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ECOWAS Convergence Report 2015



ECOWAS COMMISSION
COMISSÃO DA CEDEAO
COMMISSION DE LA CEDEAO

Published by

Economic Community of West African States (ECOWAS) in Abuja

ECOWAS Commission

101, Yakubu Gowon Crescent,
Asokoro, Abuja, Nigeria
Internet: <http://www.ecowas.int/>

Place and date of publication

Abuja, August, 2017

Supported by the project Promoting West Africa Trade Integration (WATIP). This project is jointly funded by the European Union and the German Federal Ministry of Economic Co-operation and Development and implemented by Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH.

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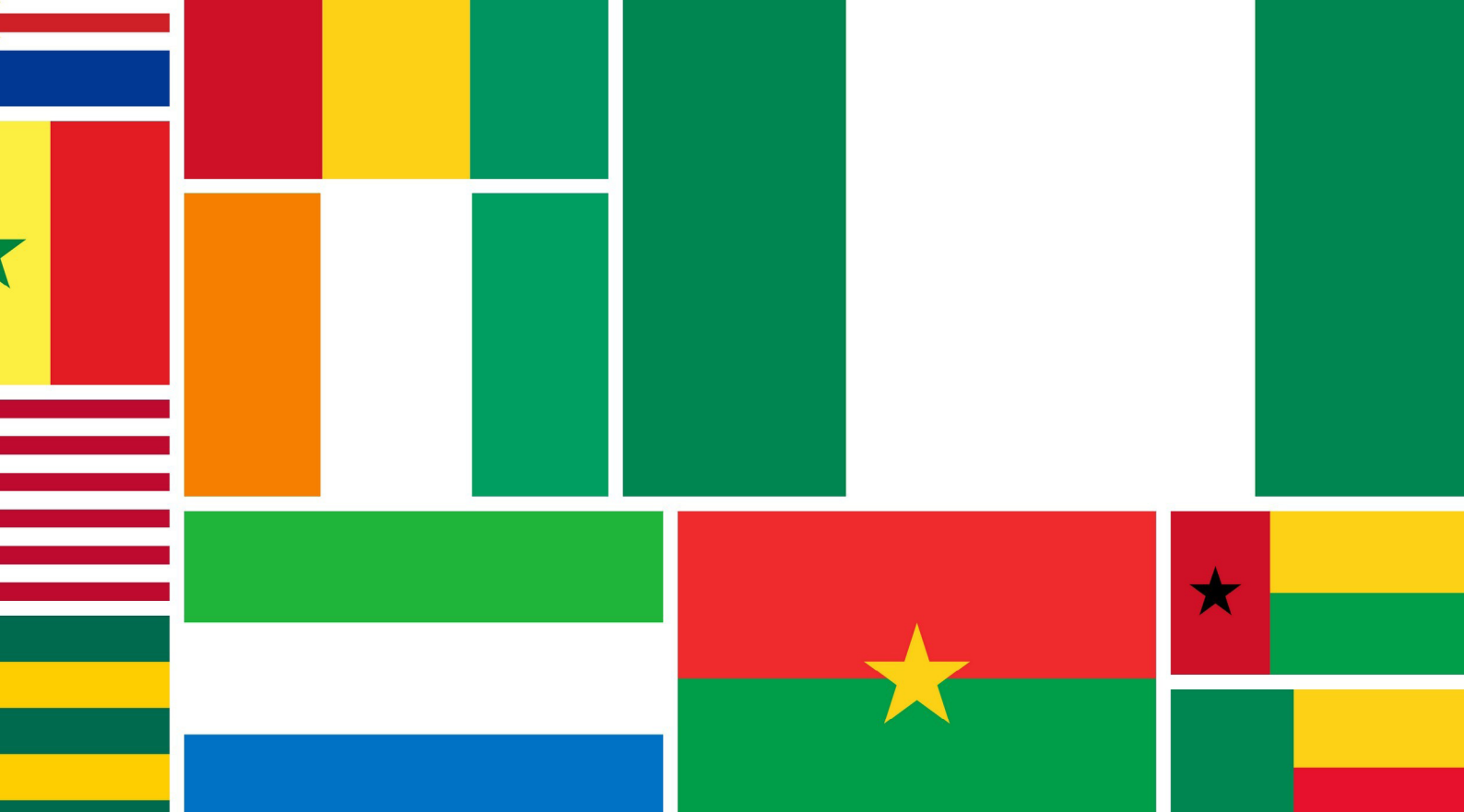
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ACKNOWLEDGEMENT

The 2015 Macroeconomic Convergence Report of ECOWAS was prepared in line with the directives and guidelines of the President of the Commission and under the supervision of the Commissioner of Macroeconomic Policy and Economic Research, Mr. Mamadou TRAORE.

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The editorial team would like to take this opportunity to thank all members of the National Coordinating Committees (NCCs), Joint Secretariat, Macroeconomic Policy Committee, and the Convergence Council for their important contributions to this macroeconomic convergence report.

INTRODUCTION

1. The ECOWAS Convergence report for 2015 gives a comprehensive account of the status of macroeconomic convergence in the ECOWAS region in 2015 within the framework of the ECOWAS Monetary Cooperation Programme adopted in 1987 and the ECOWAS Multilateral Surveillance Mechanism adopted in 2001 via Decision A/DEC/17/12/01 and amended in 2012 via Supplementary Act A/SA.3/06/12. The new Article 8 of the Supplementary Act 2012 which deals with Evaluation of Convergence, enjoins the Convergence Council to consider half-yearly reports on multilateral surveillance prepared by the ECOWAS Commission.
2. The macroeconomic convergence report for 2015 essentially provides an overview of the performance of the economies in the region in 2015 and the extent to which the individual countries, and the region as a whole, are moving towards macroeconomic convergence. It also highlights the challenges that the countries and the region faced as a whole during the year. The report serves as part of the mechanism for the continuous monitoring and assessment of the performance of the economies of ECOWAS Member States and progress being made by each Member State in meeting the convergence criteria.
3. The report was prepared with inputs, in the form of country economic reports, provided by the National Coordinating Committees (NCCs) of the respective ECOWAS Member States as well as information and data collected during the half-yearly joint multilateral surveillance missions of the ECOWAS Commission, WAMA and WAMI in 2015.
4. Regarding the implementation of the Roadmap for the ECOWAS Single Currency during the review period, the ECOWAS Commission organised the third meeting of the Presidential Task Force on the ECOWAS Monetary Cooperation Programme (EMCP) from 4 to 6 February 2015 in Niamey, followed by a meeting of the Presidents of Ghana and Niger on 9 February 2015. The Task Force meeting, among other things, endorsed the revised roadmap for the ECOWAS single currency and the amendments made on the rationalised macroeconomic convergence criteria. In addition, the meeting recommended the expansion of the composition of the Presidential Task Force to include Nigeria and Cote d'Ivoire.
5. On the economic front, the region experienced a marked slowdown in growth rate from 6.1% in 2014 to 3% in 2015 due, mainly, to the adverse effects of the persistent decline in the international prices of major exports commodities, the political instability and terrorism in some countries of the region and the lingering effects of the Ebola epidemic.
6. This report is structured as follows: Following this introduction is Section I on the External Environment which analyses developments in the global economy in 2015 and its impact on the economic and financial performance of ECOWAS Member States. Section II provides an overview of the economic and financial situation of ECOWAS Member States in 2015 and analyses the performance of the individual economies during the period with implications for macroeconomic convergence. Section III assesses the status of macroeconomic convergence in 2015 and analyses the performance of each Member State with respect to meeting each of the convergence criteria and the number of criteria met in 2015. Policy Harmonisation and Institutional Arrangements are discussed in Section IV, and the report ends with Conclusion and Recommendations.

I. THE GLOBAL ECONOMIC ENVIRONMENT

7. Growth of the global economy in 2015, which was estimated at 3.1 percent, was weaker than previously thought at the beginning of the year as a result of slowdown in economic activities in the second and last quarters of 2015 in advanced economies, especially in the USA, Japan and other advanced Asian economies. On the other hand, the emerging economies presented a complex scenario. While China and most of the emerging Asian countries posted high growth rates, Brazil, Russia and some commodity exporting countries experienced difficult macroeconomic situations. On the whole, growth in the emerging market and developing economies declined for the fifth time in a row (Table 1).
8. Three main factors impacted the global economic performance in 2015: (i) deceleration of growth and rebalancing of economic activity in China; (ii) lower oil and other commodities prices; and (iii) a gradual easing in monetary policy in the United States and several other major advanced economies.
9. Largely, growth in China sprouted broadly as predicted, but with faster-than-expected slowdown in imports and exports. These developments, together with pessimism about the future performance of the Chinese economy, had spill overs to other economies both in the region and beyond. In 2015, trade and manufacturing activities remained weak due to passive global demand and investment.
10. Another reason for weaker growth in 2015 was excess oil supply from the Organization of the Petroleum Exporting Countries (OPEC) and Russia following the lifting of global sanctions on the Islamic Republic of Iran. Coal and natural gas prices also declined, as the latter is linked to oil prices through oil-indexed contract prices. Nonfuel commodity prices weakened as well, with prices of metal and agricultural commodities declining by 9 percent and 4 percent respectively in 2015.

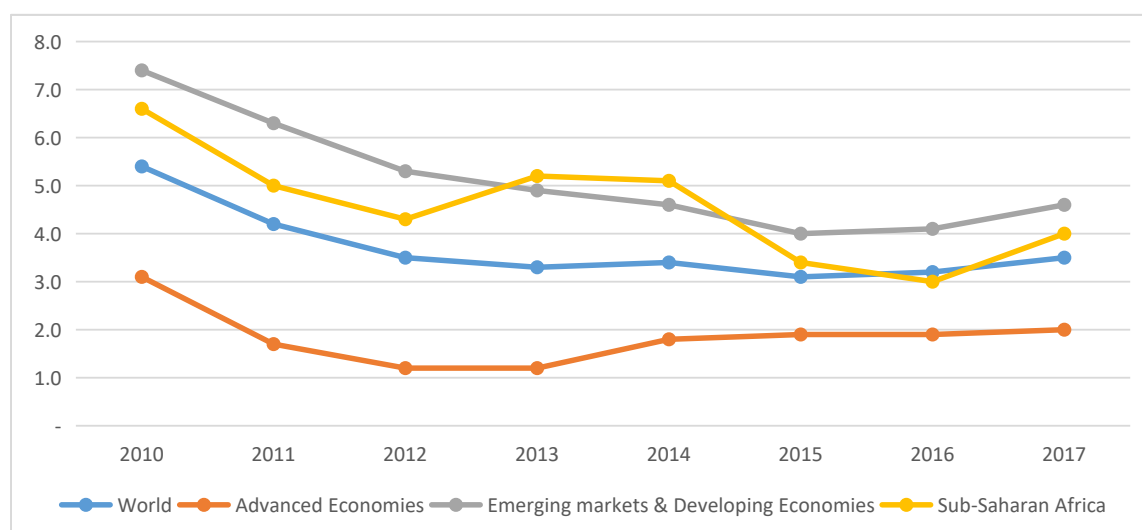


Figure 1: Global economic performance 2010-2017 (annual growth rate)

11. Globally, though a decline in oil prices gave a higher propensity to spend in oil importers, in current circumstances several factors dampened the positive impact of lower oil prices. First, financial strains in many oil exporters reduced their ability to absorb the shock, resulting in huge reduction in their domestic demand. Secondly, the oil price decline led to disinvestment in oil and gas extraction and finally, the pickup in consumption in oil importers has so far been somewhat weaker than evidence from past episodes of oil price declines would have suggested.
12. Monetary easing in the euro area and Japan proceeded broadly throughout 2015. This notwithstanding, the financial conditions within advanced economies remained very

accommodative. Globally, the prospects of a steady growth in policy interest rates in the US as well as spill over effects, coupled with concerns about emerging market growth prospects, contributed to tighter external financial conditions, declining capital flows, and further currency depreciations in many emerging market and developing economies.

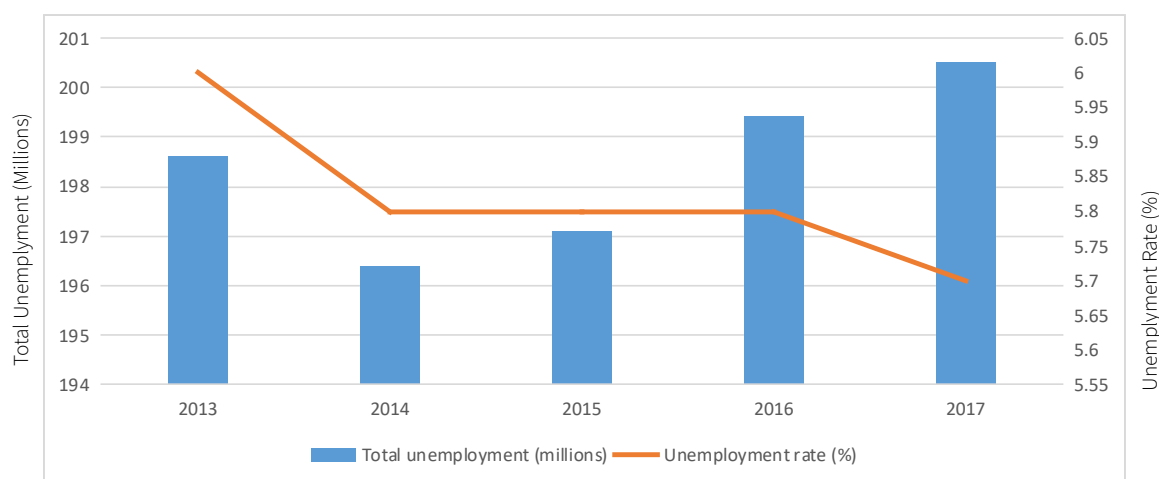
13. Regarding contribution to the global economic growth, advanced economies grew by 1.9 percent in 2015 and was projected to grow by the same magnitude in 2016. Overall, economic activity in the United States remained resilient at 2.4 percent in 2015, same as it was in 2014, supported by sustained accommodating financial conditions and buoyant housing and labour markets. Despite signs of weakening growth, labour market indicators continued to improve. In particular, employment growth was very strong.
14. Growth in the euro area was projected to rise by 1.6 percent in 2015 and 1.5 percent in 2016. The 2015 performance was supported by stronger domestic final consumption, driven by lower oil prices and conducive financial conditions which outweighed dwindling net exports.
15. Growth in Japan is expected to be 0.5 percent in 2016 just as it was in 2015 demonstrating the resilience of the economy. Economic activity in other advanced Asian economies, especially those economies closely linked with China, weakened sharply during the first half of 2015 due to sharp decline in exports. However, activity picked up during the second half of the year with modest recovery in exports and improved domestic demand.
16. With respect to emerging markets and developing economies, the growth rate was estimated at 4.0 percent in 2015 and was projected to rise slightly to 4.1 percent in 2016. The rise may be attributed to three main factors: Growth in China at 6.9 percent in 2015 was still stronger than previously thought, due to resilient domestic demand and impressive growth in the services sector, which offset recent slowdown in manufacturing activity. India and the rest of emerging Asia generally continued to grow at a robust pace of 7.3 percent and 4.7 percent in 2015 respectively, despite the challenges some countries faced.
17. The persistent decline in oil prices and Western sanctions pushed Russia and the Commonwealth of Independent States into further recession. In Russia, growth rate was estimated at -3.7 percent and was projected to remain in recession in 2016. Similar conditions were experienced by most other Commonwealth of Independent States (CIS) economies as they were affected by spill overs from Russia and impact of lower oil prices as well as continued geo-political conflicts. Growth declined by -2.8 percent in 2015 and was projected to expand only modestly in 2016 by -1.1 percent.
18. The economies in Latin America and the Caribbean contracted by -0.1 percent in 2015 and were projected to contract by -0.5 percent in 2016. This reflect the rapid declines in oil and commodity prices and exacerbated by the ongoing recession in the region's leading economy, Brazil, which was estimated to have declined by -3.8 percent in 2016. In addition to commodity and oil prices, the recession in Brazil may be ascribed to political uncertainty amid continued fallout from the Petrobras investigation.
19. Concerning sub-Saharan Africa, economic activities declined significantly in 2015, down to 3.4 percent from 5.1 percent in 2014, and was expected to further slowdown to 3.0 percent in 2016. However, most of the countries in the region will expect a gradual improvement in economic activities in 2017. This declined performance reflects the continued effects of lower oil and commodity prices and higher cost of borrowing, burdening some of the region's largest economies such as Nigeria, South Africa and Angola.

¹ The source of data for this section is the ILO World Employment Social Outlook, trends 2016.

Economic Regions	Annual Estimates: Real GDP growth rate						Projections	
	2010	2011	2012	2013	2014	2015	2016	2017
Global Output	5.4	4.2	3.5	3.3	3.4	3.1	3.2	3.5
Advanced Economies	3.1	1.7	1.2	1.2	1.8	1.9	1.9	2.0
United States	2.5	1.6	2.2	1.5	2.4	2.4	2.4	2.5
Euro Area	2.1	1.6	-0.9	-0.3	0.9	1.6	1.5	1.6
Japan	4.7	-0.5	1.7	1.4	0	0.5	0.5	-0.1
Emerging Market and Developing Economies	7.4	6.3	5.3	4.9	4.6	4.0	4.1	4.6
Russia	4.5	4.3	3.5	1.3	0.7	-3.7	-1.8	0.8
China	10.6	9.5	7.7	7.7	7.3	6.9	6.5	6.2
Brazil	7.5	3.9	1.9	3	0.1	-3.8	-3.8	0.0
Sub-Saharan Africa	6.6	5.0	4.3	5.2	5.1	3.4	3.0	4.0
Nigeria	10	4.9	4.3	5.4	6.3	2.7	2.3	3.5
South Africa	3.0	3.2	2.2	2.2	1.5	1.3	0.6	1.2

20. With regards to developments in employment in 2015, the global unemployment rate stood at 5.8 percent, same as in 2014. In absolute terms, global unemployment increased to 197.1 million in 2015, an increase of 0.7 million compared to 2014 (see chart 2). This increase occurred mainly in emerging and developing countries.

Table 1 : World Economic Performance 2010 – 2015 and Projections for 2016 and 2017
Source: IMF (April, 2016) World Economic Outlook



21. Meanwhile, unemployment rate in emerging economies rose slightly from 5.5 percent in 2014 to 5.6 percent in 2015. According to ILO, the number of unemployed globally is forecast to rise by about 2.3 million in 2016, with an additional 1.1 million unemployed in 2017 (charts 3). Most of this increase is expected to occur in emerging economies, which are forecast to contribute over 2.4 million to the global jobless in 2016 and another 1.4 million in 2017.

Figure 2: Global total unemployment and unemployment rate

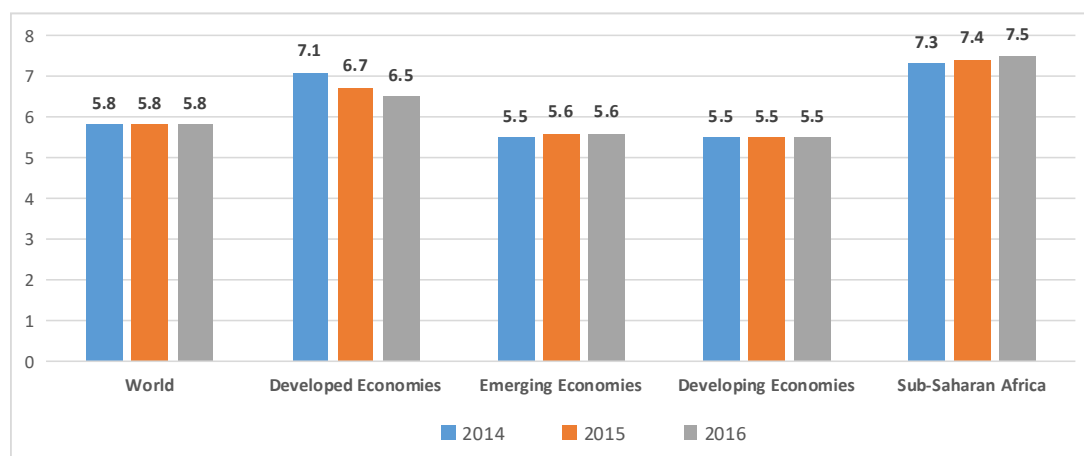
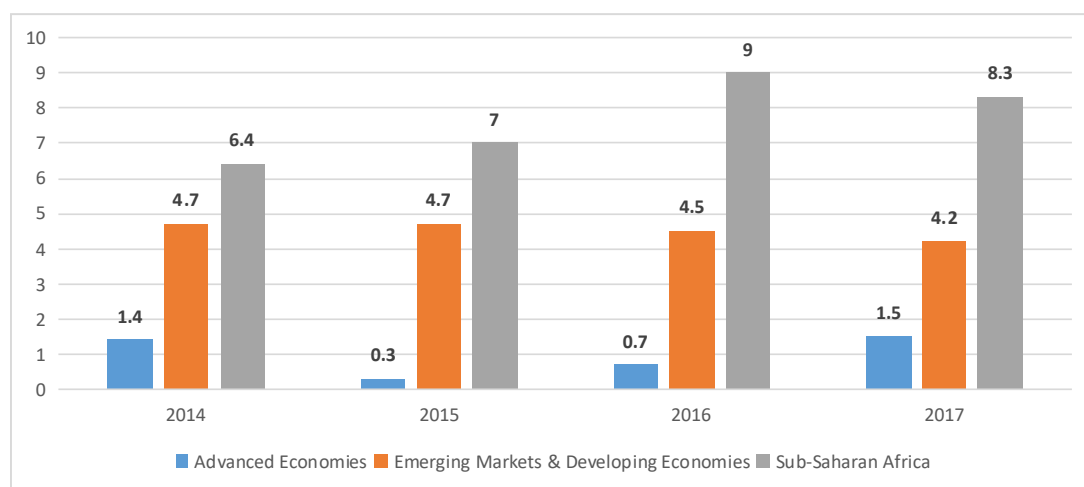


Figure 3: Unemployment rate by Regions of the world (2014-2016)

22. World trade growth declined significantly in 2015 to 2.8 percent, from 3.5 percent in 2014 in response to sharp decline in imports demand by emerging and developing economies. The growth rate of demand for imports by emerging markets and developing economies declined from 3.7 percent in 2014 to 0.5 percent in 2015. Similarly, exports from emerging and developing economies dropped sharply to 1.7 percent in 2015, from 3.7 percent in 2014. However, improvements are expected from 2016 and beyond.
23. On global inflation, monetary policy conditions were generally accommodative in both advanced and emerging markets, thus low inflation rates were recorded in all advanced countries and accommodative in most emerging and developing economies. Average inflation in advanced economies rose by 0.3 percent in 2015 compared to 1.4 percent in 2014, mostly reflecting the sharp decline in oil and commodity prices. The emerging markets and developing economies recorded 4.7 percent inflation in 2015, same as in 2014. This was due to lower energy and food prices which constitute a larger weight in the consumer price indices of emerging market and developing economies. However, in a number of countries, such as Brazil, Venezuela, and Russia, significant currency depreciations offset the effect of lower commodity prices, causing significant increase in inflation rates.
24. In sub-Saharan Africa, inflation decreased from 6.5 percent in 2014 to 3.4 percent in 2015 and was projected to decline further to 3.0 percent in 2016 due to declining oil and commodity prices. However, in various commodity-exporting economies, Nigeria, Angola, Gabon and Ghana for example, the lower oil and commodity prices depleted their external reserves which contributed to significant currency depreciation.

Figure 4: World inflation situation by region (2014-2017)



25. International commodity prices index declined by 35.3 percent in 2015 compared to a decline of 6.3 percent in 2014. This was linked to shrinking growth prospects for emerging market economies, particularly China, combined with abundant supply. Oil prices declined

by 47.2 percent in 2015 compared to a decline of 7.6 percent in 2014 on account of strong supply from OPEC and increasing geopolitical tensions in the Middle East.

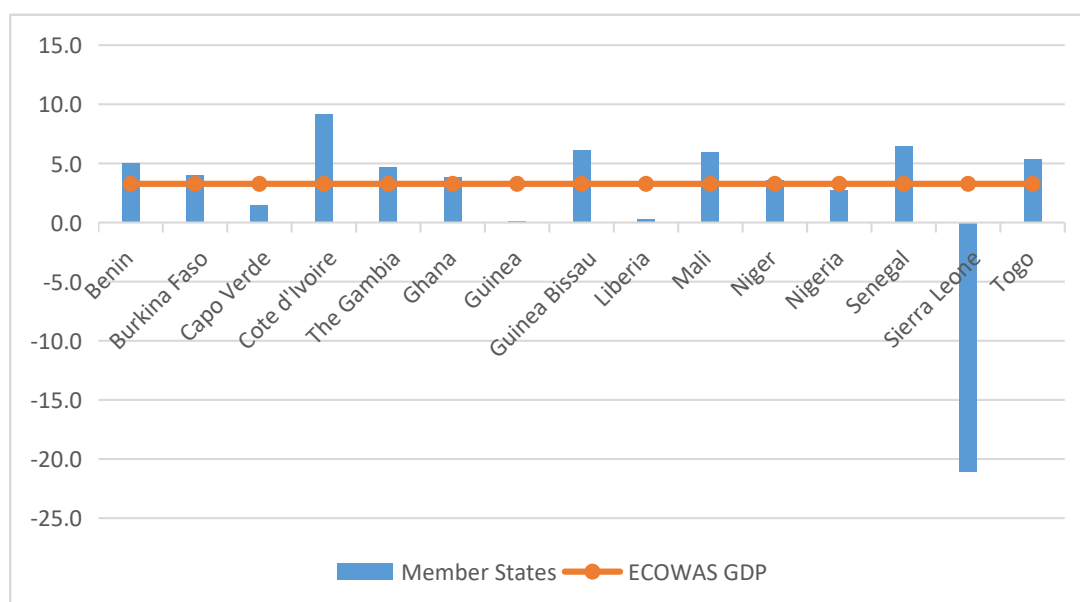
26. Low demand as a result of weak and uneven global growth prospects, saddled with growing uncertainties, geopolitical instabilities and strong supply, sustained the declines in global commodity prices during the year. Crude oil, iron ore, rubber and gold are some of the major commodities whose prices plummeted during the year.
27. Oil: The annual average price of crude oil plummeting by 46.7 percent to US\$51.2 per barrel in 2015, from US\$96.2 per barrel in 2014. Despite growing geopolitical instabilities in key oil producing regions and declining oil investments, strong crude oil supply by the Organization for Petroleum Exporting Countries (OPEC), Russia and Iran (after the removal of economic sanctions) in the fight for maintaining market shares, drove excess supply over demand during the year 2015. In addition, the recent commitments by advanced and emerging markets and developing economies to reduce their carbon emissions, could have additional effect on oil demand in the medium to long run and is likely to put further downward pressure on energy prices.
28. Iron Ore: As a result of strong supply in the face of weakening demand, especially the slowdown in the Chinese real estate sector and steel industry, iron ore price tumbled by 42.2 percent to US\$56.0 per metric ton in 2015, from US\$96.8 per metric ton in 2014. When compared to the annual average price of 2014, the price of the commodity plummeted by 58.6 percent, from US\$135.4 per metric ton in 2015. Underpinned by weaker demand and supply gluts, iron ore price is expected to come under further downward pressure in the short-to-medium term.
29. Rubber price: As a result of demand-supply imbalances, the price of rubber fell by 20.4 percent to an annual average of US\$1,556.6 per metric ton in 2015, from US\$1,956.7 per metric ton in 2014. The increasing use of synthetic rubber (as a substitute for natural rubber) in the low oil-price environment and the slowdown in industrial activity, mainly in China, explained the decline in the demand for rubber, thus driving the tumbling in the price of the commodity.
30. Timber and logs: The average price of round log fell by 13.1 percent to US\$245.0 per cubic meter in 2015, from US\$282.0 per cubic meter in 2014, largely indicative of low demand as supply remained relatively stable.

