

NOT TO BE TAKEN AWAY



**Communauté Economique Des
Etats de l'Afrique de l'Ouest**

**Economic Community
Of West African States**



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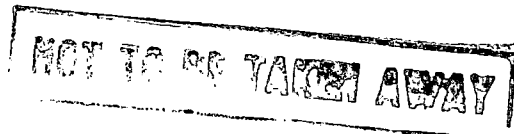
Abuja, 29 - 31 July, 1999

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OF
THE EXECUTIVE SECRETARY
MR. LANSANA KOUYATE

**Executive Secretariat
Abuja, June 1999**

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INTRODUCTION

1 The challenges posed by the third millennium make it imperative for West Africa to strive to achieve a speedy integration of its economies, in order to effectively put an end to poverty and ensure the integration of the sub-region's economies into the world economy. The West African sub-region is currently traversing a period of great changes. The most positive political change took place in Nigeria where a democratically elected civilian government has just emerged. In sharp contrast however, stand the assassination of the democratically elected president of Niger, the overthrow of the elected president of Guinea-Bissau, and the political situation in Sierra-Leone which remains fragile.

2 Any attempt to define future policies for West Africa must take account of this diversity: while some Member States are consolidating their political institutions and are actively seeking solutions to the complex problems of economic development, some others are stable, albeit in a fragile environment, while yet others are in the process of disintegrating.

3 The widening gap between the countries which are successfully implementing political and economic reforms and those which are falling apart, has very serious implications for the region. The collapse of institutions in adjoining states is fraught with dangers for countries fielding relatively positive results.

4. Moreover, there is a close correlation between economic progress and political stability. Countries which have failed to embark on viable economic reforms or which are victims of civil strife or are characterised by insecurity, in whatever form, will continue to face insurmountable economic problems as they will not attract the investment needed for economic recovery.

5 The elections that took place in West Africa over the last few years have revealed the extent to which it is difficult to emplace functional democratic institutions and to promote a spirit of political tolerance. In some cases, the behaviour of the political actors made it all too clear that their primary focus was more on the conquest of

8 In several countries, the authorities would appear not to be fully aware of the limits which the instruments of regional cooperation they ratify inevitably impose on their national sovereignty.

9 However, even though the perception the governments have of the costs and potential economic advantages of integration may play an important role, the pace of the regional integration process will ultimately depend on the political will and determination of Member States. The success of regional economic integration will also depend on the extent of support it gets from political leaders, administrative authorities, private sector operators, and society at large. It is for this reason that I have decided to look into the possibility of reorientating the Community programmes, to make them more effectively geared towards satisfying the needs of Member States by establishing a viable and credible economic and monetary union in West Africa. This necessarily demands greater synergy between ECOWAS integration programmes and national economic recovery programmes. To this end, plans are under way to review some of the ECOWAS cooperation instruments in order to make them more reflective of the national, regional and international economic environment. Priority must be given to building a regional market around the trade liberalisation scheme, the common external tariff and macroeconomic convergence within an integrated economic area.

10 The continuous review and improvement of ECOWAS policies, instruments and procedures will constitute one of the key elements in the joint strategy for the promotion of economic cooperation between the Member States and the Executive Secretariat. Its huge geographical, demographic and economic potential, ECOWAS can succeed only if its Member States rally solidly behind the strategy and demonstrate the necessary political will.

11 I should like, in this regard, to express my sincere gratitude to His Excellency, General Gnassingbe EYADEMA, President of the Togolese Republic and current Chairman of the ECOWAS Authority of Heads of State and Government, who has been working tirelessly towards the realisation of the Community objectives.

12 My thanks also go to General Abdulsalami ABUBAKAR, former Head of State of the Federal Republic of Nigeria, for his immense

elements of a more realistic and pragmatic regional integration strategy that would lay a solid foundation for economic growth, a prerequisite for durable democracy.

19 Chapter 1 reviews recent developments in West African economies and outlines some prospects for the region. Chapter 2 deals with the implementation of Community programmes and sets some issues of general policy for the attention of the Council of Ministers and the Authority of Heads of State and Government. Chapter 3 outlines elements of a realistic and pragmatic regional integration strategy and underscores the need for a rethink of some of the ECOWAS cooperation instruments in order to bring them in line with national and international realities. The changes sought, mainly in regard to the creation of an integrated regional market, are outlined in this chapter.

CHAPTER I

THE WEST AFRICAN ECONOMY IN 1998 AND FUTURE PROSPECTS

20 The most recent socio-economic indicators reveal that the West African economy grew at a much lower rate in 1998 than in the preceding four years. This was due essentially to the fall in the production growth rate recorded by Nigeria which alone accounts for 51% of the region's GDP. On the whole, real GDP in ECOWAS countries grew by 3.6% in 1998, down from 4.3% in 1997 and 4% in 1996.

21 The regional economy was adversely affected by the sharp decline in Nigeria's oil revenues which fell by more than half in 1998, from 10.5 billion dollars in 1997 to 4.5 billion dollars in 1998. This was as a result of repeated acts of vandalism on oil installations in the Niger Delta, and dwindling crude oil prices.

22 Throughout 1998, foreign oil companies operating in Nigeria were forced to close down a number of their pumping stations in the oil-producing areas in the south of the country which had become increasingly unsafe as a result of violent protests by the local people. On many occasions, expatriate oil workers were kidnapped by rioting mobs. The vandalism and looting resulted in the death of thousands of people around the village of Jesse. They also led to a drastic reduction in the volume of oil produced. Coupled with this was the sharp fall in the price of crude oil from an average of 18 dollars in 1997 to about 12 dollars in 1998, a fall of 33.3%. It was the combination of all these factors that gave rise to the negative balance recorded by Nigeria, affecting the growth rate of the West African economy as a whole.

24 Nonetheless, not even the countries with high economic growth rates have successfully reduced the level of poverty among their citizens. There can be no significant increase in income per capita until the annual growth rate attains between 7% and 9%. To achieve this, the rate of fixed net capital formation must rise from the current

II. INTERNAL ENVIRONMENT: THE WEST AFRICAN ECONOMY

i) General economic trends

29 In West Africa, 1998 saw a slowdown in the accelerated growth first noticed in 1995 and which continued in 1996 and 1997. The regional GDP grew by 3.5% in 1998, down from 4.3% in 1997 and 4% in 1996. It should be noted, however, that the production growth rate in the last three years was almost double the rate recorded in the early 1990s. The region's economic growth rate could have been higher in 1998 had it not been for the poor results recorded in Nigeria. Production grew by 4% or more in about 11 countries and by between 2.5% and 3% in 3 others. On the other hand, two countries recorded negative growth rates.

30 Apart from the situation in Nigeria, the overall performance was encouraging, more so as it was due not so much to favourable terms of trade as to the economic policies adopted and to greater capacity utilisation. The prices of oil and minerals fell on the world market, adversely affecting exports.

31 If they are to sustain the high economic growth rates, West African countries must strive to improve efficiency and competitiveness, as the means to accelerate the integration of the West African economies into the world economy. It would also make the sub-region less dependent on concessionary aid, a necessary development given the reduction in the amount of public aid to development (PAD) resources available.

ii) Situation in the different countries

32 Nigeria, the largest economy in the sub-region, recorded a disappointing result well below its potential, with a 2.7% growth rate in 1998, compared to 4.2% in 1997. This dismal performance was due essentially to the protests by the people of the Niger Delta, Nigeria's main oil producing region, the fall in the price of oil, shortages and disruption in the supply of electricity and petroleum products, degradation of infrastructures, endemic corruption, and a deficient regulatory framework. However, the structural measures being planned by the government with a view to reducing the uncertainties

country's external balance having contributed significantly to improved economic performance. However, future growth will be conditioned largely by the situation in the neighbouring countries, particularly Sierra Leone. It should also be pointed out that the international community did not fulfil its pledge to assist Liberia.

