

**ECONOMIC COMMUNITY OF
WEST AFRICAN STATES**



**COMMUNAUTE ECONOMIQUE
DES ETATS DE L'AFRIQUE
DE L'OUEST**

**2005 INTERIM REPORT OF THE
EXECUTIVE SECRETARY**

DR MOHAMED IBN CHAMBAS

**Executive Secretariat
Abuja, June 2005**

TABLE OF CONTENTS

| | | |
|--|--|---------|
| INTRODUCTION | | 2 - 4 |
| CHAPTER I - THE WEST AFRICAN ECONOMIC SITUATION | | 5 - 13 |
| 1. The World Economy | | 5 |
| 2. Growth Performance of the African Economy | | 7 |
| 3. Performance of the West African Economy | | 8 |
| 4. Current Account Developments | | 9 |
| 5. Concluding Notes | | 12 |
| CHAPTER II - THE COMMUNITY WORK PROGRAMME: STATUS OF IMPLEMENTATION | | 9 - 49 |
| INTRODUCTION | | |
| THIRTY YEARS OF COMMUNITY EXISTENCE | | |
| ECONOMIC INTEGRATION | | 16 |
| - NEPAD Implementation | | 20 |
| - Transport Programme | | 20 |
| - Energy Programme | | 21 |
| - Telecommunications Programme | | 22 |
| - Monetary Integration Programme | | 23 |
| - Information and Communication Technology | | 24 |
| - Agriculture and Rural Development | | 25 |
| - Human Development | | 26 |
| - ECOWAS-UEMOA Collaboration | | 27 |
| PEACE AND SECURITY | | |
| - Sierra Leone | | 27 |
| - Liberia | | 28 |
| - Côte d'Ivoire | | 28 |
| - Togo | | 29 |
| - Conflict Prevention | | 30 |
| ENHANCEMENT OF THE INSTITUTIONAL CAPACITY OF THE COMMUNITY | | 30 |
| - Implementation of the Community Levy | | 31 |
| CONCLUSION | | 33 - 36 |

INTRODUCTION

1. An essential element of the development process, and particularly when it is based on the regional approach, is regular monitoring and evaluation of performance. It is in recognition of this fact that the African Peer Review Mechanism has been introduced under the African Union (AU). Fortunately, this is a phenomenon already understood and accepted in West Africa as part of the regional integration process. It is very commendable that the ECOWAS decision-making organs meet on a regular basis to review the integration programmes and the performance of both Community Institutions and Member States against some well-defined goals and targets.

2. The last ECOWAS statutory meetings, held in January 2005, arrived at some significant conclusions on the basis of which the ECOWAS Authority took decisions aimed at improving the pace of the integration process and making it have a greater impact on the development of the regional economy. It was in this spirit that the Authority emphasised the need for a regional approach to NEPAD implementation and a regional orientation of the national poverty reduction programmes. The Authority endorsed the West African negotiators' strategy of negotiating an economic partnership agreement that strengthens the regional integration process and focuses on our long-term development priorities. In order to develop the capacity needed to cope with the additional responsibilities that these directives entail, the Authority directed that the Executive Secretariat be transformed into a commission; that is ECOWAS should adopt an institutional arrangement similar to the European Commission or the AU Commission. The in-coming Chairman of the Authority was requested to take charge of this assignment.

3. The January 2005 Summit in Accra elected His Excellency Mamadou Tandja, President of the Republic of Niger, as the new Chairman of the ECOWAS Authority. Even before our departure from the Accra summit, the in-coming Chairman granted me audience to discuss the priorities of the 2005 Community Work Programme, as adopted by the Council of Ministers. President Tandja made it a point to visit the ECOWAS Headquarters in Abuja on 28 January 2005 to meet the staff members of the Abuja-based Community Institutions. He was emphatic about ECOWAS being focused and setting a few but realistic priority targets.

4. Subsequently, through letters, telephone calls and meetings in Niamey and Abuja, the ECOWAS Chairman has been advising and issuing valuable directives to guide the implementation of the Community Work Programme. His personal concern and attention when the Togo crisis erupted sustained the ECOWAS mediation efforts and contributed in no small measure to the leadership role that the Community assumed. We are truly grateful to our Chairman and to President Olusegun Obasanjo of Nigeria and President John Kufuour of Ghana for their

personal involvement in that peace process, which culminated in the Abuja mini-summit on 18 May 2005 agreement was reached between the government of President Faure Gnassingbe and all the leaders of the opposition parties to form a government of national unity, pursue reconciliation measures and undertake some much needed electoral reforms.

5. I wish to acknowledge the important contributions to the management of the affairs of the Community being made by the Chairperson of the Council of Ministers, Mrs Aïshatou Mindaoudou, the Honourable Minister of Foreign Affairs, Cooperation and African Union of the Republic of Niger. For example, she led an ECOWAS ministerial delegation that had a policy dialogue with the Bretton Woods institutions during their Spring Meetings in Washington DC on 15 April 2005. The Community is very grateful to her and all the other members of the ECOWAS delegation – Ministers of Finance, Trade and Regional Integration, and to the Governors of our central banks. Their presence and presentations clearly demonstrated the importance and priority that regional integration should assume in national policy formulation.

6. The consultations with the Bretton Woods institutions underscored a major concern facing the Community and the management of national economies. The concern is how to ensure faithful implementation of Community acts and decisions, and how to make national economic management achieve poverty reduction through sustainable development. In spite of their best efforts, most Member States are far from making an impact on the poverty alleviation drive that has been embarked upon under the national poverty reduction strategy papers (PRSPs). As West Africa and the rest of the world prepare for the September 2005 UN mid-term review of performance towards meeting the Millennium Development Goals (MDGs), the analysis points to disturbing shortfalls in the accounts of our Member States.

7. Most Member States have their national PRSPs as the main reference point for the management of the national economy. Issues and initiatives outside this arrangement with the Bretton Woods institutions tend to receive scant attention. There has not been a conscious effort to determine the similarity that exists between the national policies that are derived from the PRSPs and the ECOWAS policies and programmes. Neither has an attempt been made to establish the complementarity between national policy objectives and the regional integration initiatives of ECOWAS. It was to bridge this gap and to encourage dialogue among the different actors involved that the Washington DC consultations focused on incorporating the regional policies of ECOWAS into the national agenda. The regional approach to economic development is what promises the quantum leap necessary for attaining the level of performance required to escape the poverty trap that countries have been caught in for so long.

8. It has been stated often that developing countries operating within the narrow confines of the national market are doomed to remain under-developed. The demands of modern technology, the fierce competition engendered by the international market forces, high-quality services as the driving force of the global economy – these are some of the factors that oblige countries to pursue economic reform on a permanent basis in order to remain efficient and competitive. The highly developed and competitive economies find it beneficial to be active participants in regional integration schemes and to conduct their national policies within the regional framework adopted by their respective regional organisations. Developing and micro-economies such as in West Africa should have a greater sense of urgency for such a collective regional approach to economic management.

9. West Africa has long recognised the need for collaboration and joint action, through the adoption of the many regional integration schemes within the ECOWAS framework. However, as would become evident from the account given in this report on the functioning of the Community, it is taking much longer for Member States to make the necessary transition to designing and implementing national development programmes within the regional frameworks provided by the available ECOWAS initiatives.

10. Getting Member States to incorporate the regional approach into the national agenda is a joint responsibility that ECOWAS officials share with those officials and persons in Member States who are directly in charge of ECOWAS affairs. I have endeavoured, therefore, in this report to point out some of the areas where, individually or collectively, we need to take additional measures to achieve better performance on the regional integration agenda. A review of the issues raised in this report and in the other documents being presented this June for the consideration of the Council and the Administration and Finance Commission should lead to the adoption of concrete remedial measures.

11. This introductory section of the Interim Report is followed by a brief review in Chapter One of the West African economic situation. The other substantive section is Chapter Two which presents the current status of implementation of the Community Work Programme. The report ends with the Conclusion section, which draws attention in particular to issues that must be addressed in the immediate future.

CHAPTER 1

THE WEST AFRICAN ECONOMIC SITUATION

INTRODUCTION

12. This chapter presents a brief account of the performance of the West African economy in 2004; the presentation is set against the 2003 economic results for the region and is also cast within the context of the developments of the world economy over the past two years. The analysis gives an indication of the significant influence that developments in the international economy have always had on the largely open economies of the West African countries. On the basis of some trends that were discernible in 2004 and recent policy pronouncements, an attempt is made at the end of the chapter to gauge the likely economic performance for the current year and the prospects for the next few years¹.

1. The World Economy

13. The world output increased particularly quickly in the first half of 2004, driven by solid U.S. performance and a fast export-led expansion in China. This is a reflection of an increasing trend in world output which grew by 2.4% in 2001, 3% in 2002, 3.9% in 2003 and up to 5% in 2004. However, higher oil prices and the effects of exchange-rate appreciation caused the 2004 quarterly output in a number of high-income countries to decline in the second half, notably in Germany, Italy and Japan.

14. Developing economies outgrew high-income countries, with aggregate GDP rising by some 6.6 percent for the year as a whole – a record expansion. In addition to China, India and Russia also grew very quickly. But all developing regions grew faster in 2004 than they had been doing during the past decade. Very strong world demand was reflected in emerging capacity constraints, rising prices in commodity markets, and increased inflation in some developing regions, notably South Asia, Latin America, and some parts of developing Europe. Oil prices rose by 31 percent, while other commodity prices increased by 18 percent, with mixed consequences for developing countries.