II. ECONOMIC AND FINANCIAL SITUATION IN ECOWAS MEMBER STATES IN 2015

Overview

31. GDP Growth: Economies of ECOWAS Member States continued to show some degree of resilience in 2015 in the face of unfavourable international economic environment characterised by slump in the prices of key export commodities and the waning, yet effective, impact of the Ebola Virus Disease which swept through the region earlier in the year. Growth of Gross Domestic Product (GDP) varied from country to country and ranged between 9.2 percent (in Cote d'Ivoire) and negative 21.1 percent (in Sierra Leone). Economic activities in most countries slowed down in the review period compared to the previous year. Only three Member States (Cote d'Ivoire, The Gambia and Guinea Bissau) recorded higher growth rates than in 2014, while one country recorded negative growth rate which signified contraction of this economy.

Figure 5: Growth Rate of ECOWAS Member States in 2015



32. Inflation: The review period was also characterized by rising inflationary pressures compared to 2014. Annual average rate of inflation varied between 0.1 percent (Cabo Verde) and 17.1 percent (Ghana). Apart from Guinea and Liberia where inflation declined, rising trend of the phenomenon, albeit modest increases, was observed in all the other economies. With the exception of Ghana, all the countries recorded single digit rates of inflation, with four of them recording less than 1.0 percent.

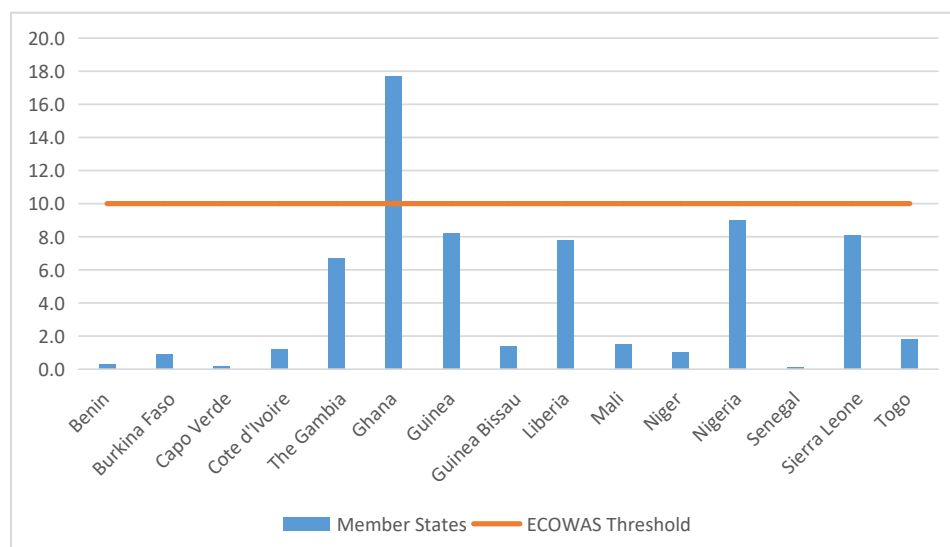


Figure 6: Annual Average Inflation in ECOWAS Member States

33. Public Finance: Government fiscal operations continue to pose challenges to most Member States. Excluding grants, the budgets of all Member States recorded deficit, with the deficit varying between 0.7 percent of GDP (Liberia) and 14.2 percent of GDP (Niger). However, the deficit showed a declining trend compared to the previous year. Only four countries recorded higher deficits in 2015 than in 2014. As the deficits exclude grants, this improved performance underscores the frantic efforts Member States are making to wean themselves off donor support and be self-sufficient. In other words, the phenomenon represents a structural shift, albeit gradual, from donor dependence to self-reliance. This observation is supported by an analysis of domestic resource mobilization as indicated by the ratio of domestic revenue to GDP. This indicator has shown strong dynamism in successive years and the performance was no different in 2015. Generally, the ratio of domestic revenue showed a rising trend in the region, decreasing in only four countries, albeit marginal declines. The ratio varied between 4.0 percent of GDP (Nigeria) and 27.4 percent of GDP (Liberia).

34. In 2015, government spending showed a rising tendency in the region, with the ratio of total expenditure and net lending to GDP varying between 4.8 percent (Nigeria) and 32.4 percent (Niger). Recurrent expenditure continued to take the lion's share of government expenditure in most countries of the region and its size continues to expand. In relation to GDP recurrent expenditure varied between 3.9 percent (Nigeria) and 24.1 percent (Liberia). Compared to 2014 the ratio rose in seven (7) countries, decreased in four (4) and remained the same in two (2). On the other hand, the level of capital expenditure remained low in almost all the countries. Only Niger and Senegal have consistently maintained the ratio of capital expenditure to GDP above 10 percent since 2012. In 2015 however, Togo joined this group to raise the number to three (3), with Niger recording the highest level at 16.8 percent, while Togo and Senegal recorded 11.5 and 11.3 percent respectively.

35. External Sector: The external sector showed a high degree of volatility. The region's transactions with the rest of the world produced mixed results, with six countries recording surpluses in the overall balance of payments while another six recorded deficits. The deficits varied from 0.1 percent of GDP (Ghana) to 5.8 percent of GDP (Nigeria). Regarding the surplus, the variation lied between 0.3 percent of GDP (Liberia) and 4.8 percent of GDP (Togo). However, almost all the countries recorded deficits in the current account balance (excluding grants), with Liberia's current account deficit being the most outstanding at 74.5 percent of GDP. Only Guinea and Guinea Bissau recorded a surplus, with Guinea's surplus standing at 63.7 percent of GDP.

36. Regarding merchandise trade, the slump in international prices of commodities had a telling impact on exports from the region during the review period. Apart from Guinea and Guinea Bissau, all the Member States experienced considerable declines in the value of exports. Nigeria and Sierra Leone suffered the largest declines, with their exports

dropping from 91.6 and 32.4 percent of GDP in 2014 to 45.8 and 2.8 percent of GDP in 2015 respectively. Other countries recorded significant declines ranging between 0.2 (Togo) and 14.2 (Liberia) percentage points of GDP. Under the impulse of exchange rate deterioration, most countries recorded declines in merchandise imports. Only Guinea Bissau and Niger recorded increased imports during the review period. Sierra Leone recorded the largest decline, from 27.3 percent of GDP in 2014 to 6.9 percent of GDP in 2015.

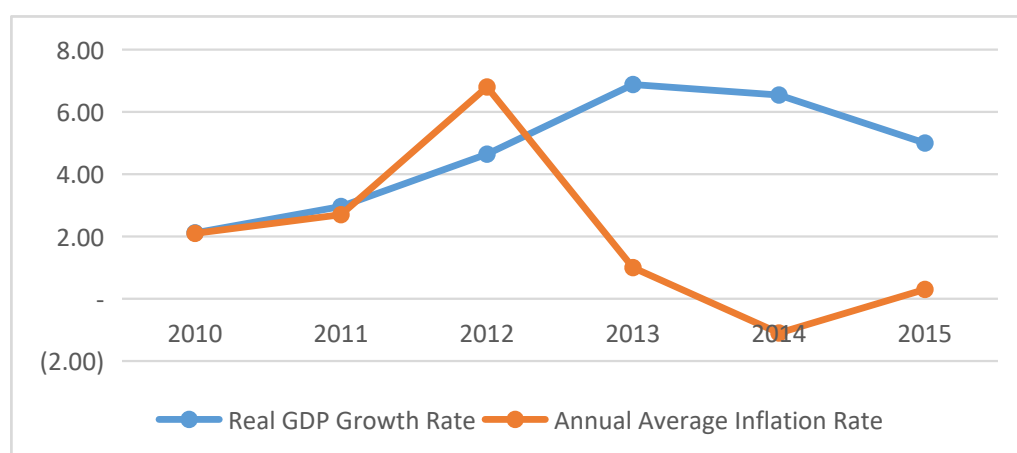
37. Exchange Rates: With respect to exchange rate developments, most currencies of the region underwent considerable pressure and, hence experienced substantial deterioration. Only The Gambian Dalasi appreciated. The other currencies recorded large depreciations in the double digit range.

38. Monetary Sector: Developments in the monetary sector produced mixed results. Generally, most countries pursued tight monetary policy in an attempt to contain inflationary pressures. Money supply growth increased modestly and cautiously in all the countries from 0.6 (Ghana) to 4.8 (Guinea) percentage points of GDP. Mixed results were however, observed in changes in Net Foreign Assets (NFA). Modest increase in NFA was observed in five (5) countries, while slight declines were recorded in eight (8). Similarly, developments in domestic credit produced mixed results, with three (3) countries recording declines while ten (10) recorded an increase. Generally, the volume of domestic credit varied between 14.0 (Nigeria) and 41.1 (Togo) percent of GDP in 2015, compared to 12.2 (Mali) and 40.0 (Togo) percent of GDP in 2014.

2.1 Economic and Financial Situation in Benin in 2015

39. Economic activity in Benin recorded a growth rate of 5.0% in 2015 against 6.5% in 2014. This growth rate, although lower than that recorded in 2014, demonstrates the strong resilience of the national economy despite the unfavourable environment in the sub region. The slowdown was the result of a combination of several factors including the wait-and-see policy of economic agents induced by the general elections in Nigeria and Benin, the depreciation of Naira against major international currencies and lower oil prices. GDP growth in 2015 was driven mainly by improved performance in the agriculture, manufacturing industry and construction.

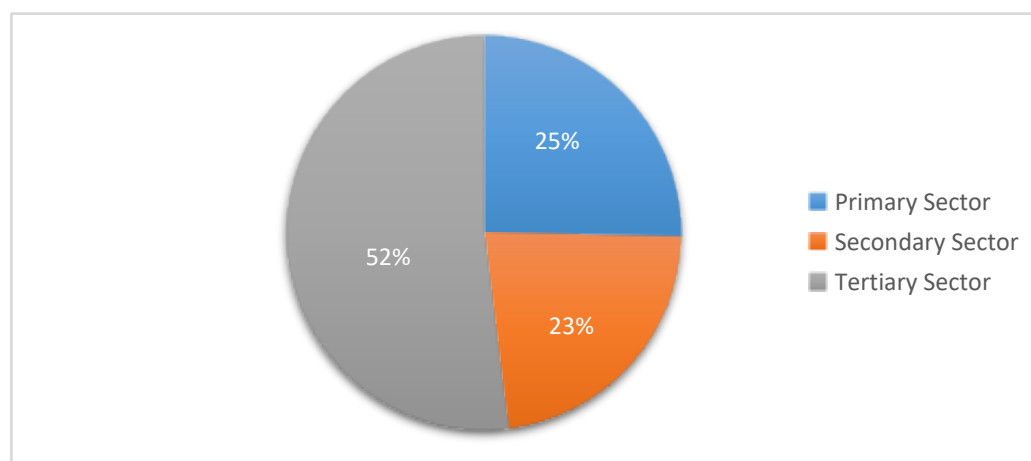
Figure 7: Benin Real GDP Growth and Inflation rates



2.1.1 Real Sector

40. The growth of the primary sector fell from 5.3% in 2014 to 3.5% in 2015. Growth of the agricultural sub-sector declined from 6.3% in 2013 to 3.5% in 2015, due to poor rainfall, a decline in cotton production and persistence of sector difficulties, especially the lack of managerial skills of producers and the lack of storage facilities for agricultural inputs. Regarding food production, the country continued the implementation of reform programmes aimed at improving productivity such as the provision of specific inputs, agricultural mechanization and development of river basins.

Figure 8: The Composition of Benin Economy

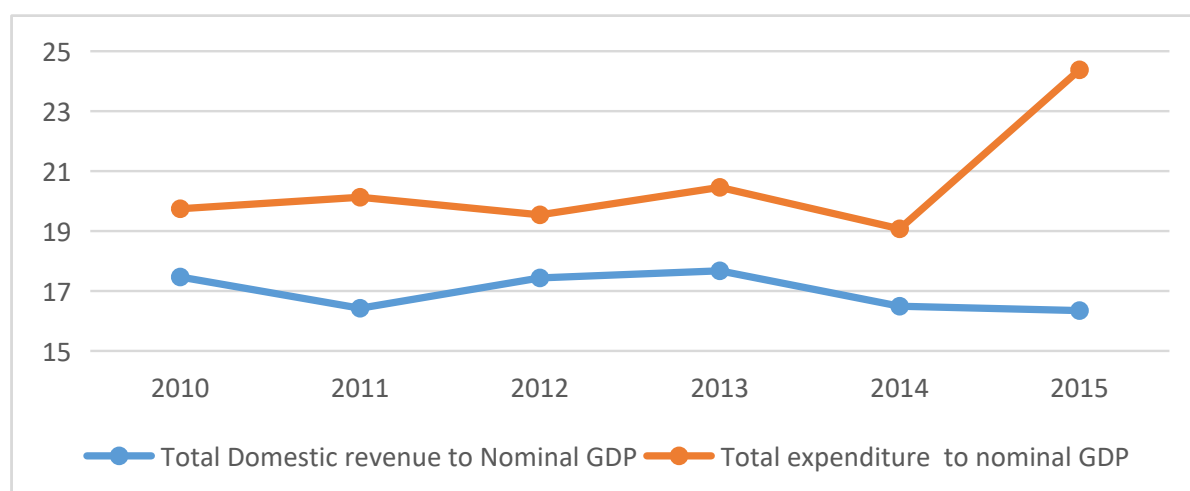


41. The secondary sector grew by 6.8% in 2015 against 7.2 percent in 2014 and 3.7% in 2013, driven mainly by: cotton ginning activities in response to the increase in production during the 2013/2014 and 2014/2015 farming seasons; the buoyancy of the construction sector as a result of major projects launched by the government; and the improvement in food industry, reinforced by a good agricultural production, especially in 2013 and 2014.
42. With regard to other manufacturing industries, growth in 2015 was estimated at 7.6%, in connection with growth of cotton production of 31.4% in 2015. The subsector “water and electricity” increased by 3.2% despite the stagnation that characterized the economic situation in the first half of 2015.
43. The building and construction sectors grew by 7.6% during the period under review due to a rise in public investment spending and construction projects implemented by the private sector.
44. Growth of the tertiary sector slowed to 4.8% in 2015 against 7.1% in 2014 and 2013. The growth deceleration in this sector could be explained by the effects of the presidential election in Nigeria, the legislative, local and presidential elections in Benin, the depreciation of the Naira against the CFA franc and lower oil prices. The growth rate of the subsector “Trade, Hotels and Restaurants” slowed to 1.6 percent due to the decline in trade in 2015.
45. The transport and telecommunications sectors grew by 9.4 percent in 2015 against 6.3 percent in 2014, largely due to the good performance of the telecommunications sector. However, the “banking and insurance” subsector registered a growth of 8.0 percent in 2015, against 14 percent in 2014.
46. As an annual average, the growth rate of the tertiary sector added value rose by 6.3%, with a contribution of 2.8 points to GDP growth.
47. Regarding aggregate demand, the strong economic performance in 2015 was primarily driven by gross fixed capital formation (GFCF), which rose by 6.8% in 2015 against 3.3% in 2014, spurred by strong private and public investment. Within the public sector, the growth of gross fixed capital formation is explained by the continued implementation of major public projects and several other investments under Public-Private Partnership (PPP) arrangements.
48. Growth of private GFCF was driven mainly by the New Cement Plant of Benin (NOCIBE), whose commencement of operations led to a significant increase in cement production capacity and activities related to oil exploration.
49. Final consumption rose by 3.8% in 2015 compared to 3.6% in 2014, with household and government final consumption spending increasing by 3.4 percent and 6.0 percent respectively. The increase in final consumption expenditure was driven mainly by improvements in income arising from recruitment into the public service in 2015 and by improvement in household demand due to the relatively low level of inflation which encouraged consumption.
50. With regard to external trade, the performance of this sector experienced strong deterioration in 2015 compared to the situation in 2014. Import growth decelerated to reach 2.2% in 2015, against 15.9% in 2014. Similarly, exports growth declined to 3.3% in 2015 from 4.0% in 2014.
51. The average annual inflation rate stood at 0.3% in 2015 against 1.1% in 2014, a rate well below the threshold of the ECOWAS convergence criteria set at 5%.
52. The slight increase in average prices observed in 2015 was mainly explained by higher prices of some consumer products such as food and non-alcoholic beverages whose prices went up by 6.7%. The analysis also indicated that there were local products whose prices increased by 0.4 percent during the period, compared to the prices of imported products which increased by 0.1%.

2.1.2 Public Finance and Public Debt

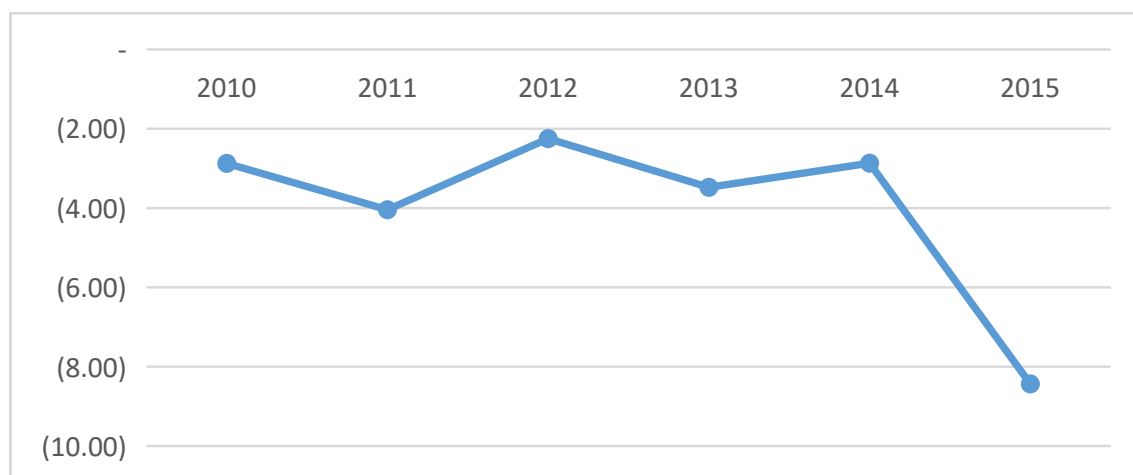
53. The 2015 government budget aimed at (i) promoting youth employment, (ii) strengthening human capital and infrastructure, (iii) modernizing agriculture and promoting agro-industries, and (iv) rural development. The financial operations of the state were therefore characterized by the strengthening of domestic resource mobilization, following the substantial reduction in subsidies and the corresponding increase in expenses.
54. Thus, total revenue including grants amounted to FCFA 848.3 billion in 2015, against FCFA 824.8 billion in 2014, representing an increase of 2.9%, driven mainly by an increase in domestic revenue as grants declined during the year. Total domestic revenues increased by 5% to FCFA 819.5 billion, against FCFA 780.8 billion in 2014, and represented 96.6% of total revenue. Grants declined by 34.5% to reach FCFA 28.8 billion at end- December 2015, against FCFA 44.0 billion in 2014, related only to project grants.
55. Tax revenue recorded a slight increase during the period under review, rising by 1.7 percent from FCFA 701.2 billion in 2014 to FCFA 713.1 billion in 2015, with contributions from both domestic taxes and customs revenue to this increase. Revenue from domestic taxation increased by 2.0%, from FCFA 339.1 billion in 2014 to FCFA 345.7 billion in 2015 and represented 48.5% of total tax revenue, while customs revenue increased by 1.5% from FCFA 362.1 billion in 2014 to FCFA 367.4 billion in 2015 and represented 51.5% of total tax revenue. The increase in domestic tax revenue was related to the measures taken by the authorities to improve tax revenue which included the consolidation of taxpayer's database of small and medium-sized enterprises (SME) department, strengthening of business tax audits and the fight against fraud in relation to imports.
56. The amount of customs revenue collected was below the budget target of FCFA 370.0 billion set for the year 2015. This was due, primarily, to a decline in re-exports of products such as rice, vegetable oil and used vehicles to neighbouring Nigeria, the country's main trading partner. To this should be added: (i) the depreciation of the Naira against the US dollar; (ii) the elections in Nigeria which induced a wait and see attitude on the part of economic agents; (iii) the reduction of tariffs on rice to Nigeria in accordance with the ECOWAS CET (from 110% to 70%); (iv) the establishment of several factories for vegetable oil production in Nigeria; and (v) the promotion of the purchase of new vehicles at the assembly plant in Nigeria.
57. Non-tax revenue amounted to FCFA 84.3 billion in 2015 against FCFA 71.7 billion in 2014, representing an increase of 17.5%. The increase was due, among other things, to the recovery of royalties at GSM SPACETEL following the upward revision of tariffs.

Figure 9: Total Revenue and Expenditure as Percentage of Nominal GDP



58. Total expenditure and net lending at end December 2015 amounted to FCFA 1 242.3 billion, against FCFA 916.5 billion in 2014, an increase of 35.5%. The increase affected all major categories of expenditure, current expenditure and capital expenditure.
59. Recurrent expenditure amounted to FCFA 815.5 billion against FCFA 630.8 billion in 2014, representing an increase of 29.3%, in connection with an 8.2 percent increase in wages and transfers and a rise of 51.7% in subsidies. The wage bill, procurement of goods and services and transfers and subsidies remained the main components of recurrent expenditure, accounting for 42.1%; 13% and 39.8% respectively. Compared to tax revenue, they represented 48.2%, 15.6% and 44.5% respectively. Of the three components, transfers and grants recorded the largest increase during the reporting period, representing 51.7% against an increase of 8.2% and 37.1% in wage bill and purchases of goods and services respectively. Although the share of interest payments in recurrent expenditure remained relatively low, at about 4.5%, they rose by about 97.3%, that is, from FCFA 18.4 billion in 2014 to FCFA 36.3 billion in 2015.
60. Capital expenditures followed the same upward trend observed in recurrent expenditure, increasing by about 50% in 2015, against a decline of 10.9% in 2014, and amounted to FCFA 394.5 billion of which 59.4% was financed from domestic sources and 40.6% from external sources.
61. Overall, the government's fiscal operations led to a deficit excluding grants, on commitment bases of FCFA 422.9 billion (8.4% of GDP) against a deficit of FCFA 135.8 billion (2.9% of GDP) in 2014. Including grants, the overall deficit amounted to FCFA 394.0 billion (7.9% of GDP) against FCFA 91.8 billion (1.9 % of GDP) in 2014. The deficit was financed from both internal and external sources to the tune of FCFA 291.4 billion (68.9%) and FCFA 131.4 billion (31.1%), respectively.

Figure 10: Overall Budget Balance excluding Grants as Percentage of GDP



62. The country's outstanding public debt at end-December 2015 stood at FCFA 2,080.5 billion (41.5% of GDP), compared to FCFA 1,461.8 billion (30.9% of GDP) in 2014, representing an increase of 42.3%, mainly driven by a substantial increase in domestic debt. With respect to the structure of the debt, domestic debt accounted for 49.8%, while external debt was 50.2%.
63. The outstanding external debt at end-December 2015 amounted to FCFA 1,043.6 billion, an increase of 9.7% compared to FCFA 950.9 billion in 2014. At FCFA 222.1 billion, bilateral debt constituted 21.3% of the outstanding external debt, an increase of 37.9% compared to the FCFA 161.1 billion recorded in end-December 2014. Debt held by multilateral institutions edged up 4% from FCFA 789.8 billion at end-December 2014 to FCFA 821.4 billion at end-December 2015, or 78.7% of the outstanding external debt.
64. The outstanding domestic debt recorded a substantial increase in 2015, an increase

of 103.0% from FCFA 510.9 billion at end-December 2014 to FCFA 1,036.9 billion at end-December 2015. Treasury bills, which are important components of domestic debt, rose by approximately 35.0% or FCFA 231.7 billion in 2014 to FCFA 312.7 billion in 2015 and constituted 22.3% of the outstanding domestic debt, compared to 61.2 percent in 2014.

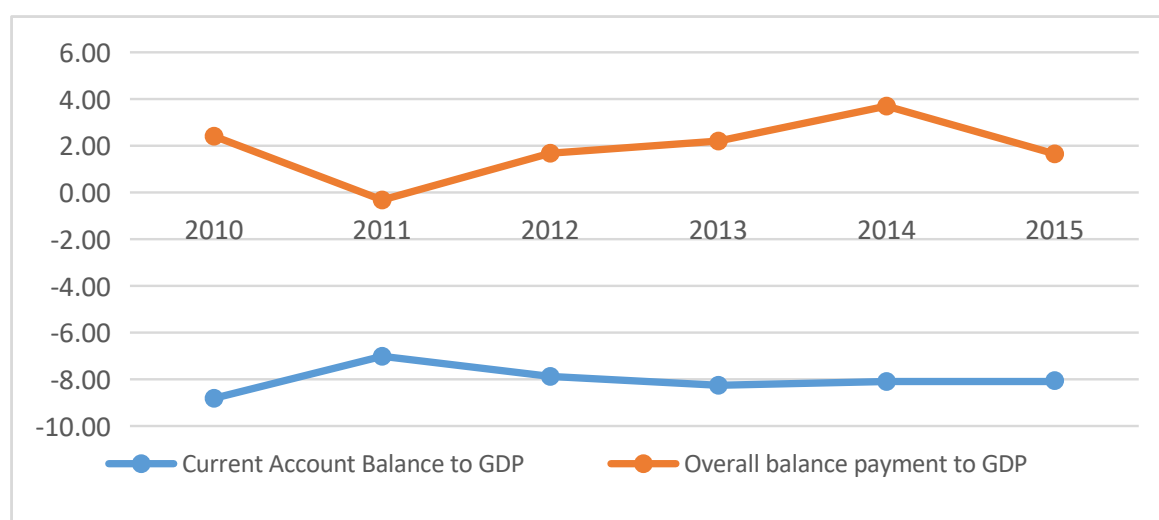
65. Even though the total amount of public debt in 2015 increased compared to 2014, the debt service declined in 2015 compared to 2014. The debt service amounted to FCFA 94.5 billion in 2015, compared to FCFA 126.5 billion in 2014, a decrease of about 25.3%.

2.1.3 External Sector

66. Benin's transactions with the rest of the world in 2015 resulted in a surplus of the overall balance of payment of FCFA 82.8 billion (1.7% of GDP) in 2015, a reduction compared to the surplus of FCFA 170.1 billion CFA francs (3.7% of GDP) recorded in 2014. The reduction in the surplus of the balance of payments was due to the combined effect of the decline of 23.4% of the capital account and financial account surplus and the widening of the deficit of the current account balance excluding official transfers.

