontent. Unemployed young people are vulnerable to being drafted into radical militant groups such as Boko Haram. West Africa has also seen a large number

of migrants leave to escape poverty and destitution, risking their lives crossing the Sahara Desert in search of better opportunities.

Addressing unemployment requires a holistic regional policy approach. Two promising policy approaches are supporting small enterprises and promoting labor-intensive, possibly agro-allied industries. Specific policies required to address economic challenges include supporting structural reforms, developing industry, increasing competitiveness, supporting agricultural development, building public institutions, better managing mineral resources, supporting fragile states, empowering young people through job creation, and strengthening national statistical capacity. These policies should be accompanied by strategies to strengthen human capacity, equipping people with the appropriate skills to contribute efficiently to the transformation of their economies.¹⁴ This two-pronged policy approach ensures inclusiveness and provides the basis for industry-led job creation. Regional integration is a critical element of this comprehensive policy strategy.

REGIONAL INTEGRATION AND STRUCTURAL TRANSFORMATION IN WEST AFRICA

At both the national and regional levels, West African policymakers have been struggling to achieve rapid and sustainable economic development that substantially reduces poverty, raises living standards, and ensures economies robust enough to weather external shocks. The capacity to meet this challenge depends on the extent to which economies engender structural transformation, further enhanced through regional integration.

This part analyzes the extent to which regional integration offers opportunities to foster structural transformation in West Africa.

The first section focuses on the type, scope, and depth of regional integration institutions, implementation of their activities, and the constraints they face. The role of regional integration institutions is viewed from the perspective of their capacity to deepen integration and in turn drive rapid and sustained economic growth. The second section focuses on the definition, indicators, and key features of structural transformation. It explores whether structural transformation has occurred (or is occurring) in various countries. The third section brings the analyses of the first two sections together to assess the extent to which regional integration has enhanced structural transformation. The final section presents key findings and the key challenges that need to be addressed and provides some policy recommendations.

REGIONAL INTEGRATION

ECOWAS was established on 28 May 1975, through the Treaty of Lagos, with the full

support of the United Nations Economic Commission for Africa, which also helped found other regional economic communities. From the start, the focus was to deepen integration, create a large market for goods and services, and increase the free movement of people and talent while developing supportive regional public infrastructure in key sectors (electricity, hard infrastructure, river and lake management, peace, and the environment) to promote more competitive and productive industry, driving economic transformation.

The ECOWAS regional industrialization objective had three elements: information sharing on major national industrial projects; harmonization of industrial incentives and industrial development plans; and training, joint ventures, and personnel exchange. The next major step in regional integration was in 2010: the West African Common Industrial Policy, based on the WAEMU Common Industrial Policy. The policy aims to “accelerate the industrialization of West Africa through the promotion of endogenous industrial transformation of local raw materials, development and diversification of industrial productive capacity, and strengthening

The ECOWAS Trade Liberalization Scheme eliminated trade barriers and aimed to improve trade links, facilitate free movement of certain goods, progressively eliminate customs duties and taxes, and gradually eliminate customs duties and nontariff barriers to totally liberalize trade

regional integration and export of manufactures.”¹⁵ It sets out four objectives, to be achieved by 2030:

- Raise the local raw material processing rate from 15–20 percent to an average of 30 percent.
- Increase manufacturing’s contribution to regional GDP from 6–7 percent to over 20 percent.
- Increase intra-ECOWAS trade in manufactured goods from less than 12 percent to 40 percent.
- Increase the volume of exports of goods manufactured in West Africa to the global market from 0.1 percent to 1 percent.

The policy was revised and updated in 2015 with four key focus areas:

- Reinforcing national industry policies and advancing harmonization and regional cooperation.
- Promoting regional and international market opportunities.
- Supporting industrial quality and competitiveness.
- Mobilizing resources.

The revised policy also identified four priority sectors: food and agro-industry, pharmaceuticals, construction materials, and automotive and machinery assembly.

Selecting regional integration as the vehicle to deliver growth and development in ECOWAS suggests that the inherent tradeoffs were fully understood and taken into account. Regional integration typically involves trade liberalization within the defined space and trade protection outside it. And it often involves both trade creation and trade diversion, which means that benefits and costs may not be equally distributed. In principle, appropriate compensation arrangements can address the tensions caused by these inherent features of regional integration.

This section evaluates how and the extent to which regional integration in West Africa has enhanced intra-ECOWAS trade flows. The analysis here is based on the ECOWAS Trade Liberalization Scheme (ETLS), the only instrument with adequate data for quantitative analysis.

The ETLS, instituted in 1979, did not come into effect until January 1990. It eliminated trade barriers, including taxes and levies, and aimed to improve trade links; facilitate free movement of

certain goods; progressively eliminate customs duties and taxes with equivalent effects on industrial products on a schedule that factors in countries’ different levels of development; and gradually eliminate customs duties and nontariff barriers to totally liberalize trade.

The ETLS initially focused on two groups of products:

- Unprocessed goods, including fish, plants, and minerals that have not undergone industrial transformation.
- Traditional handicraft products made with or without tools or machinery, such as wood, articles of wood, basket works, carpet mats, lace embroidery, and the like.

Industrial products were incorporated in May 1983.¹⁶ They were divided into two groups: priority and nonpriority. Countries were divided into three groups based on their level of development and capacity to meet the obligations; each group had a different timetable for eliminating tariffs on industrial products (table 4).

In 1992, ECOWAS attempted to address the difficulties encountered in implementing the ETLS:¹⁷ rules of origin, national participation in the equity capital of production enterprises, and the categorization of priority and nonpriority industrial products. The goal was to simplify the scheme to speed implementation, with a new timetable for eliminating tariffs.

Since country and product groups were created to benefit from the ETLS, intraregional trade should be strongly correlated with the liberalization schedule. Countries were expected to liberalize at different rates, so the ETLS contribution to intraregional trade performance should also vary by country.

In January 2003, the ETLS was harmonized with the WAEMU preferential tariff to facilitate the free movement of originating products of the community and simplify application of the ETLS.

The main issues considered here are how and the extent to which each country and product in the ETLS has performed relative to other countries and products and whether individual country performance has affected the growth of intraregional trade. The information should help in designing the implementation framework and the monitoring and evaluation system—especially when ECOWAS becomes a customs union.

TABLE 4 Country and product groupings and tariff elimination obligations under the ECOWAS Trade Liberalization Scheme

Group	Tariff elimination period	Annual reduction of customs duties and taxes
1. Burkina Faso, Cabo Verde, Gambia, Guinea-Bissau, Mali, Mauritania, and Niger	10 years	10 percent
2. Benin, Guinea, Liberia, Sierra Leone, and Togo	8 years	12.5 percent
3. Côte d'Ivoire, Ghana, Nigeria, and Senegal	6 years	16.6 percent

Source: ECOWAS Decision A/DEC.6/7/92.

Effects on intra-ECOWAS exports

Intra-ECOWAS trade has increased since the ETLS came into force. But export performance has not been sustained. Exports declined from \$15.3 billion in 2011 to \$9.8 billion in 2015 (table 5). The recovery to \$12 billion in 2016 was still below the 2011–15 average of \$13.1 billion. From 2014 to 2016, imports increased from \$9 billion to \$9.7 billion.

Intra-ECOWAS trade accounted for only 2.1 percent of ECOWAS exports in 1970 and 3.9 percent in 1980, when the ETLS came into force. By 2016, intra-ECOWAS trade accounted for nearly 12 percent of total ECOWAS trade (figure 15). Although an appreciable increase, it is a lower share than intra-EU trade (40.2 percent), intra-Africa trade (16 percent), and intra-Association of Southeast Asian Nations (ASEAN) trade (24 percent) in 2017.

However, the overall development masks disparities across ECOWAS member states. Côte

d'Ivoire's share of total intra-ECOWAS trade exceeded 20 percent for both exports and imports (table 6). Nigeria's share was higher for exports than for imports. Cabo Verde had the smallest share for both exports and imports.

Belonging to a free trade area was expected to promote intra-ECOWAS trade. But the large amount of unrecorded informal trade in the region makes it difficult to accurately evaluate the size and growth of intracommunity trade. Accounting for informal trade would undoubtedly modify the picture. For instance, for Benin's trade with its largest trading partner in ECOWAS, Nigeria, the ratio of informal to formal trade is estimated at about 1:1 for imports and 5.1:1 for exports.¹⁸ These statistics confirm that regional trade integration in West Africa is significantly underestimated in official trade statistics. Several factors contribute to the prevalence of informality. Time to process documentation across borders could increase informality, especially for perishable

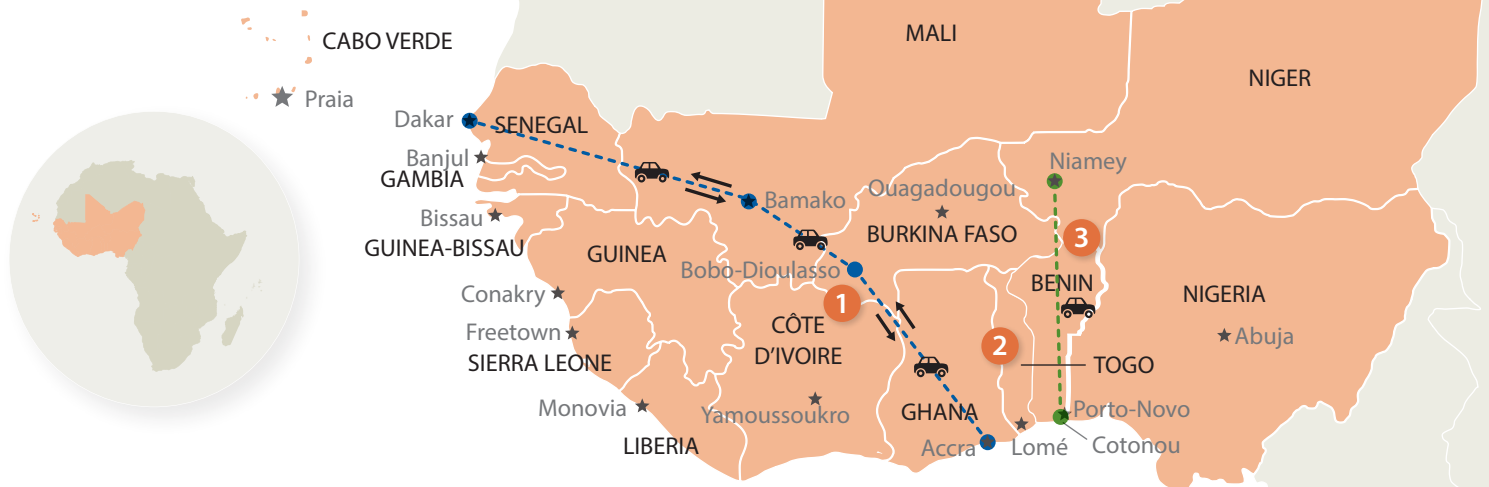
By 2016, intra-ECOWAS trade accounted for nearly 12 percent of total ECOWAS trade, but the large amount of unrecorded informal trade in the region makes it difficult to accurately evaluate the size and growth of intracommunity trade

TABLE 5 Intra-Economic Community of West African States trade, 2011–16

Flow	2011	2012	2013	2014	2015	2016
Exports (\$ billions)	15.3	13.6	14.0	12.7	9.8	12.0
Imports (\$ billions)	9.1	9.4	12.1	9.0	8.3	9.7
Total intra-ECOWAS trade (\$ billions)	24.4	23.0	26.1	21.7	18.1	21.7
Intra-ECOWAS exports (% of total exports)	10.0	8.0	11.8	9.8	13.6	11.9
Intra-ECOWAS imports (% of total imports)	8.8	12.2	13.7	9.7	10.7	11.1
Total intra-ECOWAS trade (% of total trade)	9.4	10.1	12.7	9.8	12.1	11.5

Source: ECOWAS 2017.