15. Oil-exporting countries were able to build up current account surpluses, while importers (the majority of developing countries) saw a significant rise in their import bills. In contrast to earlier episodes of rising commodity prices, developing countries,

¹ Data and information were derived from publications of the World Bank (e.g. 2005 edition of the Prospects for the Global Economy), ADB (African Development Report), ECA (Economic and Social Conditions in West Africa) and OECD (African Economic Outlook 2004/2005).

notably China, were the principal source of increased demand over the past few years.

16. Increases in U.S. interest rates, the waning effect of earlier fiscal loosening, and, in Europe, the effects of the 25 percent real effective appreciation of the euro since February 2002 contributed to a slowing of GDP growth in the second half of 2004 and into 2005. These same factors are expected to cause GDP growth among high-income countries to slow to about 2.5 percent in 2005. Moreover, coupled with reduced demand for imports, those factors are expected to reduce growth in low- and middle-income economies, although continued gains in market share may temper the slowdown. Thus, while growth may decline, these economies are nevertheless expected to expand by a robust and above trend of 5.7 percent in 2005. Partly as a result, oil and metal prices are expected to rise further in 2005, before softening in 2006 and 2007 as new capacity comes on-stream.

17. Over the period through 2007, a gradual increase in activity outside of the United States, coupled with higher U.S. interest rates and a limited tightening of fiscal policy should reverse the rising trend in the U.S. current account deficit, which is projected to fall from 5.6 percent of GDP in 2004 to about 5.3 percent in 2007. At the same time surpluses in the developing world are projected to decline from 2.7 to 1.4 percent of GDP. Although these changes will not significantly reduce the supply of dollars on world financial markets, higher U.S. interest rates should increase the desire of private sector investors for dollar-denominated assets so that the currency is likely to depreciate only modestly over the projection period.

18. The depreciation of the dollar since 2002 against most currencies has increased the importance of domestic demand outside the United States as a driver of global growth. This trade pattern is projected to increase, with the volume of exports from the United States expected to grow by about 8 percent in 2007. Up to now, most developing countries have experienced only moderate fluctuations in their real effective exchange rates, either because of co-movements of their exchange rate with that of their dominant trading partner, or because the effect of the dollar's depreciation has been offset by the appreciation of the euro and the yen.

19. While changes in bilateral exchange rates are likely to impose some adjustment costs, the export growth of low- and middle-income countries should remain strong because their overall real effective exchange rates have moved relatively little. As a result, these countries are projected to continue increasing their share of world markets. This is a relatively benign scenario. However, an abrupt increase in interest rates, a further large and precipitous depreciation of the dollar, a larger-than-anticipated hike in oil prices, or a resurgence of protectionist sentiment could provoke a significant slowdown or even recession in the global economy.

20. Policy can help reduce the likelihood and potential severity of a weaker outcome. A significantly tighter U.S. fiscal policy would reduce the extent to which higher interest rates in the United States (or lower rates in Europe) will be required

to support the dollar. For their part, developing economies need to ensure that they do not accumulate excessive liabilities, the future repayment of which, under conditions of higher interest rates and slower world growth, could pose serious problems. In addition, in some countries a managed appreciation might help alleviate domestic inflationary pressures and facilitate the sharing of the benefits of economic growth by lowering the costs of imported consumer goods and services.

21. While a move away from a strict dollar peg by some developing countries would tend to cause the dollar to depreciate more, it would likely dissipate some of the tensions in international financial markets caused by expectations, so far unrealized, of such a depreciation. Meanwhile, the multilateral trade liberalization process is in need of a fresh initiative. Without it, the Doha Round runs the risk of yielding few gains for developing economies.

2. Growth performance of the African economy

22. An analysis of the performance of the African economy shows that it grew by 4.6 percent in 2004, the highest in almost a decade. Underlying this increase in growth are: higher prices of commodities, including oil, stemming from a strong growth in global demand; a significant increase in official development aid to Africa, driven largely by debt relief and emergency assistance; and improving macroeconomic stability. The macroeconomic stability was influenced by sound macroeconomic policies adopted at the individual country and continental levels, which helped to improve the economic fundamentals of a good number of countries.

23. Moreover, macroeconomic growth has been enhanced by the discovery and operationalisation of new oil fields in Southern and Central Africa (Angola, Chad and Equatorial Guinea), a recovery of agricultural production following the drought that affected some Eastern, Central and Southern African countries in 2003 (Ethiopia, Malawi and Rwanda), and some improvements in the security situation. However, the continent faced serious problems such as the humanitarian crisis in the Darfur region of Sudan, economic collapse in Zimbabwe, and conflicts in Cote d'Ivoire and some parts of the Democratic Republic of Congo.

24. Inflation, a key macroeconomic variable, reached historical lows in the continent despite the increase in oil prices. Trade balances improved in many countries, with the largest gains for exporters in oil and metal ores, while some countries were adversely affected by higher import bills and lower prices for some agricultural products, cocoa and cotton in particular. The windfall gains from commodity prices have improved public finances, notably in oil-exporting countries. The favourable growth performance in Africa in 2004, furthermore, reflects a continued upward trend since 1998. Unfortunately, the growth has so far not been translated into employment creation or poverty reduction, which is the first Millennium Development Goal (MDG).

25. Significant as the improved performance of the African economy in 2004 was, it ought to be pointed out that it was far from the 7% growth rate that must be sustained on an annual basis to be able to reduce by half in 2015 the proportion of the African population living in absolute poverty. It is therefore important to implement measures that will shoot the continental economy to the threshold of 7.0% real GDP growth rate. NEPAD has played an important role in this regard, particularly as regards economic governance and the African Peer Review Mechanism (APRM). The NEPAD's APRM is expected to provide a candid assessment of the situation in African countries and foster progress in the area of good governance. This initiative has already contributed to the installation and promotion of democracy in a number of countries. Nonetheless, despite progress in macroeconomic management, the regulatory environment and democratic governance, much needs to be done to ensure an environment conducive for private sector development.

3. Performance of the West African economy

26. In contrast to the required minimum growth rate of 7% per annum, West Africa's real GDP grew by 3.8 percent in 2004 as against 4.0% in 2003. This growth deceleration was due, on the supply side, to the poor performance of the primary and services sectors, and on the demand side, to the slowdown in the pattern of final consumption. As expected, the regional economy in 2004 was heavily dependent on agriculture and developments in the oil industry in Nigeria. In addition, positive developments in the transport, tourism and telecommunications sectors and relative stability in macroeconomic management in many countries contributed to the modest growth. However, unfavourable market conditions, caused by the low prices of principal raw materials and the negative socio-economic climate, led to poor performance by some countries.

27. In spite of the slight decline noted above, the regional economic growth rate of 3.8% recorded in 2004 exceeded population growth rate estimated at 2.5% for the entire region. Economic growth rate in all the Member States outstripped the population rate, with the exception of Cote d'Ivoire, Guinea Bissau and Togo.

28. Furthermore, in 2004 inflation was moderated in the region. In the UEMOA zone, the CFA franc peg to the euro helped to contain inflation to 1% in 2004, but inflation remained higher and more variable in the West African Monetary Zone (WAMZ). The macroeconomic convergence criterion of a single digit inflation rate for the WAMZ monetary integration programme was only met by The Gambia in 2004. The achievement of 8% inflation rate as at end-December 2004 by The Gambia reflected the influence of a number of factors such as tight monetary conditions, improvement in food supply and the stability of the dalasi exchange rate. As at end-December 2004, inflation moderated to 11.9% and 10% in Ghana and Nigeria respectively, reflecting prudent macroeconomic management.

4. Current Account Developments

29. West Africa's external balance improved in 2004, with the trade balance increasing to 14.1% of GDP from 9.2 percent of GDP in 2003. The sizeable increase in the trade surplus primarily reflected Nigeria's rising oil exports. In addition, Nigeria's policy of saving a large part of the windfall oil revenue helped contain its imports. In the UEMOA zone, exports fell as a share of GDP by 1.5 percent, mainly because of a decline in Cote d'Ivoire cocoa exports and Benin's cotton exports, resulting in a deterioration of the trade balance for the UEMOA zone.

30. The overall picture was greatly influenced by Nigeria, whose exports accounted for 66.5 percent of the region's exports in 2004. The region's export base is poorly diversified and most countries continue to rely on agricultural and/or non-oil mineral exports.

31. **Aluminium.** Aluminium prices are expected to rise in 2005 on supply tightness in both alumina and primary aluminium markets. Aluminium prices have lagged behind the gains in other metal prices mainly due to the large expansion of primary aluminium capacity and exports in China. Consequently, inventories have not fallen to extremely low levels as for some of the other metals. Relatively strong demand moved the market into deficit in 2004 and a further deficit is expected in 2005. However, projected large increases in supply are expected to begin moving the market back into surplus later in 2005, and keep aluminium markets in surplus over the medium-term. One concern is that rising power costs could limit investment opportunities, as energy accounts for about one-quarter of the operating cost in aluminium production.