67. In 2015 the deficit of the current account, excluding official transfers, stood at FCFA 403.8 billion (8.1% of GDP), a deterioration compared to the deficit of FCFA 383.2 billion (8.1%) recorded in 2014. This deterioration is explained by the 22.3 percent reduction of the surplus of the secondary income balance and an increase of 18.8% of the primary income deficit. Regarding the trade and services deficits, they fell by 15.2% and 20.4% respectively.

Figure 11: Current Account Balance and Overall Balance of Payment as Percentage of Nominal GDP



68. The trade balance deficit improved to settle at FCFA 297.7 billion (5.9% of GDP) in 2015 from FCFA 351.3 billion (7.4% GDP) in 2014. This development was due to the decline in imports of 16.6% (-FCFA 269.1 billion) which more than offset the 17.0 percent (FCFA 215.5 billion) increase in exports.

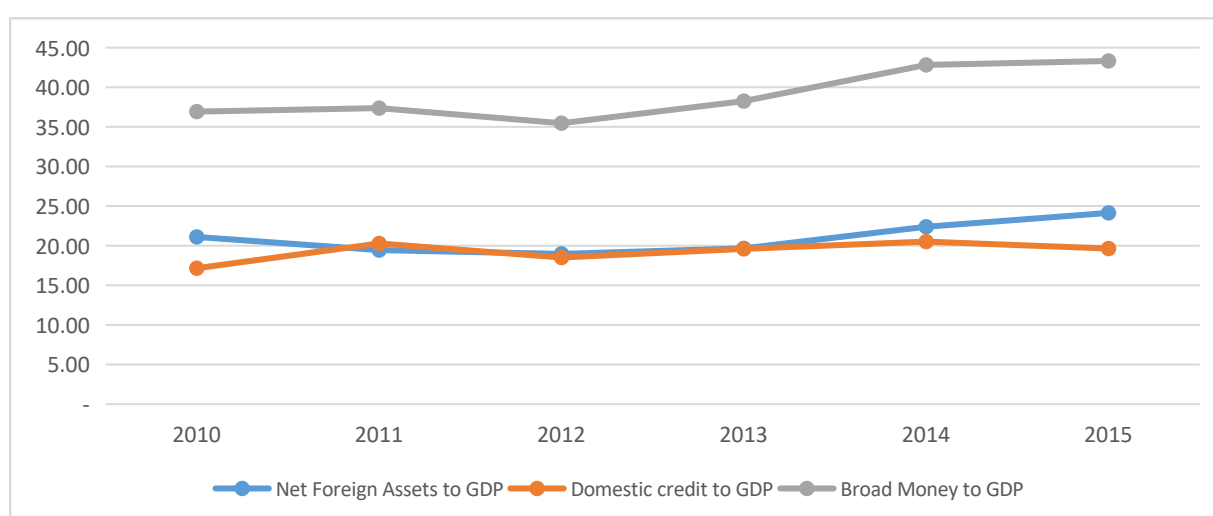
69. The services deficit, following the trajectory of imports, declined in 2015 to stand at FCFA 160.1 billion (3.2% of GDP) in 2015 compared to a deficit of FCFA 201.1 billion (4.2% of GDP) in 2014. The primary income deficit worsened by FCFA 5.7 billion to stand at FCFA 35.9 billion in 2015 compared to FCFA 30.2 billion in 2014. Similarly, the surplus of the secondary income declined in 2015 to stand at FCFA 112.8 billion (2.6% of GDP), compared to FCFA 145.1 billion (3.1% of GDP) in 2014, a decrease of 22.3%. This situation is explained by declines in both public and private transfers which experienced decreases of 48.2% and 11.0% respectively in 2015.

70. The surplus of the capital account and financial account declined by FCFA 141.5 billion to reach FCFA 463.9 billion (9.3% of GDP) in 2015, from FCFA 605.3 billion (12.8% of GDP) in 2014.

2.1.4 Monetary Sector

71. As a member of WAEMU, Benin uses the CFA currency unit which is legal tender for all transactions within the country. Monetary policy is implemented by the Economic and Monetary Union of West Africa (WAEMU). Monetary policy is conducted and implemented by the Committee on Monetary Policy of the Central Bank of West African States (BCEAO), which met quarterly in 2015.
72. In late December 2015, the monetary situation was marked by an increase in money supply of FCFA 144.5 billion in connection with the increase in net foreign assets (NFA) of FCFA 150.1 billion and domestic credit of FCFA 13.3 billion.
73. NFA rose from FCFA 1060.0 billion in late December 2014 to FCFA 1,210.1 billion, an increase of 14.2%, due to growth of NFAs from the central bank and commercial banks of 15.8% and 13.6% respectively. The increase in the Central Bank's NFA was primarily related to BCEAO's monetary operations with non-residents.

Figure 12: Ratios of Net Foreign Assets, Domestic Credit and Broad Money to Nominal GDP



74. Domestic credit grew by FCFA 984.6 billion in 2015, compared to FCFA 971.2 billion in 2014 due to a reduction in both net claims on government and credit to the private sector. Claims on government more than offset the credit crunch in the private sector. Claims on general government decreased by 29.3% (33.1 billion FCFA) from FCFA 113.0 billion to stand at FCFA 79.9 billion at the end of December 2015, while credit to the private sector fell by 1.8% (19.8 billion FCFA) to reach FCFA 1,064.5 billion at end-December 2015, compared to FCFA 1,084.3 billion in 2014.
75. The money supply increased by 7.1% to FCFA 2 171.4 billion at the end of December 2015 compared to FCFA 2,027.0 billion in 2014. Currency in circulation fell by 3.4% to stand at FCFA 607.5 billion at end-December 2015 against FCFA 629.2 billion in the corresponding period in 2014.

2.1.5 Macroeconomic Convergence

76. With respect to macroeconomic convergence Benin met four convergence criteria in 2015 against six in 2014. The criterion on the overall budget deficit as a percentage of GDP deteriorated significantly in 2015 compared to 2014. The following table gives the performance of Benin in terms of macroeconomic convergence in 2014 and 2015.

Convergence criteria	Standards	2014	2015
Primary Criteria			
Ratio of the fiscal deficit including grants (on commitment basis) to gross domestic product (GDP)	≤ 3%	1,9%	7,9%
Average annual inflation rate	≤10% and ≤5% target in 2019	-1,1%	0,3%
Central Bank financing of the budget deficit	≤ 10% of tax revenues of n-1	0%	0%
Gross external reserves in months of imports	≥ 3 months	4,8	4,8
Secondary Criteria			
Ratio of Public debt to nominal GDP	≤70%	30,9	41,5%
Nominal Exchange Rate Stability	±10%	+0,1	-16,5%
Number of criteria met		6	4

2.1.6 Conclusion and Recommendations

77. Economic activity in Benin declined slightly in 2015, but growth remained strong at 5.0% compared to 6.5% in 2014. This growth could improve in the medium and long term if the government commits strictly to structural reforms and reorientation of fiscal policy towards productive investment. Regarding future prospects, economic growth should reach 5.0% by the end of 2016 as in 2015, driven among other things by (i) strengthening infrastructure, including energy infrastructure, transportation infrastructure and information and communications technology; (ii) improving the productivity of the agricultural sector, including livestock, fisheries and agricultural production as well as the establishment of a framework for the development of agribusiness; (iii) increasing access to education and to quality health care for all; (iv) rural development and (v) acceleration of reforms to improve the business environment.

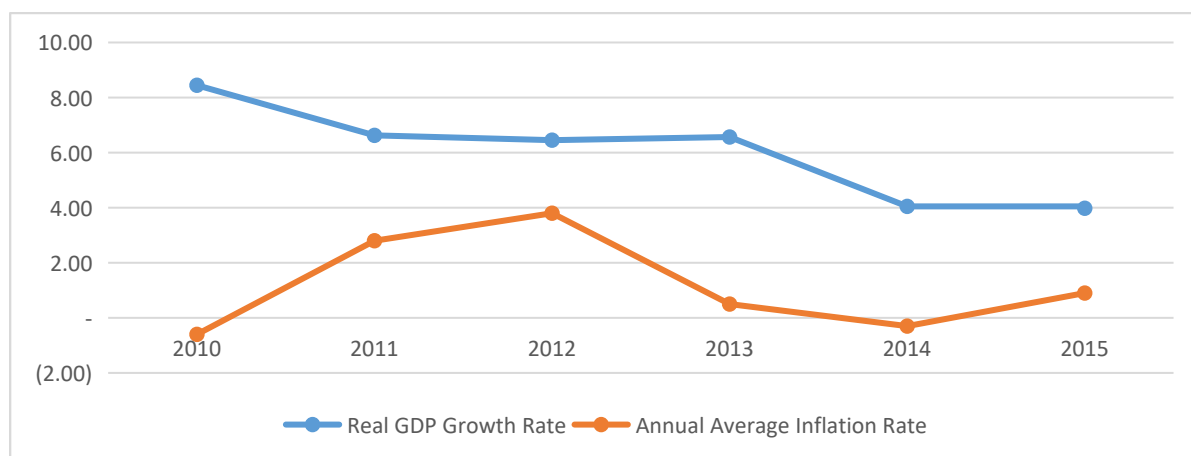
78. To strengthen the economic and financial situation of Benin, the following recommendations are made:

- Take steps to limit growth of the public debt;
- Pursue recovery efforts of fiscal revenues and the fight against fraud to improve the tax ratio to meet the strong growth in spending;
- Ensure control of recurrent expenditure, in particular, those relating to the wage bill and transfers and grants;
- Take appropriate measures to enhance economic growth and diversify the productive base of the economy;
- Continue to pursue the process of industrialization through the implementation of effective and appropriate industrial policies that provide support to the industrial sector.

2.2 Economic and Financial Situation of Burkina Faso in 2015

79. Economic activity in Burkina Faso during the review period took place in a context marked by political transition following the popular uprising of October 2014. It was also strongly influenced by the impact of the attempted coup of September 2015. Growth in 2015 was the same as what prevailed in 2014, that is, a rate of 4.0%. It was driven mainly by the services sector which also contributed 3.5 points to GDP growth and to a lesser extent, the secondary sector with a contribution of 0.8 to growth. The contribution of the primary sector to growth was negative, at -0.3 points.

Figure 13: Burkina Faso Real GDP Growth Rate and Annual Average Inflation Rate



2.2.1 Real Sector

80. From the supply side, developments in the primary, secondary and tertiary sectors in 2015 were as follows:

81. The value added of the primary sector recovered from a decline of 1.0% in 2015 against an increase of 2.0% in 2014. This decrease was due exclusively to agriculture (food and cash crops) which, with a weight of 46.1% of the primary sector, experienced a decline of 4.9%. The other components of the primary sector recorded increases: 2.3% for livestock, 2.9% for forestry and hunting and fishing and 3.4% for aquaculture and fish farming. The decline in agricultural production is explained by the decrease of 6.3% and 11.0% in cereal production and cash crop production respectively due to the late start of rains and poor spatial and temporal distribution. Regarding livestock, growth in added value was the result of efforts to improve the genetic potential of livestock as well as campaigns against animal diseases.

82. The contribution of the primary sector to GDP stood at 23.9% in 2015 against 25.1% in 2014, while its contribution to growth was -0.3 points in 2015 against 0.5 points in 2014.

83. The secondary sector experienced a deceleration in growth rate in 2015 compared to 2014. The sector grew at 4.0% against 5.2% in 2014. This slowdown was the result of a decline of 1.0% in the extractive industries, the largest component, and increases of 8.4%; 5.6% and 5.3% respectively in electricity production, water and gas as well as manufacturing. The decrease in the extractive industries is explained by the near stagnation of gold production in 2015 due to the fall in the world price of the commodity. Regarding manufacturing, the increase was attributable to the ginning of cotton due to the increase of 8.8% in cotton production.

84. The secondary sector's contribution to GDP stood at 19.5% in 2015 as in 2014. However, its contribution to growth reduced from 1.0 points in 2014 compared to 0.8 points in 2015.

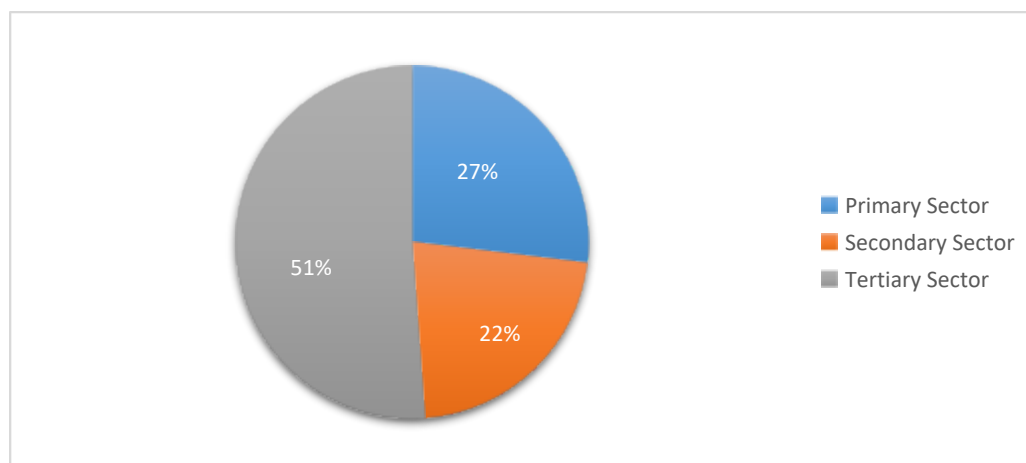


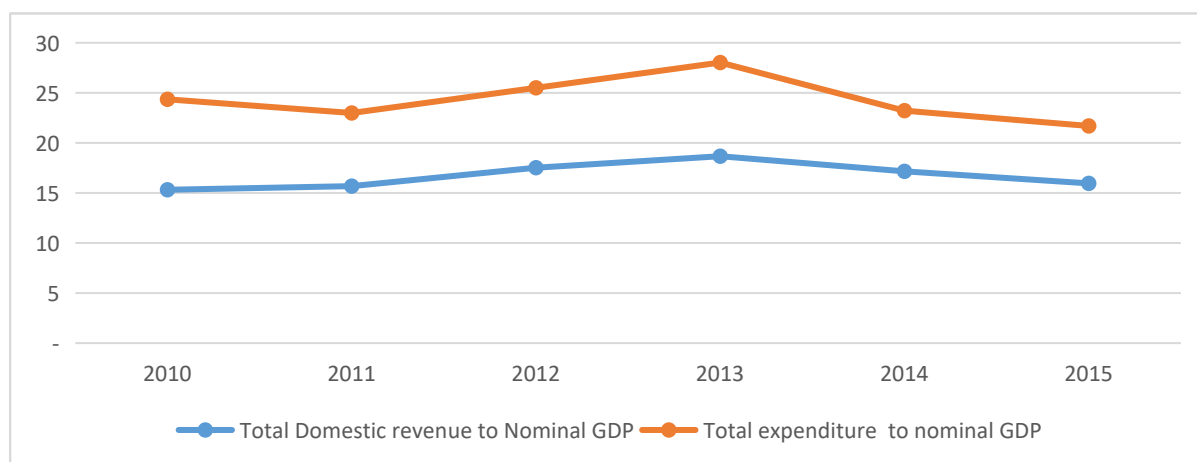
Figure 14: The Structure of Burkina Faso's Economy

85. The services sector grew at 6.7% in 2015 compared to 5.8% in 2014. This growth was mainly due to tradable services which grew by 7.4% in 2015 compared to 4.9% in 2014; non-tradable services experienced a deceleration, with growth of 5.9% in 2015 compared to 6.9% a year earlier. The change in non-market services was brought about by all components of the sub-sector. The dynamism of tradable sub sector was due, among other things, to the reforms related to improving the business climate, the vitality level of telecommunication services, holding events such as the Pan African Film Festival of Ouagadougou (FESPACO), the International Exhibition of Tourism and Hospitality of Ouagadougou (SITHO) and the Tour du Faso.
86. The services sector contributed 3.5 points to GDP growth in 2015, compared to 2.5 points a year earlier.
87. From the demand side, final consumption recorded an increase of 8.2% in 2015 compared to a decline of 0.9% in 2014. This increase was driven by private final consumption which increased by 12.0% in 2015 compared to 1.1% in 2014 on account of measures taken to revalue the allowances of civil servants. Investment, driven by gross fixed capital formation (GFCF) increased by 6.8% in 2015 compared to 5.2% in 2014. Gross capital formation expanded by 6.6 % compared to 5.5% a year earlier, spurred by growth in both private gross fixed capital formation (7.0% in 2015 compared to 6.4% in 2014) and public GFCF (6.2% in 2015 compared to 4.5% in 2014) due to a recovery in economic activity. In the wake of 2014 which was marked by political tensions and a wait and see attitude of economic actors. With regard to trade, exports decreased further in 2015 by 9.6% in 2015, following a decline of 0.3% in 2014. On the other hand, imports increased by 9.1%, compared to a decline of 3.7% in 2014.
88. The contributions of consumption, investment and trade to growth in 2015 were 4.9 points, 4.1 points and -5.0 percentage points respectively, compared to 0.5 points, 3.1 points and 1.4 points in 2014.
89. With regard to price developments, inflation stood at 0.9% in December 2015 compared to 0.3% in 2014. The rise in inflation was mainly due to a rise in prices of the “food and non-alcoholic beverages” and “housing, water, electricity, gas and other fuels” functions.

2.2.2 Public Finance and Public Debt

90. Government's fiscal operations in 2015 were undertaken in an environment of socio-political transition which was characterised by the conduct of presidential and parliamentary elections. Mobilisation of domestic revenue and grants was weak and total expenditure and net lending declined compared to 2014. Thus, the financial operations of the State resulted in an overall deficit of FCFA 133.9 billion (2.0% of GDP) compared to a FCFA 113.5 billion (1.8% of GDP) in 2014. Excluding grants, the overall balance showed a deficit of FCFA 363.9 billion (5.5% of GDP) at end-December 2015 compared to a deficit of FCFA 369.9 billion (6.0% of GDP) a year earlier.
91. Efforts made at resource mobilization in 2015 did not achieve the desired results and fell short of the performance in 2014. This was due, among other things, to the socio-political crisis and the wait and see attitude of economic agents for a normalization of the political situation. Thus, total revenue and grants mobilized in 2015 were down compared end of December 2014. Total revenue and grants amounted to FCFA 1277.7 billion (19.5% of GDP) compared to FCFA 1321, 2 billion in 2014 (21.3% of GDP), a decrease of 3.3%. This decrease is attributable to declines in both domestic revenue (1.6%) and grants (10.3%).
92. Domestic revenue amounted to FCFA 1047.6 billion (16.0% of GDP) in 2015 compared to FCFA 1064.7 billion (17.2% of GDP) in 2014, a decrease of FCFA 17.1 billion due to declines in both tax revenue (1.2%) and non-tax revenue (4.3%). Tax revenue fell from FCFA 940.7 billion (15.2% of GDP) in 2014 to FCFA 929.0 billion (14.2% of GDP) in 2015. The fall in tax revenue was attributed mainly to a decrease of 10.7% in taxes on income, profits and capital gains and 20.6% in property taxes. The gloomy economic activity during the year filled with political transition and the prudence of economic actors failed to boost economic activities. Hence, the decline in profits and consequently the associated tax receipts.

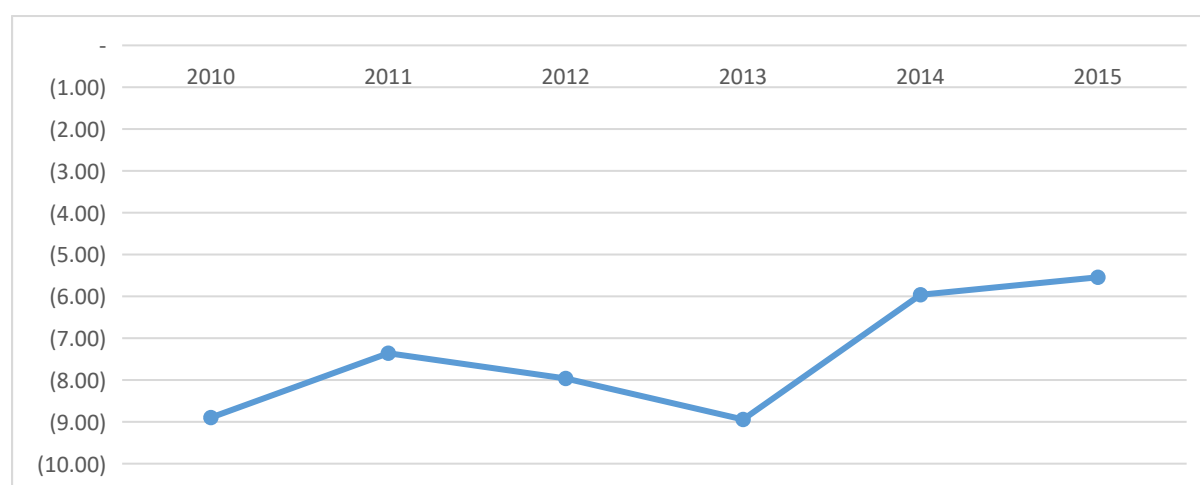
Figure 15: Total Revenue and Expenditure as percentage of GDP in Burkina Faso



93. Regarding grants, mobilization in 2015 decreased by FCFA 26.4 billion to stand at FCFA 230.0 billion CFA francs (1.8% of GDP) compared to FCFA 256.4 billion (2.0 % of GDP) in 2014. This change resulted from the decrease of 33.2% in projects grants that could not be offset by an increase of 26.2% in programmes grants. Like the mobilization of domestic revenue, the development partners postponed or cancelled the funding of some projects pending the normalization of the political situation.
94. Total expenditure and net lending contracted by 1.6% to stand at FCFA 1,411.6 billion (21.5% of GDP) in 2015 compared to FCFA 1434.6 billion (23.1% of GDP) in 2014. Total expenditure fell by 1.2% to represent 21.7% of GDP, compared to 23.2% of GDP in 2014. This reduction was due to a 9.6 percent decline in commitments related to capital expenditures with those related to recurrent expenditure having increased by 4.1%.

95. Indeed, given the difficulties encountered in revenue mobilization, the Government, while streamlining recurrent expenditure, reduced capital expenditures. The increase in recurrent expenditure resulted from a 7.1 percent rise in salaries and wages due to the reform of the system of allowances paid to government workers and a 6.9 percent increase in purchases of goods and services. Expenditure on transfers and subsidies and interest payment on the public debt declined respectively by 0.5% and 0.6%.
96. Expenditure on salaries and wages amounted to FCFA 468.5 billion and constituted 50% of revenue mobilized in 2015, compared to an expenditure of FCFA 437.3 billion or 46.5% of tax revenue in 2014.
97. Similarly, capital expenditure amounted to FCFA 500.9 billion (7.6% of GDP) in 2015 compared to the FCFA 554.1 billion (8.9 % of GDP) in 2014, down by FCFA 53.2 billion. This decline was brought about by reductions in both capital expenditures financed from domestic sources (8.1%) and capital expenditure financed with external resources (29.7%).

Figure 16: Overall Fiscal Balance Excluding Grants to Nominal GDP



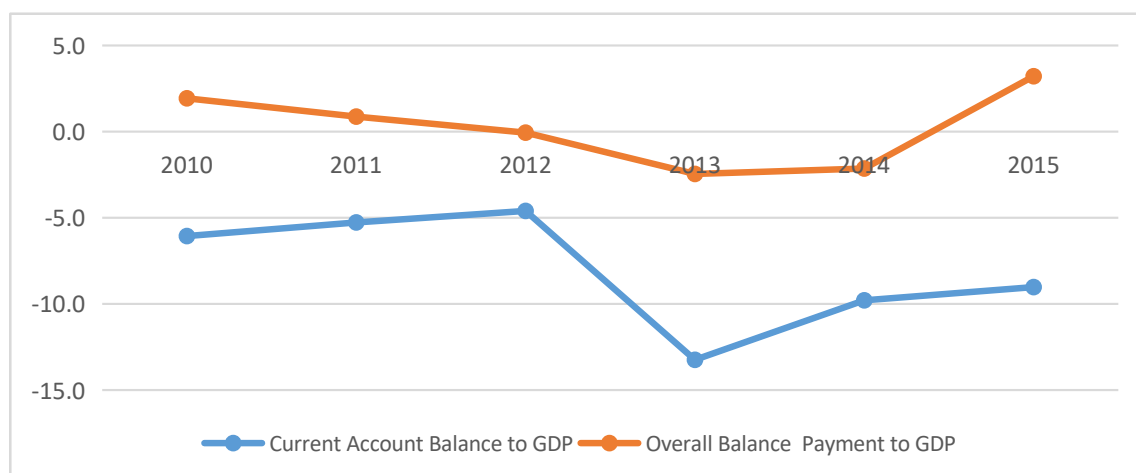
98. With respect to public debt, as at 31 December 2015, the stock outstanding amounted to FCFA 2,119.6 billion (32, 4% of GDP) compared to FCFA 1887.8 billion (30.4%) at end-December 2014, an increase of 12.3%. This increase was due both to the external debt and domestic debt, which rose by 13.3% and 10.3% respectively. In terms of composition, the outstanding public debt at end December 2015 consisted of 67.2% (FCFA 1424.1 billion) of external debt and 32.8% (FCFA 695.5 billion) of domestic debt. The 13.3% increase in external debt in 2015 was due, among others, to cash disbursements from multilateral creditors combined with the appreciation of the major currencies in which the debt portfolio is denominated. Regarding domestic debt, the increase was due to the issuance of three bond loans and six Treasury bills.

2.2.3 External Sector

99. With respect to external trade, initial estimates showed an overall balance of payment surplus in 2015 compared to a deficit in 2014. The balance stood at FCFA 211.0 billion (3.2% of GDP) in 2015 compared to a deficit of FCFA 132.9 billion CFA francs (2.1% of GDP) in 2014.
100. The current account balance excluding grants resulted in a deficit of FCFA 592.4 billion (9.0% of GDP), an improvement compared to the deficit of FCFA 607.5 billion (9.8% of GDP) recorded in 2014. This reduction in improvement resulted from lower primary income deficit (which reduced from FCFA 177.5 billion in 2014 to FCFA 93.5 billion in 2015) and the consolidation of the surplus of the balance of secondary income which stood at FCFA 286.0 billion in 2015 compared to FCFA 236.1 billion in 2014, an increase of 21.2%, reflecting the increase in budgetary support to state and private transfers. The balance of goods and services deteriorated in 2015.

101. The trade balance deficit deteriorated by 35.1 percent – from FCFA 128.8 billion (2.1 percent of GDP) in 2014 to FCFA 173.7 billion (2.6 percent of GDP) in 2015. This was due to a higher increase in imports (5.3%) than the increase in exports (2.5%) of exports. The increase in imports, despite the political situation and the wait and see attitude of economic operators, was due to capital goods, intermediate goods and food products. In value, imports stood at FCFA 1,569.8 billion (23.9% of GDP) compared to FCFA 1490.9 billion (24.0% of GDP) in 2014. The value of exports stood at FCFA 1,396.1 billion (21.3% of GDP) in 2015 compared to FCFA 1362.3 billion (22.0% of GDP) in 2014. The growth recorded was due to increase in the quantity of non-monetary gold and cotton fibre exports.