Moving Across WEST AFRICA



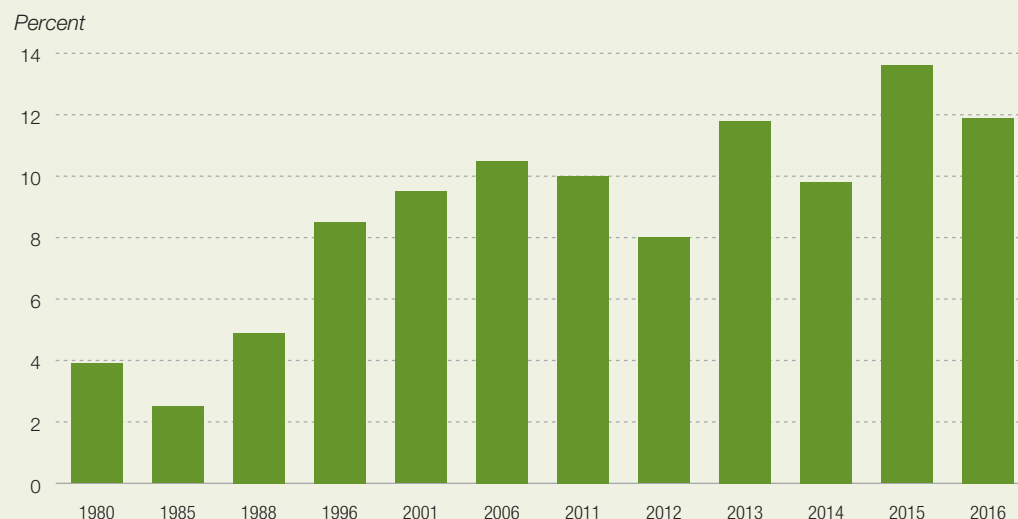
To learn about border crossings and processes for people and goods, the African Development Bank fielded a mission that traveled by air from Yaoundé to Lomé and to Ouagadougou and by road to Dakola/Paga, back to Ouagadougou, and then to Abidjan, Tamale, Tema, and finally Accra. A second mission traveled by road from Accra to Bobo Dioulassou, Bamako, Dakar, and back to Accra—and a few years earlier, from Niamey to Cotonou by road.

- **Air travel** is simple, straightforward, and hassle free using an ECOWAS member country passport or an ECOWAS travel certificate, but traveling by road yields a mixture of experiences.
- **Airport terminals** have improved markedly in West Africa, but overall, infrastructure at some land border posts is in state of disrepair.
- The procedure for the movement of goods is uniform across countries in the region.
- **Road travel** is often burdensome, with numerous checkpoints across trade corridors, which are justified on security grounds.
- **Harassment and unofficial fees** appear to be a regular feature of road travel, and not paying them could lead to deliberate delays by border officials.
- **Some clearing agents** give clients the impression that unofficial payments are official.
- **In WAEMU countries**, the approved charge per ton of excess cargo is equivalent to \$33 for locally registered trucks and \$99 for foreign registered trucks.
- **Strict enforcement** of axle load restrictions in Togo compared to option of paying fines for excess load in Ghana makes Ghanaian drivers less competitive relative to drivers operating out of Tema in Ghana.

- 1** Burkina Faso officially charges \$12 for each truck weighed in compliance with the axle load restrictions. In Côte d'Ivoire, the charge is about \$250 per truck, in lieu of weighing, but the receipt indicates a charge of \$166. Effectively, this represents \$83 per truck pocketed by the border officials.
- 2** Travelers crossing from the Togo side to the Ghana side for the first time or with a new passport pay \$16 to immigration officials and multiple unofficial payments to police, port health officials, immigration, and customs (if the traveler has luggage).
- 3** Between Niamey and Cotonou, the biggest exporter of onions from Niger had to “discharge” several bags of onions as tips to officials that are routinely factored in as cost of doing business.
- 4** Between Paga and Tema, police sometimes charge an “escort” fee for nighttime travel, which if unpaid means waiting until daybreak. A truck driver could part with as much as \$120 in unofficial payments to avoid incurring additional costs due to the delay.
- 5** Between Accra and Lagos (460 km), a fruit juice exporter incurs “additional costs” of up to 30 percent of the product value. Transnational exporters such as Nestlé and Unilever revealed that the problems they incur in transporting raw materials sourced from West Africa reduces their competitiveness.



FIGURE 15 Share of intra-Economic Community of West African States exports in total ECOWAS exports, 1980–2016



Source: ECOWAS 2017.

TABLE 6 Share of total intra-Economic Community of West African States trade, by country, 2011–16 (%)

Country	Exports	Imports
Benin	1.2	4.5
Burkina Faso	2.2	8.3
Cabo Verde	0.0	0.2
Côte d'Ivoire	26.4	27.1
Gambia	0.7	1.2
Ghana	16.5	7.8
Guinea	2.0	1.1
Guinea-Bissau	0.2	0.2
Liberia	0.3	3.8
Mali	2.9	15.3
Niger	2.6	3.5
Nigeria	32.5	9.8
Senegal	7.7	8.4
Sierra Leone	0.2	6.8
Togo	4.6	2.1
Total	100.0	100.0

Source: ECOWAS 2017.

products. Nontariff measures, such as compliance costs (sanitary and phytosanitary measures) also increase informality. Thus, the imbalance created by tariff and nontariff barriers leans in favor of informal border trade, with adverse implications for formal trade among member states.

Effects on products

Because goods traded within ECOWAS must originate in member states, products and the companies producing them are required to register under the ETLS. From 1988 to 2018, 6,212 industrial products were registered. Registration started slowly, with only 140 products from 1988 to 1992, then increased to 1,597 products from 1998 to 2002, decreased from 2003 to 2012, and picked up again from 2013 to 2018, indicating renewed interest by local producers (table 7). Nigeria had the most products registered over three decades, followed by Ghana, Côte d'Ivoire, and Senegal.

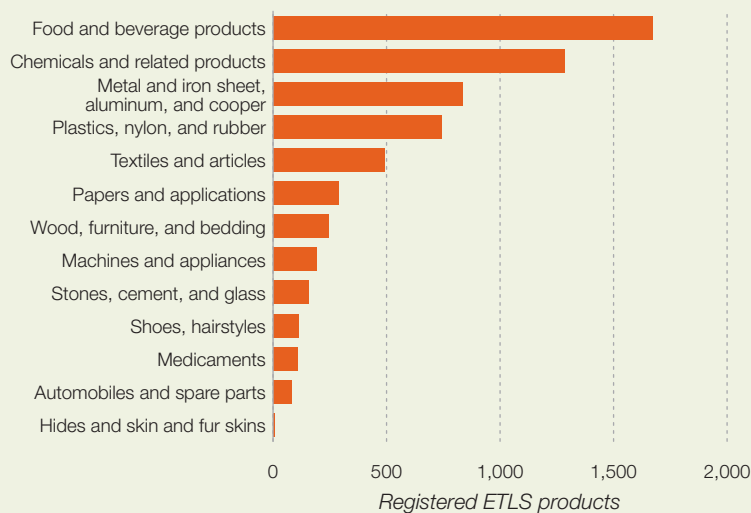
Changes in registered products may indicate attrition and re-entry of producers as market conditions shift. Over 1988–2018, food and beverage products accounted for the largest number of registered products, followed by chemicals and related products and metal and iron sheet, aluminum, and copper; the hides and skins and fur

TABLE 7 Number of industrial products registered under the ECOWAS Trade Liberalization Scheme, by country, 1988–2018

Country	1988–92	1993–97	1998–2002	2003–07	2008–12	2013–18	Total
Benin	9	28	38	68	38	73	254
Burkina Faso	2	0	0	4	9	3	18
Cabo Verde	2	1	0	0	3	7	13
Côte d'Ivoire	0	0	536	218	112	284	1,150
Gambia	0	0	0	5	16	16	37
Ghana	37	25	367	274	264	306	1,273
Guinea	0	3	3	61	12	41	120
Guinea-Bissau	0	0	0	0	0	5	5
Liberia	0	0	0	0	0	19	19
Mali	3	0	0	0	4	122	129
Niger	3	0	0	7	3	2	15
Nigeria	66	145	481	362	305	680	2,039
Senegal	16	5	110	250	243	284	908
Sierra Leone	2	0	2	0	0	54	58
Togo	0	18	60	5	51	40	174
Total	140	225	1,597	1,254	1,060	1,936	6,212

Source: ECOWAS 2017.

FIGURE 16 Number of industrial products registered under the ECOWAS Trade Liberalization Scheme, by sector, 1988–2018



Source: ECOWAS 2018.

skins sector had the fewest registered products (figure 16). The distribution of registered products by sector mimics the concentration of intra-ECOWAS trade in which food and beverage products account for a sizable share.

Between 1988 and 2008, 2,208 enterprises were registered in ECOWAS. Nigeria had the most (799), followed by Ghana (560), Senegal (301) and Côte d'Ivoire (289). As with registered products, the number of registered enterprises also varied from year to year, supporting the conjecture of enterprise attrition (see table A1 in the annex).

STRUCTURAL TRANSFORMATION

The consensus in the literature is that economic growth in both developed and emerging economies has followed a similar pattern, triggered by enhanced labor productivity in agriculture. This in turn has made it possible for labor and capital to move increasingly into manufacturing and

services. The shift into manufacturing, where labor productivity is generally higher, has increased productivity and sustained higher output and incomes.

Definition and characterization

Structural transformation is the reallocation of labor and other resources across sectors that sets economic growth in motion, and it has both static and dynamic components. The static component emanates from the increase in economy-wide productivity as more workers are employed in higher productivity sectors. The dynamic gain component is realized over time as an increasing share of the labor force accumulates the benefits of upgraded skills and other positive externalities that accrue from access to better technologies. An economy undergoing productive structural transformation can reap both static and dynamic gains as the process generates productivity growth both within sectors and through shifts of labor from lower to higher productivity sectors.

The potential static and dynamic gains, as well as their distribution in terms of within-sector and between-sector productivity increases, depend on the extent of the productivity differentials across sectors and on the sectors' employment creation capacities. More specifically, economic activities and broad sectors differ with respect to their capacity to absorb workers and generate labor productivity. In general, structural transformation and its benefits have been associated with manufacturing because the sector has demonstrated the capacity to generate high productivity and absorb large numbers of workers.

This association has been tested by the hypothesis that manufacturing is an engine of economic growth, based on the following stylized facts:

- The faster the growth of manufactured output, the faster the growth of labor productivity and aggregate labor productivity.
- The faster the growth of manufacturing output the faster the growth of GDP.

These stylized facts draw on the idea that manufacturing has some special characteristics that make the sector particularly relevant for promoting a beneficial and productive structural transformation. One of these characteristics is that manufacturing generates static and dynamic increasing

returns to scale through which large production scales reduce firm costs, promote specialization, and enhance production efficiency. Manufacturing focuses on technological progress and enjoys the most forward, backward, and horizontal links to the rest of the economy. Manufacturing has higher income elasticity of demand than other sectors. And formal manufacturing exhibits unconditional convergence and can thus thrive regardless of the quality of domestic policies, institutions, and other aspects of the economic context.¹⁹

Differences in structural transformation between Africa and other regions

A large and rapidly growing literature on structural transformation suggests that its occurrence, pattern, and effects in Africa may differ from those in other regions. Africa has lagged behind in the shift from agriculture. In 1950, agriculture's share in GDP was only 16 percent in advanced countries, 29 percent in Latin America, 43 percent in Africa, and 49 percent in Asia (table 8). Advanced countries were the most industrialized (29 percent of GDP from manufacturing), followed by Latin America (15 percent), Africa (11 percent), and Asia (10 percent). By 1960, manufacturing's contribution had peaked at 30 percent in advanced countries, and Asia had nearly caught up with Latin America. But in Africa, manufacturing's share had decreased to 8 percent. By 1980, manufacturing's share in Africa had recovered, but it had decreased again in 2005, to 10 percent, while peaking in Asia (at 22 percent) and Latin America (at 20 percent). The decline in manufacturing's share of GDP in Africa has become known as the continent's era of deindustrialization.²⁰

Several studies have suggested that Africa's structural transformation has been less productive than that of other regions. "African economies do not appear to be following the experience of East Asian countries in their historical patterns of structural change."²¹ Africa has experienced a shift in labor largely toward services, which are less productive than manufacturing. And Africa's manufacturing sector is dominated by a cluster of informal, small firms that are generally less productive than formal organized firms.

But "recent patterns of employment shares in Africa appear to fit the stylized facts of the

Africa has lagged behind in the shift from agriculture, and its structural transformation has been less productive than that of other regions because it is fueled largely by an expansion in services rather than manufacturing



TABLE 8 Structure of production (*gross value added*), by region 1950–2005 (% of GDP)

Sector	Africa	Asia	Latin America	Advanced countries
1950				
Agriculture	43	49	29	16
Industry ^a	22	14	25	40
Manufacturing	11	10	15	29
Services	34	36	46	45
1960				
Agriculture	42	37	23	12
Industry ^a	21	22	23	12
Manufacturing	8	15	17	30
Services	37	41	48	47
1980				
Agriculture	29	23	16	4
Industry ^a	28	33	32	33
Manufacturing	12	22	20	20
Services	43	44	51	57
2005				
Agriculture	28	14	10	2
Industry ^a	27	33	31	26
Manufacturing	10	22	15	14
Services	45	53	59	68

a. Mining, manufacturing, construction, and utilities.