38 Guinea Bissau and Sierra Leone, both victims of civil wars, suffered serious setbacks, recording negative growth rates of about -2%. The war has affected diamond mining and agricultural production in Sierra Leone and disrupted import and export activities in Guinea Bissau. The end of the civil wars and the efforts being made to reconstruct and rehabilitate basic infrastructures should enhance the economic prospects of the two countries.

iii) Structure of GDP: demand, domestic savings and investment

39 The Executive Secretariat has estimated that both private and public consumption remained stable in 1998, unchanged from its 1997 figure of 80% of domestic demand. Private consumption continues to outpace public consumption in all ECOWAS countries, due in part to the narrowing of the public sector. The share of domestic consumption in real GDP growth was estimated at 2%, up from 1.8% in 1987. Given that the population is growing at a rate of 2.8%, this would mean that there has been practically no change in consumption per head. One of the major challenges facing West Africa is to increase the level of consumption per capita in order to halt the deterioration in the living standards of the people. To achieve this, governments need to implement human development programmes by adopting concrete measures that would facilitate access to potable water, health care, energy and education.

40 The share of investments in the growth of real GDP was estimated at 2.2% in 1998², up from 2% in 1997. The average investment rate in ECOWAS countries was estimated in 1998 to have been about 18.5% of GDP. This was far below the level needed to ensure durable economic recovery. With the exception of Gambia

2 This is based on the hypothesis that Nigeria would draw on its external reserves in order to maintain a constant ICOR (Incremental Capital Output Ratio).

iv) External trade

46 The external balance did not contribute much to the growth of real GDP, mainly because of the drastic reduction in Nigeria's export earnings. The sector in fact recorded a negative growth rate of minus 0.7% for the whole of West Africa. It however made a significant contribution in Burkina Faso, Cote d'Ivoire, Mali and Liberia.

47 Two main features characterise the trade balances recorded by ECOWAS countries, reflecting their highly structural nature: the preponderance of raw agricultural and mineral exports which represent about 85% of the total, and the very low volume of exports of manufactured goods.

48 The import coverage ratio is very low, ranging on the average from 5% in Cape Verde to 90% in Niger, with most of the countries falling between the 65% to 80% bracket. On the other hand, the ratio was 150% in Cote d'Ivoire and 120% in Mauritania. Because of the drastic fall in export earnings from oil, the situation in Nigeria changed dramatically, as the coverage ratio tumbled from 180% in 1997 to 90% in 1998.

49 With regard to exports, it can be noted that Benin, Cote d'Ivoire, Mauritania, Gambia, and Nigeria recorded substantial growth rates.³ Guinea and Togo performed less well following a cutback in the production of aluminium at the Friguia factory in Guinea and in phosphate production by Togo. The export/GDP ratio in Guinea and Togo fell by about 5% between 1994 and 1997.

50 These are all indications of the dependence of West African economies on a small number of raw materials. The West African countries have not diversified their exports since independence, most of their economies remaining excessively dependent on exports of raw agricultural and mineral products.

³ In the case of Benin and Gambia, this was certainly due to an increase in re-export trade, agricultural products having constituted only a tiny fraction of total exports.

take active part in the globalisation of the economy. In other words, ECOWAS must start now to reflect on its situation in the post-Lome Convention era.

v) Balance of payments and external debt

56 According to estimates by the Executive Secretariat, West Africa recorded a trade deficit of 1 billion US dollars in 1998. This was caused by the significant reduction in the volume of Nigeria's exports, leading to a deficit in the current trade balance which could be as high as about 10% of regional GDP.

57 In order to achieve a positive external balance, ECOWAS countries must strive to improve the volume of their trade by producing more competitive products, not only in terms of costs and prices but also in terms of quality and conditions of delivery.

58 The external debt stock of ECOWAS countries amounted to 73 billion US dollars⁴ in 1997, 90% of it in long-term debts. Nigeria and Cote d'Ivoire hold 66% of the total debt stock. Debt servicing is expected to gulp about 30% of West Africa's export earnings on the average, meaning that three times more resources will be allocated to debt servicing than to education and health.

59 The sustainability of the external debt stock of ECOWAS countries will depend on how soon the effects of the Highly Indebted Poor Countries (HIPC) initiative become discernible. That initiative aims to tailor debt servicing, including multilateral debts, to the countries' capabilities to ensure that they maintain positive current trade balances. Unfortunately, the measure will have only limited impact in West Africa since only Burkina Faso and Cote d'Ivoire are currently eligible, while Benin, Guinea Bissau, Mali, and Senegal are under study by the IMF.

60 The HIPC initiative contains extremely restrictive and exclusive provisions. The American government's call on the developed

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In the 1998 annual report, the total external debt of ECOWAS Member States was put at 69 billion US dollars. This figure has been reviewed upwards following a re-evaluation of Nigeria's debt stock.

6.2 Industrial development

65 The situation in the manufacturing sector in ECOWAS countries was one in which important segments suffered as a result of competition from imported goods. In several countries, the situation was worsened by the poor state of electricity infrastructures, high interest rates, and a deteriorating business environment, all of which proved a disincentive to increased industrial output. It can safely be said that overall, West Africa has still not embarked on a real policy of industrialisation.

66 Several ECOWAS countries are heavily dependent on mineral exports. Over the last few years, countries such as Ghana and Mali have adopted ambitious policies to exploit their abundant mineral resources. However, several factors may impede the growth of the mining sector in West Africa. Among such imponderables are lower demand and falling prices, and the impact of technological changes which may lead to the replacement of traditional materials by lighter and cheaper ones.

67 The industrial sector in West Africa must be subjected to far-reaching changes if it is to contribute effectively to promoting growth and development in the sub-region. ECOWAS countries should direct their efforts towards improving competitiveness against imported goods and they should seek to integrate their economies more effectively into the world economy. They must therefore not only create the macro-economic and legal conditions that would encourage business but also invest in physical infrastructure development (roads, telecommunications and electricity), and in human resources, particularly education. A combination of these factors is required to improve competitiveness and ensure greater returns on investments.

vii) Evolution of macro-economic policies

68 1998 did not witness any major changes in the macro-economic policies of Member States. Problems such as high budget deficits, rapid expansion in the level of money supply, inflation, and high interest rates, were less pronounced. As I indicated in my 1997/1998 annual report, most of the countries which implemented sound budgetary and monetary policies over the last few years were

viii) Social development⁵

72 The modest economic growth rate recorded by the sub-region in 1998 does not augur well for balanced social development in West Africa. At present, the human development index (HDI) for most ECOWAS countries is alarmingly low.

73 West Africa's HDI varies between 0.591 for Cape Verde and 0.185 for Sierra Leone. The regional average (Liberia excluded) stands at about 0.333 whereas the international human development indices range between 0.897 in the countries with a high HDI and 0.670 in medium HDI countries. West Africa's low HDI rating is a pointer to the sub-region's dismal performance in each of the sectors used to calculate the index, namely school enrolment, life expectancy and real GDP per inhabitant.

74 The net average rate of school enrolment is 35.6%. The figure varies from 15% in Niger to 55% in Cape Verde, whereas the international average is 72%.

75 While average life expectancy is 73.5 years in the high HDI countries and 67 years in the medium HDI countries, the figure for West Africa varies from 37.5 years in Sierra Leone to 66.7 years in Cape Verde.

76 Real GDP per inhabitant in ECOWAS countries is about US \$ 300 per year (at 1990 constant prices) as against \$16 241 in high HDI countries and US \$3 390 in medium HDI countries.

77 These statistics are sure indications of extreme poverty. In 1997, 42% of the population of West Africa was estimated to be poor, with extremes of 71.3% in Mali and 17.7% in Cote d'Ivoire. 20% of the poorest people had an annual per capita income of between \$90 (Guinea Bissau) and \$790 (Ghana).