Figure 17: Current Account Balance and Overall Balance of Payment to GDP



102. The services deficit increased by 6.8% in 2015 compared 2014. In fact, it increased from FCFA 423.2 billion (6.8% of GDP) to FCFA 451.7 billion (6.9% of GDP). This development was accounted for by higher payments to non-residents for other services, notably financial and insurance services.

103. The capital and financial account improved sharply as a result of an increase in both the capital account (15.3%), due to capital transfers of public administration and the private sector, and the financial account from an inflow of FCFA 246.5 billion in 2015.

2.2.4 Monetary Sector

104. As regards the monetary situation, developments in monetary aggregates between end-December 2014 and end-December 2015 was characterized by a sharp rise in net foreign assets (72.9%) and an increase in domestic credit (8.5%) thereby inducing a swelling in money supply by 19.7%.

105. Net Foreign Assets (NFA) increased by FCFA 274.8 billion at the end of December 2015, to stand at FCFA 651.9 billion (9.9% of GDP), compared to FCFA 377.1 billion (6.1% of GDP) at end-December 2014. This change was due, exclusively to banks whose net foreign assets increased by FCFA 291.3 billion in 2015 due to the higher influx of gross claims on non-residents than their short-term external liabilities. The contraction in net foreign assets of the central bank of FCFA 16.5 billion resulted from a higher increase in foreign liabilities than that of its foreign assets during the period.

106. Domestic credit grew by FCFA 163.5 billion to stand at FCFA 2076.3 billion (31.6% of GDP) in December 2015 compared to FCFA 1,912.8 billion (30, 8% of GDP) in 2014. This increase was due to both the increase in credit to the economy of FCFA 123.4 billion and the deterioration of the net Government position (NGP) of FCFA 40.1 billion during the same period. In terms of credit allocation, the main beneficiary sectors in 2015 of loans granted were trade and restaurants, various services, industrial activities, buildings and public works, transport and communications.

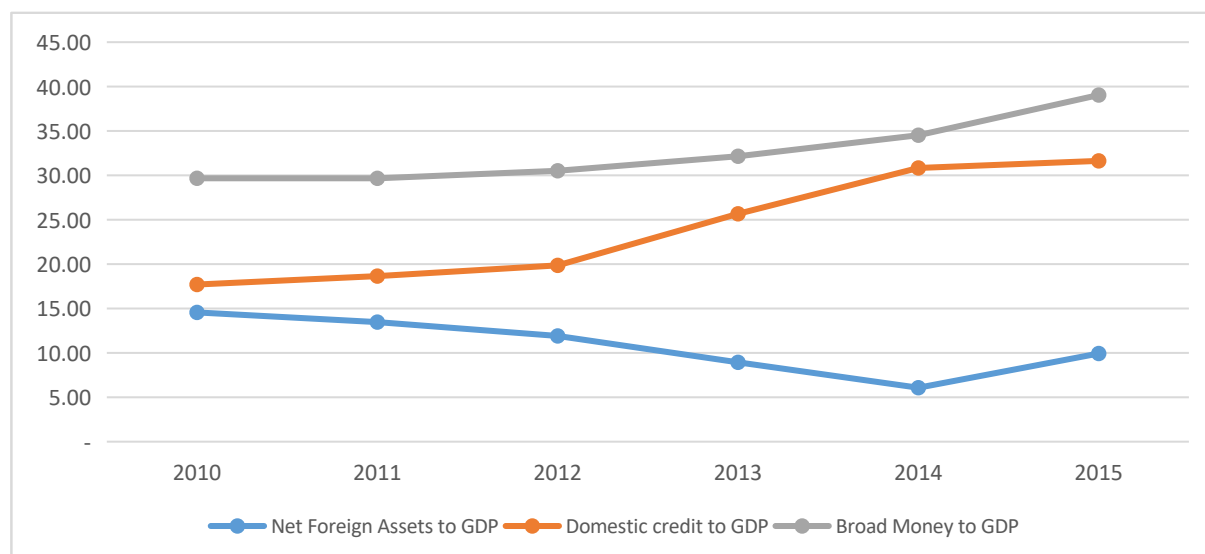


Figure 18: Ratios of Net Foreign Assets, Domestic Credit and Broad Money to GDP

107. The money supply, reflecting developments in counterparties stood at FCFA 2,563.2 billion (39.0% of GDP) at end-December 2015, compared to FCFA 2,141.7 billion (34.5% of GDP) in 2014, an absolute increase of FCFA 421.4 billion. This increase was reflected in both bank deposits (FCFA 191.4 billion, or 8.1%) and in currency in circulation (71.2 billion, or 12.2%).

2.2.5 Macroeconomic Convergence

108. With respect to macroeconomic convergence in 2015, Burkina Faso met five (5) convergence criteria compared to six (6) in 2014. In 2015, four (4) primary criteria and one (1) secondary criterion were met. The situation in 2014 and 2015 is as follows:

Convergence criteria	Standards	2014	2015
First level criteria			
Ratio of the fiscal deficit including grants (on commitment basis) to Gross Domestic Product (GDP)	$\leq 3\%$	1.8%	2.0%
Average annual inflation rate	$\leq 10\%$ and $\leq 5\%$ target in 2019	-0.3%	0.9%
Central Bank financing of the budget deficit	$\leq 10\%$ of tax revenues of n-1	0	0
Gross external reserves in months of imports	≥ 3 months	4.8	4.8
Second level criteria			
Ratio of Public debt to nominal GDP	$\leq 70\%$	30.4%	32.3%
Nominal exchange rate stability	$\pm 10\%$	+0.1%	-16.5%
Number of criteria met		6	5

2.2.6 Conclusion and Recommendations

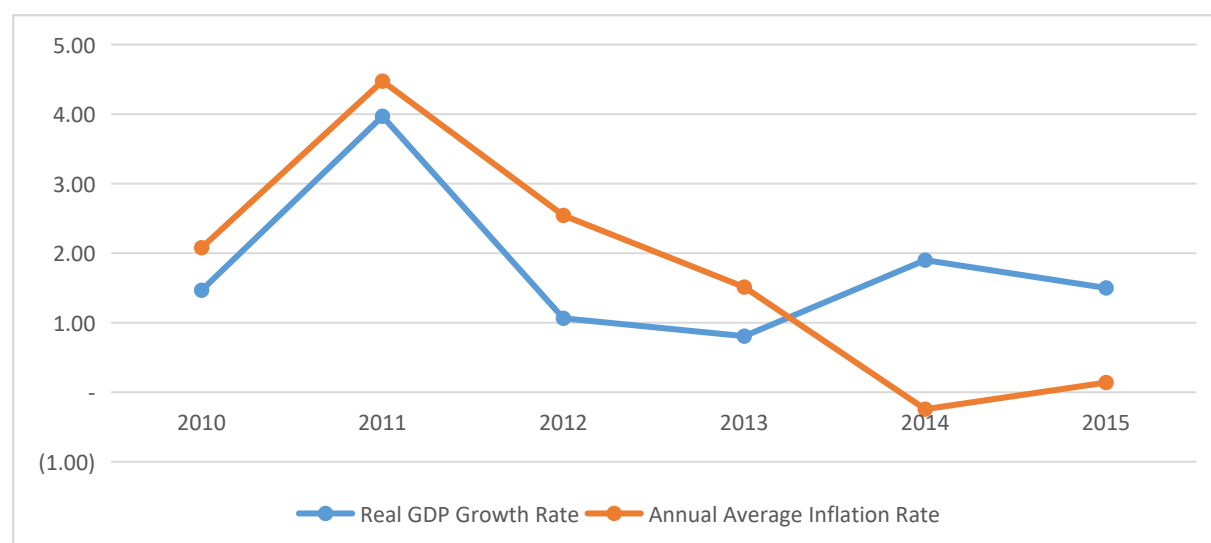
109. The context of political transition on the one hand, and the harsh rainfall condition at the beginning of the cropping season on the other hand, led to a stagnation in the growth rate in 2015 to 4.0% as in 2014. Despite the national context was characterized by a wait and see attitude of operators, efforts were made to mobilize revenue to cover expenditure and measures were taken to contain expenditure initiated to meet the expectations of many people in the wake of the uprising.
110. In relation to macroeconomic convergence, the country met all the primary criteria. The only criterion that was not met concerns the variation in the nominal exchange rate. The CFA franc suffered much from developments in the US dollar compared to the euro to which it is pegged.
111. To consolidate and strengthen the macroeconomic situation of the country, the following recommendations were made:
- Strengthen measures in the field of security to reassure people in the exercise of their activities as well as investors;
 - Continue efforts to modernize tax and customs systems for effective and adequate mobilization of own resources;
 - Continue and strengthen the rationalization measures and better control of public spending;
 - Specifically, monitor developments in recurrent expenditures including payroll.

2.3 Economic and Financial Situation of Cabo Verde in 2015

2.3.1 Real Sector

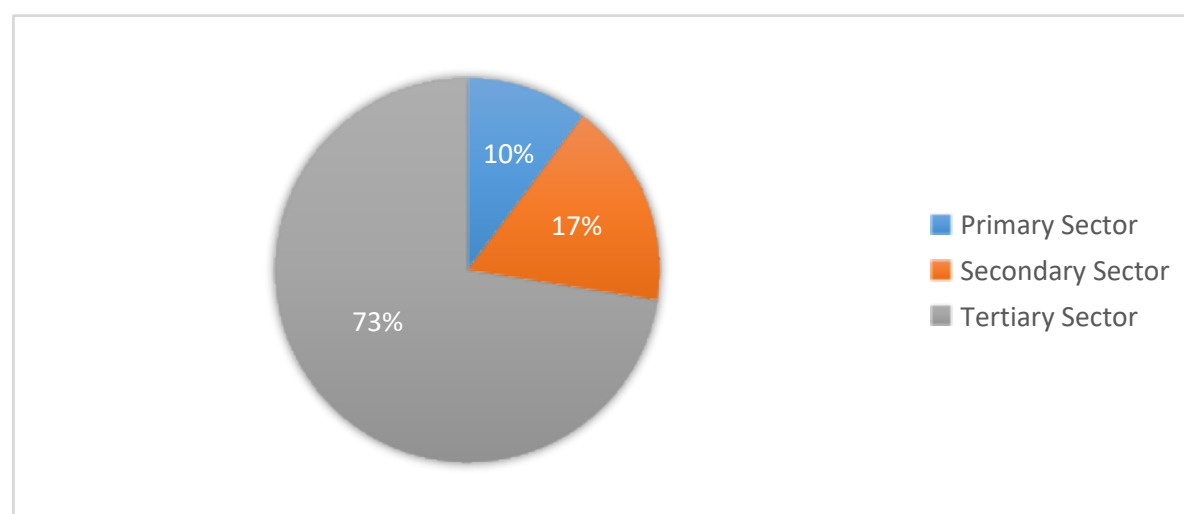
112. Economic activity of Cabo Verde in 2015 was marked by slower pace of growth which stood at 1.5% compared to 1.9% in 2014. This slowdown was due to the underperformance of industry and processing, construction, trade and telecommunications sectors. Growth was related to the performance of the tourism sector and the impact of tax reforms. To these two factors should be added the increase in remittances from the Cabo Verdean diaspora which contributed significantly to the increase in household disposable income.

Figure 19: Cabo Verde Real Growth Rate and Inflation Rate



113. The economic activity took place in a context of low inflation. Indeed, the average annual inflation stood at 0.1% by the end of 2015, compared to 0.2% the previous year. The recorded inflation rate reflected the rising prices of goods caused by the decline in domestic agricultural production and rising taxes imposed on products. This was offset by lower prices of energy and water and by weak consumer prices and production in the euro area.

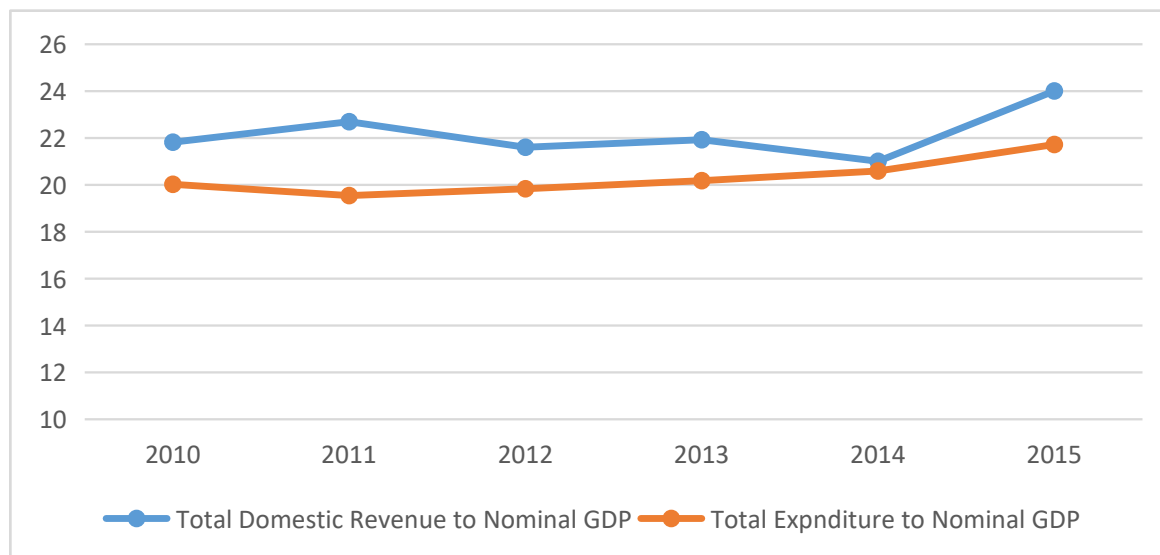
Figure 20: The Composition of the Cabo Verde Economy in 2015



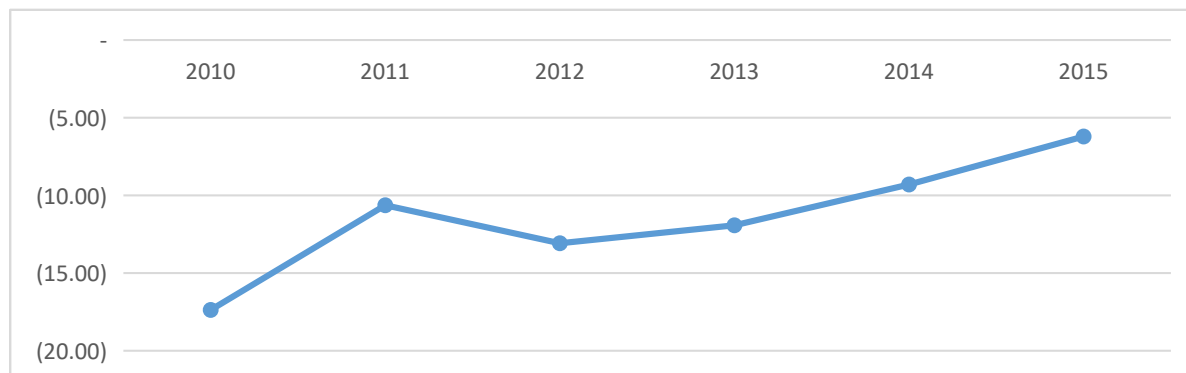
2.3.2 Public Finances and Public Debt

114. With respect to public finances, the fiscal operations of the government resulted in an overall deficit, on commitment basis including grants, of 3.8% of GDP in 2015 compared to 7.3 % of GDP a year earlier. The overall deficit excluding grants declined from 8.9% of GDP in 2014 to 6.2% of GDP in 2015. This reflects a higher increase in total revenue than total public expenditure. Indeed, total revenue increased by 18.1% in 2015, in relation with increases in grants (47.3%), other revenue (45.6%) and tax revenue (10.1%).

Figure 21: Cabo Verde Total Revenue and Total Expenditure to Nominal GDP



115. Total expenditure (including recurrent and capital), recorded an increase of 10.0%, mainly due to higher capital expenditure (24.4%). Recurrent expenditure grew by 7.7% in 2015, in connection with recruitments and promotions made by the authorities.



116. The public debt of Cabo Verde stood at 121.2% of GDP in 2015 compared to 114% of GDP in 2014. This was due to the financing of public investment programme and the appreciation of the dollar which significantly increased the amounts denominated in that currency. This investment programme was mainly funded by foreign debt which represented 92.9% of GDP in December 2015 compared to 88.03% in December 2014.

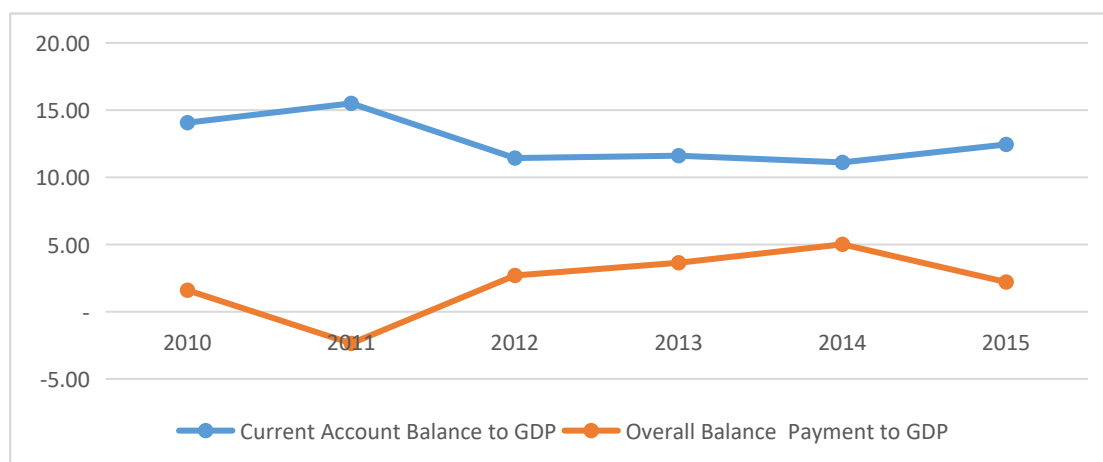
Figure 22: The Cabo Verde Overall Budget Balance excluding Grants to Nominal GDP

2.3.3 External Sector

117. The external transactions of Cabo Verde in 2015 were characterized by a surplus in the overall balance of payments which amounted to CVE 3,523.6 million in 2015, equivalent to 2.2% of GDP, compared to CVE 7,844.9 million (5.1% of GDP) a year earlier. This development was mainly due to the consolidation of the capital account surplus and narrower current account deficit.

118. The deficit of the current account recorded an improvement, declining to CVE 7,108.3 million (4.5% of GDP) in 2015, from CVE 14,025.9 million (9.1% of GDP) in 2014. This improvement was driven by an increase in current transfers (16.2% of GDP in 2015 compared to 14.2% of GDP in 2014), combined with lower deficits in the trade balance (30.9 % of GDP in 2015 compared to 33.1% of GDP in 2014) and the income balance (3.6% of GDP in 2015 compared to 5.0% of GDP in 2014).

Figure 23: Cabo Verde Current Account Balance and Overall Balance of Payment to GDP



119. The surplus of the capital account also experienced an improvement, reaching CVE 1883.8 million (1.2% of GDP), from CVE 658.8 million (0.4% of GDP) in 2014. However, a lower surplus of the financial account was recorded in 2015 (6.1% of GDP compared to 11.6% in 2014). This situation explains the decline in the balance of the capital and financial account (6.9% of GDP in 2015 compared to 12.4% of GDP in 2014).

2.3.4 Monetary Sector

120. The objective of the monetary policy of the Central Bank of Cabo Verde remains the maintenance of price stability. In 2015, the Central Bank of Cabo Verde eased monetary conditions by reducing its prime rate from 3.75% to 3.50% and the reserve requirement ratio from 18% to 15%. The minimum rate on commercial loans declined from 8.47% in 2014 to 8.27% in 2015 while the minimum discount rate decreased from 7.75% to 7.50%. Money supply grew by 5.6% in 2015 compared to 7.3% in 2014. This growth in the money supply resulted from changes in net foreign assets (13.38%) and net domestic assets (2.2%). The increase in the money supply was reflected in quasi money and foreign currency deposits which rose by 7.16% and 27.46% respectively, as well as term deposits which rose by 7.97%. The increase in quasi money was related to the positive change in savings deposits (11.8%), time deposits in local currency (7.8%) and deposits of emigrants (6.0%).

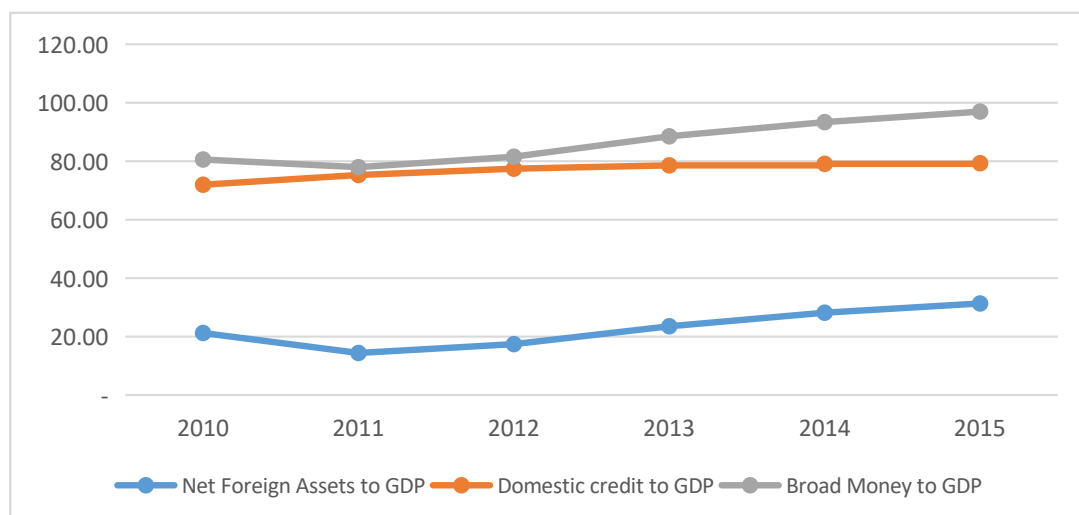


Figure 24: Ratio of Net Foreign Assets, Domestic Credit and Broad Money to GDP

2.3.5 Macroeconomic Convergence

121. At the end of 2015, Cabo Verde met four (04) convergence criteria as in 2014, three (3) primary, namely those relating to the financing of the budget deficit by the Central Bank, average annual inflation and gross external reserves in months of imports. Regarding the two (2) secondary criteria, the country continues to face difficulties, in particular that related to public debt. Indeed, the outstanding public debt was 121.2% of GDP in 2015, above the community's target of 70%.

Convergence criteria	Standard	2014	2015
First level criteria			
Ratio of the fiscal deficit including grants (on commitment basis) to Gross Domestic Product (GDP)	$\leq 3\%$	(+) 7,3%	(+) 3,8%
Average annual inflation rate	≤ 10 and $\leq 5\%$ target in 2019	-0,2%	0,1%
Central Bank financing of the budget deficit	$\leq 10\%$ of tax revenues of n-1	0%	0%
Gross external reserves in months of imports	≥ 3 months	5,4	6,4
Second level criteria			
Ratio of Public debt / GDP	$\leq 70\%$	114,0%	121,2%
Nominal exchange rate stability	$\pm 10\%$	-1.2%	-15,4%
Number of criteria met		5	4

2.3.6 Conclusion and Recommendations

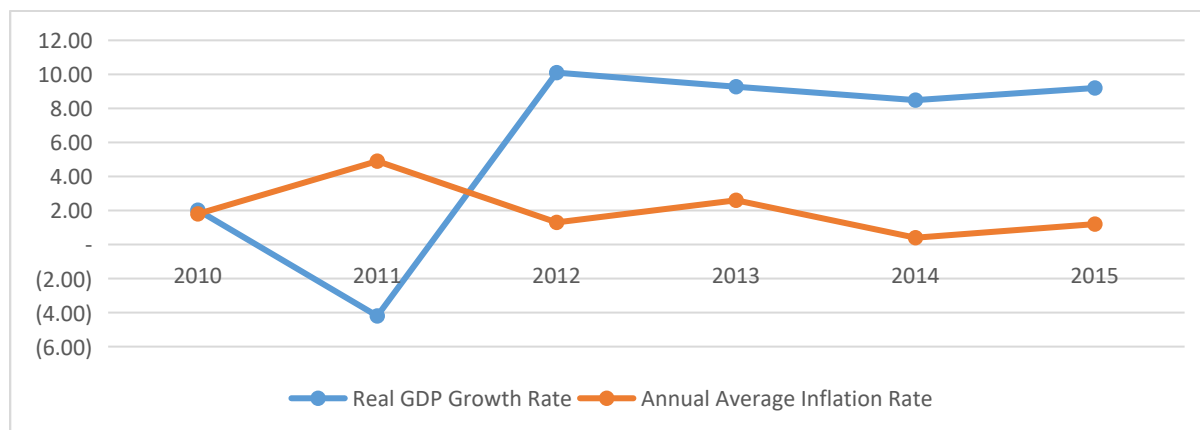
122. In 2015, the country recorded a slower growth rate than expected. This was related to the underperformance of industry and processing, construction, trade and telecommunications sectors. However, the revival of the tourism sector, tax reforms undertaken and remittances from the Cabo Verdean diaspora helped mitigate the underperformance seen in other sectors. From the perspective of public finance and the external sector, a lot remains to be done. To strengthen macroeconomic stability and improve the level of performance in terms of the ECOWAS convergence programme, the authorities of the country should:

- Strengthen fiscal policy to reduce the budget deficit and the level of public debt of the country;
- Continue the promotion of the agricultural sector to enhance its contribution to economic growth;
- Revitalize the manufacturing sector through the promotion of industry, construction and transformation sub-sectors;
- Continue efforts to strengthen the competitiveness of the tourism sector and harness its multiplier effects on other sectors of the economy.

2.4 Economic and Financial Situation in Côte d'Ivoire in 2015

123. Economic activities in 2015 took place in a context marked by the pursuit of reforms since 2011, including improvements in governance and the business environment, holding of presidential elections and the continuation of structural projects of the National Development Plan (NDP) 2012-2015. The economy grew at 9.2% compared to 8.5% in 2014.

Figure 25: Cote d'Ivoire Real GDP Growth rate and Inflation Rate



2.4.1 Real Sector

124. From the supply side, the growth of 9.2% was driven by strong secondary and tertiary sectors, with respective contributions to growth of 3.0 points and 4.7 points. The primary sector's contribution stood at 0.5 points. Taxes on products contributed 1.0 percentage point to real GDP growth.

125. The primary sector continued to grow in 2015, recording 2.7% growth following the 11.6% recorded in 2014. This growth was driven by agriculture which grew by 3.0% on account of an 8.2 percent growth in agriculture export. The performance of agriculture export was accounted for by increases in cocoa production (8.7%), coffee (19.6%), cashew (24.3%), rubber (13, 4%) and sugar cane (3.9%) as a result of the reforms undertaken since 2011 and also of investment undertaken in the zones of these cash crops to improve the standard of living of the populations. However, declines were recorded in the production of bananas (-0.7%), pineapple (-11.8%) and cotton seed (-23.5%) compared to 2014.

126. The primary sector's contribution to nominal GDP in 2015 stood at 20.2%, compared to 21.2% in 2014, while its contribution to real GDP growth stood at 0.5 points in 2015 compared to 2.2 points in 2014.