Note: Percentages may not sum to 100 because of rounding.

Source: Szirmai and Verspagen 2011, table 1.

historical development in other regions.”²² In other words, given Africa’s current income, “the quantitative pattern of employment shares in Africa is roughly what has happened elsewhere.” In addition, “African countries seem to be by-passing the industrialization stage” of structural transformation.²³ Africa’s structural transformation has not been as productive as that of East Asia because it is fueled largely by an expansion in services rather than manufacturing. Nonetheless, productivity improvements in agriculture have been accompanied by declines in the share of agricultural employment and increases in income and demand for locally produced manufactured products.²⁴ This seems consistent with the experience of industrialized countries.²⁵

Because of data gaps, the findings above are based on a limited number of countries, three of them (Ghana, Nigeria, and Senegal) in West

Africa. “Given the varied patterns and trends in structural change across African countries... it is difficult to speak of structural change from a single, continent-wide perspective.”²⁶ So the analysis below examines several key features of structural transformation and their impact based on the experiences of West African countries with readily available comparable data.

Typically, the first indication of structural transformation is a decline in agriculture’s share of employment and GDP. In both cases, the decline is associated with GDP growth as labor’s shift from low-productivity agriculture to more productive economic sectors, especially manufacturing, boosts overall productivity and enhances economic competitiveness.

From 2000 to 2015, agriculture’s average share of employment across West Africa fell from 58.7 percent to 52.3 percent, industry’s average

share rose from 10.3 percent to 12.5 percent, and services' average share rose from 30.8 percent to 35.2 percent (table 9). Thus, labor shifted away from agriculture marginally, by 6.4 percentage points, increasing industry's share by 2.2 percentage points and services' share by 4.4 percentage points. At the regional level, the shift was not particularly large for a 16 year period, and two-thirds of the shift was captured by the service sector, whose productivity may not be much higher than agriculture's. But the simple regional average hides differences across countries in both population and GDP.

Countries whose agricultural share of employment is above the regional average likely have not started their structural transformation. In 2000, they included Burkina Faso, Cabo Verde, Guinea, Guinea-Bissau, Niger, and Sierra Leone. In 2015, they included Cabo Verde, Guinea, Guinea-Bissau, Mali, Niger, Senegal, and Sierra Leone. Mali and Senegal were below the average in 2000 but above it in 2015. In Mali, the emergence of agriculture as an important contributor to employment

reflects government's input subsidy reform and other initiatives aimed at improving food security in the wake of the 2008 food crisis. In 2009, the government adopted a national agricultural investment program to maintain high cereal yields in the short term and diversify agricultural exports in the long term.

In Burkina Faso, reforms in the cotton sector helped transform the industry in the 1990s. In the 1980s, the sector was characterized by strong government intervention, and political interests appropriated the profits generated by the state-owned enterprise Sofitex. Reforms in the early 1990s markedly improved cotton production and increased export earnings. They also had a large effect on household income, which grew 19–43 percent, and on poverty, which declined from 62 percent to 47 percent. Burkina Faso is now the largest cotton producer in West Africa, with output of about 300,000 metric tons, one and a half times the 2010 level. But yields for the region as a whole have remained stagnant, despite the improvements in Burkina Faso and Mali.

In 2015, agriculture's share in employment was above the regional average in Cabo Verde, Guinea, Guinea-Bissau, Mali, Niger, Senegal, and Sierra Leone, meaning that they likely have not started their structural transformation

TABLE 9 Sectoral share of employment in West Africa, by country, 2000 and 2015 (%)

Country	Agriculture		Industry		Services	
	2000	2015	2000	2015	2000	2015
Benin	48.3	41.8	12.7	18.2	39.0	40.0
Burkina Faso	85.7	29.4	4.0	32.0	10.3	38.5
Cabo Verde	76.2	68.7	7.0	7.0	16.8	24.4
Côte d'Ivoire	50.2	50.0	6.6	5.6	43.3	44.4
Gambia	33.2	28.4	15.0	15.5	51.9	56.1
Ghana	50.3	42.5	15.8	14.0	34.0	43.5
Guinea	70.9	68.0	5.7	5.8	23.4	26.3
Guinea-Bissau	84.7	83.7	6.9	7.1	8.5	9.3
Liberia	49.7	43.4	7.9	11.9	42.4	44.7
Mali	45.7	62.3	16.0	8.3	38.4	29.5
Niger	77.1	76.1	6.8	7.5	13.2	16.5
Nigeria	57.3	36.4	9.1	11.8	33.6	51.8
Senegal	44.4	54.0	16.6	20.0	39.0	26.0
Sierra Leone	66.4	60.9	5.7	6.2	27.9	33.0
Togo	41.0	39.4	18.1	17.3	40.9	43.3
Average	58.8	52.3	10.4	12.5	30.8	35.2

Source: African Development Bank statistics.

From 2000 to 2015, agriculture's average share in GDP across West Africa decreased from 34.2 percent to 32.1 percent, or 2.1 percentage points

From 2000 to 2015, agriculture's average share in GDP across West Africa decreased from 34.2 percent to 32.1 percent, or 2.1 percentage points (table 10). This reflects the limited labor shift from agriculture. It may also be due to a lack of agricultural labor productivity, irrespective of sectoral labor shifts.

Changes at the country level are much greater in some cases. All countries except Burkina Faso, Guinea-Bissau, Mali, and Sierra Leone saw agriculture's share of GDP decline from 2000 to 2015, with the shift benefiting mainly the service sector (see table 10). Only Cabo Verde, Côte d'Ivoire, Gambia, Liberia, and Niger saw industry's share markedly increase. According to estimates on labor productivity, 3.5 percent of workers in Côte d'Ivoire moved from agriculture to services, generating average productivity in services 3.2 times the level in agriculture.²⁷ Similarly, in industry, which employed just 6 percent of the workforce but accounted for 27.2 percent of output in 2000, productivity gains were even faster. By 2015, industry's share of GDP was 28.9 percent.

But in general, West African countries have not experienced structural transformation, and minimal dynamic gains have been made because the associated labor shift has benefited the service sector rather than the industrial sector more generally, and the manufacturing sector in particular.

IMPLICATIONS OF REGIONAL INTEGRATION FOR STRUCTURAL TRANSFORMATION

Addressing whether and the extent to which regional integration affects structural transformation requires identifying both the static and dynamic components of regional integration. Regional integration can generate allocation effects, which are essentially static in the sense that they reallocate goods produced by given production patterns.²⁸ These effects are reflected in changes in trade and trade ratios. In addition, regional integration can generate dynamic

TABLE 10 Sectoral share of GDP in West Africa, by country, 2000 and 2015 (%)

Country	Agriculture		Industry		Services	
	2000	2015	2000	2015	2000	2015
Benin	25.8	23.1	31.8	25.0	42.4	51.9
Burkina Faso	32.8	33.8	21.5	21.2	45.7	45.1
Cabo Verde	14.3	10.0	17.0	20.7	68.8	59.3
Côte d'Ivoire	27.2	25.5	23.4	28.9	49.5	45.6
Gambia	23.9	21.8	14.4	15.8	61.7	62.3
Ghana	39.4	21.2	28.3	26.2	32.2	52.5
Guinea	22.4	20.5	33.5	29.2	44.2	50.4
Guinea-Bissau	43.4	49.4	14.7	13.2	41.9	37.4
Liberia	78.4	68.2	5.4	11.6	16.2	20.3
Mali	35.3	40.4	24.0	19.8	40.6	39.8
Niger	39.1	39.0	13.3	19.5	47.6	41.4
Nigeria	26.0	20.9	52.2	20.4	21.8	58.8
Senegal	19.1	17.5	23.2	23.4	57.6	59.2
Sierra Leone	48.2	61.3	8.4	4.8	43.3	33.9
Togo	37.6	29.1	19.6	18.6	42.7	52.4
Average	34.2	32.1	22.1	19.9	43.8	47.4

Source: African Development Bank statistics.

accumulation and location effects, which can alter the economy's structural patterns and steady-state growth path, especially when they enhance knowledge and human capital accumulation and mobilize long-term savings to increase investment. These dynamic effects enable regional integration to serve as a tool for structural transformation. While dynamic effects have considerable potential, their realization depends on both the design of regional integration and the supporting policy measures, such as the tariff structure and industrial policy.²⁹

Assessing regional integration effects for structural transformation

A large body of theoretical and empirical research suggests that regional integration can enhance member countries' economic growth and structural transformation. Trade and foreign direct investment promote growth, and regional integration tends to increase trade and foreign direct investment.³⁰ Therefore, regional integration may have a positive impact on economic growth through the effects of increased trade and investment. Along the same lines, small economies grow faster when they form regional trade agreements with large and more developed economies.³¹ There is likely a positive relationship between economic integration and growth because integration enhances trade.³² Trade enhancement in turn leads to economic growth. Specifically, more liberalization among the member countries of a regional economic community can increase total trade, which in turn promotes growth, though liberalization could also lead to trade diversion, thereby reducing the overall volume of trade and implying that liberalization induces less efficient trade.

So although there is clear evidence of a positive relationship between growth and trade in cross-country studies, the "existence of a causal link is under debate, implying that there is no general agreement on the economic policies oriented to trade openness."³³ Despite this, the literature suggests that special features of countries may increase the chances of a growth-enhancing regional integration scheme. For example, regional integration in West Africa can bring about structural transformation and economic growth

because without regional integration, the region's many low-income small and fragmented economies cannot take advantage of scale in production, which could stimulate economic growth.³⁴

The importance of regional integration in fostering economic growth should be reflected in the ability of trade to engender structural transformation for countries in a trade bloc. This provides the context for examining the theoretical links between regional integration and structural transformation. The specific questions that can be addressed include:

- Does regional integration enhance structural transformation in the economies of participating member countries?
- What are the primary channels through which regional integration affects structural transformation?

Empirical analysis of intraregional trade on sectoral value added

Empirically evaluating the latent theoretical links between regional integration and structural transformation in West Africa requires selecting appropriate indicator variables of both regional integration and structural transformation. The dependent variables, capturing structural transformation, consist of shares of value added for the main economic sectors in total (GDP) value added: agriculture (AGVA), industry in general (INVA), manufacturing as a subsector of industry (MAVA), and services (SEVA). The independent variables are two indicators of regional integration: the intraregional import trade index (IRITI) and the intraregional export trade index (IRETI). Both are valid indicators of the extent of regional integration in West Africa and could be collapsed into one aggregate intraregional trade index, but the reason for keeping them separate is explained later. The sample size is all 15 countries in West Africa, aggregated for 2000–15. All variables are in natural logarithms, and data were gleaned from various secondary sources, including the ECOWAS Commission, the United Nations Conference on Trade and Development, and the World Bank.

Three sets of regression results were obtained using simple ordinary least squares to illustrate the possible effect of structural transformation on

The importance of regional integration in fostering economic growth should be reflected in the ability of trade to engender structural transformation for countries in a trade bloc



Increasing the intraregional export trade index may enhance structural transformation by reducing agriculture's share of GDP

trade: one using only the intraregional import trade index as an explanatory variable, one using only the intraregional export trade index, and one using both indices. More rigorous alternative estimation methods—that instrument the independent variable with, say, an indicator of trade liberalization—may reveal a more nuanced relationship between structural transformation and trade. Indeed, dislocations from agriculture to less productive services, triggered by an influx of cheap imports of agriculture products, may not engender agricultural structural transformation. Facing this and other caveats, the results are only illustrative and should be interpreted with care.

Only the intraregional export trade index has a negative and statistically significant coefficient on agriculture value added in both regressions 2

and 3 (table 11). This implies that increasing the intraregional export trade index may enhance structural transformation by reducing agriculture's share of GDP. Indeed, agricultural countries trade less internally within the region, perhaps because there is less exporting complementarity due to similarity of products. The impact of the intraregional import trade index on agriculture's share of GDP is not statistically significant. But the intraregional export trade index has a positive and statistically significant effect on services' share of GDP, which supports the earlier analysis that participating in regional integration has stimulated growth in services. The effects of the intraregional export trade index on industry (as a whole) and manufacturing value added are not statistically significant, and the intraregional

TABLE 11 Regression results on the impact of regional integration on structural transformation

Variable	Regression 1	Regression 2	Regression 3
<i>Dependent variable: AGVA</i>			
Constant	30.29*** (0.93)	32.86*** (0.76)	31.92*** (0.99)
IRITI	0.02 (0.06)		0.08 (0.05)
IRETI		-0.11*** (0.04)	-0.13*** (0.04)
R-squared	0.34	0.03	0.16
<i>Dependent variable: INVA</i>			
Constant	22.45*** (1.07)	21.52*** (0.95)	22.10*** (1.24)
IRITI	-0.04 (0.07)		-0.05 (0.07)
IRETI		0.02 (0.05)	0.03 (0.05)
R-squared	0.002	0.010	0.000
<i>Dependent variable: MAVA</i>			
Constant	11.32*** (0.55)	11.18*** (0.48)	11.20*** (0.64)
IRITI	0.003 (0.03)		-0.002 (0.04)
IRETI		0.01 (0.02)	0.01 (0.03)
R-squared	0.07	0.01	0.02
<i>Dependent variable: SEVA</i>			
Constant	47.35*** (1.08)	45.75*** (0.92)	46.17*** (1.21)
IRITI	0.01 (0.07)		-0.04 (0.07)
IRETI		0.09** (0.05)	0.09** (0.05)
R-squared	0.535	0.070	0.212

*** Significant at the 1 percent level; ** significant at the 5 percent level.

Note: Numbers in parentheses are standard errors.