32. **Cocoa.** Cocoa prices averaged \$1.55/kg during 2004, down from \$1.75/kg during 2003, but 70 percent higher than the record low of 2000. Volatility has been a main characteristic of the cocoa market, fuelled primarily by the civil conflict in Côte d'Ivoire, the world's largest cocoa supplier. There has been a significant supply response to the high prices of the past three years, with global production reaching a record 3.4 million tons in 2003/04. Although part of the growth in supply came from Côte d'Ivoire, production in Ghana - the world's second largest cocoa supplier - reached 0.73 million tons in 2003/04 up from 0.5 million tons in 2002/03.

33. Growth in grindings was much less pronounced than production, estimated at 3.1 million tons in 2003/04, implying a 0.3 million surplus. Grindings in the Netherlands in 2005 will be almost unchanged at about 450,000 tons, followed by the US with 410,00 tons, and Côte d'Ivoire with 305,000 tons. Malaysia's 2003/04 grindings increased to 180,000 tons, up from 135,000 tons in 2002/03. Given the considerable supply response, cocoa prices — which to a large extent will depend on the eventual outcome of the peace process in Côte d'Ivoire - are projected to average a little over \$1.60/kg in 2005 and 2006.

34. **Coffee.** Arabica prices averaged \$1.77/kg in 2004, up from \$1.42/kg in 2002 while robusta prices averaged \$0.79/kg in 2003 down from \$0.81/kg in 2002. While the prices are considered low by historical standards, they are much higher than the lows experienced in the early 2000s. World coffee production is expected to reach 119 million bags (60 kg/bag) in 2004/05, 12 million bags higher than the 2003/04 crop, according to the U.S. Department of Agriculture. This increase largely reflects Brazil's recovery from 32 million bags to 42 million bags. Vietnam's output is expected to reach 14 million bags in 2004/05, up from 12 million bags in 2003/04. Brazil and Vietnam are the world's largest producers accounting for 35 percent and 12 percent of global supplies respectively, followed by Colombia with a 10 percent share.

35. Coffee consumption is expected to increase by about 2 percent during 2005 and 2006. Most of the increase is expected in specialty and instant coffees, thus continuing the trend of the last few years. That is, coffee consumption will increase at both ends of the spectrum: the high end that prefers specialty coffee and the low end that wants instant coffee.

36. The scope for further increases in coffee prices (or even sustaining the current price level) is limited. Despite the fact that arabica prices have gained momentum recently, they are expected to average \$1.98/kg during 2005, but are expected to decline slightly during 2006. Robusta prices are expected to average \$0.88/kg during 2005 and \$0.90/kg during 2006.

37. **Cotton.** The cotton market price (Cotlook A) index averaged \$1.37/kg during 2004, down from \$1.40/kg during 2003. It is expected to average \$1.17 during 2005, and recover slightly to \$1.22/kg and \$1.27/kg during 2006 and 2007, as increased demand and lower production remove some of the pressure in the cotton market.

38. World cotton production is expected to reach a record high of 25.2 million tons in 2004/05, up from last season's 20.4 million tons. Consumption is expected to be 22.7 million tons, thus adding an estimated 2.5 million tons to stocks, which will exceed 10 million tons. Net imports by China will reach a record 1.85 million tons, making China the world's largest cotton importer for a second season in a row.

39. Virtually all major cotton producing countries contributed to the record production. The world's largest cotton producers, China and the U.S., increased production by 30 percent each, while Australia and Pakistan increased their cotton output by 73 percent and 42 percent, respectively. Other countries registered considerable gains: Greece (20 percent), Uzbekistan (17 percent), and India (15 percent).

40. The "Cotton Initiative" remains in the headlines, following the request by the cotton-4 (Benin, Burkina Faso, Chad, and Mali) for the creation of an "emergency cotton fund" to support their cotton producers. The proposal of the four countries describes the damage that cotton subsidies in richer countries has caused to their economies, called for the subsidies to be eliminated, and for compensation to be paid to the four countries while the subsidies remain, to cover economic losses caused by the subsidies. Most bilateral and multilateral donors, however, have expressed some skepticism to the idea of a new fund. Nevertheless, progress on the Initiative remains key to the success of the Doha Development

41. **Gold.** Gold prices are expected to continue rising with any further depreciation of the U.S. dollar in the near-term. Over the longer term, gold prices are expected to fall back toward \$325/toz as high prices discourage demand and stimulate new supplies. Gold prices advanced 13 percent in 2004, with the weakness of the dollar seen as a key driver. However, strong fundamentals also supported prices. Consumer demand rose by 7 percent, with much of the growth in Asia and the Gulf States. Mine supply fell, in part because of appreciating producer currencies, such as the South African rand, which reduced profitability and investment. Central bank sales slowed noticeably, although they picked up in the fourth quarter after commencement of the new five-year agreement to limit sales.

42. Producer de-hedging (buybacks of their forward sales) reached 445 tons last year, the largest annual reduction in company hedge-books since the de-hedging cycle began in 2000. These buy-backs added 423 tonnes to demand in 2002 and 291 tonnes in 2003 (compared with a 500 tonnes forward sales in 1999).

43. Market fundamentals are expected to be less supportive for prices going forward. Producer hedging is expected to slow, and higher interest rates will likely increase project-related hedging. Mine supply is projected to rise modestly, and central bank sales will continue. The second Central Bank Gold Agreement among 15 European countries which commenced in September 2004, raised the annual ceiling on gold sales to 500 tonnes, and 2,500 tonnes overall.

44. **Crude oil.** Crude oil prices have continued their upward climb, reaching above \$51 by May 31st 2005 – that was higher than 22% a year ago. An earlier projection was an average of \$42/bbl in 2005, before declining to \$36/bbl in 2006 and \$33/bbl in 2007. OPEC production restraint is expected to keep prices firm, but moderating demand and increases in production capacity in both non-OPEC and OPEC countries are expected to exert downward pressure on prices.

45. The Oil price rise in early 2005 was in spite of rising inventories and mild winter weather, as OPEC prepared to raise its price band. OPEC abandoned its \$22-28/bbl target at end-January, arguing that the band was unrealistic, and that prices had been above the range for more than a year. OPEC's actions, expectations of

strong demand, capacity constraints, and geopolitical concerns have kept investor demand firm, and long-dated futures prices have risen significantly.

46. Oil demand growth is expected to moderate in 2005, following a 3.5 percent jump in 2004, as global economic growth and China's oil demand slow down. Part of the 16 percent surge in China's oil demand last year was due to the use of diesel in back-up electrical generators because of chronic power shortages. However sharp increases in electricity capacity are expected to lessen the use of diesel in generators. On the supply side, non-OPEC supplies are expected to increase by more than 1.0 mb/d, capturing much of the growth in oil demand. The net requirement for OPEC oil is expected to rise modestly, and surplus capacity is likely to rise because of increases in capacity in a number of countries. However, markets remain relatively tight and higher price risks remain, especially due to the potential for higher Chinese oil demand.

5. Concluding Notes

47. Although the regional economy experienced 0.2% decline in growth in 2004 from its previous year growth rate of 4.0%, due to low prices of principal raw materials and negative socio-economic climate, there were positive developments in the transport, tourism and telecommunications sectors. This was in addition to the relative stability achieved in macroeconomic management. The relatively tight national monetary and fiscal policies have ensured a fairly low annual average regional two-digit inflation rate of 10.2% in 2004 which was a slight dip from the 10.6% in 2003. The double-digit inflation rate resulted from the steep rise in fuel prices and the instability of some of the currencies, although it was moderated by sound management of the Nigeria's oil revenue. It is important that all Member States, particularly countries of the West African Monetary Zone (WAMZ), continue to pursue improved budget discipline, as part of the ECOWAS programme of macro-economic policy convergence.

48. It should be noted here that the pursuit of sound monetary and financial policies in the past few years has contributed to the rising regional growth rate. The growth forecast for 2005 of 5.2% is based on the assumption that the tight fiscal policy will continue, the Cote d'Ivoire's economy will recover, Nigeria will continue to realise high oil revenue and that the good 2005/2006 farming season expected in most of the Member States will materialise.

49. Nevertheless, more effort is needed to ensure sustainable growth. It is essential not only to entrench macroeconomic stability but also to further reduce government involvement in the economy, promote private sector activity and investment, reduce vulnerability to exogenous shocks, develop infrastructure and deepen institutional reforms as well as make efforts to avoid the resurgence of armed conflicts. The effort to reach the Millennium Development Goal of halving

poverty by 2015 should also be intensified. Moreover, there is need to improve substantially the manufacturing capacity of the region. Most of the exports from the region are primary products, prices of which are volatile and exogenously determined. Thus, for the region to realise maximum benefits from globalisation, it has to diversify its production base to be able to increase the range and volume of manufactured exports. Improving the region's manufacturing capacity will help West Africa to become a less disadvantaged player in the world economy, especially in light of the proposed economic partnership with the European Union that will inevitably entail the establishment of a free trade area between West Africa and Europe.

50. For the growth prospects envisaged for the region in 2005 and next few years to be achieved, much commitment is expected from both the Member States and the development partners. Member States are expected to expedite action plans adopted at the regional level to enhance the regional economy. In particular, efforts should be intensified to minimize fiscal dominance and ensure fiscal discipline among all economic agents. In addition, there is need to take action to facilitate intra-regional trade by removing the many non-tariff barriers such as unofficial road blocks, unnecessary red tape at border entry points and improving transport links that currently militate against free flow of intra-regional trade. It is our expectation that our development partners would continue to support our integration and development programmes by providing assistance in the form of less restriction on exports, removal of subsidies on agricultural products, higher aid flows and a more substantial debt relief.