127. The secondary sector grew by 13.2% compared to 3.5% in 2014. This acceleration was related to Buildings and Public Works (BTP) which saw growth of 33.5% in 2015 compared to 15.5 % in 2014, Mining and Quarrying which grew by 26.3% compared to 3.3% in 2014, the production and distribution of Electricity, Gas and Water which grew by 23.7% in 2015 compared to -8,0% in 2014 and Manufacturing which recorded growth of 2.9% in 2015 compared to -23.6% in 2014. Growth of Agro-Food industry slowed down to 3.2%, from 8.6% in 2014.

128. The growth recorded in the construction subsector was driven by investments in socio-economic infrastructure and the Presidential housing programme, while that of the extractive industries was spurred by crude oil production due to the investments made in the sector, natural gas and related activities. With regard to gold production, its dynamism was the result of the commencement of production at the Agbaou Gold Mine in 2014. For manufacturing industries, all the components registered an increase in 2015.

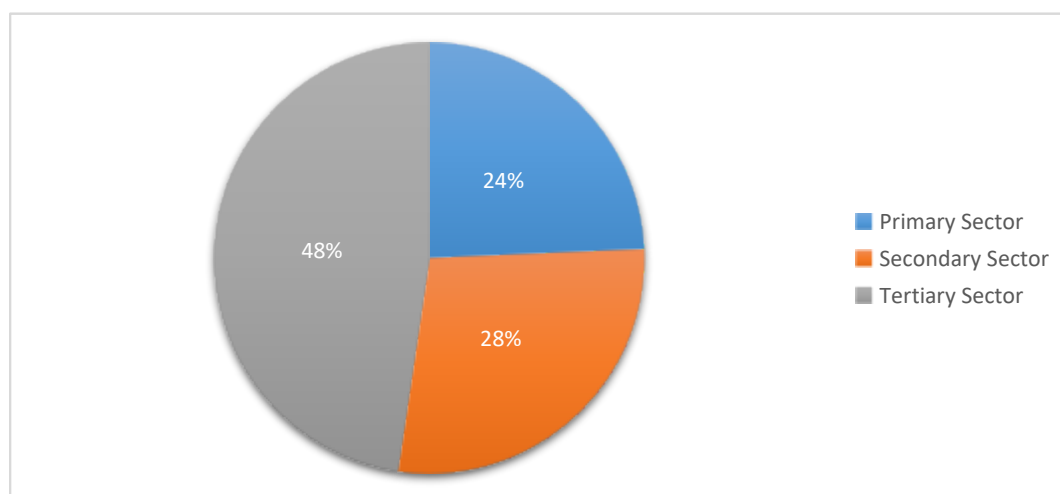
129. The share of the secondary sector in nominal GDP stood at 25.5% in 2015 compared to 24.8% in 2014, while its contribution to growth stood at 3.0 points compared to 0, 8 points in 2014.

130. The services sector continued its growth trajectory due, among other things, to the positive effects of measures taken by the government to improve the business environment and the growth of the primary and secondary sectors. Growth of the sector stood at 9.7% compared to 10.2% in 2014. This growth was driven by both tradable services (+ 10.3%) and non-tradable services (+ 7.9%). The growth in tradable services was driven by growth in trade, auto repair and consumer goods (10.4% compared to 11.1% in 2014), transport and communications (9.8% in 2015 compared to 8.3% 2014) and financial activities (10.6% compared to 14.3% in 2014).

131. The transport subsector recorded growth of 11.6 percent and was attributed mainly to the commissioning of the Abidjan-Bassam highway in March 2015, the Abobo-Anyama road in June 2014 and the third bridge in December 2014. In summary, with the right orientation of economic activity, the transport sector was boosted by developments in the air, land and sea subsectors. In telecommunications, an 8.9% increase in turnover was recorded compared to 2014 in relation to the improvement observed, especially in the mobile telecommunications sector and related services (internet, mobile money, etc). Trade recorded 10.4% growth in 2015 which was attributed to the measures taken by the Government to improve the living conditions of the population and improvements in the business climate.

132. The tertiary sector strongly influenced growth in 2015, with a contribution of 4.7 points. However, this contribution to growth saw a slight decline compared to 2014 when it stood at 4.8 points.

Figure 26: The Structure of the Ivorian Economy



133. In terms of demand, growth was supported by final consumption with a contribution of 7.3 points and investment whose contribution to growth stood at 3.3 points compared to 1.9 points in 2014. As for net trade's contribution it stood at 1.4 points compared to 0.2 points a year earlier.

134. Final consumption, driven both by the final consumption of households (7.7%) and that of government (20.0%) rose by 9.5% compared to 8.3% in 2014. This increase was due, among other things, to the increase in salaries of health and education services, higher minimum wages in certain private sector activities and the implementation of measures contained in the payroll management strategy.

135. Investment increased by 17.0% compared to 15.9% in 2014. This increase in total fixed investment was in consonance with those recorded by the private GFCF (14.9% in 2015 compared to 23.1% in 2014) and public gross fixed capital formation (21.0% in 2015 compared to 3.9% in 2014). The increase in private investment was mainly due to

the strengthening of production tools in the industrial sector, massive investment in communications infrastructure (roads, bridges, optical fibre) and energy infrastructure (power plants, network of maintenance for electrical substations).

136. With respect to external trade, imports grew by 13.0%, compared to 3.7% in 2014, driven in particular by consumer goods and equipment. However, imports of intermediate goods decreased compared to 2014. Exports, on the other hand, increased by 8.5% compared to 4.0% a year earlier mainly due to primary and mining products.
137. As regards price developments, inflation stood at 1.2% compared to 0.4% in 2014. This increase was due to the increase of 2.0% in prices of the function “food and non-alcoholic beverages” with the exception of the “oils and fats” subgroup which declined by 0.2% compared to 2014 in conjunction with the proper supply markets. Regarding other non-food functions, an overall 1% increase was observed in 2015 albeit with declines in ‘transport’ (-0.4%) and “education” (-0, 3%) functions.

2.4.2 Public Finances and Public Debt

138. In 2015, the execution of the State's financial operations resulted in an overall deficit of FCFA 553.0 billion (2.9% of GDP) compared to a deficit of FCFA 376.2 billion (-2.2% of GDP) in 2014. Excluding grants, the deficit stood at FCFA 835.2 billion (4.4% GDP) in 2015 compared to a deficit of FCFA 680.2 billion (4.0% of GDP) in 2014. This deterioration of the overall deficit was due to a much higher increase in total expenditure and net lending (21.8%, or FCFA 800.2 billion CFA francs) compared to the increase in total revenue and grants (18.9%, or FCFA 623.5 billion).
139. Total revenue and grants amounted to FCFA 3,916.8 billion (20.9% of GDP) in 2015 compared to FCFA 3293.3 billion (19.4% of GDP) in 2014, representing an increase of 18.9%. The increase was due solely to total revenue, which grew by 21.6% as grants recorded a decline of 7.2% compared to 2014.
140. The increase in total revenue was driven by increases in both tax revenue (14.8%) and non-tax revenue (63.4%). Indeed, the amount of tax revenue mobilised increased from FCFA 2573.3 billion (15.2% of GDP) in 2014 to FCFA 2,954.9 billion (15.6% of GDP) in 2015. The increase accrued from expansions in both domestic taxes (+ 10.1%) and external taxation (+ 20.0%). These included (i) taxes on income and salaries (13.0%) due to the increase in employment in the formal sector, (ii) Cocoa and Coffee export levy (126. 8%) due to an increase in the rate of the cocoa export levy in April and October 2015, (iii) value added tax of 12.0% imposed on the increase in consumption in the telecommunications and energy sectors, (iv) taxes on petroleum products (69.4%) due to taxation of diesel and gasoline as well as the increase in import volumes and (v) export taxes (19.0%) explained by a significant increase in exports of cocoa beans.
141. Non-tax revenue increased from FCFA 416.1 billion (2.5% of GDP) in 2014 to FCFA 679.8 billion (3.6% of GDP) in 2015, mainly due to the renewal of cellular telephone licenses (160.5 billion), of dividends of PETROCI (6.0 billion), social security contributions (12.2 billion) as well as signature bonuses (17.0 billion).

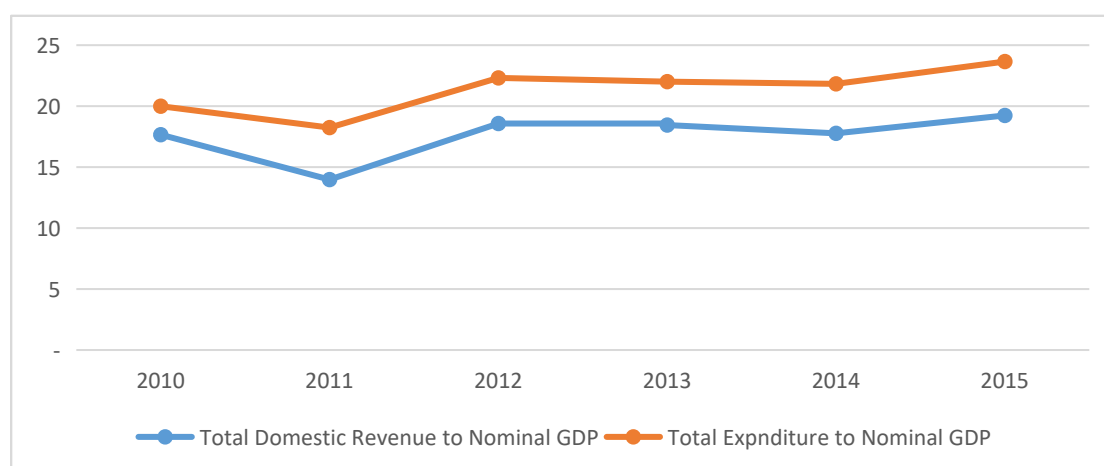


Figure 27: Cote d'Ivoire Total Revenue and Expenditure as percentage of Nominal GDP

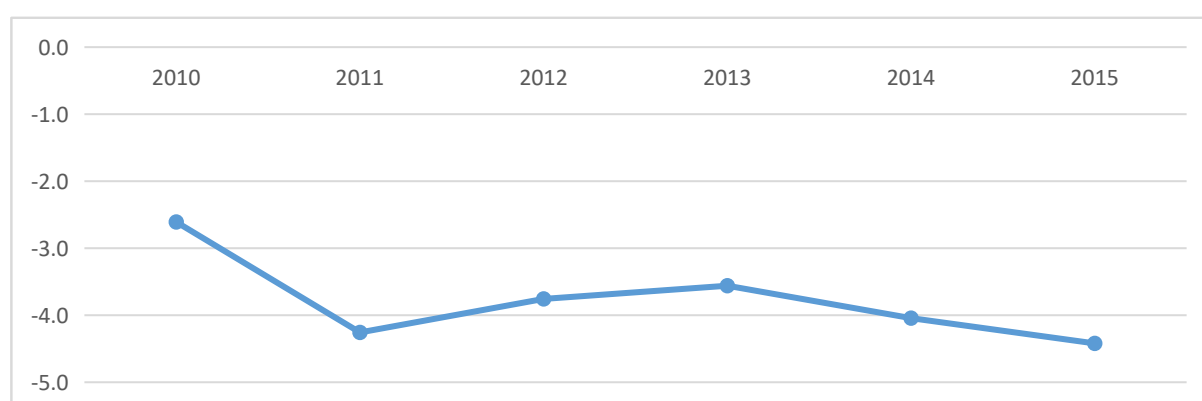
142. Mobilisation of grants fell by 7.2% in 2015 to settle at FCFA 282.2 billion (1.5% of GDP), compared to FCFA 304.0 billion (1.8% of GDP) in 2014.

143. Total expenditure and net lending increased by 21.8% in 2015 to stand at FCFA 4,469.8 billion (23.6% of GDP), compared to FCFA 3669.6 billion (21.7% GDP) in 2014. This increase was due to increases in both recurrent spending (19.0%) and capital expenditure (25.5%).

144. Recurrent expenditure in 2015 amounted to FCFA 3,074.7 billion (16.4% of GDP), compared to FCFA 2583.1 billion (15.4% of GDP) in 2014. This development was triggered by expenditure on (i) wages and salaries (12.5%) due to circumstantial promotions, recruitments in the education and health sectors, (ii) transfers and subsidies (36.4%) due to increased subsidies to private schools, and operating expenses (24.4%) due to the strengthening and creation of new services.

145. Capital expenditures executed in 2015 amounted to FCFA 1247.3 billion, compared to FCFA 994.2 billion in 2014, driven both by capital expenditure financed with domestic resources (30.1%) and capital spending financed with external resources (18.2%). The increase in domestically financed capital expenditure can be explained, among other things, by transfers made to support the President's Emergency Programme, construction and rehabilitation of universities, community service investment within the framework of presidential visits and road investment programme. Overall, capital expenditure increased from 5.9% of GDP in 2014 to 6.6% in 2015.

Figure 28: Overall Budget Balance excluding Grants to Nominal GDP



146. Regarding public debt, the amount outstanding at end-December 2015 was FCFA 7,775.5 billion compared to FCFA 6018.8 billion in 2014, an increase of 29.2% and attributable to increases in both the external component (30.1%) and domestic component (28.1%). The stock of external debt increased from FCFA 3,308.7 billion in 2014 to FCFA 4,304.3 billion in 2015, mainly on account of a 35.9 percent increase in bilateral debt to stand at FCFA 3296.4 billion in 2015. In turn, multilateral debt rose to FCFA 1007.9 billion in 2015, from FCFA 883.3 billion in 2014, representing an increase of 14.1%. In relation to GDP, the total public debt stood at 41.2% in 2015 compared to 35.8% in 2014.

147. With regard to debt service, it stood at FCFA 1,295.5 billion in 2015, consisting of FCFA 883.9 billion to service the domestic debt and FCFA 411.6 billion for external debt service compared to respectively FCFA 834.8 billion and FCFA 323.6 billion in 2014.

2.4.3 External Sector

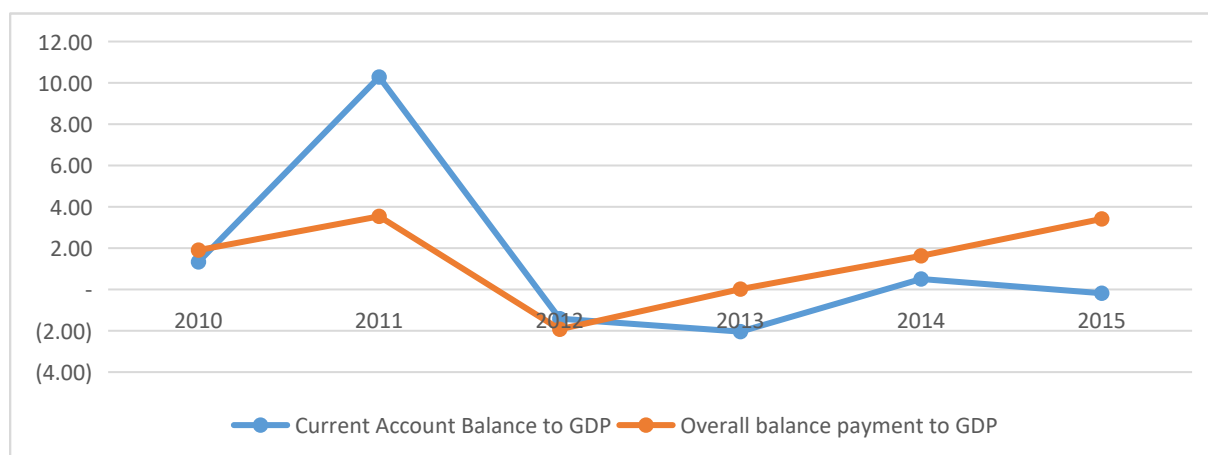
148. The country's transactions with the rest of the world resulted in a surplus of the overall balance of payments, which saw substantial improvement from FCFA 273.8 billion (1.6% of GDP) in 2014 to FCFA 645.1 billion (3.4% of GDP) in 2015. This improvement was attributed to capital and financial accounts, with the current account excluding official transfers having deteriorated between 2014 and 2015.

149. The current account balance excluding official transfers deteriorated from a surplus of FCFA 85.2 billion (0.4 percent of GDP) in 2014 to a deficit of FCFA 34.5 billion (0.2 percent of GDP) in 2015. This development was the combined result of the decrease in the surplus of the trade balance by 3.5% and the deterioration of the primary income deficit by 20.3%, secondary income by 62.9% and services by 3.4%.

150. The surplus of the trade balance stood at FCFA 1847.1 billion (9.8% of GDP) in 2015 compared to a surplus of FCFA 1,914.8 billion (11.4% of GDP) in 2014. This was due to higher increase in imports (9.9%) (By value) than the increase in exports (5.9%). The increase in imports was attributable to non-oil products which increased by 15.1% driven, among others, by food products, other consumer goods and intermediate goods. Capital goods imports declined by 13.5%. In terms of GDP, imports declined slightly from 26.7% in 2014 to 26.2% in 2015, whilst in absolute terms an increase was recorded from FCFA 4,496.5 billion in 2014 to FCFA 4,942.3 billion in 2015. On the other hand, exports rose to FCFA 6,789.4 billion (35.9% of GDP) in 2015 from FCFA 6,411.3 billion (38.1% of GDP) in 2014, an increase 5.9%. This increase was the result of increased non-monetary gold exports (22.7%), cocoa (25.7%) and cashew (62.0%) on one hand, and of a 14.9% decrease in wood exports, on the other hand.

151. The deficit of the services account increased to FCFA 1,104.4 billion (6.8% of GDP) in 2015, from FCFA 1067.9 billion (6.3% of GDP) 2014. This development was related to higher payments to non-residents for freight and other services. The deficit of the primary income also deteriorated due to higher payments to non-residents in respect of investment income. Regarding the secondary income deficit, it was caused by the decline in resource inflows for budget support and increased migrant remittances to foreign countries.

Figure 29: Cote d'Ivoire Current Account Balance and Overall Balance of Payment to GDP



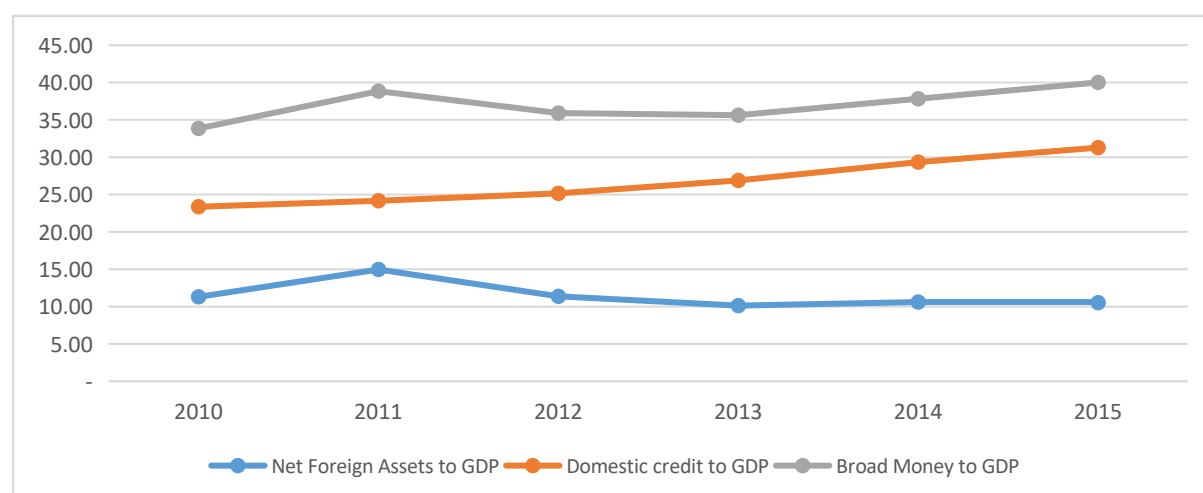
152. The capital and financial account improved sharply due both to capital account and the financial account. The increase of 60.9% of the capital account was due to capital transfers to the government as projects grant, while improvement in the financial account resulted from foreign direct investment as well as portfolio investment.

2.4.4 Monetary Sector

153. The monetary situation was characterized at end-December 2015 by an increase of all aggregates. Indeed, net foreign assets increased by 11.4%, domestic credit rose by 19.7% and money supply grew by 18.8 percent on account of developments in its components.

154. Net foreign assets (NFA) increased by FCFA 204.3 billion at the end of December 2015 to reach FCFA1989.0 billion (10.5% of GDP), from FCFA 17847 billion (10.6% of GDP) at end-December 2014. This evolution was due exclusively to the central bank, whose net foreign assets increased by FCFA 231.7 billion (14.9%) resulting from improvements in the repatriation of export earnings and the mobilization of resources through borrowings from the regional and international market. Regarding net foreign assets of banks, a decline of FCFA 27.4 billion (12.8%) was recorded in 2015.

Figure 30: Cote d'Ivoire Ratio of Net Foreign Assets, Domestic Credit and Broad Money to GDP



155. Domestic credit grew by FCFA 975.0 billion to stand at FCFA 5911.6 billion (31.3% of GDP) in December 2015 compared to FCFA 4,936.7 billion (29.3% of GDP) in 2014. This increase is explained by the expansion of credit in the amount of FCFA 1,020.2 billion to the economy (29.7%), offset by a 3% improvement in the net Government position (NGP). The proper orientation of credit to the economy was due to the positive developments in ordinary and medium-term loans. This increase in funding is proof of the strong involvement of the banking sector in financing the economy as the conditions of banks improved overall at the end of 2015. In fact, average interest rates of the banks were kept low with a view to attracting economic agents and supporting them in a more sustainable and efficient manner to carry out their economic activities.

156. The money supply, reflecting the performance of its components, stood at FCFA 7,561.8 billion (40.0% of GDP) at end-December 2015, compared to FCFA 6,363.86 billion CFA francs in 2014 (37.8% of GDP), representing in absolute terms, an increase of FCFA 1,198.0 billion. This increase was reflected in both deposits (FCFA 648.9 billion, or 27.7%) and currency in circulation (FCFA 260.0 billion, or 13.8%).

2.4.5 Macroeconomic Convergence

157. Regarding macroeconomic convergence, Côte d'Ivoire met five (5) convergence criteria in 2015 compared to six (6) in 2014. All the primary criteria were met. The only criterion not met was the nominal exchange rate stability, due to the depreciation of CFA as a result of the variation of the euro to the US dollar. The situation of the criteria for 2014-2015 is as follows:

Convergence criteria	Standards	2014	2015
First level criteria			
Ratio of the fiscal deficit including grants on commitment basis to gross domestic product (GDP)	$\leq 3\%$	2,3%	2,9%
Average annual inflation rate	≤ 10 and $\leq 5\%$ target in 2019	0,4%	1,2%
Central Bank financing of the budget	$\leq 10\%$ of tax revenues of n-1	0%	0%
Gross external reserves in months of imports	≥ 3 months	4,8	4,8
Second level criteria			
Ratio of Public debt to nominal GDP	$\leq 70\%$	35,8%	41,2%
Nominal exchange rate stability	$\pm 10\%$	+0,1%	-16,5%
Number of criteria met		6	5

2.4.6 Conclusion and Recommendations

158. The economic and financial situation of Cote d'Ivoire in 2015 was characterised by good performance with a growth rate in double figures which stood at 10.3% following the growth of 8.5% recorded a year earlier. The government embarked on major infrastructure projects that will enable the country to maintain sustainable growth. However, these engagements led to certain slippages in the economy such as the overall budget deficit despite efforts to increase resource mobilization, in particular domestic resources.

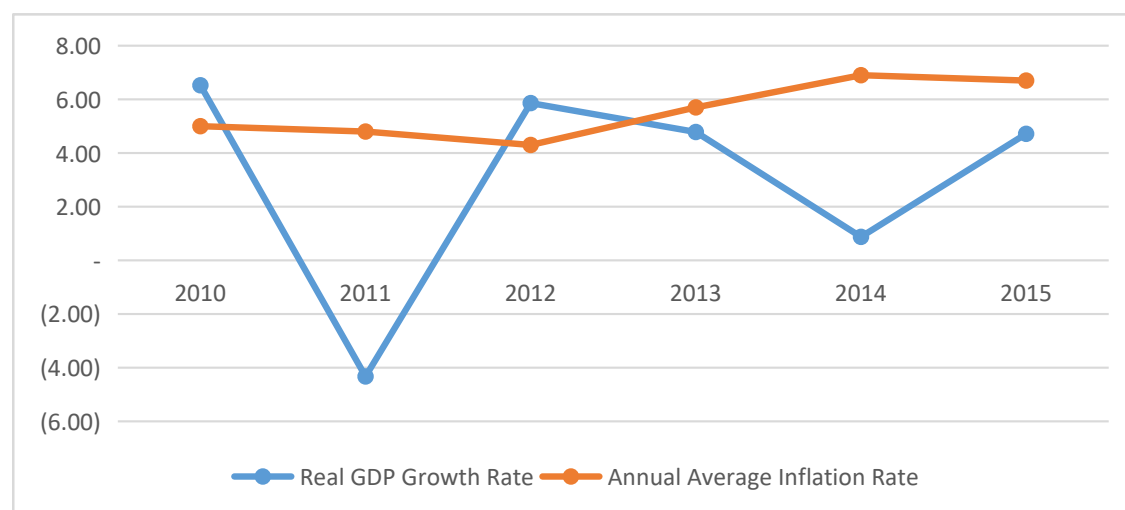
159. With respect to performance under the macroeconomic convergence, only one secondary criterion could not be met. In order to consolidate the economic situation, the following recommendations are made:

- Continue and strengthen the policy of sustainable growth-enhancing investments;
- Pursue reforms on simplifying the tax system and widening the tax base;
- Continue the sound management of public finances, in particular, by measures to improve continuously domestic revenue and control of recurrent spending, especially spending on wages and salaries.

2.5 Economic and Financial Situation in The Gambia in 2015

160. The Gambian economy recorded a remarkable recovery in 2015 following the slowdown in 2014 as the effects of the outbreak of the Ebola Virus Disease (EVD) which impacted the tourism sub-sector. Implementation of the country's medium term development plan "Programme for Accelerated Growth and Employment" continued to provide the framework for setting the targets for macroeconomic policy.