Source: West Africa Economic Outlook team calculations.

import trade index has no significant impact on any sector.

The differing results for the intraregional import trade index and the intraregional export trade index are consistent with the literature on the productivity of exporting firms, which shows a well-established positive association between exporting and firm productivity.³⁵ Empirical evidence shows that exporters are more productive than nonexporters and that future exporters are more productive than future nonexporters before they enter export market.³⁶ In other words, exporting firms are superior performers before and after they enter the export market. Export participation can be particularly important for productivity growth.³⁷ This may be why the coefficient on the intraregional export trade index is negative and statistically significant in the regression for agriculture value added, which suggests that as firms or countries enter the export market, they learn to compete and are more likely to shift away from less productive sectors such as agriculture to more productive ones such as manufacturing. This process engenders structural transformation in the economy.

Effects of the ECOWAS Trade Liberalization Scheme on direct investment

Foreign direct investment is a catalyst to structural transformation, benefiting from the provisions of the ETLs, as long as foreign investors do not engage in “tariff jumping.” The ETLs attract foreign investment from within and outside the region as a result of market enlargement (particularly for “lumpy” investment that might only be viable above a certain size) and production rationalization (reduced distortion and lower marginal cost in production).

ECOWAS has enhanced the profile of West African countries, mitigating risk, guarding institutions, and protecting private property, all of which may have contributed to foreign direct investment flows into the region. Foreign direct investment increased more than sixfold, from an average of \$2.1 billion in 1995–2000 to \$12.7 billion during 2006–15. Nigeria was the largest recipient of foreign direct investment flows to the region, accounting for about 60 percent, followed by Ghana, with 12 percent. During 2006–15,

intra-ECOWAS foreign direct investment was about \$335 million. In addition to being the largest recipient of foreign direct investment in ECOWAS, Nigeria was also the largest intra-ECOWAS investor; it invested in nine ECOWAS member states: Benin, Burkina Faso, Côte d’Ivoire, Gambia, Ghana, Liberia, Niger, Senegal, and Togo. It is unclear whether the investments were induced by the ETLs.

Regional integration and value chain development

Deeper regional integration could trigger value chain development and engender sustainable industrialization through productivity-driven competitiveness. Regional value chains thus precede entry of local firms into global value chains. Given the low level of intraindustry trade and productive capacity in West Africa, participation in regional value chains can drive integration of indigenous firms into a regionwide logistical system. Nigeria’s large economy and consumer market present an opportunity for the country to be a growth pole for smaller peripheral countries. Côte d’Ivoire, Ghana, and Senegal are also promising potential growth poles because of their high economic growth and rising middle class.

Despite the immense potential for regional value chain development, West African countries tend to be biased toward advanced economies, notwithstanding the restrictive regulations on exports to these markets. Indeed, more than 70 percent of West African goods for further exportation are directed to Europe and North America.³⁸ ECOWAS member countries tend to be located more upstream in global value chains as suppliers of primary inputs without significant value addition to penetrate export markets (figure 17).

Smaller economies appear to be more globally integrated than larger ones. Gambia, Togo, and Benin have the highest global value chain participation index values, while Burkina Faso, Nigeria, and Mali have the lowest (see figure 17). Large economies may have lower foreign value index values because they can source more intermediate inputs domestically than smaller economies can.³⁹ This implies that they are characterized by a larger share of domestic value chains.

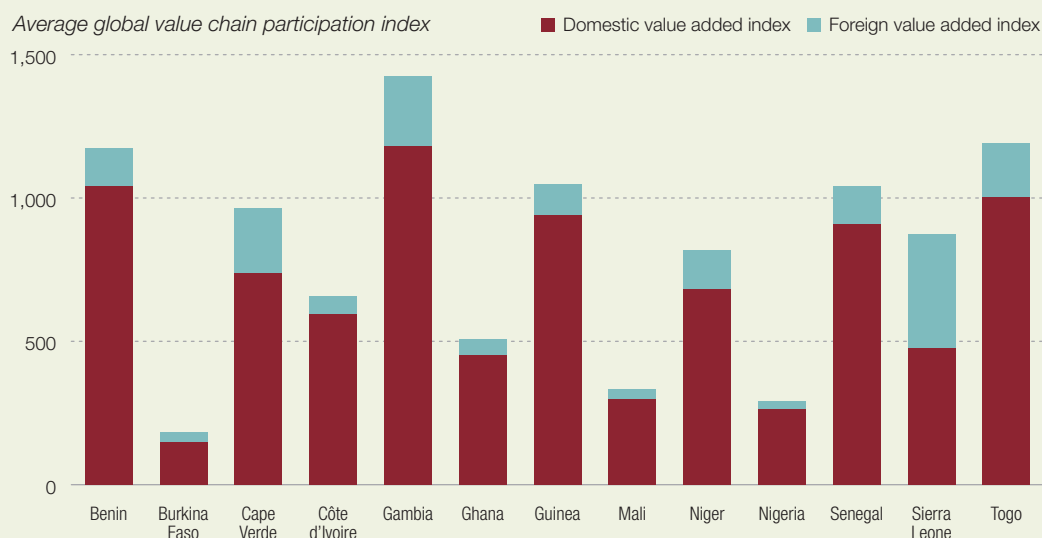
Lower integration into global value chains may be also be due to the negative impact of

ECOWAS has enhanced the profile of West African countries, mitigating risk, guarding institutions, and protecting private property, all of which may have contributed to foreign direct investment flows into the region



Exports of unprocessed products constitute a sizable share of regional trade, implying that countries have not fully exploited the ETLS to deepen regional trade enough to develop regional value chains

FIGURE 17 Global value chain participation in West Africa, by country, 2010–17



Note: Data for Guinea-Bissau and Liberia are not available.

Source: UNCTAD-Eora Global Value Chain Database and UN Comtrade database.

intermediate tariffs. Exports of unprocessed products constitute a sizable share of regional trade, implying that countries have not fully exploited the ETLS to deepen regional trade enough to develop regional value chains. A regional value chain approach can help minimize the impact of external shocks on the region. Box 1 shows the interplay among politics, regional trade, and value chain development in West Africa's cement industry.

ECOWAS has yet to completely harmonize tariffs, and some countries, such as Benin and Nigeria, charge the highest tariffs on intermediate goods from third-party countries. Benin and Nigeria have also been involved in a trade spat over rice smuggling, with Nigeria accusing Benin of being the conduit for cheap imported rice smuggled into the country. As noted earlier, informal trade between the two countries is among the highest in the region.

KEY FINDINGS, CHALLENGES, AND RECOMMENDATIONS

The primary policy instrument in West Africa's regional integration is the ETLS, which came into

force in 1990 on agricultural products and handicrafts and was extended to industrial products in 1990. Intra-ECOWAS exports as a proportion of total ECOWAS exports increased from 2.1 percent in 1970 to 3.9 percent in 1980 to 11.9 percent in 2017—still below intra-Africa trade (16 percent) and intra-ASEAN trade (24 percent).

The analysis of the limited impact of regional integration on the expansion and structure of intra-ECOWAS trade may be undermined by the high prevalence and perverse effect of informal trade. The ratio of informal to formal trade is about 5.1:1 between Benin and Nigeria and 2:1 between Benin and Togo, implying high informality that leads to a substantial underestimate of the volume of trade.⁴⁰ Formal intraregional trade flows are low for three additional reasons. First, trade complementarity between West African countries is generally low. Second, the revealed comparative advantage of foreign countries in the products imported into West Africa is generally higher than that of West African countries. Third, trade costs are higher within West Africa than outside the region. These factors contribute greatly to the limited competitiveness of local West African products. Weak institutional and physical infrastructure

BOX 1 Regional value chain development in West Africa's cement industry

A key objective of the West African Common Industrial Policy is to promote regional value chains as a pragmatic stepping stone for West Africa to more sustainably link to global value chains.¹ Regional market integration and value chain development are critical precursors to economic transformation and create opportunities for integration into global value chains. West Africa is endowed with a variety of base and industrial metals and minerals, but the mining sector is only partially developed in a few countries, and trade is especially low.

Cement manufacturing is important in the region's overall industrialization strategy because it adds value to low-value minerals, transforms the construction sector, and increases employment. With infrastructure development gaining traction in many countries, the construction sector has emerged as an important consumer of cement. By June 2017, West Africa had \$98.3 billion worth of construction projects, a third of Africa's total. Nigeria alone had \$69.1 billion.

The regional cement production market is generally very dynamic, with leading companies located in countries with ready raw materials. Despite well-intended industrialization policies and the increased investment in the industry, regional trade has been undermined by national and political interests that limit imports. This often happens because of pressure on government from major industry players, creating a tension between trade dynamics on the one hand and company strategies and the political pressure that the companies exert on the other. As a result, the cement sector has remained uncompetitive, with prices nearly three times the world average and higher than would otherwise be the case. While governments alone may not be able to address these challenges, ECOWAS should aggressively encourage ETLs implementation through multistakeholder dialogue that includes sector operators. This will help reduce transaction costs and enhance cement trade across the region.

Note

1. Weigert 2016.

Source: Adapted from Byiers et al. 2017.

In general, West African countries have not experienced much structural transformation, have enjoyed few dynamic gains from the associated labor shift, and have seen mixed results in the contribution of services and manufacturing to overall economic growth

also drive up costs, undercutting the competitiveness of products from within the region. Nontariff barriers and outright import bans—especially by large dominant economies, such as Nigeria—also limit the intensity of intraregional trade.

At the regional level, the standard indicators of structural transformation suggest that West African economies have not experienced economic growth-enhancing structural change over the past two decades. In particular, while labor shifted away from agriculture, industry's share of employment increased by 2.2 percentage points, and services' share by 4.4 percentage points. In effect, much of the labor reallocation was captured by the service sector, whose productivity is not much higher than agriculture's. Burkina Faso, Cabo Verde, Guinea, Guinea-Bissau, Niger, and Sierra Leone had not begun structural transformation in 2000, and in

2015, the pattern had not changed much, as agriculture's share of employment was still increasing.

In general, West African countries have not experienced much structural transformation, have enjoyed few dynamic gains from the associated labor shift (which has instead benefited the service sector rather than the higher productivity manufacturing sector), and have seen mixed results in the contribution of services and manufacturing to overall economic growth.

Finally, a rising intraregional export trade index enhances structural transformation by reducing agriculture's share of GDP and increasing services' share.

Challenges

Several challenges must be addressed to engender structural transformation that enhances



Policymakers should focus on building productive capacities, particularly for goods and services for which trade complementarity can be enhanced over the short to medium term

growth, creates jobs, and tackles poverty and other social ills in West Africa.

The first challenge is to increase the share of intraregional exports in total exports, which should enhance structural transformation. The usual explanations for the low share include ineffective implementation of the ETLs (due to lack of political will) and inadequate trade facilitation (coupled with low-quality infrastructure). But the most critical constraint is low trade complementarity. High trade complementarity among countries in a regional integration scheme is a requirement for success. In West Africa, the products that countries export do not match their neighbors' import needs. The revealed comparative advantage of imports into West Africa tends to be higher for products from countries outside the region than for products from within the region. Similarly, trade costs tend to be higher in the region than outside it. These factors all limit the competitiveness of local West African products within the region and externally.

The second challenge is to expand structural transformation beyond the service sector to the manufacturing sector. This requires further analysis of what prevents agricultural labor from being productively absorbed into manufacturing activities instead of the largely informal service sector into which it is generally drawn.