CHAPTER II

THE COMMUNITY WORK PROGRAMME: STATUS OF IMPLEMENTATION

INTRODUCTION

51. The current Community Work Programme is shaped by three imperatives: deepening of the regional integration process; regional approach to NEPAD implementation in West Africa; and facilitating the West African focus on poverty reduction. Given the limited financial and technical capacity of ECOWAS and its Member States, there has been the need to set priorities in meeting the above regional challenges, particularly, the over-riding need to utilise regional integration as a means for accelerating the development of the region. The process of re-orienting the ECOWAS integration programmes to serve these needs, which began with the 2004 work programme continued with the 2005 budget that was adopted by Council in January 2005.

52. This chapter gives an account of the progress that has been made on the implementation of the Community Work Programme since the publication of the 2004 Annual Report, and particularly, since the beginning of this year. The account begins with the 30th anniversary celebration and a recall of where the Community is coming from. Subsequent sections are devoted to the economic integration programmes, regional peace and security and then administrative and financial matters.

THIRTY YEARS OF COMMUNITY EXISTENCE

53. The year 2005 is special for our Community; it marks thirty years of the existence of this regional organisation. Thirty years ago, the ECOWAS Founding Fathers made a formal commitment to work together to achieve their dream of a free, peaceful, prosperous and unified West Africa. Throughout this anniversary year, we need to reflect on how far we have progressed toward that dream.

54. It is certain that much has been achieved. Various aspects of our regional integration process are cited by people outside this region to illustrate how far West Africans have travelled along this path: the ECOWAS Parliament, the Community Court of Justice, the ECOWAS Bank, ECOWAS Passport and Travel Certificate, the ECOWAS flag and anthem, the free movement of Community citizens throughout the region, the free trade area, the bold steps towards a single regional currency, the many regional infrastructural developments, the regional projects of our business community (ECOBANK, ECOMARINE, ECOAIR, West African Gas Pipeline project),

the ECOWAS mechanism for conflict prevention. These are indeed laudable initiatives and achievements. Recently, the seriousness and commitment that the West African leadership has injected into the NEPAD implementation has been further proof of the regional solidarity and concerted action that have come to characterise this region.

55. We in West Africa are all aware, however, that as a Community we could have achieved even more, and could have made a more palpable impact on the development of the regional economy. This is why I invite all the ECOWAS organs and the other Community institutions, to join the Secretariat in undertaking an in-depth review of our regional integration strategies and programmes so that we can re-orient our institutions to perform more efficiently and effectively. The anniversary celebration offers us an opportunity throughout the year for such reflection; the chance must be seized to enhance the building of the Community and to accelerate the integration process.

56. I sent letters to Member States inviting each one to observe the anniversary at the national level with a number of suggested events. The Secretariat endeavoured to send along some publicity materials as a contribution to the success of the national events. The ECOWAS Secretariat organised at the regional level here in Abuja a number of events during the ECOWAS Week (23 – 29 May).

57. There was a formal launching of the celebrations at the ECOWAS Secretariat on 24 May 2005. My delight on that occasion was heightened by the beautiful cultural exhibition that was mounted as part of the activities to mark the special anniversary. A tour of the stands deepened my conviction of the richness of West Africa's cultural heritage, and of those values we cherish and wish to pass on to future generations. The display of the region's cultural diversity was yet a testimony to the stupendous wealth that nature has endowed our people with. Culture represents a dynamic and important part of our regional integration initiative, and I am grateful to the Member States which accepted the invitation and participated in the exhibition.

58. Prior to the formal launching, a business forum was organized on 16 May on the theme "*Promoting African Integration and addressing the Debt Burden Syndrome*". This was done in partnership with the private sector represented by the African Business Roundtable (ABR) and the West African Enterprise Network (WAEN). It was another demonstration of the strong commitment of ECOWAS to the involvement of the private sector in the regional integration endeavours. The conclusions and recommendations of the business forum would be submitted to the ECOWAS organs for consideration and adoption.

59. A regional symposium on "*West African Development Perspectives and the Evolution of the ECOWAS Mandate*" was organized on 25 and 26 May, in collaboration with the OECD Sahel and West Africa Club. It provided an excellent opportunity to reflect on ways to accelerate our development and integration, and also to look at the evolution of the ECOWAS mandate. The symposium attracted the participation of a wide-spectrum of specialists, economic operators and officials involved in West African integration and development issues. Much emphasis was laid on the need to chart a future development path that would ensure the prosperity of the rising population in the region. The process of designing such an appropriate development perspective and the manner in which the ECOWAS mandate should evolve to meet the corresponding integration imperatives would continue throughout the year. The outcome of this endeavour would be presented to ECOWAS and other West African authorities for implementation.

60. For the Children's Day on 27th May, activities were planned to make that a memorable one for the children, the coming generation of integration actors in West Africa. A concert of West African musicians was one of the highlights of the celebration. It was held in the evening of 27 May at the Eagle Square, Abuja; the rich performance of many artistes of the West Africa region was very well appreciated by the large crowd of spectators.

61. The celebration included a special session of the Community Court of Justice. This brought home to everyone the Community's high regard for the judiciary, an attestation to our respect for the rule of law. Indeed, the Court of Justice and other institutions stand out as land-marks of the achievements of the Community in its thirty years of existence. A gala dinner was held for the diplomatic corps in Abuja in the evening of 28 May to crown the events for the ECOWAS Week celebrations.

ECONOMIC INTEGRATION

62. ECOWAS remains engaged with the pursuit of its principal objective of promoting regional cooperation and integration. We are moving steadily toward the establishment of an economic union in West Africa. ECOWAS has focused on programmes in all development sectors: macro-economic policy harmonization leading to the creation of a single regional currency; progress toward the establishment of an ECOWAS customs union, and the related negotiation of an economic partnership agreement with the European Union; infrastructural development and enhanced service delivery; agricultural and environmental issues; human development.

63. **Free Trade Area:** A major objective of the ECOWAS Authority is to create a regional unified market (principally, a customs union) through the trade liberalisation scheme and the introduction of a Common External Tariff (CET). In order to consolidate the free trade area that has been established since January

2000, the ECOWAS and UEMOA trade liberalisation schemes have been harmonized; some Member States have effectively started the implementation of the harmonized scheme. The effective functioning of a free trade zone is one of the current ECOWAS priorities and the Secretariat has been conducting a sustained campaign of sensitisation of all stakeholders on the trade liberalisation scheme; this is being done in collaboration with the national units in Member States.

64. The Executive Secretariat organised a meeting for senior officials from customs administrations to draw up terms of reference for a study for the adoption of a customs code and an ECOWAS customs value. The meeting, which was held in Accra on 21 and 22 March 2005 also explored ways to ensure the effective implementation of the conventions relating to inter-State transit of goods (ISRT). Similarly, the Executive Secretariat participated in the 7th meeting on 21 and 22 March 2005 in Niamey of the General Assembly of National Guarantors appointed by Member States to provide guarantees for ISRT operations.

65. To encourage the participation of all Member States in the implementation of the scheme, awareness campaigns on the free trade area were undertaken by the ECOWAS Executive Secretariat. With the assistance of the European Union capacity building project, seminars were organised in Abuja, Lagos, Bamako, Accra, Freetown and Conakry for economic operators, civil society and the private sector. These campaigns will be pursued in 2005 to ensure that all Member States are covered.

66. **Compensation mechanism:** As had been pointed out on previous occasions, implementation of the trade liberalization scheme had been hampered by the poorly-funded compensation mechanism. However, the Community levy which is now being applied more satisfactorily will facilitate the functioning of the free trade zone by ensuring the payment of loss in customs revenue. Monitoring of the application of the Community levy is being done more regularly (see paragraphs ... below), and I appeal strongly to each member of the Council to monitor, at the national level, the measures being taken to ensure the effective participation of the country in this regional preferential trade arrangement.

67. **Harmonisation of Indirect Internal Taxes.** The programme on the harmonisation of indirect internal taxes of Member States envisages a study of the current status of indirect internal taxes, especially VAT and excise duties. The activities carried out in this domain included (i) preparation of a restricted list of consultants was drawn up in January 2005 and an invitation to tender launched for the preparation of the study; opening of bids and the selection of a consultancy firm in April 2005; and the conduct of study and consideration of findings in the 4th quarter of 2005.

68. **ECOWAS Trade Fair:** One of the measures for promoting intra-regional trade is the holding of regular regional trade fairs, exhibitions and other similar events. The ECOWAS trade fair has been held at four-yearly intervals since the first edition in Dakar in 1995. At the last edition in Lomé in 2003, it was decided that this regional event should become a biennial affair. We are therefore in the process of preparing the Fourth ECOWAS Trade Fair in Lagos in October this year. It is also an event being organized as part of the 30th ECOWAS Anniversary celebrations.

69. As part of the preparatory activities for the forthcoming trade fair, the ECOWAS Secretariat, in collaboration with the relevant stakeholders in Nigeria, organised working sessions in Lagos on 3 and 4 March 2005, to evaluate, and programme in a rational manner, all activities necessary for the success of the Trade Fair. Details of the preparatory activities would be provided during this session of Council. I trust that every Member State would encourage the maximum participation of its economic operators in the 4th ECOWAS Trade Fair.