5 The information used in this section of the report is drawn from various documents dealing with the issue, prepared by the Centre de développement sous-régional de l'Afrique de l'ouest (CDSR-AO-CEA)

depend partly on the willingness of donors to substantially reduce Nigeria's debt service obligations, allowing the country additional resources that could be used to improve the lot of the people. The informal donors conference on Nigeria held in Paris in April 1998 advised the government to embark on robust economic reform measures and to improve governance by waging a more systematic war on corruption.

82 The other ECOWAS countries need to implement more far-reaching economic reforms in order to strengthen their economic growth. Their efforts must target the attainment of steady and sustainable growth which can be strengthened through greater harmonisation of the economic and financial policies of Member States. Prospects for development and integration in West Africa will be considerably enhanced if a more optimal approach is adopted to economic integration in West Africa.

CHAPTER II

IMPLEMENTATION OF THE COMMUNITY WORK PROGRAMME

83 This chapter highlights the activities undertaken by ECOWAS and the results achieved since the October 1998 statutory meetings. The chapter is divided into three sections as follows: the socio-economic programme; institutional, administrative and financial matters; and regional peace and security.

THE SOCIO-ECONOMIC PROGRAMME

I. HARMONISATION OF ECONOMIC AND FINANCIAL POLICIES

84 The ECOWAS programme aims at the harmonisation of economic and financial policies, the enhancement of national economic reform, accelerated implementation of the ECOWAS monetary cooperation programme, and promotion of effective application of common economic policies. Four convergence indicators have been identified in this regard, namely: inflation rate; exchange rate stability; ratio of budget deficit to GDP and Central Bank credit to government. However, the results of annual evaluation exercises support that these indicators are inadequate for the requirements of a credible economic and monetary union. Consequently, the Council of Ministers directed ECOWAS and WAMA to verify, fine-tune and expand these indicators. The Executive Secretariat has presented new proposals to the Committee of Governors of Central Banks which will make appropriate recommendations to the Council of Ministers. The new criteria proposed by ECOWAS comprise ten indicators relating to public finance, taxation, price stability, currency and factors for competitiveness.

85 To ensure that the data generated for the convergence exercise is reliable, the Secretariat and WAMA drew up a questionnaire on the

Eurostat in connection with the programme to harmonise national accounts, and on a more general level, to negotiate the terms of a statistical assistance programme for the Executive Secretariat. As a result of the understanding reached during the December 1998 meeting in Praia between the European Union and West Africa, ECOWAS was able to obtain an agreement in principle for an identification mission to be sent to the Executive Secretariat, as a preliminary to setting up a statistical support programme. Eurostat and DG VIII have agreed to schedule the mission for June or July 1999. The terms of reference for the mission are in the process of preparation.

91 A meeting of the ad hoc committee on the harmonisation of national accounts was convened from 23 to 25 March 1999 to discuss future actions and the strategy to adopt for the continuation of the harmonisation programme. The recommendations of this meeting will be taken into due account within the terms of reference for the Eurostat identification mission.

92 With regard to cooperation with Afristat, the Executive Secretariat maintains regular contact with the institution, exchanging documentation and attending Afristat meetings such as the one held in Bamako in October 1998 on nomenclature for activities and national accounts procedures.

Consumer Price Index (CPI)

93 As in the case of the national accounts harmonisation exercise, a meeting of the ad hoc Committee on the Harmonisation of Price Indices took place from 20 to 22 April 1999 and its findings will be included in the terms of reference of the Eurostat mission.

III. MONETARY COOPERATION PROGRAMME

94. During the period under review, the regional payments instrument, the ECOWAS travellers' cheque, was officially launched on 30 October 1998 by General Abdulsalami Abubakar, Chairman of the Authority during the 21st Summit. This instrument which was sponsored by the Committee of Governors of Central Banks and is to

99 Three hundred and forty of the 700 exhibitors came from 14 ECOWAS Member States (excluding Cape Verde and Guinea-Bissau). Visitors to the fair came from Benin, Côte d'Ivoire, Egypt and the United States, while professional visitors came from outside the region.

100 More than sixty chief executives attended the Buyer/Seller Meets for the four major groups of products. The meetings provided a platform for negotiations on sales and purchases.

101 One of the highlights of the fair was the launching of the computerised trade opportunities management system (TOPS) which has been set up to create a network for the development of trade in goods and services within West Africa.

102 A regional conference and several workshops on topical issues relating to regional integration were also organised during the trade fair.

103 The thirty-ninth meeting of the Trade/Customs Commission which met in Abuja from 17 - 19 May 1999 carried out a pre-evaluation of the 2nd ECOWAS trade fair, and has made recommendations to the Council of Ministers regarding the nature, funding, frequency, and private-sector participation in the event.

V. CUSTOMS COOPERATION

i) Harmonisation and Simplification of ECOWAS Customs Documents

104 Work is in progress on the final stages of a single customs document. This document will replace the many different customs declaration forms in use in the Member States, thereby facilitating and speeding customs clearance procedure, and, as a result, reducing time spent at customs posts. Furthermore, adoption of a single document will make possible a streamlining of codes and other statistical or regulatory data and facilitate the compilation of accurate external trade figures for ECOWAS Member States.

iii) Payment to the compensation budget for loss of customs revenue

111 Despite the many imperfections of the trade liberalisation scheme, Benin has accepted goods from Ghana, Nigeria and Togo on its territory. Benin deserves to be commended for its pioneering role in the implementation of the scheme.

112 The Executive Secretariat has received a total of FCFA 295,539,230 in respect of the compensation due to Benin, from Nigeria (FCFA 7,286,734.00), and from Togo (FCFA 288,252,496). The Executive secretariat is in contact with the Ghanaian authorities for the payment of FCFA 1,334, 900 due to Benin.

iv) Establishment of a Common External Tariff (CET) for ECOWAS

113 Under the trade liberalisation scheme, 31 December 1999 signals an end to tariff barriers within an ECOWAS free trade zone. The next phase thereafter is the establishment of an ECOWAS common external tariff (ECOWAS/CET) within a period of two years.

114 The Executive Secretariat will pursue its efforts in this direction with the collaboration of UEMOA, in order to avoid duplication at the regional level, and complications arising from harmonisation after the event. Activities in this connection will be financed by the European Union within the framework of its regional indicative programme (RIP).

115 Member States are urged to offer the Executive Secretariat every assistance in setting up a customs union in the West African region.

VI. COOPERATION IN THE TOURISM SECTOR .

116 A feasibility study on an ECOWAS tourism and leisure fair was financed by the European Union and completed as far back as December 1996. It has not been possible to organise the event, however, due to lack of funds.

iii) Circulation of the ECOWAS Transhumance Certificate

122. The decision regulating transhumance between Member States was adopted by the Authority of Heads of State and Government in October 1998 (cf Decision A/DEC.5/10/98). A project profile has been prepared with a view to obtaining funding for the entry into circulation of the transhumance certificate.

123 This will require printing a number of sample transhumance certificates and posters for distribution to the Member States. One thousand six hundred certificates and 1,000 posters are being printed for this purpose.

iv) Fisheries Development

124 The findings of the FAO study (Project RAF/88/047) will be examined by a meeting of ECOWAS Directors of Fisheries scheduled for September 1999. With reference to the review of the ECOWAS agricultural development strategy, FAO has indicated its readiness to provide technical assistance for the conduct of a supplementary study on the development of traditional and deep sea fishing, taking into full account the need to protect marine resources. The findings of the study will be incorporated into the regional programme.

v) The European Union - West Africa Investors' Forum

125 ECOWAS has negotiated and obtained funds for the 1999-2000 investors' forum which will focus on the agro-industrial sector. Preparations are in hand for the organisation of the forum.

IX. ENVIRONMENTAL PROTECTION PROGRAMME

i) Floating Weed Control Programme: Supplementary Study on Floating Weed Control

126 To further the implementation of the floating weed control programme, the ADB has authorised the use of the balance from the initial grant earmarked for the conduct of the supplementary study on

132 UNEP recently made a grant to ECOWAS under Agenda 21, for the organisation of a regional meeting on energy, forest resources and the environment, to be held in Abuja in July 1999.

iii) Meteorological Programme

133 The Executive Secretariat, in collaboration with the WMO and the Senegalese government, organised a meeting of ECOWAS Heads of Meteorological Services in Dakar, from 1 to 3 December 1998.