Figure 31: The Gambia Real GDP growth rate and Inflation rate

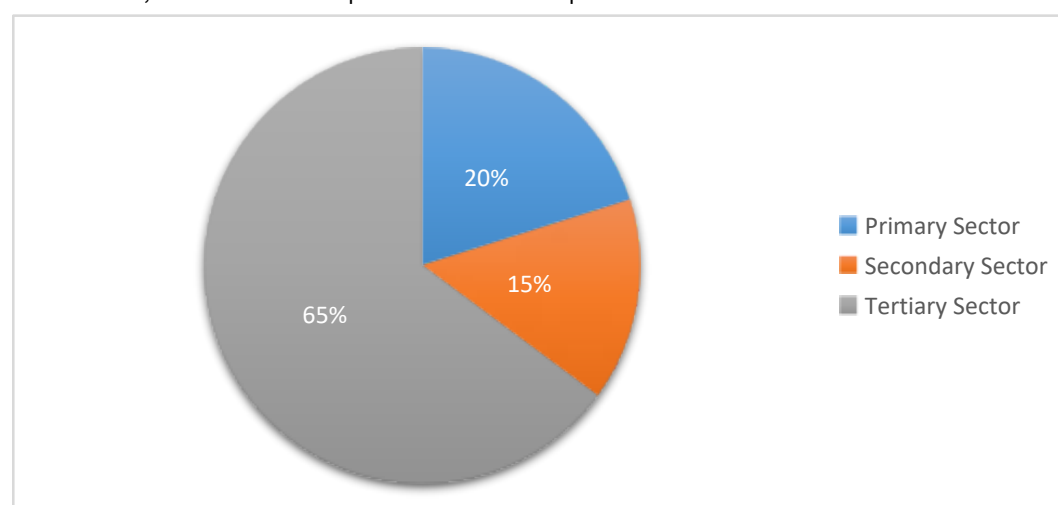


2.5.1 Real Sector

161. The Gambia's economy grew by 4.7 percent in 2015, compared with 0.9 percent in 2014, spurred by a turnaround in the primary and secondary sectors. The primary sector (mainly agriculture) recorded growth of 7.0 percent against a contraction of 7.1 percent the previous year, while the secondary sector grew impressively by 8.2 percent against 2.7 percent in 2014.

162. Growth in the secondary sector was primarily driven by stronger performance in construction which grew by 24.1 percent in 2015, compared with 10.6 percent in 2014. Similarly, the electricity, gas and water supply subsector witnessed higher growth of 9.2 percent against 7.4 percent in 2014. Growth of the mining and quarrying subsector, however, declined from 10.2 percent in 2014 to 6.5 percent in 2015.

Figure 32: The Composition of the Gambian Economy



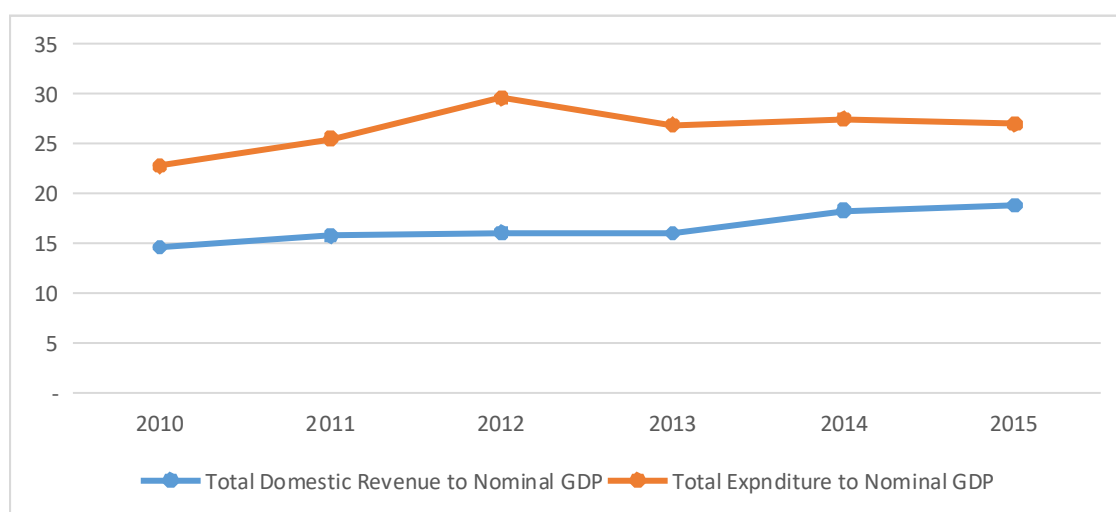
163. The tertiary sector recorded a decline in its growth trajectory during the period as economic activity in most of its subsectors slowed down. Growth of the sector dropped from 6.0 percent in 2014 to 3.3 percent in 2015. The tourism subsector, which is a major mainstay of The Gambian economy and which was impacted adversely by the indirect effects of the EVD, continued to contract, with the contraction reaching 13.6 percent in 2015, from 9.0 percent in 2014. Retail and wholesale trade also slowed, declining from 8.6 percent in 2014 to 3.2 percent in 2015. Activities in finance and insurance, public administration and education also recorded considerable sluggishness during the period.

164. Inflationary pressures eased during the year, in part reflecting the tight monetary stance of the authorities and improved food situation. Headline inflation recorded a slight decline from 6.9 percent in 2014 to 6.7 percent in December 2015, with the reduction being attributed to subdued food inflation which dropped to 7.6 percent in end-December 2015, from 8.4 percent a year earlier. However, non-food inflation recorded a slight increase from 4.8 percent in 2014 to 5.3 percent in 2015.

2.5.2 Public Finance and Public Debt

165. The year saw improvement in Government's fiscal operations as the budget deficit narrowed considerably. Revenue outturn saw a slight improvement. Total revenue and grants amounted to D8.2 billion (21.6 percent of GDP) in 2015, compared to D7.5 billion (20.0 percent of GDP) in 2014, representing a growth of 10.4 percent. Donor support in the form grants remained low which was linked to the country's non-compliance with the grant disbursement triggers, a situation which adversely affected resource mobilization. Grants declined from 3.4 percent of GDP in 2014 to 1.8 percent in 2015.

Figure 33: Total Revenue and Expenditure as percentage of nominal GDP



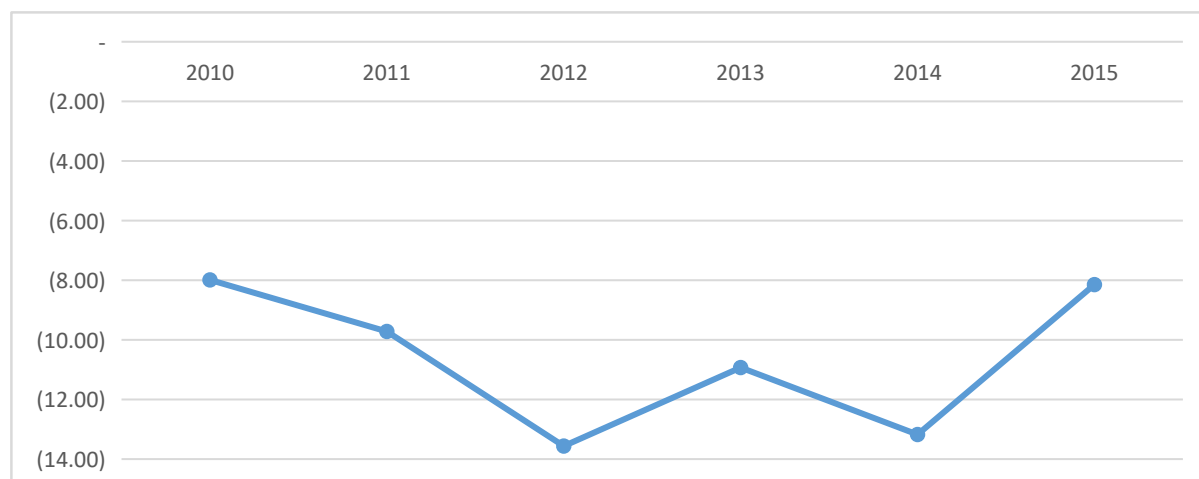
166. Total domestic revenue amounted to D7.5 billion (19.7 percent of GDP) in 2015, an increase of 21.7 percent over the outturn in 2014. Tax revenue increased to D6.7 billion (17.6 percent of GDP), representing 27.2 percent growth, and accounted for 89.3 percent of domestic revenue. The strong performance in tax revenue was broad-based with substantial increases in revenues from both direct and indirect taxes. However, tax revenue fell short of its projected target which was set at D6.97 billion.

167. Total expenditure and net lending amounted to D10.8 billion (28.3 percent of GDP) in 2015, up from D9.8 billion (26.3 percent of GDP) in 2014, representing an increase of 9.7 percent. Recurrent expenditure totalled D8.4 billion (22.0 percent of GDP), representing an increase of 15.5 percent over the outturn in 2014 due, largely, to the sharp increase in interest payments which rose by 48.0 percent. Compared to total domestic revenue and tax revenue, recurrent expenditure constituted 112.0 percent and 125.4 percent respectively, which is an indication of the extent to which the country can finance its recurrent expenditure from domestic sources. The wage bill, which is a major component of government expenditure, increased by 5.7 percent to D2.1 billion, representing 24.3 percent of recurrent expenditure

and 30.4 percent of tax revenue. However, capital expenditure recorded a decline of 4.6 percent to stand at D2.4 billion (6.2 percent of GDP), with financing mainly coming from external sources through loans and grants.

168. The overall budget deficit including grants rose to 6.6 percent of GDP, from 6.3 percent in 2014. Excluding grants, however, the deficit was 8.5 percent, compared to 8.9 percent in the previous year.

Figure 34: The Gambia Overall Budget Deficit Excluding Grants to Nominal GDP



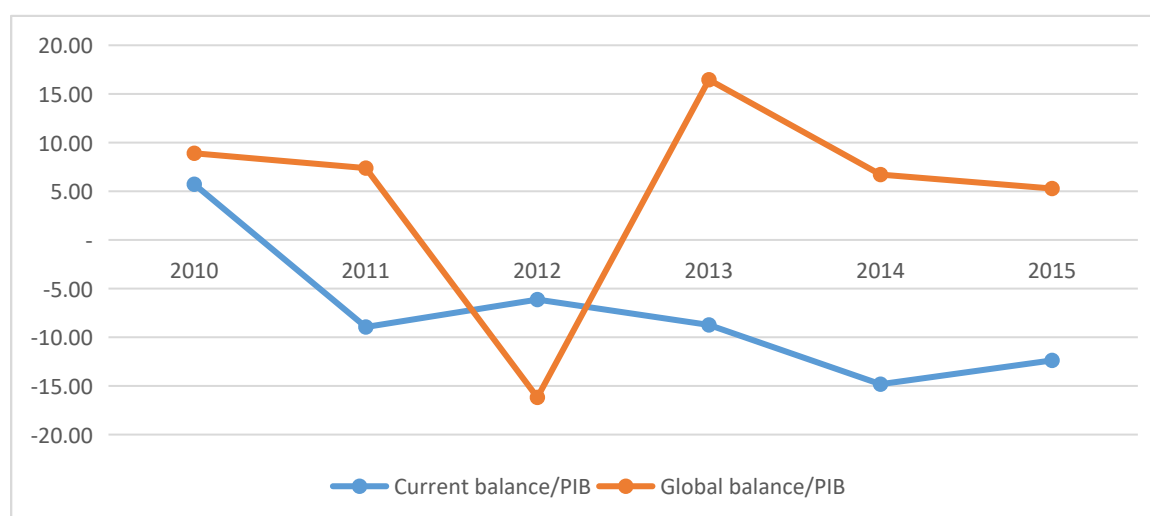
169. **Public Debt:** The stock of The Gambia's total public increased by 9.4% at the end of December 2015 compared to end of December 2014. In terms of ratio to GDP, the debt represented 104.1 percent in 2015 compared to 104.1 percent of GDP in 2014.

2.5.3 External Sector

170. The Gambia's transactions with the rest of the world recorded slight setbacks during the review period. Estimates for the overall Balance of Payments for 2015 indicated a surplus of US\$62.0 million (6.4 percent of GDP), lower than the surplus of US\$118.1 million (14.2 percent of GDP) recorded in 2014, largely due to developments in the current account.

171. The current account deficit widened to \$115.2 million (11.9 percent of GDP) in 2015, compared to a deficit of \$81.8 million in 2014. Of the components of the current account, the goods account recorded a deficit of US\$250.0 million, an appreciable deterioration from the deficit of US\$217.0 million recorded in 2014, due mainly, to an increase in the trade deficit.

Figure 35: Current Account Balance and Overall Balance of Payment to GDP



172. The services account surplus decreased during the year to US\$37.2 million, from US\$41.7 million in 2014, reflecting mainly, a decrease in tourism receipts. The deficit in the income account widened slightly from US\$24.0 million in 2014 to US\$24.8 million in 2015, owing to increased external interest payments. Current transfers declined slightly to US\$112.7 million, or by 3.6 percent, relative to US\$118.4 million in 2014.

173. As at end-December 2015, gross international reserves amounted to US\$76.0 million, equivalent to 2.5 months of imports of goods and services compared to US\$111.6 million or 4.5 months of imports at end-December 2014.

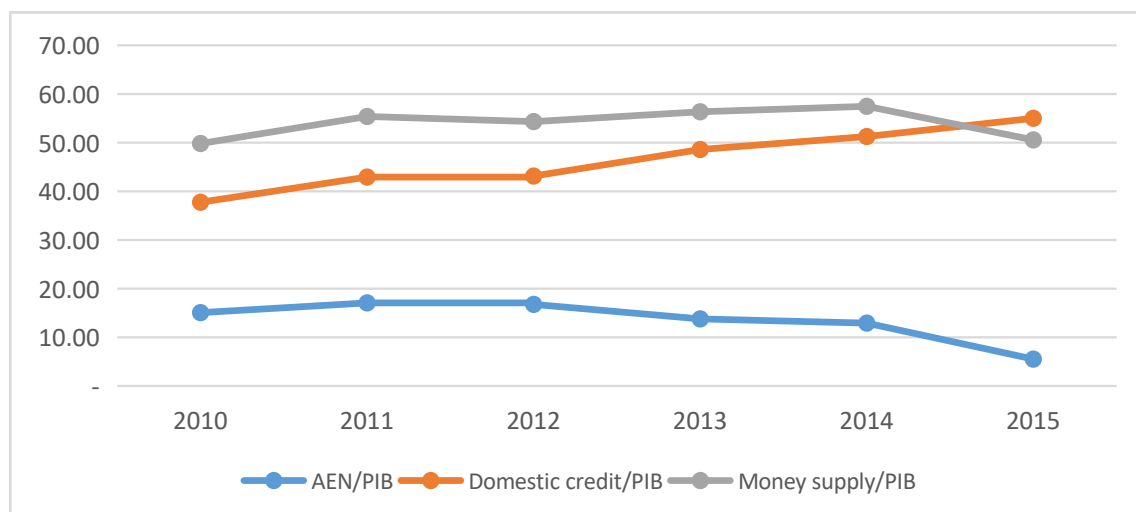
174. The Dalasi appreciated against all the major trading currencies in the domestic foreign exchange market. This was largely ascribed to the Government's Executive Directives issued from May 2015 to end December 2015. Against the US Dollar the Dalasi appreciated by 12.2 percent at the forex market, Dalasi depreciated by 2.4 percent in 2015 compared to a depreciation of 13.3 percent in 2014.

2.5.4 Monetary Sector

175. Monetary policy continued to be geared towards achieving price stability. Policy implementation however, encountered challenges owing, partly, to the expansionary fiscal stance which was exacerbated by the government's Executive Directive on the exchange rate. Monetary policy remained tightened as the Central Bank increased its policy rate by 100 basis points to 23.0 percent in May 2015 and kept it unchanged during the remainder of the year.

176. Broad money supply (M2) contracted by 0.9 percent at end-December 2015 in contrast to a growth of 11.2 percent in the corresponding period of 2014. The negative growth of M2 was largely due to a 56.2 percent decline in Net Foreign Assets (NFA) relative to an increase of 2.2 percent in the corresponding period of 2014.

Figure 36: The Gambia Ratio of Net Foreign Assets, Domestic Credit and Broad Money to GDP



177. Growth of bank reserves, however, remained almost constant at about 18.0 percent in both 2014 and 2015. In consonance with reserve money, growth in Net Domestic Assets (NDA) of the Central Bank, although remained high, dropped significantly to 49.4 percent in 2015, from 77.8 percent in 2014.

178. Deposit money banks' claims on government increased by 23.0 percent in 2015 compared with 15.5 percent in 2014. On the other hand, contraction in private sector credit which commenced in 2014 accentuated in 2015, deteriorating by 14.7 percent compared to a decline of 8.1 per cent in 2014.

179. The yield on all short-term government securities increased. The 91-day, 182-day, and 364-day Treasury bill rates increased from 14.01 percent, 16.34 percent and 19.17 percent

in December 2014, to 17.65 percent, 18.08 percent and 21.77 percent in December 2015, respectively. Similarly, the yields on the 91-day, 182-day, and 364-day Sukuk-al-Salaam (SAS) recorded increases, rising from 14.07 percent, 16.50 percent, and 19.20 percent in 2014 to 17.58 percent, 18.05 percent, and 21.83 percent respectively in December 2015. Also, the inter-bank weighted average rate rose to 17.58 percent in December 2015, compared with 14.16 percent in December 2014.

2.5.5 Macroeconomic Convergence

180. The country's performance under macroeconomic convergence deteriorated in 2015, achieving only one criterion, annual average inflation rate, of the Primary Criteria and none of the Secondary Criteria. The details are presented as follows:

Primary Criteria

- Ratio of Budget Deficit including grants to GDP: The country did not meet this criterion. The budget deficit including grants represented 6.3 percent of GDP Against 9.6% in 2014;
- Annual Average Inflation rate: This criterion was met. The annual average inflation was 6.7 percent which satisfied the single digit requirement of the convergence criteria.
- Central Bank financing of the budget deficit: This criterion was not met. The Central Bank financed 41.5 percent of the tax revenue of the previous year;
- Gross External Reserves: This criterion was not met. The country's gross external reserves which stood at US\$ 76.0 million, was equivalent to 2.5 months of import cover.

Secondary Criteria

- Ratio of Total Public Debt to GDP: this criterion was not met. The stock of public debt at end-December 2015 was estimated at 109.7 percent of GDP.
- Nominal Exchange Rate Variation: This criterion was not met. Dalasi depreciated by 2.4 percent in 2015 compared to a depreciation of 13.3 percent in 2014.

Convergence criteria	Targets	2014	2015
Primary criteria			
Ratio of budget deficit(commitment basis) to GDP	≤ 3%	9.6%	6.3 %
Average annual inflation rate	≤10%, objective of ≤5% on 31/12/2019	6.9%	6.7%
Central Bank financing of budget deficit	≤ 10percent previous year's tax revenue	40.8%	41.5%
Gross external reserves	≥ 3 months of imports	3.7	2.5
Secondary criteria			
Ratio of total public debt stock to GDP	≤70 %	104.1%	101.1%
Nominal exchange rate variation	±10 %	-13.3%	-2.4 %
Number of criteria satisfied		2	1

2.5.6 Conclusion and Recommendations

181. The economy of The Gambia made a remarkable recovery in 2015 from the slowdown of 2014 as the effects of the twin shocks of EVD outbreak in the region and late commencement of rainfall in 2014 began to subside. GDP growth bounced back from its slump in 2014 as agriculture turned around and industry made considerable progress. Inflationary pressures were subdued as tight monetary policy was pursued to counter the expansionary fiscal policy. An improved revenue mobilisation was overshadowed by expenditure expansion leading to a widening of the fiscal deficit. Transactions with the external world saw a slight slowdown leading to a dwindling of the balance of payments surplus. The domestic currency, however, appreciated against the major international currencies as the authorities issued Executive Directives to fix the exchange rate. The country's performance with respect to macroeconomic convergence suffered deterioration, with only one criterion being met in 2015.

Recommendation

- The authorities are encouraged to accelerate implementation of the PAGE which provides the framework for socio-economic development of the country;
- The authorities are encouraged to strengthen and accelerate efforts should be made towards the modernisation of agriculture through investment in new technologies and development of irrigation schemes to reduce the sector's dependence on rainfall;
- Measures should be taken to reduce the fiscal deficit as a means of controlling the escalating public debt.

2.6 Economic and Financial Situation in Ghana in 2015

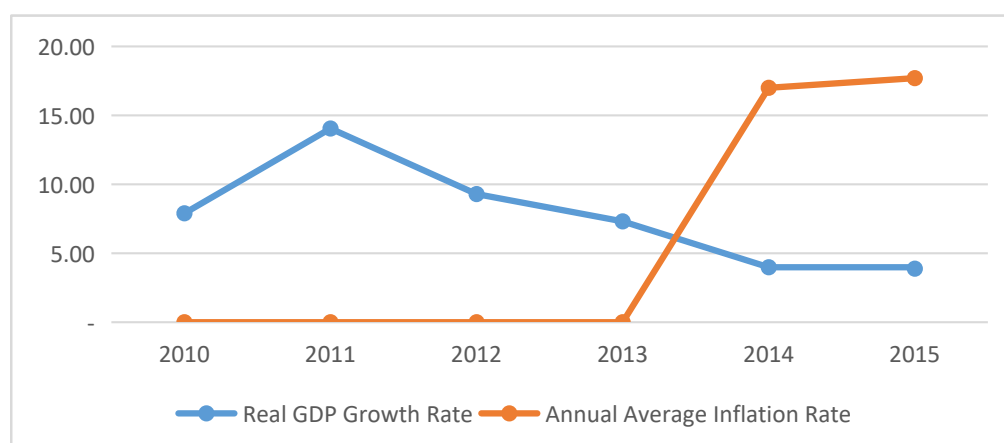
182. Developments in the economy of Ghana during the review period were characterized by a relative easing of the pressures that engulfed the economy in the preceding years, reflecting the ongoing fiscal consolidation. The Government's macroeconomic programme for 2015 aimed at attaining and sustaining macroeconomic stability and strong economic growth in support of the objectives of the medium-term development programme GSGDAII (2014-2017). In relation to this, the following macroeconomic targets were set:

- non-oil real GDP growth of 2.3 percent;
- overall real GDP (including oil) growth of 3.5 percent;
- an end year inflation target of 13.5 percent;
- overall budget deficit equivalent to 7.3 percent of GDP; and
- Gross international reserves of not less than 3 months of import cover of goods and services.

2.6.1 Real Sector

183. Real GDP recorded a growth rate of 3.9 percent in 2015 compared with 4.0 percent in 2014, driven by the Services sector which recorded the highest growth of 5.7 percent, followed by Agriculture (2.4 percent) and Industry (1.2 percent). Discounting oil output, GDP (non-oil) grew from 3.9 percent in 2014 to 4.1 percent in 2015, with non-oil industry experiencing an appreciable recovery to grow at 1.3 percent, compared to negative 0.3 percent in 2014.

Figure 37: Ghana Real GDP Growth Rate and Inflation rate



184. The services sector remained the largest sector of the economy and accounted for 54.4 percent of GDP in 2015, representing a 2.5 percentage points increase from the 51.9 percent recorded in 2014. The sector's growth rate also increased from 5.6 percent in 2014 to 5.7 percent in 2015, spurred by the Health and Social Work and Information and Communication subsectors which recorded double digit growth rates of 15.5 percent and 13.4 percent respectively.

185. Accounting for 25.3 percent of GDP, Industry experienced a marginal increase from 0.8 percent in 2014 to 1.2 percent in 2015, with Water and Sewerage subsector being the main source of growth as it recorded the highest growth of 21.5 percent among the industrial subsectors in 2015.

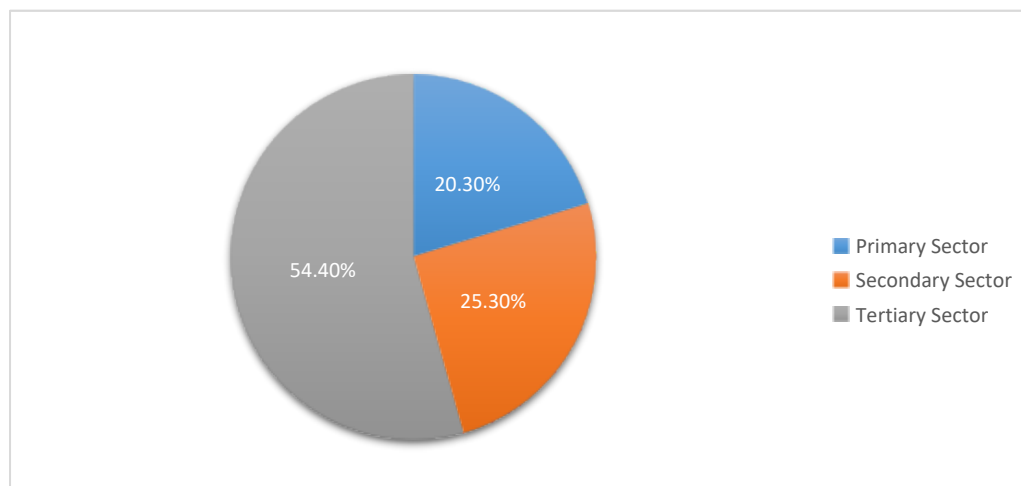


Figure 38: The Composition of the Ghana Economy

186. Growth of the Agriculture sector declined from 4.6 percent in 2014 to 2.4 percent in 2015. Also, the sector's share in GDP dropped from 21.5 percent in 2014 to 20.3 percent in 2015. Crop production remained the largest subsector, with a share of 15.7 percent in GDP.

Domestic Price Development

187. The general price level continued its dynamic upward movement in 2015, albeit at a slower pace. The year-on-year inflation rate stood at 17.7 percent in December 2015, up by 0.7 percentage point from the 17 percent recorded in December 2014. The rise in inflation was propelled mainly by the currency depreciation, upward adjustments of fuel prices and utility tariffs.
188. Food and non-alcoholic beverages group recorded a year-on-year inflation rate of 8.0 percent, up by 1.8 percent from 2014, with Vegetables and Mineral Water, Soft Drinks and Fruits subgroups recording rates of 13.3 percent and 10.6 percent respectively, higher than the group average.
189. On the other hand, non-food inflation recorded a slight decline, dropping from 23.9 percent in December 2014 to 23.3 percent in December 2015. Despite this decline the rate remained high and was a major factor that drove increases in the general price level. Six of the key components of the group recorded rates higher than the group's average, with Transport and Recreation and Culture recording the highest rates of 27.0 percent and 26.9 percent respectively.

2.6.2 Public Finances and Public Debt

190. In line with Government's medium term policy objectives, fiscal policy aimed at ensuring fiscal prudence and debt sustainability through improved revenue mobilization, expenditure rationalization and enhancing the efficiency of public expenditures. Using the overall budget deficit as a key instrument in the attainment of these objective, a reduction of the deficit from 10.2 percent of GDP in 2014 to 7.3 percent of GDP was envisaged. Provisional end-year fiscal data indicate that government's fiscal operations resulted in both revenue and expenditure exceeding their targets, culminating in a cash fiscal deficit equivalent to 6.7 percent of GDP.