70. **Common External Tariff:** Concerning the Common External Tariff, which is an important step towards a customs union, necessary actions have been carried out for its adoption during a transition period between 2005 and 2007. In our pursuit of these objectives, ECOWAS institutions have enjoyed the assistance of development partners such as the European Union and USAID. Although some activities are still pending regarding the adoption of a regional programme covering all Member States during the transition period, most of the individual countries concerned (Gambia, Ghana, Guinea, Nigeria) have drawn up national plans, and are now quite prepared for the ECOWAS CET, which is based on the UEMOA CET.

71. Following the finalisation of the national plans, a meeting was convened in Banjul from 30 March to 1 April 2005 to (i) assess progress on the application of the CET; (ii) harmonise requested exceptions to the UEMOA rates, (iii) consider the special situation of agriculture; (iv) prepare a draft regional plan for the adoption of the CET; (v) agree on a monitoring mechanism for the application of CET in the region and within Member States; and (vi) update the roadmap for the application of the CET and establishment of the customs union. It is planned to launch the ECOWAS CET formally at the next session of the ECOWAS Authority.

72. With the establishment of a customs union comes the adoption of a common commercial policy for the region vis-à-vis the rest of the world. This involves the adoption of a common position on trade issues, and ensuring that such regional commercial interests are properly negotiated and defended in the appropriate international fora. Already, ECOWAS Secretariat, with the support of the African Capacity Building Foundation (ACBF) has commenced a training programme to enhance the negotiating capacity of West African negotiators. Various in-country multilateral trade negotiation training courses have been held: in Ghana from 29 November to 17 December 2004; Nigeria from 10 to 29 January 2004; and Senegal

from 28 February to 18 March 2005. About 100 officials from Member States and the ECOWAS Secretariat have benefited from the training programmes. The training focuses on negotiating skills already needed to defend our joint interests in the Doha Round of the WTO negotiations and within the framework of the negotiations on the regional Economic Partnership Agreement (EPA) between West Africa and the European Union.

73. EPA Negotiations: Concerning the EPA negotiations, the joint roadmap of preparatory activities and negotiation issues was adopted by the two parties (West Africa and EU negotiators) in August 2004, and this has been guiding the negotiations to be concluded in December 2007. A number of studies have been conducted to determine West African interest in vital areas such as market access, sanitary and phytosanitary (SPS) issues, trade in agricultural and manufactured goods, trade in services, investments and competition. These are some of the issues that call for national policy harmonization and the adoption of common policies at the regional level. It is by so doing that specific regional positions and interests can be identified and defended at the EPA negotiations.

74. It became necessary to set up eight thematic groups composed of experts from the ECOWAS Executive Secretariat, the UEMOA Commission and Member States. The preliminary meetings of the 8 groups were held in Abuja from 13 to 26 February 2005. The themes for these technical groups are customs union, free trade area and trade facilitation; standardisation, certification, quality control, SPS measures and technical barriers to trade (TBT); competition and intellectual property; investment; agriculture; fishery; services; and non agricultural and handicraft products.

75. The thematic group on the free trade area, customs union and trade facilitation issues and the group responsible for technical standards, SPS measures and TBT met in Abuja from 17 to 19 March 2005. These preliminary meetings enabled the participants to reach a consensus on the structure of the reports to be prepared, exchange information on the content of the reports, and agree on a method of work that will facilitate the production of full reports for the next technical meetings of each of the groups.

76. Regional indicative programme: Under the 9th EDF, 235 millions euros have been allocated to the West Africa region. ECOWAS and UEMOA are currently engaged in negotiations with the European Commission for the adoption of a regional indicative programme for the use of that grant, which will go to support mainly economic integration and trade; some other areas of support are statistical development, transport facilitation, energy, health and conflict prevention.

77. I should add that the political dialogue at the ministerial level between ECOWAS and the EU has been continuous and well-structured; the scheduled sessions have been held on a regular basis since the one in Dublin in May 2004. The last session took place in Luxembourg on 18 May 2005.

NEPAD IMPLEMENTATION

78. The ECOWAS Secretariat has taken concrete steps to enhance its capacity in order to meet the responsibility of coordinating the implementation of NEPAD projects in West Africa. We are in the process of finalising the recruitment of the eleven NEPAD consultants. Similar recruitment has been going on regarding the permanent staff, and the administrative and financial procedures of the Secretariat are being modernized and strengthened. These steps have enabled the Secretariat to embark on the formulation of medium-term action plans in the various NEPAD priority areas. The action plans will be submitted to the many development partners already assisting with the NEPAD implementation at the regional level. I should like to refer in particular to the assistance being received on the infrastructural sectors, under the short-term action plan whose implementation is being coordinated by the ADB. We are, indeed, in the process of establishing the special regional facility, Project Development and Implementation Unit (PDIU) approved by Council at its last session in January 2005 at Accra. When it becomes operational, the unit will ensure the effective preparation, implementation and monitoring of these NEPAD regional projects.

79. **Review of Performance on MDGs:** In pursuit of the objectives of NEPAD and MDGs, the ECOWAS Secretariat, in collaboration with the NEPAD Secretariat and the AU convened a consultative meeting at the ECOWAS Secretariat on 30 and 31 May 2005 to review progress being made in West and Central Africa towards the achievement of the MDGs. The meeting brought together leading practitioners and key stakeholders engaged in economic integration and the development process to adopt a strategy for accelerating efforts towards achieving the MDGs. The meeting identified issues that should be included in the draft Common Position to be presented at the UN conference on the MDGs in September 2005.

TRANSPORT PROGRAMME

80. Transport is a key sector in the ECOWAS integration efforts. The ECOWAS Secretariat has developed a plan of action for cross-border movements through the implementation of road transport facilitation measures. The plan has as its main components the construction of joint border posts to expedite immigration formalities and the clearing of goods; the creation of observatories along inter-state corridors to detect bad practices; and awareness campaigns to educate all stakeholders in the road transport sector and the fight against the HIV/AIDS pandemic. Other issues currently receiving attention under this initiative relate to:

- Legal and institutional framework of joint border posts
- Harmonisation of road legislations
- Evaluation of the physical status of road networks
- Port security and advanced cargo information system

81. In the air transport sub-sector, the Secretariat is encouraging Member States to make a concerted effort to implement the undertaking on air transport liberalisation which was made by the whole continent under the Yamoussoukro Decision. In this regard, a regime is in place for periodic assessment of Member States to determine their compliance with the Decision and to resolve difficulties being encountered in its implementation. Two regional projects for strengthening the safety oversight capacity of Member States have been prepared; funds have already been secured and the implementation will start before the end of 2005. Proposals will be submitted for adoption at the annual summit of the Authority this year on common air transport economic regulations for West Africa relating to passenger compensation, ground handling, and airport slot allocation.

82. In maritime transport, the Secretariat is sensitizing the coastal Member States involved about the Authority decision in January 2005 which calls for preferential treatment to be accorded ECOMARINE at West African seaports. Concerning rail transport, the ADB is financially assisting with a feasibility study on the development of a West African regional railway network.

ENERGY PROGRAMME

83. Energy is one of the key sectors in ECOWAS integration programmes. The ECOWAS Secretariat has made further progress in the implementation of its three major programmes in this sector: the West Africa Power Pool (WAPP), the West Africa Gas Pipeline (WAGP) Project and the ECOWAS Initiative on Access to Energy Services.

84. Following the signing of the major WAGP Project agreements and regulations, the company made the final investment decision and awarded the major contracts on 23 December 2004. The WAGP Project has now entered into the construction phase: the first pipes arrived at Tema harbour on May 27 2005. It is expected that gas would start to flow in December 2006. During the last few months, the Member States concerned have completed the remaining administrative and legal tasks to which they were committed, including the ratification of the Project Treaty, the passing of enabling legislations, and the signing of Pipeline Development Plan, Access Code and WAGP Regulations. Moreover, the Project Company has been granted the Environmental Certificates and Pipeline Licenses by the Member States involved.

85. A few "conditions precedent" to legally oblige the project to build the pipeline are yet to be met, such as granting the exchange control waiver by BCEAO, finalizing land acquisition in Togo, adoption and signing of the Rules of Procedure, and approval of Ghana WAGP Regulations by Parliament, and obtaining the Presidential Assent on Nigerian Legislation.

86. In the light of progress made, the purchasing countries (Benin, Ghana and Togo) should initiate the development of the secondary networks. This would create a West African gas industry beyond Nigeria that is expected to benefit from the preferential rate awarded to industries

87. Following the adoption of the revised ECOWAS Generation and Transmission Master Plan by the ECOWAS Authority in January 2005, the Secretariat, in collaboration with the national electric utilities and energy ministries, embarked on project preparatory studies; these are studies in respect of priority generation and transmission projects identified in the Master Plan. The Secretariat has also negotiated a funding facility of US\$ 350 million with the World Bank- the WAPP Adaptable Programme Lending Facility (WAPP APL), to support the implementation of critical WAPP generation, transmission and system control infrastructure in the 2005-2010 horizon. The remaining amount of about US\$ 1.5 billion required for the full implementation of the recommendations of Master plan is being negotiated with the World Bank and other donors.