The third challenge is to strengthen the primary links between regional integration and structural transformation by developing a dynamic industrial base with manufactured exports. The apparent inability to articulate and implement a regional industrial policy that reflects the needs of all West African countries has held back transformation, even in the most dynamic economies such as Ghana and Senegal. The challenge is compounded by the ambiguity of the relationship between the West African Common Industrial Policy and national industrial policies. It is difficult to address the possible risks of a regional industrialization policy such as conflicts with national policies, the inequitable sharing of associated costs and benefits, and the unfair use of intraregional compensation funds.

Recommendations

Raising intraregional trade must begin from the understanding that trade flows represent output

of productive capacity. Trade agreements typically assume that the countries involved have adequate capacity to produce the goods and services needed for both domestic production and exchange with other countries. Such agreements also assume that trade complementarity exists, at a reasonable level, between the countries involved. Neither of these assumptions appears to have been satisfied in West Africa.

Policymakers should thus focus on building productive capacities, particularly for goods and services for which trade complementarity can be enhanced over the short to medium term. The relevant policies fall under the broad title of industrial policy but need to cover all sectors—agriculture, industry, manufacturing, and services—because endowments and comparative advantages differ across countries as well as within larger countries. And national and regional policies must be consistent. Protectionist measures, including outright import bans, are counterproductive and a disincentive to competitive regional trade. They also perpetuate informal trade, with obvious implications for domestic revenue.

While most of the research literature suggests that manufacturing is the engine of growth, in Africa, services may serve the same purpose, provided that the sector evolves from informal into more formal structures. But this does not preclude the importance of manufacturing as an anchor for transformation and industrialization in West Africa, which would benefit by exploiting complementarities between coastal countries and landlocked economies, with coastal countries serving as industrial growth poles and transport corridors to service landlocked countries. Regional industrial clusters or economic zones, supported by properly designed and interlinked transport and power networks, could trigger transformation. For example, regional staple crop processing zones could help countries meet the region's food and agriculture needs. Nigeria is self-sufficient in cassava, while Gambia and Senegal are leading producers of groundnuts. Burkina Faso and Mali can be hubs for cotton and cotton seed production.

Even when a regional integration scheme performs as expected, the costs and benefits are unlikely to be distributed evenly across all participating countries in the short, medium, and long

term. So specific arrangements are often made to ensure that “losers” are compensated. It is not enough to rely on political will to ensure that countries implement their obligations. Compliance is more likely when every country is satisfied that the costs and benefits are evenly distributed.

As regional and continental integration activities gain momentum, their impacts on West Africa cannot be underestimated. Full implementation of the ECOWAS Common External Tariff and ratification and implementation of the African Continental

Free Trade Area (CFTA) are expected to strengthen regional integration and promote sustainable and inclusive development. Nigeria, as the largest economy in West Africa and Africa as a whole, should accelerate its consultations with key stakeholders, the outcome of which will guide its membership in the CFTA.⁴¹ The dictates of the CFTA are fully consistent with the founding principles of ECOWAS and thus very relevant; but without Nigeria’s leadership, regional integration in ECOWAS and at the continental level would be a pipe dream.

NOTES

1. Senegal National Statistics and Demography Agency; Fall 2018.
2. African Development Bank 2018.
3. African Development Bank 2011.
4. See, for example, Fosu (1990).
5. Zahanogo 2016.
6. African Development Bank 2018.
7. See Brautigam, Xiaoyang, and Xia (2018) for an analysis of Chinese investment in Africa.
8. Benin, Burkina Faso, Côte d'Ivoire, Guinea-Bissau, Mali, Niger, Senegal, and Togo.
9. The Liberian dollar is pegged to the US dollar. Six non-WAEMU countries (Gambia, Ghana, Guinea, Liberia, Nigeria, and Sierra Leone) are creating a second monetary zone, the West African Monetary Zone. The ultimate goal for West Africa is to establish a single union, with the latest agreed deadline set for 2020, after many missed deadlines.
10. Throughout this report, fiscal deficit refers to overall/consolidated position rather than the narrow definition of primary balance. Where specific reference is made to primary balance, this is explicitly stated.
11. Historically, there has been the tendency for low levels of debt to enhance the marginal product of capital in Africa but for high levels to reduce it (see, for example, Fosu 1990).
12. Fosu 2018a; Humphreys and Bates 2002.
13. ILO 2018.
14. African Development Bank 2018.
15. ECOWAS 2010, p. 38.
16. Decision A/DEC.1/5/83.
17. Decision A/DEC.6/7/92.
18. Mitaritonna, Bensassi, and Jarreau 2017.
19. Rodrik 2013.
20. Szirmai and Verspagen 2011.
21. Enache, Ghani, and O'Connell 2016, p. 8.
22. Diao, Harttgen, and McMillan 2017, p. 29.
23. McMillan, Rodrik, and Verduzco-Gallo 2014, p. 30.
24. Diao, McMillan, and Wangwe 2018.
25. Fosu 2018b, p. 5.
26. Enache, Ghani, and O'Connell 2016, p. 19.
27. African Development Bank 2018.
28. Brucher 2016.
29. Walz 1997.
30. te Velde 2011.
31. Vamvakidis 1998.
32. Kamau 2010.
33. Licandro 2004, p. 6.
34. Oladapo and Bankole 2018.
35. Siba and Gebreyesus 2017.
36. Wagner 2007.
37. de Loecker 2010.
38. Weigert 2016.
39. African Development Bank, OECD, and UNDP 2014.
40. Bensassi, Jarreau, and Mitaritonna 2019.
41. As of 31 October 2018, 7 countries had ratified, 49 countries had signed, and 3 countries had yet to sign the CFTA. In West Africa, Guinea-Bissau and Nigeria had yet to sign, and Ghana, Guinea, and Niger had ratified.

REFERENCES

- African Development Bank. 2011. "The Middle of the Pyramid: Dynamics of the Middle Class in Africa." Market Brief. Tunis.
- . 2013. "Survey on Intra-Regional Investments in West Africa." Economic Brief. Tunis.
- African Development Bank 2018. *African Economic Outlook 2018*. Abidjan.
- African Development Bank, OECD (Organisation for Economic Co-operation and Development), and UNDP (United Nations Development Programme). 2014. *African Economic Outlook 2014: Global Value Chains and Africa's Industrialization*. Paris: OECD Publishing.
- Bensassi, S., J. Jarreau, and C. Mitaritonna. 2019. "Regional Integration and Informal Trade in Africa: Evidence from Benin's Borders." *Journal of African Economies* 28(1): 1–30.
- Brautigam, D., T. Xiaoyang, and Y. Xia. 2018. "What Kinds of Chinese 'Geese' Are Flying to Africa? Evidence from Chinese Manufacturing Firms." *Journal of African Economies* 27(Supplement 1): 29–51.
- Brucher, V.J. 2016. "Regional Economic Integration and Development." Doctoral Dissertation. Leipzig University, Germany.
- Byiers, B., K. Karaki, and J. Van Heukelom. 2017. "Regional Markets, Politics and Value Chains: The Case of West African Cement." Discussion Paper 216. European Centre for Development Policy Management, Maastricht, Netherlands.
- Diao, X., K. Harttgen, and M. McMillan. 2017. "The Changing Structure of Africa's Economies." Working

- Paper 23021. National Bureau of Economic Research, Cambridge, MA.
- Diao, X., M. McMillan, and S. Wangwe. 2018. "Agricultural Labor Productivity and Industrialization: Lessons for Africa." *Journal of African Economies* 27(1): 28–65.
- ECOWAS (Economic Community of West African States). 2010. "West African Common Industrial Policy." Abuja.
- . 2017. "ECOWAS External Trade Analysis Note." Abuja.
- . 2018. "Information on ECOWAS Member States Application for ETLs Certificate Submitted to ECOWAS Commission." Abuja.
- Enache, M., E. Ghani, and S. O'Connell. 2016. "Structural Transformation in Africa: A Historical View." Policy Research Working Paper 7743. World Bank, Washington, DC.
- Fall, M. 2018. "Senegal: Zircon Exports up by 2.374b fCFA." Agence de Presse Africaine, 17 October. <http://apanews.net/en/news/senegal-zircon-exports-up-by-2374b-fcfa>.
- Fosu, A.K. 1990. "Exports and Economic Growth: The African Case." *World Development* 18(6): 831–35.
- . 2018a. "Economic Structure, Growth, and Evolution of Inequality and Poverty in Africa: An Overview." *Journal of African Economies* 27(1): 1–9.
- . 2018b. "Rethinking Governance and Development." In S. Olorunfoba and T. Falola, eds., *The Palgrave Handbook of African Politics, Governance and Development*. New York: Palgrave MacMillan.
- Humphreys, M., and R. Bates. 2002. "Political Institutions and Economic Policies: Lessons from Africa." *British Journal of Political Science* 35: 403–28.
- ILO (International Labour Organization). 2018. *World Employment and Social Outlook: Trends, 2018*. Geneva. www.ilo.org/wcmsp5/groups/public/---dgreports/---dcomm/---publ/documents/publication/wcms_615594.pdf.
- Kamau, N.L. 2010. "The Impact of Regional Integration on Economic Growth: Empirical Evidence from COMESA, EAC and SADC Trade Blocs." *American Journal of Social and Management Sciences* 1(2): 150–63.
- Licandro, O. 2004. "The Impact of Regional Integration on Economic Convergence and Growth." EUI Working Paper ECO 2004/26. European University Institute, Florence.
- de Loecker, J. 2010. "A Note on Detecting Learning by Exporting." Working Paper 16548, National Bureau of Economic Research, Cambridge, MA.
- McMillan, M., D. Rodrik, and I. Verduzco-Gallo. 2014. "Globalization, Structural Change, and Productivity Growth." *World Development* 63(C): 11–32.
- Mitaritonna, C., S. Bensassi, and J. Jarreau. 2017. "Regional Integration and Informal Trade in Africa: Evidence from Benin's Borders." CEPII Working Paper 2017–21. Centre d'Etudes Prospectives et d'Informations Internationales, Paris.
- Oladapo, M.A., and A.S. Bankole. 2008. "The Role of Regional Trade Integration and Governance in Structural Transformation: Empirical Evidence from ECOWAS Trade Bloc." Economics Department Seminar Paper. University of Ibadan, Nigeria.
- Rodrik, D. 2013. "Unconditional Convergence in Manufacturing." *Quarterly Journal of Economics* 128(1): 165–204.
- Siba, E., and M. Gebreeyesus. 2017. "Learning to Export and Learning by Exporting: The Case of Ethiopian Manufacturing." *Journal of African Economies* 26(1): 1–23.
- Szirmai, A., and B. Verspagen. 2011. "Manufacturing and Economic Growth in Developing Countries, 1950–2005." UNU-MERIT Working Paper 2011–069. United Nations University–Maastricht Economic and Social Research Institute on Innovation and Technology, Maastricht, Netherlands.
- te Velde, D.W. 2011. "Regional Integration, Growth and Convergence." *Journal of Economic Integration*. 26(1): 1–28.
- UNAIDS (Joint United Nations Programme on HIV/AIDS). 2018. *Global AIDS Update 2018*. Geneva.
- UNDESA (United Nations Department of Economic and Social Affairs). 2017. *World Population Prospects: The 2017 Revision*. New York.
- Vamvakidis, A. 1998. "Regional Integration and Economic Growth." *World Bank Economic Review* 12(2): 251–70.
- Wagner, J. 2007. "Exports and Productivity in Germany: A Survey of the Evidence from Firm-Level Data." *The World Economy* 30(1): 60–82.
- Walz, U. 1997. "Dynamic Effects of Economic Integration: A Survey." *Open Economies Review* 8(3): 309–26.
- Weigert, M. 2016. "Regional before Global: A Value Chain Approach to Industrialization in West Africa." *Bridges Africa* 5(9).
- WHO (World Health Organization)/UNICEF (United Nations Children's Fund) Joint Monitoring Programme. 2015. *Progress on Sanitation and Drinking Water: 2015 Update and MDG Assessment*. Geneva and New York.
- Zahonogo, P. 2016. "Trade and Economic Growth in Developing Countries: Evidence from Sub-Saharan Africa." *Journal of African Trade* 3(1–2): 41–56.