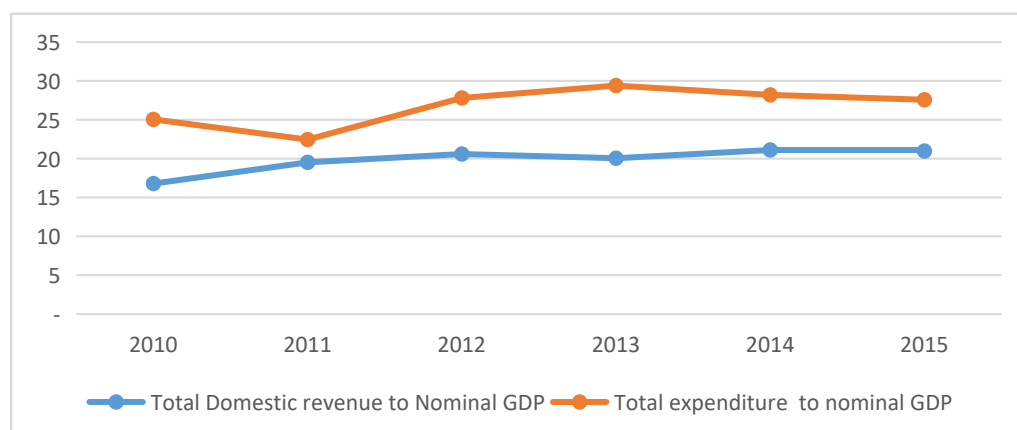


Figure 39: Ghana Total Revenue and Expenditure to Nominal GDP

191. Total revenue and grants for the period amounted to GH¢31,997.9 million (22.9 percent of GDP), against a target of GH¢30,526.2 million (22.8 percent of GDP). In nominal terms, the outturn was 29.3 percent higher than the outturn for 2014, with robust performance of taxes on Goods and Services and International trade accounting for the increase. Total tax revenue amounted to GH¢24,098.4 million, representing an increase of 4.2 percent of the budget target and 25.3 percent over 2014 and accounting for 75.3 percent of total revenue. Non-tax revenue amounted to GH¢4,921.4 million, representing 15.4 percent of total revenue. Grant disbursements from development partners experienced a considerable increase during the period, rising by 230.3 percent compared to the outturn in 2014, and 34.3 percent over the budget target.
192. Total expenditure, including payments for the clearance of arrears and outstanding commitments for 2015 amounted to GH¢ 40,699.8 million (29.1 percent of GDP), an increase of 1.0 percent and 12.1 percent over the budget target and 2014 outturn respectively. Excluding payment of arrears and outstanding commitments, total expenditure stood at GH¢ 38589.9 in 2015. The rise in expenditure was ascribed mainly to a wage bill overrun and more than anticipated clearance of arrears.
193. Recurrent expenditure amounted to GH¢31,456.4 million, making up 81.5 percent of total expenditure. Of this amount, expenditure on wages and salaries stood at GH¢10,555.9 million, constituting 27.7 percent of total expenditure and 33.6 percent of recurrent expenditure. Compared to the outturn in 2014 this represents an increase of 11.7 percent. Expenditure on Goods and Services saw a decline of 21.9 percent to settle at GH¢1,388.2 million, against a target of GH¢1,856.4 million mainly on account of lower oil prices which translated into lower spending on programmes financed from oil proceeds. At GH¢ 9075.3 million, interest payments remained one of the key components of recurrent expenditure and accounted for 28.9 percent of this broad expenditure category and 23.5 percent of total expenditure. Capital expenditure for the period amount to GH¢7,133.6 million, representing 18.5 percent of total expenditure and an increase of 17.0 percent over the outturn in 2014. Of this amount, the domestic financed component amounted to GH¢ 1215.1 million (17.0 percent). while the foreign financed component stood at GH¢ 5918.5 million (83.0 percent), with the latter accounting for the increase in capital spending during the period as more project loans and grants were disbursed.
194. Government's fiscal operations resulted in an overall deficit of GH¢9,329.0 million, equivalent to 6.7 percent of GDP. The budget deficit recorded for the corresponding period in 2014 was equivalent to 10.2 percent of GDP. The deficit was financed mainly from foreign sources in the amount of GH¢5,877.9 million which included GH¢3,615.0 million from the issuance of Eurobond (equivalent to 2.6 percent of GDP). Net Domestic Financing (NDF) of the deficit amounted to GH¢3,451.1 million, 30.7 percent lower than the budget target and 39.2 percent lower than the outturn in 2014.

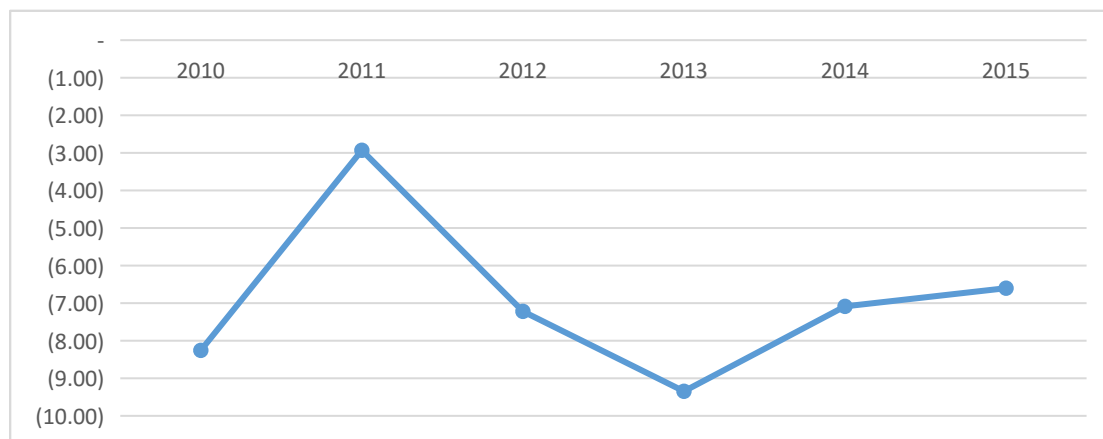


Figure 40: Ghana Overall Budget Balance Excluding Grants to Nominal GDP

195. Ghana's total public debt stock stood at GH¢ 97,236.62 million (US\$25,613.52 million) at end- December 2015, up from the GH¢79,570.16 million (US\$24,787.44 million) recorded at end-December 2014. In terms of structure, the debt stock comprised external debt of GH¢57,863.09 million (US\$15,214.97 million), constituting 59.5 percent and domestic debt of GH¢39,236.62 million (US\$10,371.55 million) representing 40.5 percent. The debt stock constituted 72.9 percent of GDP in 2015, a rise of 2.7 percentage points from 70.2 percent in 2014. The increase in the total debt stock was attributed to an increase in net issuance of domestic securities, the depreciation of the local currency and net disbursement of ongoing loan facilities.

2.6.3 External Sector

196. The year under review witnessed a low outturn in both import and export trade compared to 2014 and 2013. Imports were subdued by the depreciation of the cedi and fall in oil prices. Exports, on the other hand, were affected by the slump in international commodity prices, especially oil and gold. The provisional trade balance at end-December 2015 recorded a deficit of US\$3,109 million, indicating a deterioration of US\$1,726 million when compared with the deficit of US\$1,383 million recorded at end-December 2014.

197. The value of merchandise exports in 2015 was provisionally estimated at US\$10,356.70 million, indicating a decrease of 21.6 percent compared with the outturn of US\$13,217 million in 2014. Falling commodity prices on the international market affected inflows from the country's major export products, notably oil and gold. Gold exports during the review period dropped by 26.8 percent to reach US\$3,212.59 million, from US\$4,388.07 million in 2014 on account of a decline in both price and volume. Crude oil export fell sharply by nearly 50 percent (48.2 percent) to US\$1,931.28 million, from US\$3,724.96 million in 2014 as the average price per barrel declined by about 47.0 percent. The volume exported also dropped by 2.2 percent. Earnings from cocoa beans and products exported amounted to US\$2,763.93 million in 2015, representing an increase of 5.8 per cent compared to US\$2,612.87 million in 2014. Earnings from cocoa beans amounted to US\$2,014.08 million compared to the outturn of US\$1,848.84 million recorded in 2014, representing an increase of 8.2 percent.

198. Total merchandise imports declined from US\$ 14,600.1million in 2014 to US\$13465.0 million in 2015, a reduction of 7.8 percent. The total non-oil merchandised imports for 2015 was provisionally estimated at US\$11,418 million (of which electricity imports amounted to US\$10.21 million) which is an increase of 4.7 percent over the outturn of US\$10,906.12 million in 2014. The increase was on account of a rise in imports of all the broad economic classification except consumption goods.

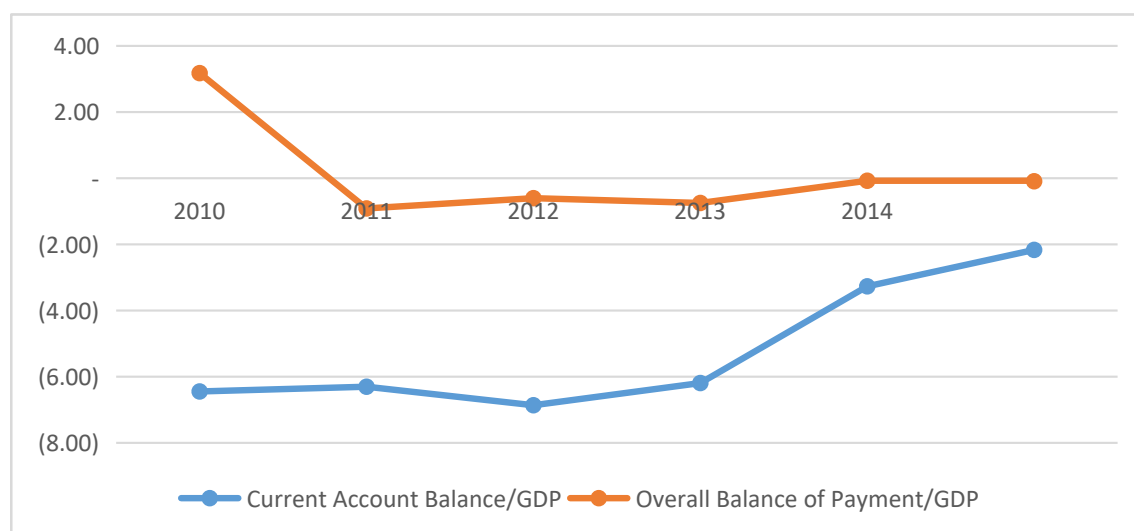
199. India emerged as the leading destination of the country's exports with a market share of 19.4 percent followed by Switzerland with 9.8 percent. Other destinations of Ghana's exports were China (9.3percent), Netherlands (7.7percent), South Africa (6.2percent), France (5.2percent), Italy (5.1percent), United Arab Emirates (4.4percent), Mali (3.0percent) and United States (2.5percent). In terms of geographical distribution, the Far East emerged as the largest recipient (34.2percent) of Ghana's exports. The other recipients were the European Union (27.2percent), Other European countries (11.6percent), ECOWAS (10.5percent), Rest of Africa (6.9percent), Other Countries (6.7percent) and North America (2.8percent).

200. With respect to imports, China maintained its dominance as the leading source of Ghana's imports, accounting for 17.2 percent of the country's total imports. Other major sources of imports were United States (8.7percent), Netherlands (5.7percent), Belgium (4.7percent), United Kingdom (4.1percent), India (4.1percent), South Africa (3.8percent), United Arab Emirates (2.4percent), Canada (2.2percent) and Germany (2.2percent). In terms of geographical distribution, the Far East emerged, once again, as the leading source of imports, accounting for 32.8 percent of total imports. The EU followed with a share of 27.6 percent, North America (11.1percent), ECOWAS (6.8percent) and Rest of Africa (6.2percent).

201. The current account improved to a deficit of US\$2,809 million at the end of 2015 compared with a deficit of US\$3,694 million recorded in 2014. This development was the net result of a significant improvement in the services, income and current transfers account which mitigated the effects of the worsened trade account.

202. **Services, Income and Current Transfers:** The Services, Income and Transfers Account recorded a surplus of US\$300.0 million, compared with a deficit of US\$2,311.1 million in 2014, resulting from an increase in net inflow of private transfers. The services and income accounts also registered lower net outflows (payments) of US\$1,166.0 million and US\$1,132.0 million respectively, in 2015. In the current transfers' account, private remittances amounted to US\$2,375.3 million whilst official grants recorded a substantial increase from US\$9.6 million to US\$222.4 million.

Figure 41: Ghana Current Account Balance and Overall Balance as Percentage of Nominal GDP



203. The capital and financial account recorded an inflow of US\$2,919.0 million, compared to the outturn of US\$3,752.8 million for 2014, representing a decline of 22.2 percent. Whereas the capital account received an inflow of US\$279.0 million 2015 compared with zero inflow in 2014, the financial account recorded a net inflow of US\$2,639.5 million, showing a decrease of US\$1,113.3 million. The worsened financial account position resulted from a decline in foreign direct investment.

204. The country's external transactions resulted in a deficit of the overall balance of payments to the tune of US\$129 million by end-December 2015, compared to a deficit of US\$86 million in the same period of 2014.

205. The country's domestic currency, Ghana Cedi, generally weakened against the major currencies during the review year. The domestic currency lost value in the first half of the year before recovering in the third quarter and achieving some relative stability. The Ghana cedi depreciated by 22.2 percent on average against the US dollar in 2015, compared to a depreciation of 31.3 percent in 2014. The Ghana cedi came under intense pressure during the first half of the year as demand from official sources for foreign currency for loan repayments and non-oil imports increased and demand from the retail end of the market (the forex bureaux market) remained high. Central Bank interventions and the inflow of syndicated loan for the purchase of cocoa beans in the second half of the year combined to reduce the exchange rate volatility in the market and render the currency relatively stable.
206. Developments of exchange rate on the inter-bank and forex markets followed the same trend. The cedi fell against the major trading currencies (US dollar, Pound Sterling and Euro) during the first half of the year, made some recovery in the third quarter and experienced relative stability during the fourth quarter. On the inter-bank market, the cedi depreciated cumulatively by 15.7 percent, 11.5 percent and 6.2 percent against the US dollar, Pound Sterling and Euro respectively, while it depreciated against these currencies on the forex market by 16.1 percent, 12.6 percent and 5.1 percent respectively.

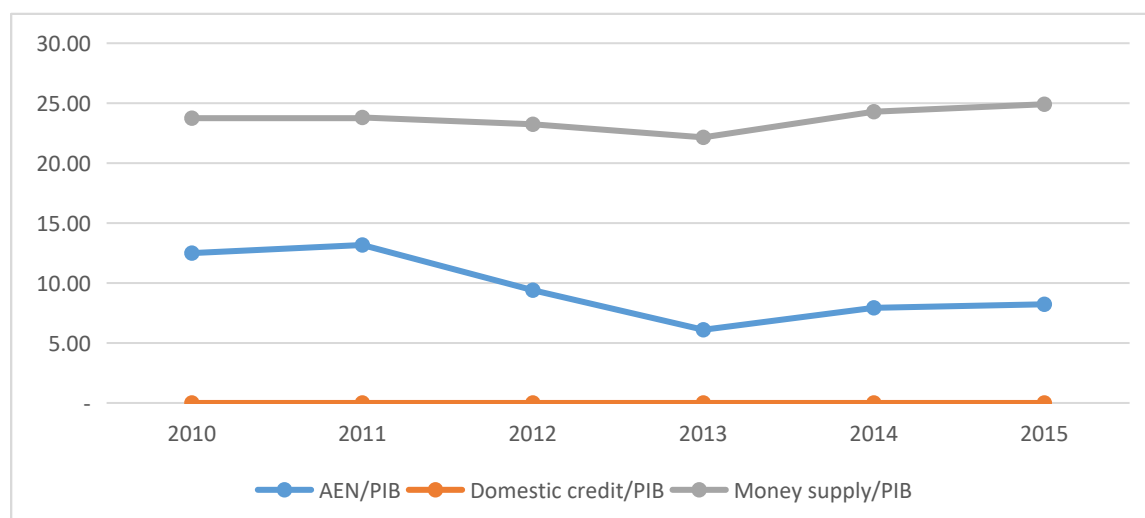
Gross International Reserves

207. The stock of net international reserves (NIR) at the end of December 2015 was estimated at US\$3,093.71million, indicating a drawdown of US\$105.77 million from a stock position of US\$3,199.48 million at the end of December 2014. Gross foreign assets increased by US\$423.72 million to stand at US\$5,884.73 million (provisional) from a stock position of US\$5,461.01 million at the end of December 2014. This was sufficient to provide for 3.5 months of imports cover compared to 3.8 months of imports cover at end-December 2014.

2.6.4 Monetary Sector

208. The main objective of monetary policy of the country's monetary authorities during the period remained inflation targeting as a means of achieving macroeconomic stability. Against a backdrop of high inflationary pressures, growth of broad money supply (M2+) declined from 36.8 percent at the end of 2014 to 26.1 percent at the end of 2015 to stand at GH¢46,451.4 million. The decline was the combined result of a drop in the growth of foreign currency deposits by 23.6 percentage points and a slowdown of demand deposit growth by 19.3 percentage points. The change in the annual growth of broad money supply was spurred by declines in the growth rates of Net Foreign Assets (NFA), from 57.7 percent in 2014 to 24.0 percent in 2015, and Net Domestic Assets (NDA), from 31.2 percent in 2014 to 26.7 percent in 2015.

Figure 42: Ghana Ratio of Net Foreign Assets, Domestic Credit and Broad Money to GDP



209. Regarding credit to the economy, the annual growth in banks' outstanding credit to public and private institutions in 2015 showed a downward trend which was attributed to a slowdown in banks granting of new loans due to concerns about rising non-performing loans. The nominal annual growth rate of banks' outstanding credit fell significantly from 42.1 per cent (GH¢7,138.9 million) in 2014 to 25.0 per cent (GH¢6,031.6 million) at the end of 2015. Total outstanding credit stood at GH¢30,133.5 million at the end of December 2015, compared with the GH¢24,101.9 million recorded at the end 2014. In real terms, however, credit from the banks declined to 6.2 per cent as at end of December 2015 on year-on-year basis from 21.4 per cent in December 2014. The private sector accounted for 87.1 per cent of total outstanding credit at the end of the review period, compared with 87.3 per cent at the end of December 2014.
210. Developments in interest rates on the money market in 2015 indicated a mixed performance. Rates on government securities trended upwards while average lending rates of the commercial banks generally declined. Rates on deposits also picked up during the review period. The Monetary Policy Rate stood at 26.00 percent at the end of December 2015, indicating a year-on-year increase of 500 bps from 21.00 per cent in December 2014. The 14-day BOG bill also increased by 14.24 percentage points to 26.0 per cent at the end of 2015. On the treasury market, the 91-day T-bills' rate decreased by 267 bps to settle at 23.12 percent at the end of 2015, from 25.8 per cent in 2014. The rate on the 182-day bill also declined by 199 bps to 24.40 per cent at the end of 2015, from 26.4 per cent in 2014, while the rate on the 1-year and 2-year notes as well as the 5-year bond increased by 25 bps, 30 bps and 496 bps respectively to 22.75 percent, 23.30 percent and 24.00 percent year-on-year at the end of 2015. The rate on the 3-year bond, however, decreased to 23.49 per cent at the end of 2015.

2.6.5 Macroeconomic Convergence

211. The country met two of the Primary Criteria and none of the Secondary Criteria. The criteria met are Central Bank Financing of the budget deficit and Gross External Reserves. The details are presented below:

Primary Criteria

- Ratio of Budget deficit (including grants)/GDP: Ghana did not meet this target for the period under review. Measurement of the deficit based on this criterion was equivalent to 6.7 percent of GDP at the end of December 2015 compared to -10.2 percent recorded at end of December 2014.
- Average Annual Inflation Rate: This criterion was not met. Average inflation for the end of December 2015 was 17.7 compared to the 17 percent recorded during the same period 2014.
- Central Bank financing of the Budget deficit: This criterion was met. At the end of December 2015, the Central Bank financing of the budget 4.1 percent compared to the 13.7 percent recorded in December 2014.
- Gross external reserves: This criterion was met. The country's gross international reserves stood at about US\$5.9 billion at the end of December 2015 from a stock position of US\$5.5 billion in 2014. This was sufficient to provide 3.5 months of imports cover compared to 3.0 months of imports cover as at December 2014.

Secondary criteria

- Ratio of total debt to GDP: Ghana did not meet this criterion. Public debt as a percentage of GDP was 72.9 per cent at end December 2015 compared to the 70.15 percent in 2014
- Nominal exchange rate variation: This criterion was not met. The Ghana cedi depreciated by 22.2 per cent against the US dollar in 2015.

Convergence criteria	Targets	2014	2015
Primary criteria			
Ratio of budget deficit(commitment basis) to GDP	≤ 3%	6.4%	4.7%
Average annual inflation rate	≤10%, objective of ≤5% on 31/12/2019	17.0%	17.7%
Central Bank financing of budget deficit	≤ 10percent previous year's tax revenue	13.7%	4.1%
Gross external reserves	≥ 3 months of imports	3.0	3.5
Secondary criteria			
Ratio of total public debt to GDP	≤70 %	70.2%	71.6%
Nominal exchange rate variation	±10 %	-31,0%	-22,2 %
Number of criteria satisfied		2	2

2.6.6 Conclusion and Recommendations

212. Despite the challenging external environment, the economy of Ghana made considerable progress in 2015. A number of the macroeconomic targets set in the government's budget statement at the beginning of the period were attained. Government's fiscal consolidation efforts proved expedient as the budget deficit was significantly reduced from 10.2 percent of GDP to 6.7 percent in 2015, slightly missing the target of 6.5 percent of GDP set for the period. The deficit however, remains outside the threshold set by the community for macroeconomic convergence. Inflation continued to be a major challenge for policy makers to tame as double digit figures were recorded throughout the year. Regarding the status of macroeconomic convergence, only two criteria out of six were met.

213. In the light of the above, the following recommendations are proffered:

- The authorities should continue to strengthen the fiscal consolidation process. In particular, efforts should be directed at reducing further the budget deficit to limits within the regional threshold;
- Efforts should also be directed at reducing inflation in order to ensure macroeconomic stability and accelerate economic growth;
- The authorities should continue to strengthen measures to accelerate growth of the agricultural and non-oil industrial sectors. To this end the authorities are encouraged to review policies that hamper the growth of these sectors such as increases in energy prices and utility tariffs, removal of subsidies on fertilizers, etc.;
- The authorities are encouraged to accelerate the passage of the bill that intends to prohibit the Central Bank financing of government's budget deficit in law.

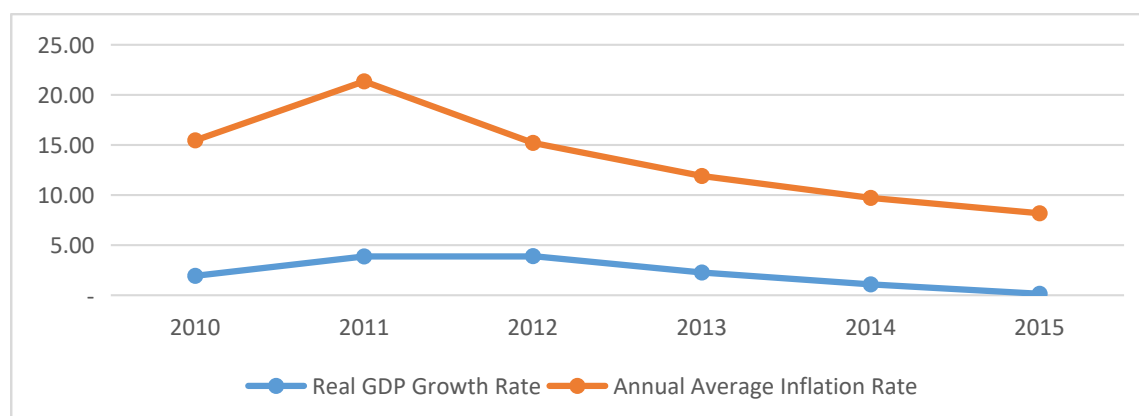
2.7 Economic and Financial Situation of Guinea in 2015

214. The year 2015 was marked by the continuing effects of Ebola virus disease and the wait and see attitude of the economic agents associated with the presidential elections. The implementation of the three-year financial programme supported by the Extended Credit Facility (ECF) of the IMF experienced difficulties. Growth slowed to 0.1% from 1.1% in 2014. Inflationary pressures were reduced. Inflation stood at 8.2% in 2015 compared to 9.7% in 2014.

2.7.1 Real Sector

215. The primary sector recorded a growth of 4.2% in 2015 compared to 2.7% in 2014. This acceleration in growth was recorded in all the subsectors. Indeed, agriculture, under the impulse of improved rice production (the country's main crop), grew at 5.5% compared to 3.5% in 2014. The increase in agricultural production was also related to the recovery in demand for export crops (coffee, cocoa, palm oil, cotton, etc.) observed during the second half of 2015. Growth of livestock remained the same as in 2014, or 1.2%, while the forestry and hunting sub-sectors increased by 2.0% compared to 1.8% in 2014, with fish farming and aquaculture recording growth of 1.2%, compared to a 0.9% decline in 2014.

Figure 43: Guinea Real GDP growth rate and Inflation rate



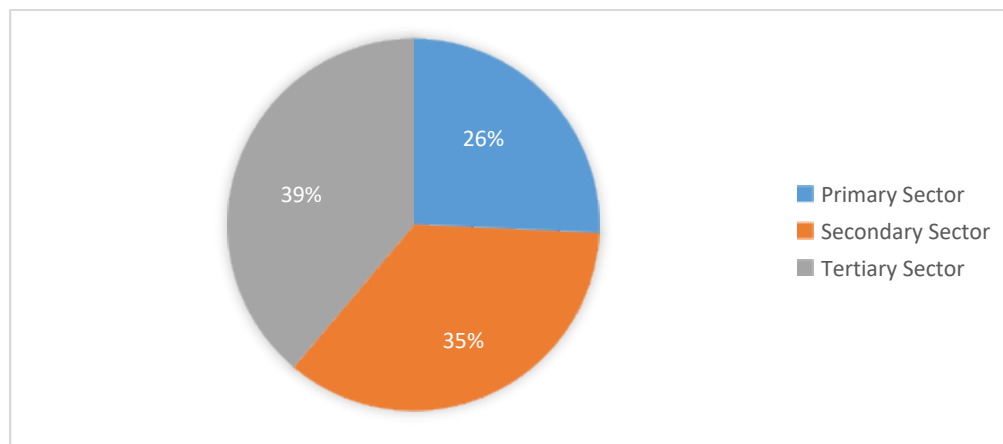
216. The contribution of the primary sector to GDP increased from 22.9% in 2014 to 23.8% in 2015, while its contribution to GDP growth stood at 1.0 points in 2015 compared to 0.9 points in 2014.

217. The secondary sector experienced a contraction of 0.2% in 2015 compared to an increase of 3.1% in 2014. This trend was due exclusively to the decline in the mining sector which, following an increase of 4.1 % in 2014, contracted by 3.4%. This decrease was partially offset by the increase recorded in water and electricity production (29.2%) and that of the construction sector of 1%. The decline in mining was due to the subsectors gold and diamond which recorded contractions of 3.1% 74.0% respectively. The effects of the Ebola crisis was felt most in the mining sector through the postponement or cancellation of investment in the sector. The increase in water and electricity subsectors was the result of efforts to support the demand of industrial and household consumers through strengthening in energy production by increasing the water in the Kalema hydroelectric dam and its interconnection with other power plants. Regarding construction, the weak growth of 1.0% in 2015 compared to the 4.0% increase in 2014 was mainly due to the postponement and/or deceleration of infrastructure works and the effects of the Ebola Epidemic.

218. The secondary sector contributed about 32.8% to GDP in 2015 compared to 32.9% in 2014. Its contribution to GDP growth was negative, (-0.1%), compared to positive 1.0% in 2014.

219. The value added of the tertiary sector, which recorded a contraction of 0.8 percent in 2014, suffered another contraction, about 1.9% in 2015, in relation to the continuing effects of the Ebola on trade, transport and tourism sub-sectors. The sector's contribution to GDP fell slightly to 36.0% in 2015, from 36.7% in 2014. Its contribution to GDP growth stood at 0.8 compared to 0.6 in 2014.