88. The ECOWAS Executive Secretariat in collaboration with UEMOA, and with the assistance of UNDP, the Government of France and the European Union proceeded with the elaboration of a White Paper on Access to Energy by Rural and peri-urban populations of the sub-region. To this end, the Secretariat held a regional forum of stakeholders in the energy sector to define, in a collaborative and coordinated manner, the components of a regional policy on access to energy for the attainment of the MDGs. The forum formulated an action plan, which defines the activities to be undertaken by the ECOWAS Secretariat and Member States towards the finalisation of the white paper.

TELECOMMUNICATIONS PROGRAMME

89. Telecommunications is a cross cutting sector and has an impact on the other development sectors: education, health, trade, governance etc. Therefore, EOCOWAS accord great importance to Telecommunications programme. The main objectives of Telecommunications sector specified in the Revised Treaty are as follows:

- Development of a regional reliable, modern Telecommunications infrastructure through the execution of INTELCOM II and I programmes;

- Harmonization of Telecommunications policies, legal and regulatory frameworks for the establishment of a single liberalized Telecommunications market within the Community.

90. In line with these Treaty provisions, the Council of Ministers, on the basis of recommendations from the Fifth meeting of Ministers of Telecommunications, adopted a harmonization model based on the "Centralized Policies with Individual National Implementation".

- Roadmap for the implementation of a single liberalized telecommunications within the community by 2007
- Roadmap for the implementation of effective GSM Roaming within the region by December 2006

91. Also, a regional telecommunications stakeholders' forum on regional cross-border connectivity and GSM has been held which made appropriate recommendations to remove the regulatory and political impediments and to bridge the gap of connectivity in the West African region. For this purpose, a study funded by the World Bank is in progress.

MONETARY INTEGRATION PROGRAMME

92. The focus of monetary policy continues to hinge on monitoring country performance under the convergence criteria. The regional mechanism for the monitoring process includes the creation of national coordinating committees (NCCs), which exists as CNPEs (National Committee on Economic Policy) in the UEMOA countries.

93. During the annual summit of the Authority at the end of this year, a decision on the future direction of the ECOWAS monetary integration programme will be taken. That decision will depend on, first, the progress made on the initiative at creating a second regional currency (the *eco* of the West African Monetary Zone – WAMZ – countries), and also on the overall progress towards macro-economic convergence among the fifteen countries in the region. The West African Monetary Agency (WAMA) and ECOWAS Secretariat organized the regional meetings of the ECOWAS multilateral surveillance mechanism in January 2005 to assess progress; another assessment will be done later in the year. Meanwhile, the WAMZ countries have been holding regular meetings to ensure close monitoring of the convergence progress among the five participating states (Gambia, Ghana, Guinea, Nigeria and Sierra Leone).

94. It turns out that the performance of our Member States improved significantly in 2004, compared with the two preceding years. However, in the specific case of the WAMZ countries, the overall degree of convergence has not been high or

consistent enough for the introduction of the second currency on 1st July 2005, as previously scheduled. The adverse macroeconomic environment affected the compliance of some Member States, especially Guinea and Sierra Leone, with the primary and secondary convergence criteria. While The Gambia and Nigeria satisfied three primary and three secondary convergence criteria, Ghana was able to satisfy two primary and two secondary criteria. However, while Sierra Leone met two primary criteria and one secondary criterion, Guinea could only attain one primary criterion and one secondary criterion. The absence of macro-economic convergence is also buttressed by slow progress on the policy harmonisation in respect of trade liberalisation payments system development, banking supervision, statistical harmonisation, and capital account liberalisation.

95. A recent report on the state of preparedness for the second currency recognized the usefulness and significant contribution of that initiative to macro-economic management in the countries involved. The report contains concrete recommendations on resolving the problems impeding the monetary integration process and urges the countries to sustain their efforts at deeper monetary and fiscal reforms. The WAMZ summit meeting, held in Banjul (The Gambia) on 6 May 2005 decided to postpone the introduction of the second regional currency to 1st December 2009. The Heads of State adopted a comprehensive work programme, with specific targets, for the required policy harmonisation and convergence. The Banjul Declaration that was adopted indicates the reaffirmation of the commitment of all the countries involved, and their preparedness to make greater efforts at meeting the different requirements.

INFORMATION AND COMMUNICATION TECHNOLOGY

96. The Secretariat is implementing an ICT programme which aims at modernizing the operational systems and mechanisms of not only the ECOWAS institutions but also in Member States. I should like to recall for example, that, in order to enhance the trade capacity of the region, the Computer Centre has developed and installed software such as the Customs Computerisation Systems (ASYCUDA), the trade statistics system (EUROTRACE), and the SIGOA TOPS business information system. ASYCUDA which is operational in 12 Member States is aimed at standardising customs data format for easy processing. Customs data obtained from ASYCUDA is collected by national statistical services using EUROTRACE software to produce national external trade statistics. EUROTRACE is operational in 14 ECOWAS countries. The latest version of SIGOA TOPS has been developed and installed in four of the Member States which are fully implementing the ECOWAS Trade Liberalisation Scheme.

97. In recognition of the potential role of Information and Communication Technology in our integration efforts, an ICT policy is being developed in ECOWAS with the aim of harmonising existing national policies and assisting member states in

formulating and implementing their policies. Already, the Secretariat has begun a project of IT inter-connectivity of Member States to enhance the implementation of some regional programmes such as statistics and multilateral surveillance of macro-economic performance.

AGRICULTURE AND RURAL DEVELOPMENT

98. Agriculture and rural development constitute a crucial sector for regional integration and the economic development of the region. A major recent achievement of this regional programme was the formulation and adoption of the ECOWAS Agricultural Policy (ECOWAP) at the last session of the Authority in January 2005 at Accra. This would provide the basis for attaining sustainable food security, the promotion of trade in agricultural produce and the eradication of poverty in the region.

99. Following the adoption of ECOWAP, the Secretariat formulated a medium-term plan of action (2006 – 2010) to guide its implementation. The draft plan of action was reviewed and adopted by a meeting of ECOWAS Ministers of Agriculture on 2 and 3 May 2005 at Accra. The first annual segment of the plan of action was designed toward the implementation of the Comprehensive African Agricultural Development Programme (CAADP/PDDAA). That annual programme was also adopted at a meeting in Accra from 5 to 7 May 2005 of NEPAD/G8 high level officials: it will be submitted to the G8.

100. Other key components of the agricultural programme include the establishment of a Regional Food Security Information System (RFSIS) and the promotion of the safe and efficient use of pesticides. When it becomes operational, the RFSIS will provide up-to-date information on all aspects of food security and agricultural trade in the member states.

101. In the area of livestock, transborder transhumance constitutes a major source of concern considering all the problems associated with it. That is why, in addition to the programmes on the control of animal diseases and the establishment of cattle breeding centres, our efforts have been concentrated on the resolution of problems caused by transborder transhumance. There is need for greater involvement of the national authorities in the ECOWAS drive to ensure the introduction of the Transhumance Certificate by the Member States concerned. Similar support is also needed regarding the conduct of sensitisation workshops for experts from member states, farmers and herdsmen.

102. In the environment sector, the Secretariat has launched a study towards the formulation of a Common Environmental Policy for West Africa. Such a policy needs to be adopted to ensure a regional and coherent approach to environmental issues. ECOWAS is also addressing the environmental problems of desertification, floating

weeds and the integrated management of water resources. On the specific issue of controlling desertification, a regional plan of action is being implemented in collaboration with other organisations in the region. It should be noted that, already, a water resources coordination unit has been set up and a coordinator appointed to supervise the unit. The programme for the control of the spread of floating weeds, which is benefiting from the financial assistance of ADB, includes the studies carried out in 10 ECOWAS countries.

HUMAN DEVELOPMENT

103. The Human Development Programme aims at creating an environment for community citizens to increase their potentials individually and collectively. The programme will contribute to improving the welfare of ECOWAS citizens through education, promotion of creativity, women empowerment, poverty reduction and economic growth.

104. Under the programme, ECOWAS has adopted a convention on the equivalence of diplomas and certificates, which will enhance labour mobility within the region. This should promote greater efficiency in the use of available resources and improve access to quality education and training opportunities. It will also be an instrument for harmonising education and training systems in the region.

105. The programme includes the promotion of culture. There is, for example, the award of a special ECOWAS prize at FESPACO (the Ouagadougou Pan African film festival) to a film dealing with an integration theme. We are scheduling an ECOWAS Arts Festival (ECOFEST) to reinforce cultural and tourism cooperation. The biennial ECOWAS Prize of Excellence is organised to promote research and creativity in different fields (arts, literature, science, technology or any other area enhancing ECOWAS prestige).

106. The ECOWAS Secretariat also coordinates the implementation of a Regional Action Plan for controlling the consumption and trafficking in drugs as well as addressing the problem of money laundering. We are also vigorously promoting the involvement of the civil society, youths and women in the integration process. A civil society forum, a youth forum and a gender forum have been organised to harness the potentials of these important segments of the West African population for the regional integration process. Out of such efforts has emerged the West African Civil Society Forum (WACSOF), which has been established to coordinate the operations of the civil society organizations (CSOs) in the region.

107. In the health sector, there is collaboration with the West African Health Organisation to implement a regional strategy for addressing some of the health problems confronting the region. Together, we are facilitating the implementation of various programmes of the health component of NEPAD (regional plan of action to

combat HIV/AIDS in the military and a nomenclature for intervention to combat HIV/AIDS in West Africa).