134 The WMO has elaborated a regional project using the new METEOSAT satellite technology to enhance the performance of national meteorological and hydrological services. ECOWAS has submitted a funding request to the European Union, to be sourced from the ACP/EU regional fund.

135 Other measures taken by ECOWAS to mobilise funds for the implementation of the meteorological programme include a mission to the ADB to initiate negotiations. Similar missions will be undertaken to other partners. The next meeting of ECOWAS Heads of Meteorological Services will be held in Mauritania in November 1999.

iv) Rural Water Supply Programme

136 In the area of rural water supply, the Executive Secretariat is planning to update projects located in the countries in Group Two, namely: Benin, Cape Verde, Côte d'Ivoire, Ghana, The Gambia, Mauritania and Nigeria. A funding request will be submitted in respect of the updated projects.

137 A meeting of ECOWAS Directors of Water Resources will be organised in October 1999 to assess the status of the programme and set guidelines for future water resources projects.

138 The Executive Secretariat attended a workshop on integrated water resource management policy held in Abidjan, in February 1999. It was sponsored by the ADB.

rehabilitate the existing lines and interconnect their railway networks in accordance with the established railway master plan for ECOWAS countries.

143 The meeting was informed that GEFTARAIL had indicated an interest in financing the Abidjan-Ouagadougou-Niamey-Cotonou stretch. Côte d'Ivoire and Burkina Faso have obtained external funding of 24 billion FCFA and 16 billion FCFA respectively towards the rehabilitation of rail lines and railway equipment. Benin, on the other hand, rehabilitated 423 kilometres out of 438 kilometres of the rail line from Cotonou to Parakou. Restructuring the railway is the primary focus of attention for donors and Member States alike. The meeting pointed out that the railways have to be profit-oriented to attract external funding.

iii) Air Transport

144 A meeting of the committee on the harmonisation of flight schedules, made up of all the airlines of the region, was scheduled for the first quarter of 1999. However, this meeting did not take place owing to the internal problems of Air Afrique, which is chairman of the committee. Since Air Afrique operates the widest network in Africa, it is crucial that it be involved in the preparation of the regional flight schedule.

145 With reference to landing and traffic rights, the Executive Secretariat has drafted a multilateral agreement creating a single ECOWAS air space.

146 The programme for the improvement of navigational aids and aeronautical communications is dependent on the installation of the new CNS/ATM navigational system (Communication, Navigation and Surveillance/Air Tariff Management), which has been adopted by the International Civil Aviation Organisation (ICAO). Pending its installation, which will require global fund mobilisation from far beyond ECOWAS, the Secretariat is seeking funds with which to replace obsolete instruments in the Member States. An application for funding under the 8th EDF has been submitted to the European Union.

the LMRC which is valued at US\$2,000,000. The Secretariat sent a reminder to the Chairman of the Steering Committee, Togo Telecom, concerning the organisation of a second assembly meeting in April. No response has been received. As a result, it was not possible to hold the meeting of the Steering Committee preparatory to the General Assembly scheduled for March 1999. Activities in connection with the launching of the Centre have been shifted to the second half of 1999.

iii) Evaluation and Maintenance of Inter-State Links

152 The 11th coordination meeting on inter-State telecommunications links in Group II ECOWAS countries was held in Ouagadougou from 27 November to 1 December 1998. The meeting completed its assigned tasks and recommended Niamey as the venue for the next coordination meeting.

153 The 11th coordination meeting of countries in Group I which was initially slated to take place in Abidjan in November, 1998 could not be held. The Executive Secretariat asked the governments of Guinea and Senegal to host the meeting, without success. A host country must be found as a matter of urgency, and the Managing Director of the Fund should be requested to carry the budget allocation for the meeting over to the 1999 budget of the SFT.

154 As part of its activities in this sector, the Secretariat also attended the following events: regional ITU seminar on new telecommunications technologies held in Yaounde in October 1998; the regional ITU seminar on the planning of telecommunications networks to carry multimedia supports in Nouakchott in November 1998; and the meeting on data collection for the submarine cable integration project SAT 3/WASC/SAFE, held in Paris in February 1999.

159 Eleven of the sixteen national consultants commissioned to collect data on solar and wind energy have submitted their reports.

160 Terms of reference have been drawn up for the preparation of a solar map. A consultant is yet to be engaged to carry out the work.

XII. CULTURAL AND SOCIAL COOPERATION PROGRAMME

i) Decoration of the ECOWAS Headquarters in Abuja

161 On the movement of the Executive Secretariat to Abuja, each Member State was requested to present a work of art representative of its cultural heritage and/or the creativity of its contemporary artists, to decorate the ECOWAS headquarters.

162 Eleven Member States have responded, and their gifts have turned the Secretariat conference centre into a showcase of West African culture. This manifestation of the Community spirit enhances the feeling of belonging to ECOWAS.

ii) Health

163 The October 1998 Summit of ECOWAS Heads of State and Government approved the recruitment of a Director-General for the West African Health Organisation (WAHO), formed by merging the OCCGE and WAHC, and the choice of Bobo-Dioulasso as its headquarters.

iii) Pan-African Film Festival (FESPACO 99) Ouagadougou

164 The Pan-African Film Festival (FESPACO) is held in Ouagadougou every two years. On this occasion, ECOWAS donates a special prize, the African Integration Award, worth FCFA 2,000,000 and awarded to the best authentic film on the theme of integration. The 16th FESPACO took place from 27 February to 6 March 1999 and the special award went to the film "TGV" by the Senegalese film producer, Moussa Traore.

XIII. INFORMATION PROGRAMME

170 Journalists from eight ECOWAS Member States and the Secretary-General of the West African Union of Journalists attended a seminar in Abuja from 17 to 19 February 1999. The seminar was organised to evaluate progress achieved in information and mass communications since the information priority programme of action was adopted in 1994. The journalists made proposals to the experts on ways of improving information dissemination to enable journalism to perform its true function. The experts will make appropriate recommendations on the matter to the Ministers of Information and Culture at their next meeting.

171 The Information Department coordinated the publicity campaign for the 2nd ECOWAS Trade Fair on international media such as CNN, Radio France Internationale and Africa N° 1.

172 Grants have been made to the ECOWAS National Units and to news correspondents reporting on issues pertaining to economic integration.

173 "ECOWAS in Brief", which is published by the Information Department devotes each issue to a specific topic. The first issue for 1999, for instance focuses on the OCCGE/WAHC merger.

174 The ECOWAS web site was created in 1998, and is kept up to date by the Information Department, in collaboration with the ECOWAS Computer Centre. All ECOWAS activities, including conferences and meetings are featured there.

XIV. INSTITUTIONAL MATTERS

i) West African representation on the Board of the Global Environment Facility (GEF)

175 In accordance with a decision taken by the Council of Ministers, the Chairman of Council met with the CILSS Coordinating Minister and the Executive Secretaries of ECOWAS and CILSS, to find an acceptable and equitable solution to the issue of West Africa's representation on

XV. MOBILISATION OF EXTERNAL ASSISTANCE

179 During the review period, the Executive Secretary pursued a sustained policy for the mobilisation of external resources to supplement the resources of ECOWAS.

i) Attendance at Donor Country Meetings

180 In its continued quest to strengthen national economies, the Executive Secretariat attended an informal meeting on Nigeria organised by the World Bank in Paris, on 9 April 1999. The meeting underscored the crucial role that the Nigerian economy could play in the recovery of the West African economy. However, to play that role, Nigeria needed to remove all structural constraints to its economy, practice good governance, combat corruption in a systematic manner and strengthen democratic principles.

ii) Cooperation with France

181 The Executive Secretariat and the French Government signed a funding agreement in Abuja on 9 March 1999 for the amount of 11,177,200 French francs, (approximately 19 million dollars), to be used to offset part of the expenses on the armed forces of the Member States contributing troops to ECOMOG in Guinea-Bissau.

iii) Cooperation with Japan

182 The Executive Secretary undertook a working visit to Japan from 14 to 29 February 1999. In the course of the visit, he held meetings with the Secretary of State for Foreign Affairs and with eminent persons from the political and diplomatic circles, the universities and the private sector.