ANNEX

TABLE A1 Number of enterprises registered under the ECOWAS Trade Liberalization Scheme, by country, 1988–2018

Year	Benin	Burkina Faso	Cabo Verde	Côte d'Ivoire	Gambia	Ghana	Guinea	Guinea-Bissau	Liberia	Mali	Niger	Nigeria	Senegal	Sierra Leone	Togo	Total
1988	4	2	1	15		1				3	2	4	1			33
1989																0
1990						16						2	3			21
1991						3						4	1	1		9
1992	2											17		1		20
1993						2						26				28
1994	4					5						14	1		1	25
1995	1					6						14	1		4	26
1996			1			2						8			2	13
1997																0
1998						4						13		1	2	20
1999	3					38						47	10		5	103
2000	7			29		38						36	7		2	119
2001	1			31		37						25	8		3	105
2002	4			46		33						38	3		3	127
2003	2			19		36						57	4		1	119
2004		2		6		7						23	5		1	44
2005				22		32						22	16		1	93
2006	16	1		4		27					3	20	21			92
2007					1	13						18	20			52
2008		2		8	2	14						8	14		3	51
2009		3		6	3	28						28	45		2	115
2010	9					23						77	13		6	128
2011	4			14		29				2			29		1	79
2012	3		1	15		29				1	1	41	10		4	105
2013	2			19	2	18				3		36	24		2	106

(continued)

TABLE A1 Number of enterprises registered under the ECOWAS Trade Liberalization Scheme, by country, 1988–2018 (*continued*)

Year	Benin	Burkina Faso	Cabo Verde	Côte d'Ivoire	Gambia	Ghana	Guinea	Guinea-Bissau	Liberia	Mali	Niger	Nigeria	Senegal	Sierra Leone	Togo	Total
2014	4		3	14	1	19				5		33	18	1	5	103
2015	5	1	1	10	1	28		1		19	1	15	15	5	2	104
2016	7	2		20	4	38	1			15		70	16	4	4	181
2017				11		19	4		7	1		66	11			119
2018					1	15		1	1	6	1	37	5	1		68
Total	78	13	7	289	15	560	5	2	8	55	8	799	301	14	54	2,208

Source: ECOWAS 2018.

STATISTICAL ANNEX

STATISTICAL TABLE 1 Basic indicators, 2018

	Population (thousands)	Land area (km ² thousands)	Population density (people per km ²)	Gross domestic product ^a (\$ millions)	Gross domestic product per capita ^a (\$)	Average annual real GDP growth, 2010–20 (%)
Benin	11,486	115	100	27,546	2,398	4.9
Burkina Faso	19,752	274	72	38,833	1,966	6.1
Cabo Verde	553	4	137	4,029	7,282	2.7
Côte d'Ivoire	24,906	322	77	106,783	4,287	6.6
Gambia	2,164	11	191	5,993	2,770	3.6
Ghana	29,464	239	124	145,768	4,947	7.0
Guinea	13,053	246	53	30,278	2,320	6.0
Guinea- Bissau	1,907	36	53	3,391	1,778	4.4
Liberia	4,854	111	44	6,440	1,327	4.1
Mali	19,108	1,240	15	44,329	2,320	4.4
Niger	22,311	1,267	18	23,549	1,055	5.9
Nigeria	195,875	924	212	1,169,148	5,969	3.6
Senegal	16,294	197	83	59,987	3,681	5.3
Sierra Leone	7,720	72	107	12,251	1,587	5.3
Togo	7,991	57	141	13,902	1,740	5.6
West Africa	377,437	5,115	74	1,692,228	4,483	4.4
Africa	1,286,206	30,049	43	6,764,685	5,259	4.0

a. Based on purchasing power parity valuation.

Source: UNDESA 2017, African Development Bank statistics and estimates, and various domestic authorities.

STATISTICAL TABLE 2 Real GDP growth, 2010–20 (%)

	2010	2011	2012	2013	2014	2015	2016	2017	2018 (estimated)	2019 (projected)	2020 (projected)
Benin	2.1	3.0	4.8	7.2	6.4	2.1	4.0	5.4	6.0	6.3	6.8
Burkina Faso	8.4	6.6	6.5	5.8	4.3	3.9	5.9	6.7	7.0	6.0	5.9
Cabo Verde	1.5	4.0	1.1	0.8	0.6	1.0	3.6	4.0	3.9	4.1	4.8
Côte d'Ivoire	2.0	-4.2	10.1	9.3	8.8	8.8	8.3	7.8	7.4	7.0	6.9
Gambia	6.5	-4.3	5.9	4.8	0.9	4.3	2.2	3.5	5.4	5.4	5.2
Ghana	7.9	14.0	9.3	7.3	4.0	3.8	3.7	8.5	6.2	7.3	5.4
Guinea	4.2	5.6	5.9	3.9	3.7	3.8	10.5	9.9	5.9	6.0	6.1
Guinea-Bissau	4.6	8.1	-1.7	3.3	1.0	6.1	6.3	5.9	5.3	5.1	5.0
Liberia	6.1	7.4	8.2	8.7	0.7	0.0	-1.6	2.5	3.2	4.7	4.8
Mali	5.4	3.2	-0.8	2.3	7.0	6.0	5.8	5.3	5.0	4.7	4.7
Niger	8.4	2.2	11.8	5.3	7.5	4.3	4.9	4.9	5.2	5.3	5.7
Nigeria	10.6	4.9	4.3	5.4	6.3	2.7	-1.6	0.8	1.9	2.3	2.4
Senegal	4.2	1.8	4.4	3.5	4.3	6.4	6.2	7.2	7.0	6.7	6.9
Sierra Leone	5.3	6.3	15.2	20.7	4.6	-20.5	6.3	5.8	3.5	5.6	5.8
Togo	6.1	6.4	6.5	6.1	5.9	5.7	5.1	4.4	4.7	5.0	5.3
West Africa	9.2	5.0	5.1	5.8	6.1	3.2	0.5	2.7	3.3	3.6	3.6
Africa	5.8	2.9	7.3	3.6	3.7	3.5	2.1	3.6	3.5	4.0	4.1

Source: African Development Bank statistics, estimates, and projections and various domestic authorities.

STATISTICAL TABLE 3 Demand composition and growth rate, 2017–20

	2017						2018 (estimated)						2019 (projected)						2020 (projected)									
	Final consumption			Gross capital formation			External sector			Total final consumption			Total gross capital formation			Total final consumption			Total gross capital formation			Total final consumption			Total gross capital formation			
	Private	Public	(% of GDP)	Private	Public	(% of GDP)	Exports	Imports	(% real growth)	Private	Public	(% real growth)	Exports	Imports	(% real growth)	Private	Public	(% real growth)	Private	Public	(% real growth)	Exports	Imports	(% real growth)	Private	Public	(% real growth)	
Benin	76.0	13.1	21.6	6.8	31.0	48.6	5.8	6.4	10.6	8.4	4.3	8.1	5.8	10.3	7.6	5.9	10.3	7.6	5.9	10.3	7.6	5.8	10.3	7.6	5.9	10.3	7.6	5.9
Burkina Faso	57.4	26.0	13.4	14.2	29.4	40.3	3.9	4.4	17.1	6.4	3.6	7.6	6.2	12.2	6.9	3.5	6.9	11.4	6.2	6.9	11.4	6.2	6.9	11.4	6.2	6.9	11.4	6.2
Cabo Verde	72.8	11.6	19.3	4.6	19.3	27.6	3.4	9.7	0.7	5.1	4.7	7.8	5.3	7.8	7.8	5.3	7.8	0.3	5.8	7.8	0.3	5.8	7.8	0.3	5.8	7.8	0.3	5.8
Côte d'Ivoire	63.2	12.0	16.1	6.5	32.0	29.9	8.0	5.7	7.5	7.9	7.7	8.1	6.5	8.1	6.7	7.6	6.7	4.5	6.0	6.7	4.5	6.0	6.7	4.5	6.0	6.7	4.5	6.0
Gambia	88.3	11.7	12.9	14.8	21.6	49.3	4.2	2.0	10.3	2.6	4.4	6.3	3.4	6.3	5.1	4.6	5.1	3.4	3.0	5.1	3.4	3.0	5.1	3.4	3.0	5.1	3.4	3.0
Ghana	83.9	7.8	10.0	2.2	43.9	47.9	10.4	9.2	5.6	17.8	11.8	6.2	7.3	18.4	5.4	9.0	5.4	3.9	12.5	5.4	3.9	12.5	5.4	3.9	12.5	5.4	3.9	12.5
Guinea	92.2	15.0	17.5	4.8	25.1	54.5	7.3	15.5	5.1	14.2	4.7	14.3	7.0	14.3	0.3	7.1	0.3	16.6	7.4	0.3	16.6	7.4	0.3	16.6	7.4	0.3	16.6	7.4
Guinea-Bissau	76.6	12.9	2.2	3.0	31.9	26.5	5.7	12.0	5.6	8.1	4.9	7.4	4.5	7.4	4.5	5.0	4.5	4.6	4.8	4.5	4.6	4.8	4.5	4.6	4.8	4.5	4.6	4.8
Liberia	93.2	21.0	6.5	4.3	44.0	69.0	3.5	5.2	4.3	4.5	0.8	6.2	2.9	6.2	9.0	2.6	9.0	5.7	3.7	9.0	5.7	3.7	9.0	5.7	3.7	9.0	5.7	3.7
Mali	80.7	16.9	9.8	9.1	22.6	39.1	2.6	1.7	18.1	4.7	5.6	5.1	8.5	5.1	6.3	2.5	6.0	8.1	8.1	6.0	8.1	8.1	6.0	8.1	8.1	6.0	8.1	8.1
Niger	67.7	15.0	23.3	10.4	16.6	33.0	7.1	5.5	3.2	9.8	3.7	8.7	5.5	8.7	7.2	4.8	7.2	8.8	6.2	7.2	8.8	6.2	7.2	8.8	6.2	7.2	8.8	6.2
Nigeria	79.9	4.6	10.1	5.4	13.2	13.2	0.1	5.6	0.9	-5.7	2.0	6.0	3.3	6.0	6.0	2.0	6.0	0.6	2.3	6.0	0.6	2.3	6.0	0.6	2.3	6.0	0.6	2.3
Senegal	71.1	14.1	21.7	6.9	21.7	35.4	2.3	14.3	11.0	4.0	2.0	16.3	3.9	16.3	16.0	1.9	16.0	6.6	4.0	16.0	6.6	4.0	16.0	6.6	4.0	16.0	6.6	4.0
Sierra Leone	95.1	12.6	10.4	8.7	27.3	54.1	-0.9	3.5	6.0	-3.1	4.0	5.9	2.3	5.9	10.0	6.3	10.0	3.5	7.2	10.0	3.5	7.2	10.0	3.5	7.2	10.0	3.5	7.2
Togo	81.9	16.2	13.7	6.4	34.2	52.3	4.8	5.1	8.4	7.3	4.1	11.9	5.9	11.9	1.4	3.8	1.4	8.6	3.1	1.4	8.6	3.1	1.4	8.6	3.1	1.4	8.6	3.1
West Africa	78.3	7.4	11.6	5.7	19.2	22.2	2.4	6.7	3.0	5.9	3.9	7.3	8.0	7.3	6.5	3.7	6.5	2.3	6.8	6.5	2.3	6.8	6.5	2.3	6.8	6.5	2.3	6.8
Africa	68.7	13.6	13.7	9.5	22.7	28.1	1.3	4.4	2.9	-1.4	2.7	5.3	2.3	5.3	5.1	3.5	5.1	2.9	3.3	5.1	2.9	3.3	5.1	2.9	3.3	5.1	2.9	3.3

Source: African Development Bank statistics, estimates, and projections and various domestic authorities.

STATISTICAL TABLE 4 Public finances, 2017–20 (% of GDP)

	2017				2018 (estimated)				2019 (projected)				2020 (projected)			
	Total revenue and grants	Total expenditure and net lending	Overall balance	Total revenue and grants	Total expenditure and net lending	Overall balance	Total revenue and grants	Total expenditure and net lending	Overall balance	Total revenue and grants	Total expenditure and net lending	Overall balance	Total revenue and grants	Total expenditure and net lending	Overall balance	
Benin	18.6	24.5	-5.9	19.1	23.8	-4.7	18.8	21.4	-2.6	17.9	19.9	-1.9				
Burkina Faso	22.4	29.8	-7.5	22.9	27.8	-4.9	22.9	25.8	-2.9	22.4	25.4	-3.0				
Cabo Verde	29.3	32.4	-3.1	29.9	32.3	-2.4	30.0	31.9	-1.9	29.5	31.2	-1.7				
Côte d'Ivoire	19.2	23.4	-4.2	19.5	23.4	-3.8	19.2	22.4	-3.2	19.0	22.0	-2.9				
Gambia	30.4	38.2	-7.9	32.1	36.0	-3.9	31.0	31.5	-0.6	30.1	31.7	-1.6				
Ghana	17.4	23.3	-5.9	18.3	24.0	-5.7	19.7	24.1	-4.4	20.7	24.6	-3.9				
Guinea	16.4	18.7	-2.2	16.2	20.5	-4.4	15.9	19.5	-3.6	16.4	17.5	-1.1				
Guinea-Bissau	18.5	19.8	-1.3	18.5	21.1	-2.5	18.0	20.2	-2.2	18.0	20.0	-2.0				
Liberia	41.6	49.5	-7.9	41.3	45.2	-3.9	40.4	41.0	-0.6	37.3	39.1	-1.9				
Mali	20.1	23.0	-2.9	20.7	23.2	-2.5	20.8	23.2	-2.4	21.0	22.5	-1.5				
Niger	21.6	26.8	-5.2	19.6	25.5	-5.9	20.0	24.5	-4.5	20.4	24.0	-3.6				
Nigeria	6.6	11.8	-5.2	7.0	11.0	-4.0	6.4	10.6	-4.2	6.0	10.3	-4.4				
Senegal	19.4	22.3	-3.0	19.3	22.9	-3.5	18.8	22.1	-3.3	18.4	21.4	-3.1				
Sierra Leone	15.1	21.9	-6.8	15.0	22.7	-7.7	14.5	22.3	-7.8	14.7	21.6	-6.9				
Togo	24.6	26.7	-2.1	24.0	30.7	-6.7	24.7	26.3	-1.6	23.7	24.0	-0.3				
West Africa	10.7	15.7	-5.0	11.2	15.4	-4.2	10.8	14.8	-3.9	10.5	14.4	-3.9				
Africa	21.7	27.5	-5.8	21.2	25.7	-4.5	21.3	25.3	-4.0	22.2	25.9	-3.7				

Source: African Development Bank statistics, estimates, and projections and various domestic authorities.