ECOWAS-UEMOA COLLABORATION

108. I wish to mention the efforts being made to enhance ECOWAS-UEMOA collaboration. The working relations between the two regional organisations have been intensified ever since I received the then in-coming President of the UEMOA Commission, Mr. Soumaila Cisse in Abuja in May last year. There are regular technical meetings that we have instituted, one in Abuja, and the other in Ouagadougou to build synergy and deepen cooperation between the two institutions in all the key integration areas, in furtherance of our common objectives. Current areas of close collaboration between the two organisations include the programming of the regional component of the 9th EDF, the joint formulation of a regional PRSP, and the negotiations with the European Commission of the regional EPA.

PEACE AND SECURITY

109. The regional peace and security situation continues to be tenuous and of major concern to all of us, not only because of the death and destruction, but also because of the close inter-relationship between socio-economic development and peace and security. In the last couple of years, we had been engaged with major crises in Côte d'Ivoire, Liberia, Guinea Bissau and Sierra Leone; additionally, we now have the political crisis in Togo on our hands.

110. In addition to the many difficult development challenges, these political upheavals have saddled our region with severe problems of refugees and internally displaced persons; demobilisation, disarmament and rehabilitation of ex-combatants; disruption of socio-economic development; peace-building and reconstruction. We need to engage even further in reconciliation efforts and the nurturing of the democratisation process. The reconstruction programmes are needed to address the rebuilding of the social fabric and the national economic systems. These are regional imperatives that Honourable Members of Council could help to address.

SIERRA LEONE

111. The May 2002 Presidential elections in Sierra Leone ushered in the process of returning normal life to the country. UNAMSIL has been improving the security situation, thus enabling the government to pursue the security sector reforms necessary to restore public confidence in the security institutions. The residual force of UNAMSIL will now be totally drawn down and the mission closed by July 2005. Peace in Sierra Leone is also critical for stability in neighbouring Liberia and

Côte d'Ivoire and that is why we are pleased with the tremendous progress that continues to be made in this Member State.

112. Sierra Leone continues to need the critical support of the international community to revive its economy and to create jobs for the youths. The youth unemployment phenomenon that prevails in all Member States constitutes a particular serious threat to the consolidation of the still fragile peace in our countries emerging from civil conflict.

LIBERIA

113. The peace process in Liberia is on course. The deployment of the ECOWAS mission and then that of the United Nations has improved the security situation considerably. All the three arms of government are fully operational and, in more specific terms, the institutions for the transition programme have been established; they are working closely with both the ECOWAS and UN missions on the effective implementation of the Comprehensive Peace Agreement. Efforts are being made towards the redemption of the pledges made during the conference on the Liberian reconstruction programme held in New York in February 2004, which exceeded the target of \$500 million.

114. As the election date approaches, there is a build up of political activities and the accompanying tension, particularly between the government and the political groups (Liberians United for Reconciliation and Democracy (LURD), and the Movement for Democracy in Liberia (MODEL). This particular issue is being addressed by the ECOWAS Chief Mediator General Abdulsalami Abubakar. He has made visits to Liberia to interact with the parties involved and to lend ECOWAS support in resolving problems arising from the implementation of the comprehensive peace accord. ECOWAS has established an office in Monrovia, with the Special Representative of the Executive Secretary in charge. We continued to facilitate the activities of the ICGL and the Liberian Coordination Group (government-UN-ECOWAS).

COTE D'IVOIRE

115. New hope has been infused into the peace process lately with the agreement brokered by President Thabo Mbeki of South Africa. It is particularly encouraging that President Laurent Gbagbo has announced that all leaders of political parties in Cote d'Ivoire, including former Prime Minister Alassane D. Ouattara, would be able to participate in presidential elections scheduled for October 2005. With this major breakthrough on the political issue of eligibility, it is expected that the conditions have been created for disarmament, demobilisation and integration, not only of the rebel *Forces Nouvelles*, but also of all militia groups in the counties.

116. ECOWAS calls for the strengthening of the mandate of UNOCI and for the increase in the number of troops to enhance the chances of success of the UN mission. The recent disturbances reported in a part of the Western region of the country underscores the need for reinforcing the security arrangements in Côte d'Ivoire.

117. It should be recalled that legislative elections were held in Guinea Bissau on March 28 2004. After some mediation efforts by ECOWAS to smoothen out some post-electoral problems, the PAIGC which emerged as the winner formed a government nearly a year ago, on 7 May 2004. The country's return to constitutional rule is to be completed with the conduct of the presidential election. Preparations towards this component of the programme is generating more political tension, particular with the prospect of the two former presidents - Kumba Yallah and Nunes Nino Vieira - contesting in the election. This has necessitated a number of ECOWAS initiatives in recent weeks and we shall continue to facilitate and monitor the process. We welcome the appointment of former Mozambican President Joachim Chissano as a Special Envoy of the UN Secretary-General to Guinea-Bissau and pledge the support of ECOWAS in his mission.

TOGO

118. The political tensions that subsisted throughout the 1990s in Togo came to a head with the death of President Gnassingbe Eyadema, who had been in power since 1967. There was strong objection within and outside Togo to the installation of his son Faure Gnassingbe as the Interim President, in blatant contravention of the constitution of Togo. Condemnations of this act of the Togolese military and pressure from ECOWAS leaders forced the resignation of Faure Gnassingbe, and initiated the process for presidential elections within sixty days, in line with the provisions of the constitution. ECOWAS and other international bodies sent observers to monitor preparations for the elections, which were eventually held on 24 April 2005.

119. Although some irregularities were observed, the presidential elections were, on the whole, adjudged to have been fair and credible. Mr Faure Gnassingbe, the ruling party (RPT) candidate was duly declared the winner. However, the candidate of the coalition of opposition parties, Mr Bob Akitani protested that there had been massive fraud and claimed to have obtained the majority of the votes cast; he consequently declared himself the winner and the new president. This increased the tension within the country, characterized by demonstrations and acts of lawlessness in Lomé and other parts of the country, resulted in violence leading to loss of lives, destruction of property and influx of Togolese refugees into Benin and Ghana. The brutal killing of citizens of ECOWAS Member States resident in Togo has raised concerns.

120. The ECOWAS leadership, particularly the Chairman of Authority, President Mamadou Tandja of Niger, and AU Chairman, President Olusegun Obasanjo of Nigeria have been at the fore-front of the efforts to end the political crisis in Togo. They have condemned the violence, warning that it is likely to undermine the opportunity presented in Togo to build a stable democracy, and called upon all Togolese forces to work together in a government of national unity and reconciliation. In furtherance of these efforts, an ECOWAS mini-summit which was also attended by President Omar Bongo of Gabon, was convened and chaired by President Obasanjo in Abuja on 18 May 2005. President Faure Gnassingbe and all the political party leaders in Togo actively participated in the deliberations. It was agreed that a government of national unity would be formed, whose main preoccupations would be electoral reforms, national reconciliation; early return of refugees and improvement of the national security system.

CONFLICT PREVENTION

121. The ECOWAS interventions in the resolution of political problems in Member States have been guided by the provisions of the Mechanism for Conflict Prevention, Management, Resolution, Peacekeeping and Security of 1999. Inherent in the Mechanism is a structure of preventive diplomacy through the early warning system. This regional facility has become operational with the establishment of the Council of Elders and the Observation and Monitoring Centre (OMC) in the Secretariat; the OMC is linked to the four zonal bureaux in Banjul, Cotonou, Monrovia and Ouagadougou. The bureaux have been gathering, collating and analysing data for submission to the Secretariat for building the information base needed for conflict prevention. Financial assistance has been obtained from our development partners for the training of the personnel of the Observation and Monitoring System for improved performance.

ENHANCEMENT OF THE INSTITUTIONAL CAPACITY OF THE COMMUNITY

122. Since the adoption of its restructuring programme in 1999, the Executive Secretariat has been undertaking a series of activities aimed at enhancing its technical capacity and operational efficiency. The pursuit of the goal of increasing the numerical strength of the staff continued with the completion of the selection of the eleven NEPAD consultants in April 2005. The second phase of permanent staff recruitment was started in March 2005, when positions for vacancies were advertised throughout the region. The computerisation programme reached an important milestone when the intranet system was launched on 25 May 2005 as part of the 30th anniversary celebrations.

123. The Authority directed at its summit in January 2005 at Accra that the possibility of transforming the Executive Secretariat into a Commission should be examined. With the assistance of Eriksen, Faulkner and Partners, an international management consultancy firm, the Secretariat has studied relevant executive bodies such as the Commissions of the African Union, European Union and UEMOA. It should be noted that these are regional groupings whose member countries are committed to deep integration which requires considerable surrender of national sovereignty: the organs and institutions of the regional organisation are endowed with the supranational powers needed to enact regional laws and regulations that are binding and directly enforceable in all the member countries. While the revision of the ECOWAS treaty in 1993 aimed at enhancing the powers of the Community, the degree of supranationality has in practice not been adequate for the level of integration that ECOWAS has attained or is hoping to achieve. In the light of these considerations, a set of proposals for transforming the Executive Secretariat into a commission has been drafted for the consideration of Council.

124. At the request of the Council of Ministers, another memorandum has been prepared on the establishment of ECOWAS representations in Member States. The representation is to ensure a greater presence of ECOWAS in the country, facilitate the implementation of Community programmes at the national level, and provide a strong link between Member States and the Community institutions. Related to this is the need for a well-structured institutional arrangement within each country for ensuring an effective participation of the country in the regional integration process. Proposals are therefore being presented by the Executive Secretariat on the mission, role and functions of the ECOWAS National Units.