183 At each of these meetings, Japan pledged support for a number of Community programmes, especially the enhanced capacity building programme aimed at promoting peace and regional security. Japan will make available computer equipment to ECOMOG, and will assist in the upgrading of physical infrastructures and promotion of joint programmes in the environmental and training sectors. ECOWAS received 50,000 dollars in assistance towards the cost of recruiting

vi) Lome Convention

188 The December 1998 Praia meeting of National Authorising Officers in connection with the regional indicative programme (RIP) of the Lome Convention marked a watershed in ECOWAS/European Union relations. For the first time, the European Union acknowledged the central role of ECOWAS in the promotion of West African cooperation endeavours. The positive intervention of the Executive Secretary at the meeting projected the image of the Community, which led to pledges of support from the European Commission for two important segments of the programme.

a) Assistance to Member States for Enhanced
Regional Integration

189 The regional indicative programme makes provision for a programme of assistance (RISP) to the balance of payments and/or budgets of the countries concerned to enable them implement, within a global and coherent framework, enhanced regional economic integration reform programmes.

190 The regional cooperation coordination meeting held in Praia provided RISP with 70 million Euros for the sixteen ECOWAS Member States. The amount is broken down as follows: 14 million Euros for Phase 1 Member States and 56 million for countries in Phase 2.

191 The main purpose of Phase 1 is to evaluate the impact of a customs union on the public finances and economy of each Member State. The first phase has been carried out in UEMOA, and similar studies will be conducted in the non-UEMOA ECOWAS Member States.

b) Assistance to ECOWAS as an Institution

192 Under the RIP (8th EDF) guidelines, the European Union is to grant ECOWAS 10 million Euros in assistance to enable it attain the objectives contained in the revised Treaty, especially the harmonisation of economic policies and the implementation of the CET and of the institutional measures.

an ECOWAS single monetary zone. A study grant has been offered to a senior officer in the Secretariat as part of efforts to strengthen project analysis capability.

199 The Executive Secretariat attended the 69th ordinary session of the OAU Council of Ministers and the 4th ordinary session of the African Economic Community, held in Addis Ababa from 19 to 23 March 1999 at which the dynamic role being played by regional economic communities (RECs) such as ECOWAS in the achievement of the objectives of the African Economic Community was acknowledged. For this reason, an appeal was made to all African countries to lend their total support to the regional economic communities in this connection.

viii) Cooperation with the African Development Bank (ADB)

200 ADB has agreed that the balance of \$1.247 million dollars remaining from the initial grant for the floating weeds project be used to prepare a supplementary study on the newly infested Member States.

ix) Cooperation with the United Nations Economic Commission for Africa (ECA)

201 The ECA has given grant aid to the tune of US\$ 30,000 to the Secretariat for the implementation of the macro-economic segments of the regional development programme. Two consultants appointed for the purpose have undertaken field missions. The report is being prepared.

202 The Executive Secretariat attended the meeting of African Ministers of Finance held in Addis Ababa in May 1999, to examine issues pertaining to the continent's development.

x) Cooperation with UNDP

203 The UNDP intends to make a grant of grant of US\$ 100,000 to ECOWAS, from the "Fonds Guerrero", for implementation of the sectoral components of the regional development programme. A

attend conferences organised by either party. They also agreed to formulate and implement joint cooperation projects.

xv) Cooperation with INTERPOL/ICPO on Crimes in West Africa

209 The Executive Secretariat attended the second INTERPOL/ICPO meeting on fraud and financial crimes committed by West African nationals, held in Abuja from 24 to 26 March 1999.

210 The meeting considered fraud and financial crime trends in West Africa, the counter measures which the security agencies must adopt, as well as possible areas of cooperation between multinational agencies in the effort to combat international financial crimes. A plan of action is in the process of being prepared.

XVI. OPERATIONS OF THE ECOWAS FUND

i) Implementation of measures to redeploy and rationalise staff strength

211 At its 41st session held in Lome from 14 to 16 December 1998, the Administration and Finance Commission adopted measures to put into application the staff redeployment and reorganisation plan. The management has therefore redeployed the professional staff as approved by the Board of Directors and in accordance with the transitional organisation chart approved by Regulation C/REG.1/8/97.

212 The redeployment of the professional staff became effective on 15 January 1999 and measures are currently being taken to organise training programmes aimed at enhancing the performance of the staff and strengthening the Fund's managerial capacity.

213 During the rationalisation exercise, it soon became obvious that it would also be necessary, in addition to the redeployment, to cut down the staff strength to reasonable proportions by adopting measures that would encourage staff to proceed on voluntary retirement, and by appointing staff members to acting positions. As

219 A project evaluation was carried out in respect of two projects identified in 1998 and the loan agreements have been signed.

220 As at 31 December 1998, the Fund had a total loans portfolio of 36 loan agreements for a total of UA 74,275,684. In all, UA 50, 773, 663 (68.36%) has been disbursed.

221 The Fund has recorded a cumulated loan recovery rate of 91%.

iv) Arrears of contributions to the Fund

222 The high amount of contribution arrears is impairing the effective realisation of the Fund's objectives. In spite of efforts, notably the establishment of payment schedules and direct contact with Member States, many of them still owe considerable amounts. Indeed, no payment has been received since 31 October 1998, either in respect of the two tranches of the called up capital or for the construction of the headquarters of the Community institutions.

223 As at 31 March 1999, contributions due to the Fund amounted to UA19,272,044 of which UA 15,561,047 was outstanding towards the capital and UA3,710,097 was being owed for the construction of the headquarters.

224 To date, only Benin, Burkina, Guinea, Mali, and Nigeria have no arrears of contributions to the ECOWAS Fund.

225 Over the coming years, it will be necessary for the Fund to intensify efforts to mobilise both internal and external resources which it requires to successfully carry out its investment programme. Consequently, Member States are again urged to honour their obligations to the institution.

can be relaxed through geographical distribution of posts, as is the practice in similar regional or international organisations. The quota system hampers internal promotion and is detrimental to the smooth operation of the institution.

230 It is my sincere hope that my appeal will be heeded, in order to preserve the integrity and proper functioning of the Community, and to accompany the restructuring of the Executive Secretariat.

ii) Restructuring of the executive secretariat

231 As part of the efforts to improve the procedures within the Community Institutions, the Council of Ministers commissioned two ad hoc committees to restructure the Fund and the Secretariat. The committee responsible for the restructuring of the Executive Secretariat comprises Cape Verde, Côte d'Ivoire, Liberia, Mali and Nigeria.

232 Two studies on the restructuring of the Secretariat have been prepared; one by IDEP and the other by the ECA. An in-house committee has been set up within the Secretariat to examine the conclusions of the reports of the various consultants and make proposals for restructuring. A memorandum will be submitted to the forthcoming meeting of the Ad Hoc Committee on the Restructuring of the Executive Secretariat which will make recommendations to the Council of Ministers.

iii) Appointment of statutory appointees

233 The Ad Hoc Committee on the Restructuring of the Executive Secretariat met in Abuja on 16 November 1998 to determine the procedure for appointing Statutory Appointees. The Committee expressed the view that the implementation of the directive issued by the Authority of Heads of State and Government at its twentieth session held in Abuja in 1997, that all vacant posts be opened to all citizens of Member States requires an amendment to the Treaty. Considering the time-consuming nature of the amendment procedure, the committee agreed to adhere strictly to the relevant provisions of the Treaty. It therefore recommended that the statutory posts be allocated to certain Member States. To this end, the Committee

vi) Tenders code

239 The draft Tenders Code is being finalised and will be submitted to a meeting of legal experts before being referred to the Administration and Finance Commission for consideration.

vii) Financial resources of the Executive Secretariat

a) Budget Execution

240 The approved budget for 1999 is balanced in income and expenditure at UA 7,521,719, of which UA 1,500,000 will be derived from arrears of contribution and UA 336,419 from sales of assets, leaving a balance of UA 5,685,300 to be paid by Member States. The amount is 2.65% less than for 1998.