STATISTICAL TABLE 5 Monetary indicators

	Inflation (%)				Exchange rate (local currency unit per US dollar)			
	2017	2018 (estimated)	2019 (projected)	2020 (projected)	2015	2016	2017	2018 (estimated)
Benin	0.1	1.6	1.9	2.3	591.4	593.0	582.1	530.2
Burkina Faso	0.4	1.4	1.8	2.0	591.4	593.0	582.1	530.2
Cabo Verde	0.8	1.0	1.5	2.0	99.4	99.7	97.8	91.0
Côte d'Ivoire	1.0	0.5	2.0	2.0	591.4	593.0	582.1	530.2
Gambia	8.0	6.2	5.1	4.8	42.5	43.9	46.6	48.2
Ghana	12.4	9.8	8.1	8.0	3.7	3.9	4.4	4.7
Guinea	8.8	9.7	9.8	9.7	7,485.5	8,959.7	9,088.3	9,277.5
Guinea-Bissau	1.4	2.0	2.2	2.3	591.4	593.0	582.1	530.2
Liberia	12.4	11.7	10.5	9.5	86.2	94.4	112.7	125.5
Mali	1.8	1.7	1.7	1.8	591.4	593.0	582.1	530.2
Niger	2.4	4.2	2.7	2.6	591.4	593.0	582.1	530.2
Nigeria	16.5	11.9	12.2	11.4	192.4	253.5	305.8	325.4
Senegal	1.3	1.4	1.7	1.5	591.4	593.0	582.1	530.2
Sierra Leone	18.2	13.9	11.2	8.7	5,080.7	6,289.9	7,384.4	8,135.6
Togo	-0.8	0.4	1.2	2.0	591.4	593.0	582.1	530.2
West Africa	13.0	9.5	9.7	9.1	...	...	...	...
Africa	12.6	10.9	9.2	8.1	...	...	...	...

... is not available.

Source: African Development Bank statistics, estimates, and projections; various domestic authorities; and the International Monetary Fund International Financial Statistics database.

STATISTICAL TABLE 6 Balance of payments indicators

	Trade balance (\$ millions)			Current account balance (\$ millions)			Current account balance (% of GDP)					
	2017	2018 (estimated)	2019 (projected)	2020 (projected)	2017	2018 (estimated)	2019 (projected)	2020 (projected)	2017	2018 (estimated)	2019 (projected)	2020 (projected)
Benin	-940	-1,142	-812	-368	-1,034	-1,228	-932	-589	-11.2	-10.8	-7.3	-4.1
Burkina Faso	-128	-79	-39	175	-931	-1,073	-1,213	-1,174	-7.6	-7.2	-7.4	-6.6
Cabo Verde	-654	-799	-856	-921	-133	-173	-161	-161	-7.6	-8.5	-7.4	-6.9
Côte d'Ivoire	3,081	3,166	3,337	3,450	-707	-1,269	-1,475	-1,681	-1.8	-2.7	-2.8	-2.9
Gambia	-319	-344	-359	-378	-196	-204	-237	-258	-19.3	-19.0	-20.5	-21.0
Ghana	1,068	33	-1,942	-3,804	-2,131	-2,235	-3,928	-5,781	-4.5	-4.4	-7.1	-9.9
Guinea	1,110	488	203	254	533	-440	-515	-401	4.0	-4.9	-4.3	-3.5
Guinea-Bissau	84	68	78	78	-8	-47	-37	-38	-0.6	-3.2	-2.3	-2.2
Liberia	-475	-596	-559	-557	-433	-533	-597	-671	-22.7	-22.4	-22.3	-22.4
Mali	-585	-621	-730	-802	-921	-1,032	-1,083	-1,150	-6.0	-6.5	-6.3	-6.1
Niger	-744	-919	-1,016	-1,175	-1,192	-1,615	-1,828	-2,072	-14.7	-16.0	-16.7	-17.5
Nigeria	13,128	25,464	24,045	23,458	10,381	15,181	15,250	14,971	2.8	3.7	3.3	2.9
Senegal	-50	-51	-49	-48	-1,544	-1,780	-1,528	-1,488	-7.3	-6.9	-5.4	-4.9
Sierra Leone	-489	-589	-584	-679	-468	-649	-734	-896	-13.0	-16.9	-18.4	-20.8
Togo	-1,049	-1,197	-1,238	-1,198	-375	-455	-424	-374	-8.0	-7.9	-6.8	-5.6
West Africa	13,039	22,883	19,480	17,484	842	2,449	559	-1,765	0.2	0.4	0.1	-0.2
Africa	-76,217	-69,644	-76,739	-87,419	-81,227	-70,979	-69,596	-78,510	-3.6	-3.0	-2.8	-3.0

Source: African Development Bank statistics, estimates, and projections.

STATISTICAL TABLE 7 Intra-regional trade, 2017 (\$ millions)

	Exports to																	
	Benin	Burkina Faso	Cabo Verde	Côte d'Ivoire	Gambia	Ghana	Guinea	Guinea-Bissau	Liberia	Mali	Niger	Nigeria	Senegal	Sierra Leone	Togo	West Africa	World	
Benin	na	7.4	0.0	24.2	0.0	10.2	2.5	0.0	0.5	91.1	96.3	200.9	2.7	26.4	27.5	489.8	583.3	2,056.3
Burkina Faso	11.1	na	0.0	69.4	0.2	56.7	1.8	0.0	2.6	76.2	31.7	2.9	4.5	2.8	38.7	298.7	383.8	2,887.7
Cabo Verde	...	...	na	0.0	...	0.0	...	...	...	...	...	0.2	0.0	...	...	0.3	2.0	49.9
Côte d'Ivoire	66.3	534.4	0.3	na	6.4	462.2	27.2	0.3	34.5	492.8	75.0	465.8	115.3	43.6	244.1	2,568.1	3,296.1	11,876.8
Gambia	0.0	0.0	...	0.0	na	0.0	1.1	7.8	0.0	1.4	...	...	1.8	0.0	0.0	12.2	13.3	68.2
Ghana	25.3	340.2	0.9	53.3	2.1	na	39.5	0.2	6.4	72.0	85.2	65.7	74.6	3.5	118.3	887.3	1,424.1	14,358.5
Guinea	2.5	4.0	0.0	2.1	0.5	361.6	na	0.5	6.7	19.4	0.9	19.4	6.0	11.1	0.0	434.7	498.5	4,594.1
Guinea-Bissau	...	...	0.0	0.5	0.2	10.3	...	na	...	4.1	...	...	0.6	...	...	15.7	16.0	340.8
Liberia	...	...	...	...	...	2.4	...	...	na	...	...	1.0	...	0.2	0.0	3.6	13.6	388.8
Mali	4.5	144.7	...	120.5	0.1	6.4	32.3	0.0	0.9	na	8.7	1.5	57.5	0.2	1.3	378.6	709.9	3,008.8
Niger	2.6	56.5	...	5.2	...	6.9	0.0	...	...	30.5	na	64.1	0.3	...	0.7	167.0	175.4	1,012.0
Nigeria	41.1	7.9	0.0	1,217.0	0.7	409.9	4.3	0.4	0.9	3.4	65.2	na	503.0	4.2	100.9	2,359.0	4,820.6	44,466.4
Senegal	12.1	42.0	5.8	109.2	49.3	12.1	57.2	40.0	4.4	739.1	18.4	31.1	na	7.1	13.8	1,141.5	1,310.3	2,989.0
Sierra Leone	0.8	0.1	0.0	8.5	0.5	21.1	10.6	0.0	2.1	0.1	0.0	1.0	2.5	na	...	47.4	61.5	794.0
Togo	75.6	77.7	3.1	26.6	0.6	43.3	2.8	0.2	1.5	21.1	32.7	52.9	7.7	0.4	na	346.2	571.4	981.6

(continued)

STATISTICAL TABLE 7 Intra-regional trade, 2017 (\$ millions) (continued)

	Imports from														World		
	Benin	Burkina Faso	Cabo Verde	Côte d'Ivoire	Gambia	Ghana	Guinea	Guinea-Bissau	Liberia	Mali	Niger	Nigeria	Senegal	Sierra Leone		Togo	West Africa
Benin	na	2.0	0.0	33.7	0.0	20.7	1.2	0.8	0.0	2.1	1.3	42.8	12.2	0.9	117.7	235.4	3,210.5
Burkina Faso	65.6	na	0.0	574.1	0.0	354.0	1.4	0.0	0.0	77.9	80.9	10.2	52.8	0.7	186.3	1,405.6	3,763.1
Cabo Verde	...	na	na	2.8	...	0.9	0.0	0.1	...	...	...	0.0	6.5	0.0	4.6	14.9	793.6
Côte d'Ivoire	12.1	5.8	0.0	na	0.1	51.8	4.1	2.9	0.0	3.1	9.4	1,391.4	115.5	2.1	26.7	1,625.0	8,840.9
Gambia	...	0.2	...	30.4	na	1.2	0.3	0.1	0.0	0.0	...	0.5	33.7	0.2	0.5	67.2	466.5
Ghana	2.9	51.0	0.0	199.0	0.0	na	198.5	4.3	7.2	3.4	5.6	336.9	12.4	15.3	65.1	901.7	12,718.1
Guinea	1.0	1.6	0.4	30.9	4.0	32.3	na	...	6.7	19.3	0.0	7.0	72.0	9.0	1.6	185.9	3,399.6
Guinea-Bissau	...	0.0	0.1	0.2	15.6	0.2	0.6	na	0.1	0.0	...	...	42.6	0.0	0.2	59.7	331.0
Liberia	...	...	...	...	...	1.0	...	...	na	...	...	0.2	0.8	0.4	0.2	2.5	1,110.8
Mali	104.8	7.8	...	393.1	0.1	87.5	3.7	...	0.5	na	17.6	1.9	1,142.7	0.2	16.5	1,776.4	4,404.4
Niger	48.8	20.4	0.0	62.3	...	76.2	0.5	...	...	5.9	na	113.4	22.1	0.0	68.1	417.7	2,030.7
Nigeria	115.6	1.9	1.0	270.4	...	76.9	29.2	13.2	3.0	0.8	42.5	na	36.8	0.8	115.2	707.4	19,860.0
Senegal	0.4	2.2	0.0	101.0	3.2	61.1	4.8	...	...	12.8	0.3	449.5	na	1.7	10.8	647.8	6,728.7
Sierra Leone	0.1	...	...	12.9	0.1	2.9	8.8	...	0.7	0.0	...	3.9	7.2	na	0.6	37.1	926.0
Togo	4.5	12.3	...	44.5	0.0	56.5	0.0	3.2	0.0	0.3	0.0	123.5	8.0	...	na	252.9	2,355.5

... is not available.

na is not applicable.

Source: United Nations Conference on Trade and Development.