125. The recruitment of additional staff in mid-2004 and the engagement of many donor-sponsored consultants, including the NEPAD consultants, have created a problem of office space in the ECOWAS Secretariat. The partitioning of empty spaces in the headquarters building and re-distribution of offices among the staff solved the problem only partially. Therefore, in line with the approval given by Council, the Executive Secretariat has continued its search for a block of offices to hire in Abuja. A number of office-blocks were identified during the period and efforts at securing suitable premises at reasonable cost will continue in the months to come.

IMPLEMENTATION OF THE COMMUNITY LEVY

126. The Executive Secretariat has been spending these first months of 2005 analysing and learning from the experience ECOWAS gained with the autonomous financing mechanism in 2004 – the first full year that, instead of the direct contributions from national budgets, the Community depended on the proceeds of the Community levy. It turned out that a little over UA 70 million was recorded as levy collections for 2004 in the thirteen Member States applying the Community levy

(no proceeds were received from Cape Verde and Liberia). Of the amount collected, however, not more than UA64 million or 91% was deposited in the ECOWAS accounts at the central banks; the remaining amount was left in national treasuries, contrary to the provisions of the protocol on the application of the Community levy. One country unilaterally imposed restrictions on withdrawals from the ECOWAS account, while some countries made unauthorised withdrawals from the ECOWAS accounts. There were excessive delays at times in the release of funds; only UA 29.5 million was released in 2004, which was UA 11.3 million less than the total budget of UA40.8 million. In many instances, statements from customs and the central banks were not received on time and on a regular basis – to facilitate the monitoring process.

127. While some Member States (Niger and Togo) were making an additional effort (by applying 10% levy instead of 0.5%) to generate sufficient resources to clear their arrears, some others failed to meet such outstanding financial obligations to the Community. Twelve Member States have more than UA43 million outstanding, most of which has been due for more than ten years.

128. In all cases, the Executive Secretariat endeavoured to point out these instances of non-compliance to the Member States concerned, so that appropriate remedial measures could be adopted. These deficiencies were also discussed at the seminar organized in Abuja by the Executive Secretariat on 4 and 5 April 2005 by the Executive Secretariat for Member States' actors involved in the management of the Community Levy. The Secretariat itself is taking steps toward adjusting the existing financial regulations and procedures to accommodate the changes that the new funding mechanism has introduced; an appropriate revision to the basic texts on financial management would be submitted for the purpose, including a corresponding re-structuring of the Finance Department, particularly with regard to the creation of a Treasury Division.

129. The internal reform that was initiated as part of enhancing the capacity to coordinate and manage NEPAD implementation in West Africa has been pursued further this year. The modernisation of the financial management system is proceeding smoothly. A more rigorous monitoring mechanism has been instituted for better management of the expenditure pattern in the Executive Secretariat. A series of staff workshops are being run to improve the preparation of the operational budget of the Secretariat. The inter-institutional committee on resource allocation has been operating to facilitate understanding of the problems with the inflow and distribution of the funds generated by the Community levy.

CONCLUSION

130. The Community is thirty years old and a review of performance reveals some triumphant moments and some disappointments. ECOWAS has progressed far beyond the initial cautious approach to regional integration that was embodied in the 1975 treaty. That treaty set out the usual steps to be taken in pursuit of the traditional market integration goal, but under the guidance of a power-less inter-governmental organisation. The 1993 treaty review introduced institutional changes (Community Parliament and Court of Justice, enforceability of Community acts) that enhanced the supranational powers of the organisation.

131. Currently, the functioning of these "new" institutions, the application of the regional instruments of the mechanism on conflict prevention, the operation of the autonomous financing mechanism (the Community levy), and the proposed conversion of the Executive Secretariat into a commission – these provide further proof of the willingness of West African governments to make ECOWAS a strong regional body. Already, the Community influences the policies to be followed by West African countries in the political, defence, monetary, fiscal, commercial, industrial and agricultural fields. It is that measure of supranationality and regional solidarity that enables ECOWAS to set regional targets for the convergence of national macro-economic policies. ECOWAS has effective capacity to intervene and reverse the political crisis in Member States, as it is doing now in Côte d'Ivoire and Togo, or facilitating and actively monitoring the electoral process in Liberia and Guinea Bissau.

132. In stark contrast to the initial years when the Community possessed no political power, peace and security in West Africa today is as much a responsibility of the individual countries as it is a collective responsibility assumed by ECOWAS through its regional mechanism for conflict prevention. We are fairly well advanced along the road to a customs union, whose establishment the revised Treaty stipulated should be completed this year (fifteen years after the launching of the trade liberalisation scheme). The customs union is not the only ECOWAS scheme that is running behind schedule or experiencing implementation problems. 1st July 2005 will pass without the introduction of the *eco* in the second West African Monetary Zone because the prescribed conditions cannot be met on schedule.

133. Attention had been drawn on several occasions in the past, but without success, to the uncomfortably low level of implementation of Community acts and decisions. Such poor performance erodes the credibility and confidence in the organisation and in the regional integration process. The less-than-satisfactory progress delays the contribution that regional integration should be making to the

development of the region, a region that is at the bottom of the development ladder and therefore needs to be making the fastest progress.

134. Paradoxically, without achieving much visible results from previous integration efforts, the West African leadership is relying more and more on the regional approach to resolving key challenges. Thus, ECOWAS is preparing to step up activities in the coming months towards the adoption of a regional PRSP to complement and enhance national efforts at poverty reduction. The recent meeting of West and Central African officials endorsed the proposal to evolve a regional position on making the MDGs more achievable and more relevant to the development challenges of our countries. Indeed, ECOWAS sees these twin developments as an opportunity to design a regional PRSP that is both MDG-based and addresses, in a more direct manner, challenges of faster growth and sustainable development.

135. This particular approach would ensure that the issue of poverty alleviation becomes incorporated into and the focus of a medium-term strategy that ECOWAS has been requested to formulate for the regional integration and development process. The proposed regional strategy is also being conceived within the framework of the basic objectives and principles of NEPAD, in fulfilment of the Authority decision to adopt a regional approach to the implementation of this continental initiative.

136. Another crucial mandate given to ECOWAS that demonstrates growing reliance on the regional approach is the on-going negotiation of the Economic Partnership Agreement. In the coming months, we would need to strengthen the regional partnerships that have been built within the different negotiating bodies established to endow West Africa with the necessary capacity to defend our interests. Having completed the basic studies that identify the main issues involved and determine the possible impact on the economic and social life of the region, our negotiating team (Ministers of Trade, Finance and Integration) would need to be fully engaged in stating the West African position on these various issues. I maintain the view that, while the EPA negotiations offer an opportunity to devise an instrument for enhancing West African development, if we do not pursue the negotiations (and the future implementation of the agreement) with the necessary seriousness and commitment, we would have condemned West Africa to a future of greater poverty and misery.

137. We need to remind ourselves that the application of the EPA, scheduled to commence in January 2008, pre-supposes that West Africa would be a functional free trade area, and also entails a preparedness on our part to embark on a fundamental structural transformation of the regional economy. The performance of Member States on the ECOWAS trade liberalisation scheme needs to be improved upon significantly. This would require a more vigorous campaign by the national

committees to secure the effective participation of the economic operators on the one hand, and on the other hand, the total elimination of all the impediments to the smooth operation of the scheme that have been erected by officialdom. We are also entering the transition period for the application of the ECOWAS common external tariff. This would require an additional effort by the national customs administrations, and an effective monitoring system at both national and regional levels.

138. It is evident, then, that these various regional integration initiatives would need to be pursued with greater vigour and determination to ensure better performance than was recorded in the past. A step towards enhanced performance by strengthening the technical and financial capacities of the various actors in the integration process. It is heartening that concrete proposals would be presented at the forthcoming statutory meetings on some of these issues. I expect, for instance, that a decision would be taken by Council that clearly sets out the institutional arrangement to be established at the national level for coordinating and monitoring the participation of the country in the regional integration process. That decision would also ensure that there is a common understanding of and full commitment to fulfilling the mission and functions of the ECOWAS National Units. Member States are enjoined to provide the appropriate resources (manpower and equipment) for an effective functioning of these units. A complementary arrangement is the proposed establishment of an ECOWAS representation in Member States. This should ensure an active presence of the Community in Member States, and establish a strong working relationship between each Member State and the Community institutions.

139. These additional measures pre-suppose an improvement in the finances of the Community. As indicated in this report, there is much room for improvement concerning the correct application of the provisions of the protocol on the Community levy. Before the end of the year, there should be close cooperation between the Executive Secretariat and the relevant agencies in Member States to ensure that the system for the smooth operation of the Community levy is well established in all the fifteen Member States.

140. I should like to end by stressing the continued need for peace and stability throughout the region. All the lofty goals and targets we have set ourselves in the area of regional integration and economic development would come to naught if the tenuous security situation persists. The prevailing political, economic and social conditions seriously compromise the human security of the West African population. The political turmoil and civil unrest disrupt the social and economic lives of ordinary citizens, turning large numbers into refugees, internally-displaced persons, and idle unemployed youths. The unstable business environment does not encourage new investments and the creation of much needed employment outlets. Instead of expanding, maintaining and improving the existing economic and social infrastructures, there is destruction and neglect of such valuable assets.