241 As at 31 May 1999, income was 17.40% of estimates. This poor performance is due to non-payment of contributions by Member States. In fact, only Benin, Côte d'Ivoire and Mali have paid UA367,578, UA433,652 and UA499,434 respectively. This makes a total of UA1,300,664, of which UA475,739 represents this year's contributions and UA824,925 arrears of contributions.

242 The recovery rate for the current year stood at 8.36% as at 31 May 1999 in lieu of the expected 41.66%. The delay in payment of contributions leads to an increase in arrears of contributions. It is also impeding timely implementation of the current year's programmes. This state of affairs is mainly responsible for the numerous votes carried forward at the end of each financial year.

243 At the same date of 31 May, 1999, expenditure had reached 23.51% as estimated, or UA1,768,911.54, indicating a budget deficit of approximately 6.11% of income, and this in spite of expenditure cuts.

244 The accumulation of arrears is a constant source of concern for the Executive Secretariat. As at 31 May 1999, arrears stood at UA 25,185,711.52 or US\$ 37,185,418.

REGIONAL PEACE AND SECURITY

250 The ECOWAS Declaration of Political Principles adopted by the Authority of Heads of State and Government in June 1991, bears witness to their conviction that regional peace and security are indispensable for regional economic integration.

251 The Declaration is a plea in favour of democratic principles and human rights. These principles are embodied in the ECOWAS revised Treaty which calls for the consolidation of democratic governance in each Member State. It is against this background that the emergence of a democratically elected civilian regime in Nigeria should be hailed as a major political event ushering in new and greater hopes for regional peace and security. All ECOWAS Member States should strengthen the foundations of their democracies and stand by the principles of good governance and sound economic management in order to guarantee the emergence and growth of an authentic democratic culture which will work in the interests of the West African peoples.

252 Other significant political developments have taken place during the period under review in addition to the emergence of democratic rule in Nigeria, namely:

i) Liberia

253 The disarmament of the former Liberian factions lasted from 22 November 1996 to 8 February 1997. The operation was jointly carried out by ECOMOG and United Nations military observers, and resulted in the recovery of large quantities of arms and ammunition, which have been stored for subsequent destruction.

254 Following several meetings between the Executive Secretariat and the Liberian authorities, His Excellency, President Charles Taylor has decided that the confiscated weapons should be destroyed, as decided by Foreign Ministers and approved by the 21st session of the ECOWAS Authority of Heads of State and Government. It was decided

iii) Guinea-Bissau

259 With the encouragement of the twenty-first session of the ECOWAS Authority of Heads of State and Government, the warring parties in Guinea-Bissau signed the Abuja Peace Agreement on 1 November 1998.

260 As an incentive to Member States to honour their commitments and thereby accelerate the deployment of ECOMOG troops, the Republic of France lifted in a battalion of 600 men to Bissau. The French government was also responsible for the payment of a subsistence allowance to the men, and furthermore provided them with a minimum of logistical support. It is with this limited number of troops that ECOMOG undertook to consolidate the cease fire. As a result, it was possible to form a new government, swear in a Prime Minister, and ensure the re-emergence of political parties, in accordance with the terms of the Abuja Agreement.

261 The ECOMOG mission in Guinea-Bissau requires the immediate deployment of a second battalion of 850 men. ECOWAS is therefore seeking the necessary assistance with this end in view. In this connection, a meeting of the Friends of Guinea-Bissau was held in New York on 20 April 1999 followed by another in Geneva on 5 May 1999, to mobilise funds for reconstruction and for increasing ECOMOG's capacity in the country.

262 Although disarmament was carried out in the capital, Bissau without difficulty, the situation in the interior was different on account of the junta's mistrust of President Vieira whom they suspected of planning to resume hostilities. With the departure of the foreign troops from Guinea-Bissau, it became clear that there was an imbalance in the strength of the forces remaining on the ground. The limited number of ECOMOG troops and the inadequacy of the means at their disposal rendered them ineffective. As a result, hostilities broke out afresh in Bissau, and on 7 May 1999, the elected President of Guinea-Bissau, General Joao Bernardo Vieira was overthrown.

263 The Ministers of Foreign Affairs meeting in Lome, on 24 and 25 May 1999, were unanimous in their condemnation of this display of force, which not only contravenes the Abuja Agreement and Lome

268 In this connection, the Executive Secretariat convened a meeting of resource persons in Abuja from 6 to 10 April 1999. A number of relevant proposals aimed at improving the Mechanism were made. A work plan was also proposed, setting out the various stages leading up to the adoption of the protocol.

269 The Executive Secretariat also organised jointly, with the United Nations and the OAU, a seminar in Abidjan and Yamoussoukro, from 3 - 7 May 1999, for senior officials in Member States. The seminar focused on the utilisation of international military aid and civil defence in emergency situations. It will be recalled that the mechanism envisages greater use and provision of humanitarian assistance during the process of conflict resolution.

270 The Executive Secretariat submitted a funding request to USAID and the European Union in connection with the drafting of the relevant protocols. The two institutions have agreed in principle, to provide the necessary financial resources.

v) Programme for Coordination and Assistance for Security and Development (PCASED)

271 The Ministers of Foreign Affairs were directed by the twenty-first session of the Authority of Heads of State and Government to prepare an operational framework for the associated measures of the moratorium under PCASED. The Ministers, meeting in Bamako on 24 and 25 March 1999, adopted, as part of such measures, a plan of action for the implementation of PCASED, and recommended that a code of conduct for the implementation of the moratorium be submitted to the forthcoming session of the Authority for consideration.

272 The Ministers agreed that the plan of action be formulated in a manner that would permit the effective implementation, within specific time frames, of judiciously selected activities. To this end, the Ministers of Foreign Affairs approved nine priority areas of activity.

273 The Ministers acknowledged the need for immediate financial support for PCASED in the following areas:

CHAPTER III

ELEMENTS OF A REALISTIC AND PRAGMATIC STRATEGY FOR THE INTEGRATION OF WEST AFRICAN ECONOMIES

278. The success of ECOWAS programmes depends on how effectively the institutions can promote socio-economic development in the sub-region. This fundamental principle highlights the need to strengthen the regional integration process through the adoption and implementation of harmonised, realistic and pragmatic sub-regional projects and programmes. This chapter proposes a review of some of the integration procedures and instruments and a reorientation of ECOWAS activities, the aim being to define more realistic objectives, which can be realised to the satisfaction of all Member States. It proposes that priority attention should henceforth be given to the creation of a single regional market which should take precedence over sectoral regional cooperation. The regional market would come about as a result of free trade, the adoption of a common external tariff and the harmonisation of the macro-economic policies of all Member States.

I. PROBLEMS TO BE RESOLVED: A CRITICAL ASSESSMENT OF THE INTEGRATION MECHANISMS

279. The revised ECOWAS Treaty specifies that the primary objective of the Community is the creation of an economic and monetary union in West Africa, adopting the classical approach which involves passing through three stages: a free trade zone, customs union, and ultimately a single market. However, in trying to make a critical evaluation of the actions taken by ECOWAS, a distinction must be made between economic integration and regional cooperation. The first concept involves the adoption of common policies through the harmonisation of economic and financial policies, reduction of trade barriers, and adoption of a common external tariff. Such a scheme will require Member States to subsume sovereignty within a supranational institutional framework. Regional cooperation, on the other hand, is limited to cooperation in specified areas such as the

have shown the necessary political will and manifested their commitment to the Community by applying it.