STATISTICAL TABLE 8 Demographic indicators, 2018

	Population growth rate (%)	Urban population (% of total)	Age distribution (% of population)			Fertility rate (births per woman)
			0–14	15–64	65 and older	
Benin	2.8	47.3	42.4	54.3	3.3	4.8
Burkina Faso	2.9	29.4	44.9	52.6	2.4	5.2
Cabo Verde	1.3	65.7	29.8	65.7	4.5	2.3
Côte d'Ivoire	2.5	50.8	42.3	54.8	2.9	4.8
Gambia	3.0	61.3	45.1	52.6	2.4	5.3
Ghana	2.2	56.1	38.3	58.3	3.4	3.9
Guinea	2.6	36.1	42.0	54.8	3.2	4.7
Guinea-Bissau	2.5	43.4	41.3	55.6	3.1	4.5
Liberia	2.6	51.2	41.5	55.4	3.1	4.4
Mali	3.1	42.4	47.5	50.0	2.5	5.9
Niger	3.9	16.4	50.1	47.3	2.6	7.1
Nigeria	2.6	50.3	43.8	53.4	2.7	5.4
Senegal	2.8	47.2	42.7	54.3	3.0	4.6
Sierra Leone	2.2	42.1	41.7	55.7	2.5	4.3
Togo	2.5	41.7	41.3	55.8	2.9	4.3
West Africa	2.7	46.3	43.6	53.6	2.8	5.2
Africa	2.5	42.5	40.6	55.8	3.5	4.4

Source: African Development Bank statistics and estimates, UNDESA 2017, and various domestic authorities.

STATISTICAL TABLE 9 Poverty and income distribution indicators

	National poverty line ^a		International poverty line (\$1.90 a day)		Gini index ^b	
	Survey year	Population below the poverty line (%)	Survey year	Population below the poverty line (%)	Survey year	Value
Benin	2015	40.1	2015	49.6	2015	47.8
Burkina Faso	2014	40.1	2014	43.7	2014	35.3
Cabo Verde	2015	35.0	2007	8.1	2007	47.2
Côte d'Ivoire	2015	46.3	2015	28.2	2015	41.5
Gambia	2015	48.6	2015	10.1	2015	35.9
Ghana	2012	24.2	2012	12.0	2012	42.4
Guinea	2012	55.2	2012	35.3	2012	33.7
Guinea-Bissau	2010	69.3	2010	67.1	2010	50.7
Liberia	2016	50.9	2014	38.6	2014	33.2
Mali	2009	41.1	2009	49.7	2009	33.0
Niger	2014	44.5	2014	44.5	2014	34.3
Nigeria	2009	46.0	2009	53.5	2009	43.0
Senegal	2011	46.7	2011	38.0	2011	40.3
Sierra Leone	2011	52.9	2011	52.2	2011	34.0
Togo	2015	55.1	2015	49.2	2015	43.1
West Africa		...		...		...
Africa		...		...		...

... is not available.

a. Defined as two-thirds of average consumption.

b. Based on income distribution.

Source: Various domestic authorities and the World Bank.

STATISTICAL TABLE 10 Access to services

	Telecommunications, 2016				Population using at least basic drinking water services, 2015 (%)	Population using at least basic sanitation services, 2015 (%)
	Main telephone lines (per 100 people)	Mobile telephone lines (per 100 people)	Population using the Internet (%)	Access to electricity, 2016 (% of population)		
Benin	1.1	81.8	12.0	41.4	67.0	13.9
Burkina Faso	0.4	82.6	14.0	19.2	53.9	22.5
Cabo Verde	12.0	111.6	50.3	92.6	86.5	65.2
Côte d'Ivoire	1.2	115.8	41.2	64.3	73.1	29.9
Gambia	1.9	139.2	18.5	47.8	80.1	41.7
Ghana	0.9	135.8	34.7	79.3	77.8	14.3
Guinea	0.0	87.1	9.8	33.5	67.4	22.0
Guinea-Bissau	0.0	70.8	3.8	14.7	69.2	21.5
Liberia	0.2	67.6	7.3	19.8	69.9	16.9
Mali	1.1	112.4	11.1	35.1	74.3	31.3
Niger	0.8	36.1	4.3	16.2	45.8	12.9
Nigeria	0.1	83.0	25.7	59.3	67.3	32.6
Senegal	1.9	98.5	25.7	64.5	75.2	48.4
Sierra Leone	0.2	84.9	11.8	20.3	58.1	14.5
Togo	0.4	72.4	11.3	46.9	62.8	13.9
West Africa	0.5	88.8	22.9	52.4	67.2	28.1
Africa	2.1	78.5	23.7	51.6	63.3	38.0

Source: African Development Bank statistics, the International Telecommunication Union World Telecommunication/ICT Indicators database, the United Nations Statistics Division Energy Statistics Database, WHO/UNICEF Joint Monitoring Programme for Water Supply and Sanitation 2015, and various domestic authorities.

STATISTICAL TABLE 11 Health indicators

	Life expectancy at birth, 2018 (years)			Prevalence of undernourished, 2016 (% of population)	Health personnel, 2010–16 (per 100,000 people)	
	Total	Male	Female		Physicians	Nurses and midwives
Benin	61.4	59.9	63.0	10.4	15.3	59.8
Burkina Faso	61.2	60.4	61.9	21.3	4.7	63.0
Cabo Verde	73.2	71.0	75.1	12.3	78.8	125.6
Côte d'Ivoire	54.6	53.2	56.2	20.7	14.4	48.3
Gambia	61.6	60.3	63.1	9.6	10.7	161.8
Ghana	63.3	62.2	64.4	6.1	9.6	92.6
Guinea	61.2	60.6	61.8	19.7	7.5	36.8
Guinea-Bissau	58.2	56.4	60.0	26.0	4.5	55.1
Liberia	63.5	62.5	64.5	38.8	2.3	45.6
Mali	58.9	58.2	59.7	6.0	8.5	44.3
Niger	60.8	59.8	61.9	14.4	1.9	13.7
Nigeria	54.3	53.5	55.2	11.5	39.5	160.5
Senegal	67.8	65.7	69.7	11.3	6.8	30.9
Sierra Leone	52.6	52.0	53.2	25.5	2.4	31.9
Togo	60.7	59.8	61.6	16.2	5.3	27.4
West Africa	57.4	56.4	58.4	13.1	24.5	108.3
Africa	63.1	61.4	64.9	18.5	33.6	123.3

Source: African Development Bank statistics, UNDESA 2017, the Food and Agriculture Organization, and the World Health Organization.

STATISTICAL TABLE 12 Major diseases

	Healthy life expectancy at birth, 2016 (years)			Prevalence of HIV, ages 15–49, 2017 (%)	Infant mortality rate, 2017 (per 1,000 live births)	Under-five mortality rate, 2015 (per 1,000 live births)
	Total	Male	Female			
Benin	53.5	52.5	54.4	1.0	63.5	98.3
Burkina Faso	52.9	52.7	53.1	0.8	51.2	81.2
Cabo Verde	64.5	63.1	65.8	0.6	15.0	17.4
Côte d'Ivoire	48.3	47.6	49.0	2.8	64.2	88.8
Gambia	54.4	53.7	55.2	1.6	41.4	63.6
Ghana	56.4	55.8	57.0	1.7	35.7	49.3
Guinea	52.2	52.1	52.2	1.5	56.4	85.7
Guinea-Bissau	51.7	50.6	52.9	3.4	55.6	84.2
Liberia	54.5	53.9	55.1	1.4	55.9	74.7
Mali	50.7	50.4	51.0	1.2	65.8	106.0
Niger	52.5	52.0	53.1	0.3	48.3	84.5
Nigeria	48.9	48.7	49.2	2.8	64.6	100.2
Senegal	58.8	57.3	60.1	0.4	32.7	45.4
Sierra Leone	47.6	47.2	48.1	1.4	81.7	110.5
Togo	53.9	53.6	54.2	2.1	49.2	72.9
West Africa	50.9	50.5	51.3	2.1	58.8	90.4
Africa	55.1	54.0	56.3	3.5	47.7	68.7

Source: UNAIDS 2018, the UN Inter-agency Group for Child Mortality Estimation CME Info database, and the World Health Organization Global Health Observatory Data Repository.

STATISTICAL TABLE 13 Education indicators

	Estimated adult literacy rate, 2010–17 (% ages 15 and older)			Gross enrollment ratio, primary, 2010–17 (%)			Public expenditure on education, 2010–17 (% of GDP)
	Total	Male	Female	Total	Male	Female	
Benin	32.9	45.0	22.1	126.6	130.8	122.3	4.4
Burkina Faso	34.6	44.4	26.2	93.7	94.4	92.9	4.1
Cabo Verde	86.8	91.7	82.0	95.9	99.2	92.5	5.0
Côte d'Ivoire	43.9	50.7	36.8	98.8	103.6	94.0	5.0
Gambia	42.0	51.4	33.6	97.1	93.3	101.0	2.8
Ghana	71.5	78.3	65.3	104.8	104.1	105.5	6.2
Guinea	32.0	43.6	22.0	92.4	101.5	83.1	3.2
Guinea-Bissau	45.6	62.2	30.8	118.1	122.1	114.1	2.2
Liberia	...	...	...	93.8	97.7	89.8	2.8
Mali	33.1	45.1	22.2	80.1	84.5	75.6	3.7
Niger	30.6	39.1	22.6	75.1	80.1	69.9	6.7
Nigeria	...	...	...	84.7	87.1	82.2	...
Senegal	51.9	64.8	39.8	84.1	78.0	90.4	7.4
Sierra Leone	32.4	41.3	24.9	120.9	120.0	121.8	2.7
Togo	63.7	77.3	51.2	123.0	125.9	120.1	5.2
West Africa	45.1	54.7	36.3	90.1	92.4	87.7	3.7
Africa	65.5	77.0	62.6	99.5	101.6	97.4	4.9

... is not available.

Source: African Development Bank statistics, the United Nations Educational, Scientific and Cultural Organization Institute for Statistics database, and various domestic authorities.

STATISTICAL TABLE 14 Labor indicators, 2018

	Employment to population ratio, ages 15 and older (%)			Labor force participation rate, ages 15 and older (%)			Unemployment rate, total (%)
	Total	Female	Youth	Total	Female	Male	
Benin	69.3	67.1	39.9	71.4	69.8	73.0	2.4
Burkina Faso	62.2	52.7	47.1	83.3	76.5	90.4	6.2
Cabo Verde	54.4	44.4	28.2	68.4	53.3	84.4	10.4
Côte d'Ivoire	55.8	46.6	33.7	67.1	52.7	80.9	2.6
Gambia	53.7	44.8	35.5	77.2	72.2	82.5	9.5
Ghana	75.3	73.0	51.1	77.1	75.6	78.7	2.4
Guinea	61.3	60.9	41.0	82.3	79.4	85.1	4.5
Guinea-Bissau	67.4	61.3	43.7	73.0	67.6	78.4	6.1
Liberia	54.3	52.6	28.3	61.0	57.9	64.1	2.4
Mali	66.0	55.7	49.9	66.6	50.8	82.2	8.0
Niger	78.6	67.3	71.4	64.6	40.4	88.9	0.4
Nigeria	51.3	47.3	19.7	56.7	48.6	64.5	7.0
Senegal	54.6	43.6	39.0	57.6	...	70.8	4.8
Sierra Leone	55.3	55.0	25.8	67.0	65.2	68.8	4.4
Togo	76.0	74.4	61.1	81.0	80.9	81.0	1.9
West Africa	58.2	53.0	32.6	63.8	55.4	72.1	5.2
Africa	59.6	51.0	40.1	65.9	55.5	75.9	7.8

... is not available.

Source: International Labour Organization ILOSTAT database.



In 2018, estimated real GDP growth for West Africa was 3.3 percent, up from 2.7 percent in 2017. Between 2014 and 2017, West Africa's GDP growth trailed the rate for Africa as a whole, though it was faster than in Central and Southern Africa. The tepid growth reflected lower commodity prices, shrinking oil production in Nigeria (by far the largest economy in the region), and the impact of the Ebola virus outbreak. Growth contraction in Nigeria overwhelmed the high growth in some of the smaller economies, pulling down the region's average. Growth in the region is projected to remain subdued, at 3.6 percent in 2019 and 2020.

Despite the immense potential for regional value chain development, West African exports tend to be biased toward advanced economies, with more than 70 percent of goods for further export directed to Europe and North America. ECOWAS member countries tend to be mainly suppliers of primary inputs without significant value addition to penetrate export markets. Smaller economies appear to be more globally integrated than larger ones.

As regional and continental integration activities gain momentum—the ECOWAS Common External Tariff and the African Continental Free Trade Area (CFTA)—their impacts on West Africa are likely to be profound. Nigeria, as the largest economy in Africa, should accelerate its consultations with key stakeholders to guide its membership in the CFTA. The CFTA is fully consistent with the founding principles of ECOWAS; without ECOWAS's leadership, regional integration in West Africa and at the continental level will not fulfill its promise.