284 In comparison, we note that within only two years of its existence, UEMOA, an organisation comprising eight (8) out of the 16 ECOWAS Member States, was able to create a free trade zone (1996), establish a common external tariff (1998), and harmonise the macro-economic policies of its member countries. Its success is due in large part to the active involvement of donors in the preparation and execution of its programmes, and the fact that these programmes are incorporated into national economic programmes.

285 The building of UEMOA was made possible as a result of the active support of donors, particularly the European Union and France. However, the question arises as to the effectiveness of the actions taken to assist UEMOA. To what extent have the policies implemented by the donors in support of UEMOA achieved their objectives? In particular, would such aid not have been more beneficial had it been given to ECOWAS, since that would have enabled the countries to derive maximum benefit from regional integration by promoting the development of all the economies in the sub-region. UEMOA may have created a free trade zone but the fact remains that the volume of intra-UEMOA trade is very low. Indeed, although the countries share a common convertible currency, intra-UEMOA trade is estimated to represent only 10% of total trade by the member countries, lower than the 11% recorded in the case of intra-Community trade by ECOWAS Member States.

286 Given that ECOWAS offers greater advantages over UEMOA in terms of market size, donors, particularly the European Union through the EDF, might reasonably have been expected to offer more active support to ECOWAS as the largest IGO in West Africa, comprising all the countries in the West African sub-region. This, unfortunately, has not been the case.

287 The cautious stance adopted by the European Union in its dealings with ECOWAS, in common with other donors, can be explained, at least partly by the political situation in Nigeria, a country of 110 million inhabitants and headquarters of the ECOWAS Secretariat. However, since the meeting of national authorising

convergence programme can lead to a credible economic and monetary union in West Africa. Hence the need to review them. A review alone will however not suffice as Member States will also have to show the political will needed to implement harmonisation programmes, that being the only guarantee for effective integration.

II. ECOWAS TRADE LIBERALISATION PROGRAMME

293 A number of factors account for the failure of the ECOWAS Trade Liberalisation Scheme (TLS) all of them linked to the high-cost of compensation, the existence of a parallel scheme (within UEMOA) in the same geographical zone, and the inappropriateness of the accompanying instruments and approval procedures.

- i) The compensation mechanism for loss of customs revenue incurred as a result of the liberalisation of intra-Community trade

294 The ECOWAS preferential trade mechanism (TLS) which was instituted to promote intra-regional trade has failed, mainly because of the high cost of compensation for loss of customs revenue occasioned by intra-Community trade liberalisation. The elimination of tariff barriers also presupposes short term losses, particularly within a context marked by poor inflow of budgetary revenues. The ECOWAS mechanism in effect transfers the financial burden of compensation to the exporting countries which are not always willing to bear such a burden. In addition, compensation is in effect a disguised way of subsidising enterprises, which can hinder competition. It should also be pointed out that estimates of the compensation budget were calculated on the basis of projected export figures and not actual exports⁶. The total estimated compensation budget from 1990 to 1997 was UA 58,100,000, about 75 million US dollars. This amount is negligible compared to the regional GDP but it is high in relation to the current budgets of some Member States. The compensation is so high due mainly to the high customs rates on

6

At its 43rd session held in Abuja from 23 to 28 October 1998, the Council of Ministers directed the Executive Secretariat to start calculating the compensation budget on the basis of actual export figures.

| Country & types of products | Average rate of customs tariff | Average customs duty and taxes of equivalent effect after elimination of tariffs | Loss of revenue to be compensated |
|--------------------------------------|--------------------------------|--|-----------------------------------|
| II. COTE d'IVOIRE⁷ | | | |
| 1. Food & beverages | 50% - 65% | 0% | 50% - 65% |
| 2. Textile materials | 58% - 65% | 0% | 58% - 65% |
| 3. Perfumes & toiletries | 65% | 0% | 65% |
| 4. Plastics | 34% - 55% | 0% | 34% - 55% |
| II. GHANA | | | |
| 1. Food & beverages | 40% - 68% | 0% | 40% - 68% |
| 2. Textile materials | 40% - 58% | 0% | 40% - 58% |
| 3. Perfumes & toiletries | 40% | 0% | 40% |
| 4. Plastics | 25% - 40% | 0% | 25% - 40% |
| III. NIGERIA | | | |
| 1. Food & beverages | 15% - 50% | 0% | 15% - 50% |
| 2. Textile materials | 30% - 50% | 0% | 30% - 50% |
| 3. Perfumes & toiletries | 15% - 60% | 0% | 15% - 60% |
| 4. Plastics | 15% - 35% | 0% | 15% - 35% |
| IV. SENEGAL⁸ | | | |
| 1. Food & beverages | 73% - 97% | 0% | 73% - 97% |
| 2. Textile materials | 58% | 0% | 58% |
| 3. Perfumes & toiletries | 71% | 0% | 71% |
| 4. Plastics | 58% - 71% | 0% | 58% - 71% |

295 Preferential tariffs calculated on the basis of customs duties as high as those indicated in the table above are bound to generate substantial budget deficits which the exporting countries cannot offset.

296 To reduce the high cost of compensation, ECOWAS Member States, like UEMOA countries, should and reduce the rate of customs duties and their share in fiscal revenue, as that would also enable them to prepare their entry into the customs union.

7 For Cote d'Ivoire and Senegal, these were the rates being applied before the entry into force of the UEMOA-CET.

8 For Cote d'Ivoire and Senegal, these were the rates being applied before the entry into force of the UEMOA-CET.

member countries, under SAP. It should be noted however that the donors will accept to finance such mechanisms only within the framework of open regional integration and with much lower common customs duties.

300 Regarding the option of financing compensation from the proceeds of the Community levy, that would require Member States to fulfil their obligations and accept to pay the proceeds of the levy into ECOWAS accounts, which is not the case at present.

301 Regional preferential arrangements such as those practised by ECOWAS, and trade liberalisation on a wider scale as part of SAP, should be implemented concurrently, along with low external tariffs, so as to reduce the cost of compensation, minimise the diversion of goods and inefficiency.

ii) ECOWAS and UEMOA Trade Liberalisation Schemes:
a duplication of efforts

302 Trade liberalisation and a customs union are preconditions for the establishment of a single regional market. Two experiments are currently being carried out side by side in West Africa, by ECOWAS and UEMOA.

303 The preferential tariff regime (PTR) applied by UEMOA on intra-UEMOA trade became effective in 1996 and it is hoped that tariffs will be totally eliminated by the year 2000. The PTR is applied by all UEMOA countries. By contrast, the ECOWAS TLS, as we saw above, is yet to become fully operational. The main difference between the two schemes relates to rules of origin governing industrial goods and these rules need to be harmonised.

304 The ECOWAS rules of origin for industrial products stipulate as follows:

- The cost of materials of Community origin employed in the production of the goods must not be less than 40% of the total cost of the raw materials used, while the percentage of value-added of the pre-tax ex-factory price of the finished product should be at least 35%.

iii) Accompanying customs documents

310 To benefit under the preferential tariff regime, goods originating in the Community have to be accompanied by a certificate of origin and an export declaration form.

311 As at today, some Member States are yet to print these documents. In addition, economic operators find them difficult to obtain. There is thus an urgent need for all Member States to print and start issuing the documents.

312 It also seems possible to do away with the condition requiring raw materials crossing internal land borders to be accompanied by a certificate of origin. By "internal land borders we" mean a land border between two Member States of the Community. Raw materials conveyed by other means (maritime and air transport) would still need to provide proof of origin. A similar measure could be envisaged for traditional handicrafts.

iv) Approval procedures

313 Economic operators often complain that the approval procedures for industrial goods are too complicated and time-consuming, demanding that they be simplified and that the procedure for obtaining approval for their goods be accelerated.

314 For practical purposes, a possible solution may be to set up a special committee within the Ministry of Trade and Commerce in each Member State with responsibility for examining applications and granting approval. Members of the committee may include representatives of the Customs Department, Budget Office, and Ministries of Agriculture, Industry and Cottage Industries.

315 Once the necessary approvals are granted, the exporting country would ensure that they are taken into consideration in their economic reform programmes.

316 Compensation to be paid to the importing countries should be included in the national budget and must feature in the financing programme to be executed under the framework of SAP.

identification of objective criteria requires more precise definitions. Budget deficit that excludes gifts and grants could be used as the new convergence criterion. Its ratio in relation to the GDP should be equal to or less than 4%⁹.

322 Another useful criterion in the evaluation of budgetary options is the primary balance, which excludes interest payments. This can be taken to constitute an indicator of current budgetary action, given that interest payments are determined by the size of the deficits of the previous financial years. In countries where the level of public debt is high in relation to the GDP, as is the case in ECOWAS Member States where the ratio is 80%, it is usually agreed that it is essential to generate a primary surplus which generally constitutes a necessary (but insufficient) condition for the reduction of the debt/GDP ratio.

323 ECOWAS has no criterion for this indicator. UEMOA, on the other hand, stipulates that the primary surplus should correspond to a minimum of 15% of fiscal revenue. ECOWAS could adopt the same criterion as UEMOA, that is, 15% of tax receipts.

b) Indicators relating to bank credits and arrears

324 ECOWAS has set a ceiling of 10% of fiscal revenue for central Bank credit to government as a convergence criterion whereas UEMOA¹⁰ has fixed its ceiling at 20% of tax revenue for the previous year.

325 The UEMOA rate gives the government a wider margin for manoeuvre, particularly in response to domestic and external upheavals and in the absence of a credit mechanism to absorb the effects of such upheavals. Moreover, the rate in the UEMOA countries, though higher than that in ECOWAS States, yields a moderate inflation rate of 30%. This means that ECOWAS can adopt the criterion of a ceiling on Central Bank credit to government of less than 20% of the previous year's fiscal revenue, on the condition that all debts are liquidated in the course of the same year.

9 This figure was obtained from an accounting model which links the variation of public debt to budget deficit.

10 UEMOA uses the UMOA criterion

aid in investment financing. It would be useful to work out a criterion allowing investments to be financed from internal resources. UEMOA has set a criterion allocating 20% of fiscal receipts to investment. The general policy should be to carry out studies on the eight non-UEMOA countries and to make a choice between UEMOA and non-UEMOA countries.

f) Price stability

332 The two indicators already adopted, which come under consideration here, are currency exchange rate and inflation. ECOWAS convergence criteria fix nominal exchange rate fluctuation at 5% and a ceiling of 10% for inflation. However, it is important to note that nominal exchange rate gives no indication of the competitiveness of the economy. Moreover, it may fluctuate independently of government national policy.

333 The criterion of real exchange rate is a more reliable indicator because it takes account of inflation differentials with partner countries.

334 ECOWAS countries should endeavour to maintain a constant real exchange rate and a minimum inflation rate of 3%, which is near that of the European Union, the region's major trading partner. It is also the rate adopted by UEMOA which has also formulated a harmonised price index which could guide ECOWAS to take a similar step.

335 In addition, all ECOWAS countries should accelerate liberalisation of current payments and the gradual liberalisation of capital accounts, subject to the limits of existing international agreements.

336 Within the ECOWAS zone, there must be a total lifting of exchange restrictions in order to facilitate free movement of national currencies currently prohibited under existing banking regulations¹¹.

337 Those Member States which have pegged exchange rates should change this policy in favour of market-determined exchange rates.

¹¹ Cf study on convertibility of regional currencies - WAMA - ECOWAS.

power consumption in terms of kilowatt/hour per inhabitant; the number of kilometres of tarred roads and the rate of juvenile school enrolment.

343 Each Member State should also take appropriate steps to include Community programmes in its public investment programme.

344 In addition, as a first step to elaborating a Community investment code, ECOWAS should embark on wide-ranging dialogue with donors, national administrations, private investors and the agencies representing the private sector in the European Union, in order to attract investments to the regional market.

i) Harmonisation of fiscal regimes

345 Differences in pricing arising from the use of differing tax regimes translate into adjustment costs for countries; this underscores the need for ECOWAS countries to harmonise their internal indirect taxation. Any programme in this regard should focus on the following:

- harmonisation of VAT;
- harmonisation of excise duties;
- harmonisation of petroleum taxes;
- harmonisation of direct taxation, particularly stocks and shares;
- control of exemptions;
- taxation of the informal sector;
- taxation of the rural sector.

j) Harmonisation of the legal, accounting and statistical framework of public finance

346 In order to achieve the harmonisation of public finance in its Member States, ECOWAS must introduce harmonised public finance management tools to be applied in the following areas:

- Financial law;
- General rules of public accounts;
- Budgetary nomenclatures of ECOWAS Member States;

tables; balance of payments; monetary situation and public indebtedness. A decision of the appropriate ECOWAS organ will define the scope of the database and updating and transmission of data.

351 ECOWAS needs to draw up a statistics protocol for the constitution of a data base, create national economic policy committees and define modalities for data transmission. NEPCs exist already in UEMOA countries and should be set up in non-UEMOA ECOWAS Member States. The functions of the existing NEPCs in UEMOA countries would be expanded to include preparation and transmission of data to the West African Monetary Agency (WAMA) and the ECOWAS Secretariat.

IV. TOWARDS ACHIEVING MORE EFFICIENT ECOWAS PROGRAMMES

352 It will not be enough for Member States merely to adopt the measures proposed for the improvement of ECOWAS procedures and instruments in the earlier sections dealing with trade liberalisation and harmonisation of macroeconomic policies. These measures must be put into application. This will entail finding the most operational framework within which such actions can be discussed, negotiated, adopted and monitored.

353 These proposals which relate mostly to arrangements for implementation of economic policies at regional level overlap with economic reforms at national level. The attendant risk of divergence will require creating a strong synergy between regional and national programmes. The ideal structure would be a body that can examine all issues relating to economic reform at Community level.

354 It is pertinent to point out here that WAMA's Economic and Monetary Committee and the Committee of Central Banks deal essentially with monetary matters, whereas the problems of economic integration transcend these aspects. Also, the annual meeting of Ministers of Planning, Finance and Governors of Central Banks is only a consultative forum.

CONCLUSION

356 The ultimate objective of development is the total and permanent eradication of poverty. Yet, West Africa is set to enter the next millennium seriously handicapped in terms of its development. With almost 210 million inhabitants, approximately 0.5% of the world's population, Africa does not account for even 0.5% of world GDP and exports. External debt represents almost 80% of GNP. The social indicators show a low life expectancy average, aggravated by the AIDS pandemic. West Africa is resolutely on the sidelines of world development. The question then arises as to what measures should be taken in the next millennium to reverse these negative trends.

357 First and foremost, West Africa must take robust measures to combat poverty. Any poverty eradication strategy must necessarily be upheld by strong, equitable growth accompanied by significant investments in the areas of health, education and basic infrastructures. In addition, growth must be accompanied by macroeconomic stability, agricultural development, promotion of the private sector and human resource development. Priority attention must also be given to environmental conservation and the demographic dimension, in the same way that capacity building and good governance will improve the ability of the countries of West Africa to manage their affairs more successfully within an uncertain domestic and external context. All these items on the agenda for development can be realised only within a climate of peace and security. Everywhere in Africa, democracy and respect of human rights must be reinforced in order to bring an end to ethnic and social conflict. Regional integration must be pursued in conjunction with development efforts in individual countries if they are to increase their economic potential.

358 Up until now, Member States have failed to show the sustained political will needed to strengthen the regional integration process embarked upon within ECOWAS. The numerous decisions which they, as sovereign states, have adopted have not been implemented into measures. Payment arrears represent, on the average, more than 6 years of contributions. The time has come for Member States to change their attitude towards ECOWAS, if their intention really is to