Figure 44: The Composition of the Guinean Economy



220. From the demand side, developments were characterized by a decline of 12.7% of final consumption, an increase of 10.0% in investment, 8.8% in import and a slight drop of 0.7% of exports of goods and services in the country. The decrease in final consumption was attributed to private consumption which contracted by 25.9% while government consumption increased by 5.7%. The increase in investment resulted from public investment which saw an increase of 27.7% arising from road construction carried out by the state during the year.

221. With respect to price developments, annual average inflation stood at 8.2% in December 2015 compared to 9.7% in December 2014. The easing of inflationary pressures resulted in part from the increase in the supply of domestic products due to the closure of borders with neighbouring countries following the outbreak of the Ebola virus disease. The slight decline in the ex-pump price of oil also contributed to easing inflationary pressures.

2.7.2 Public Finances and Public Debt

222. The execution of financial transactions of the state in 2015 was once again affected by the effects of the Ebola disease. Consequently, total expenditure and net lending increased by 22.4% (GNF 2619.2) while total revenue and grants increased by 2.8% and amounted to GNF 163.5 billion Guinean francs. This resulted in an overall deficit of GNF 4,550.0 billion (9.0% of GDP), compared to a deficit of GNF 2,194.2 billion (4.3% of GDP) in 2014. Excluding grants, the deficit stood at 10.5% of GDP in 2015, compared to 6.6% of GDP in 2014.

223. The total revenue and grants amounted to GNF 9749.3 billion (19.2% of GDP) in 2015 compared to GNF 9485.8 billion (18.7% of GDP) in 2014. The increase was the result of an 8.0% increase in total revenue and a decrease of 71.0% in grants.

224. Total revenue, driven primarily by tax revenue, increased by GNF 444.0 billion to stand at GNF 8988.4 billion (representing 17.7% of GDP) compared to GNF 8320.7 billion (16.4% of GDP) in 2014. The increase in revenue was driven by the performance of taxes revenue, in particular taxes on income, goods and services (including VAT on petroleum products). Non-tax revenue recorded a decrease of 14.0% to stand at GNF 382.6 billion. The decrease in non-tax revenue is explained by lower royalties and dividends, administrative fees and charges, fines and confiscations and various products.

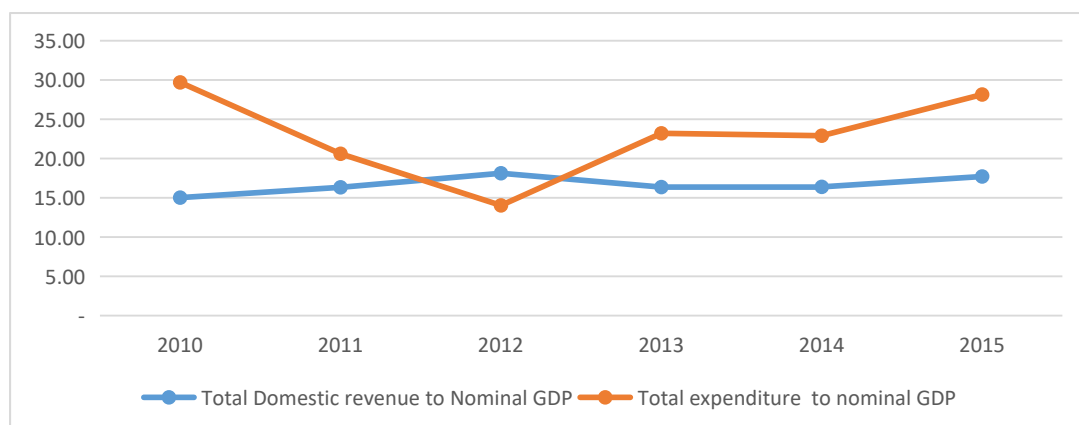


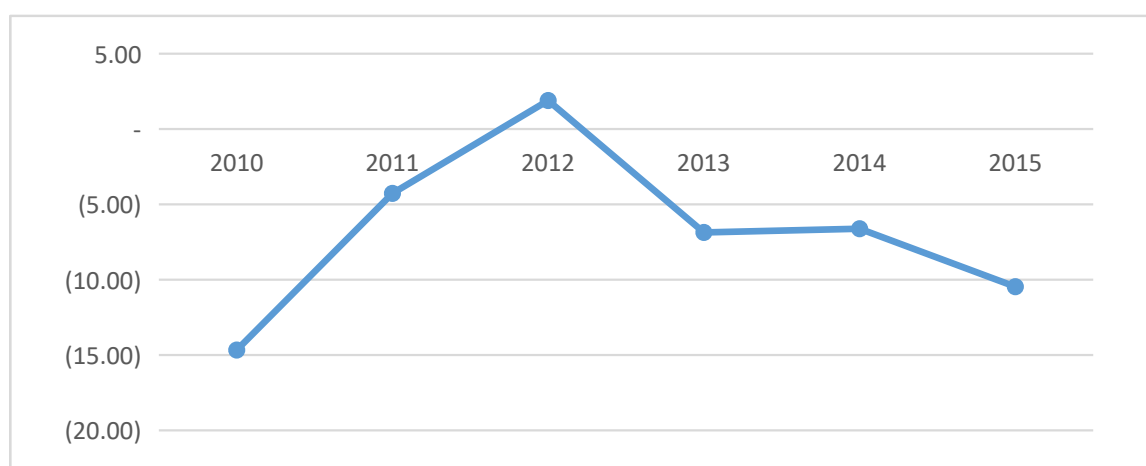
Figure 45: Total Revenue and Expenditure as percentage of Nominal GDP

225. The amount of grants mobilized in 2015 decline drastically compared to 2014. Total grants declined to GNF 337.8 billion (0.7% of GDP) in 2015 compared to GNF 1165.2 billion GNF (2.3% of GDP) in 2014. This decrease was due to both project and programme grants. Infact, project grants fell by 89.5% to GNF 88.57 billion while programme grants fell from 319.9 billion GNF in 2014 to GNF 249.3 billion GNF in 2015, a decrease of 22.1 percent.

226. Total expenditure and net lending recorded an increase of 22.4% to stand at GNF 14,299.3 billion. This increase was due to increases in both capital expenditure (26.7%) and recurrent expenditure (15.2%). In relation to nominal GDP, total expenditure and net lending grew from 23.0% of GDP in 2014 to 28.2% in 2015.

227. Recurrent expenditure amounted to GNF 8819.0 billion (17.4% of GDP) in 2015 compared to GNF 7652.4 billion (15.1% of GDP) in 2014. This increase was contributed by all components of expenditure except interest payments. The increases in the various items of expenditure were: 14.8% for expenditure on wages and salaries, 9.4% for spending on goods and services and 30.1% for transfers and subsidies. Regarding capital expenditure, the increase of 26.7% recorded in 2015 was mainly due to capital expenditure financed from external sources (122.4%); domestically financed capital expenditure only increased by about 4.0%. In absolute terms, capital expenditure stood at GNF 4990.2 billion (9.8% of GDP) in 2015 compared to GNF 3938.9 billion (7.8% of GDP) in 2014.

Figure 46: Overall Fiscal Balance excluding Grants to Nominal GDP in 2015



228. Regarding indebtedness, the stock of total public debt of Guinea declined by 51.3% to stand at GNF 22,039.4 billion, or 43.4% of GDP. However, it should be noted that this amount does not take into account the arrears of domestic debt in the amount of GNF 28,149.8 billion whose audit was under way. This aspect of the public debt constituted 55.5% of GDP.

2.7.3 External Sector

229. Guinea's transactions with the rest of the world in 2015 resulted in a deficit of GNF 3 743.4 billion (7.4% of GDP), a reduction compared to the deficit of 13,867.7 billion GNF (-27.3% of GDP) in 2014. This change in the overall deficit was due to the current account, excluding official transfers; capital account and financial account having deteriorated.

230. The balance of the current account stood at GNF 32,309.0 billion compared to a negative balance of GNF 20,227.8 billion in 2014. This improvement was mainly due to the balance of goods which, driven by strong export growth of 111.7%, stood at GNF 2039.0 billion compared to GNF 15,901.2 billion in 2014. The increase in exports was due to mining products, in particular bauxite, as well as agricultural products and, to a lesser extent, fish products. With respect to imports, a 28.5% decline was recorded in 2015. The fall in imports was primarily due to reduced imports of electrical goods, machinery and equipment, and food, including rice. The services account deficit widened by 24.2% to reach GNF 3182.6 billion, compared to a deficit of GNF 2,562.6 billion in 2014. The deficit of the balance of primary income declined to GNF1, 072.6 billion, from GNF 1,993.4 billion in 2014. This improvement was due, to a greater extent, to the remuneration of expatriate salaries, and to a lesser extent, to income levies of direct investors, in particular in mining companies, in the form of dividend. Finally, as regards secondary income account, it deteriorated from a surplus of GNF 673.5 billion in 2014 to a deficit of GNF 309. 4 billion in 2015.

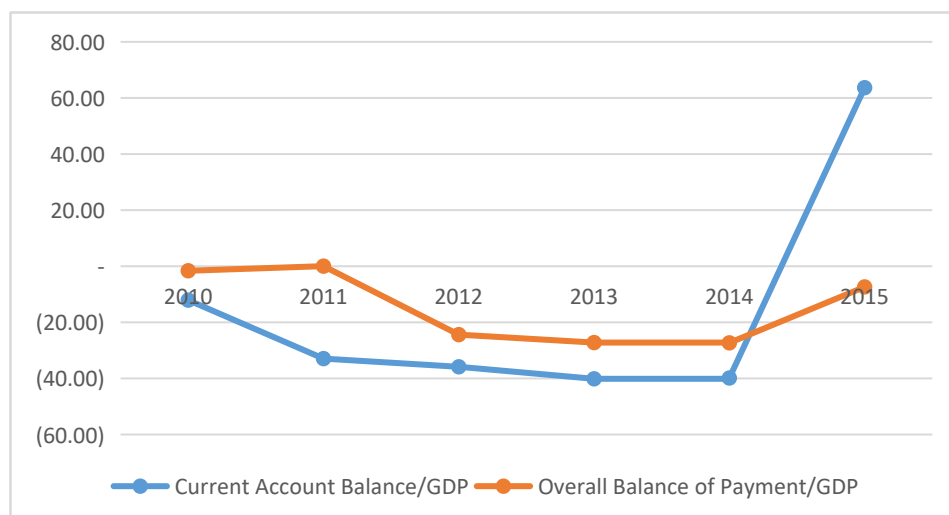


Figure 47: Guinea Current Account and Overall Balance of Payment to GDP

231. The balance of the capital and financial account significantly deteriorated from a surplus of GNF 5,917.6 billion in 2014 to a deficit of GNF 3,765.2 billion in 2015. This deterioration was due mainly to other investments, resulting from the continuing effects of the Ebola disease.

2.7.4 Monetary Sector

232. Developments in monetary aggregates in 2015 were characterized by a decrease of 47.8% in net foreign assets and an increase of 25.6% in domestic credit. This resulted in a 15.8% increase in the money supply.

233. Net foreign assets reduced from GNF 3,432.2 billion (6.8% of GDP) in 2014 to GNF 1,792.6 billion (3.5% of GDP) in 2015. This decrease was attributed entirely to the reserves of the monetary authorities which recorded a decline of 61.0% to stand at GNF 1,290.3 billion in 2015. The NFA of commercial banks registered an increase of GNF 374.6 billion, which could not however offset the decline in assets of the central bank. The decrease in the assets of the central bank during the year was due to guarantees of the government related to the development of road and energy infrastructure projects. Mobilizing own revenues to meet various deadlines was not sufficient.

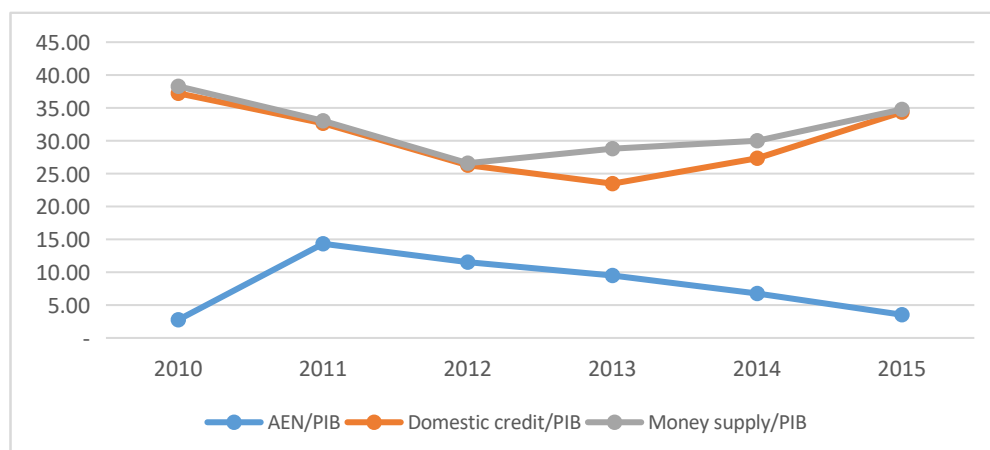


Figure 48: Guinea Ratio of Net Foreign Assets, Domestic Credit and Broad Money to GDP

234. The stock of domestic credit stood at GNF 17,435.5 billion at end-December 2015 compared to GNF 13,878.2 billion in 2014. This increase was due to the increase in claims on the private sector of 19.9% and the deterioration of the net position of the government of 31.1%. At end-December 2015, the structure of healthy credit to the economy was characterized by a balance of short-term loans which represented, on average, 62% of the total outstanding.

235. In line with developments in its components, money supply grew by GNF 2,413.7 billion to reach GNF 17,644.3 billion (34.8% of GDP) in 2015 compared to GNF 15,230.6 billion (30.0% of GDP) in 2014. This was reflected in the growth of its components, with currency in circulation increasing by 19.9%, while deposits rose by 6.2%.

2.7.5 Macroeconomic Convergence

236. With respect to macroeconomic convergence, performance in 2015 deteriorated compared to that in 2014. Three criteria were met in 2015 compared to five in 2014. The challenges of mobilising sufficient revenue in the wake of increasing expenditure resulted in the deterioration of the budget deficit and a resort to deficit financing by the central bank beyond the Community standard. The reserves of the country got nearly depleted on account of guarantees granted by the State for the execution of works related to the development of electrical and road infrastructure.

237. The performance situation in 2014 and 2015 is as follows:

Convergence criteria	Standards	2014	2015
First level criteria			
Ratio of the fiscal deficit including grants (commitment basis) to Gross Domestic Product (GDP)	$\leq 3\%$	4,3%	9,0%
Average annual inflation rate	≤ 10 and $\leq 5\%$ target in 2019	9,7%	8,2%
Financing the budget deficit by the Central Bank	$\leq 10\%$ of tax revenues of n-1	0%	25,6%
Gross reserves in months of imports	≥ 3 months	3,2	2,3
Second level criteria			
Ratio of outstanding debt to nominal GDP	$\leq 70\%$	89,2%	43,4%
Change in nominal exchange rate	$\pm 10\%$	-0,1%	-5,8%
Number of criteria met		5	3

2.7.6 Conclusion and Recommendations

238. Economic activity in 2015 continued to be affected by the effects of the Ebola virus disease. Tourism, trade and transport sectors were the hardest hit. The slowdown in economic activity impacted on the mobilisation of domestic resources to finance expenditure. The macroeconomic situation as well as convergence deteriorated overall. On this basis, the following recommendations are made to support economic activity:

- Take the necessary measures for the proper implementation of the financial programme supported by the IMF Extended Credit Facility ;
- Continue to consolidate efforts in eradicating Ebola virus disease and establish an efficient and standby system to respond quickly to health disasters;
- Continue efforts for revenue mobilization and control of expenditure;
- Finalize the audit process of domestic debt in a manner that engages the clearance process, essential to revitalize the economy.

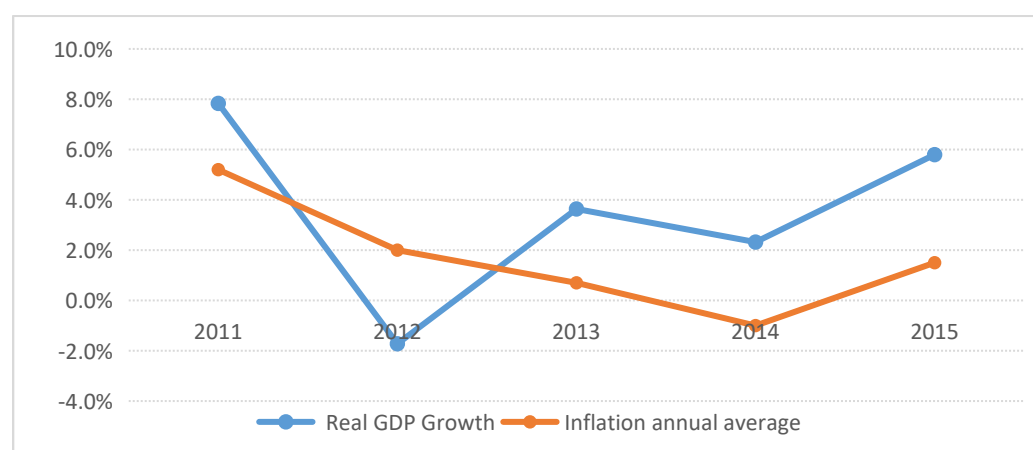
2.8 Economic and Financial Situation in Guinea Bissau in 2015

239. Following the successful holding of presidential and legislative elections in 2014, an inclusive government was set up. Then the new vision was adopted on a “positive Guinea-Bissau, inclusive development for political stability, good governance and the preservation of biodiversity”, with the Strategic and Plan and Operational Terra Ranka (the new beginning). This plan, covering the period 2015-2020, was presented at the Round Table in Brussels, 25 March 2015, and has obtained the support of the technical and financial partners who have announced a funding of US\$1.5 billion for its implementation. In this context, the GDP registered a real growth of 5.8% in 2015 against 2.3% in 2014.

2.8.1 Real Sector

240. As regard the performance of all sectors, the economy of the Guinea-Bissau experienced a remarkable recovery in 2015, with a real GDP growth of 5.8% in 2015 compared to 2.3% in 2014. The primary sector recorded a strong recovery with a growth of 4.1% in 2015 against a decline of 5.6% in 2014. The performance was mainly attributed to an increase in the production of food crops and to an increase in the production of cashew nuts, which contributed more than 30% to the primary sector output. Food crops production grew by 13.2%, compared to the decline of 15.4% in 2014, due to abundant rainfall conducive to agriculture and support to farmers.

Figure 49: Guinea-Bissau Real GDP Growth Rate and Inflation Rate

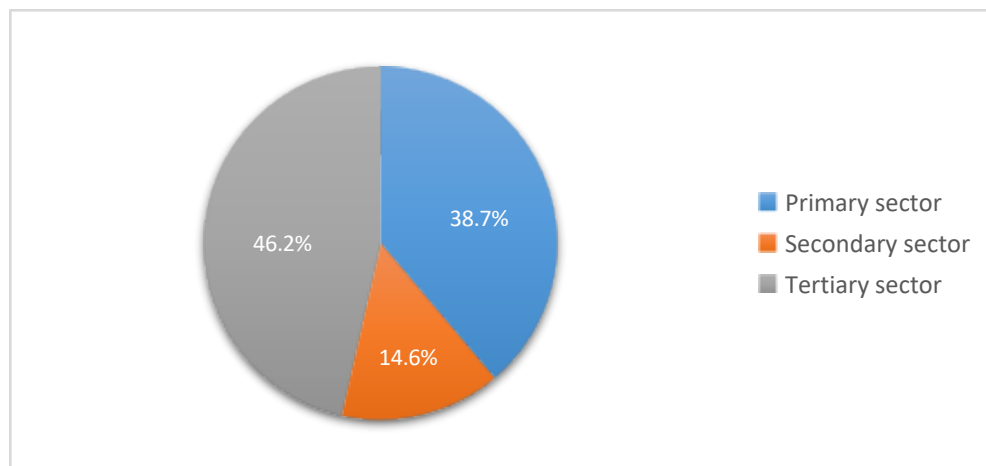


241. The livestock and fishing grew slightly by 2.3% and 2.0% respectively in 2015, against a slight decline and stagnation in 2014. However, the activities of the sub-sector of the forestry have experienced a significant slowdown, leading to a decline of 34.3% of the growth in the sub-sector. The production of cashew nuts, the country's main export, experienced a slight increase (0.2%) in 2015, compared to an increase of 10.5% recorded in 2014. The primary sector remains the second largest sector of the economy with the contribution to GDP estimated at 38.7% in 2015 against 39.3% in 2014.

242. The secondary sector grew by 8.1% in 2015 against 4.7% in 2014. This growth was favored by an improvement in the production of water and electricity, agro-industries and other industries sub-sectors which recorded growth of 7.6%, 9.6% and 3.2% respectively. The activities in the Building and Construction (BC) and extractive industries grew by 2.0% each. The share of the sector in the GDP rose from 14.3% in 2014 to 14.6% in 2015.

243. The tertiary sector has consolidated its impressive performance recorded in 2014, in spite of the slight deceleration recorded. In effect, the sector has experienced a growth of 5.6% in 2015 against 8.7% observed a year earlier. The main drivers of growth were telecommunications (11.8%), transport (8.0%), trade (6.0%) and financial services (2.7%). The public administration services sub-sector grew by 2.5% in 2015 against 22.5% in 2014. In terms of contribution to GDP, the tertiary sector remains the largest sector of the Guinea-Bissau economy, with a stable contribution of about 46% in 2015 and 2014.

Figure 50: The Composition of the Guinea Bissau Economy

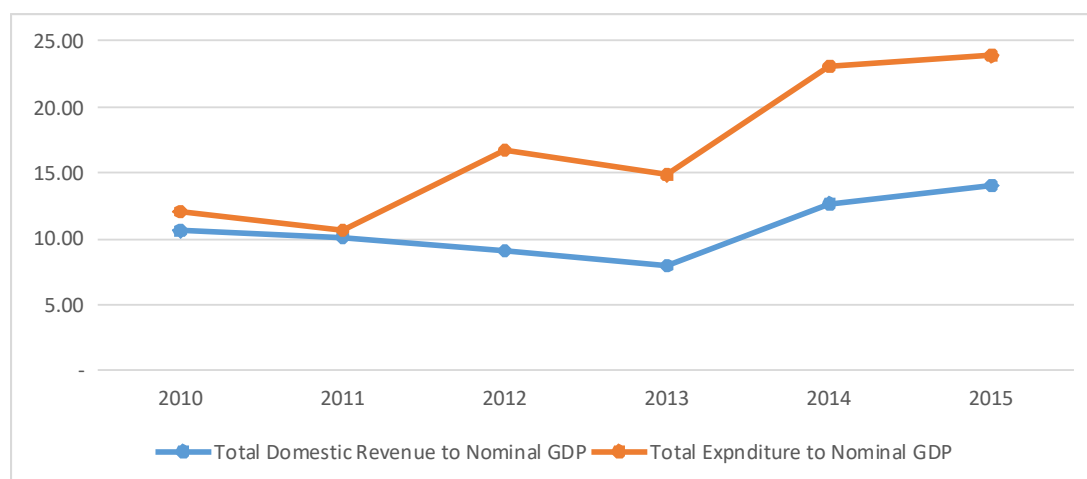


244. In terms of inflation, the economic environment was characterized by price stability. Average annual inflation has increased from negative 1.0% in 2014 to 1.4% in 2015 mainly because of surges in the prices of meat, fruit and vegetables and to a lesser extent, in the cost of transport and education.

2.8.2 Public Finance and Public Debt

245. The Government Fiscal Operations in 2015 were supported by the positive effects of the resumption of economic activities and the tax reforms undertaken in order to improve the government financial situation. The total revenue and grants increased from 105.9 billion CFA francs in 2014 to 125.0 billion in 2015, an increase of 18.1% attributable to tax revenue. Domestic revenues amounted to 84.8 billion CFA francs, representing 67.8% of the total revenue and grants, thus an increase of 29.5% compared to 2014. Tax revenues have experienced a substantial increase of 40.3% in 2015 to 61.9 billion CFA and have constituted 73.1% of domestic revenues and almost half (49.6%) of the total revenue and grants. This variation was driven by two main components of this revenue category, these are consumption, taxes, trade taxes and international transactions, which grew by 8.4% and 3.4% respectively.

Figure 51: Guinea Bissau Total Revenue and Total Expenditure to Nominal GDP

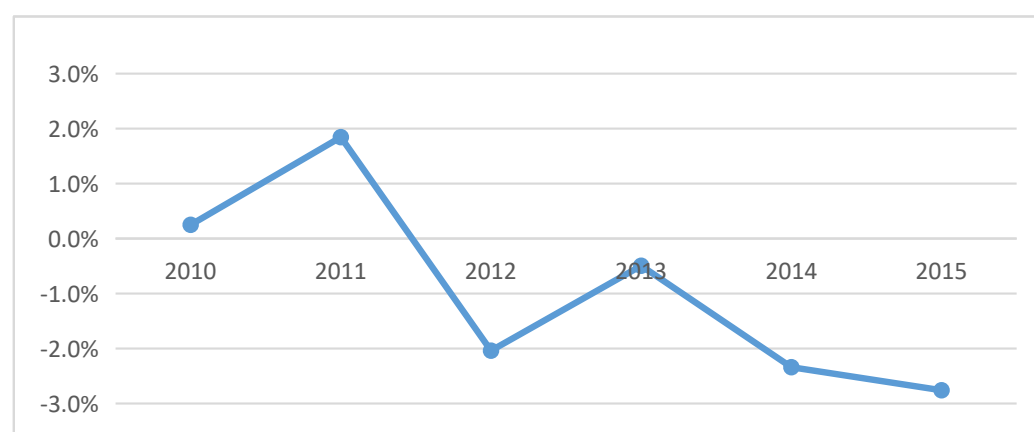


246. Non-tax revenue rose from 21.4 billion CFA francs in 2014 to 22.9 billion in 2015, an increase of 7%. Grants slight declined from 40.3 billion in 2014 to 40.2 billion in 2015, a drop of 0.3%.

247. Public expenditure increased significantly in 2015, reaching 144.2 billion CFA francs in 2015 against 119.4 billion CFA francs in 2014, an increase of 20.8%. Recurrent expenditure increased by 15.8 percent to 89.8 billion CFA francs representing 75.2% of total expenditure, compared to 77.6 billion CFA francs in 2014, driven by the public procurement of goods and services. The wage bill decline slightly during the period under review, from 31.4 billion CFA francs in 2014 to 31.0 billion in 2015. In resurrecting to 15.8 billion FCFA, The public procurement of goods and services have experienced a strong growth, about 43.7% which amounted to 15.8 billion FCFA have been a major sources of growth of recurrent expenditure. In contrast, there was a decrease of 3.8% in transfers and subsidies that amounted to 18.8 billion CFA francs. Investment expenditure accounted for 8.0% of GDP in 2015 against 7.7% in 2014.

248. As a result of these transactions, the overall fiscal balance including grants emerged a deficit of 3.2% of GDP in 2015 against a deficit of 2.6% in 2014. While excluding grants, the budget deficit stood at 9.8% in 2015 compared with 10.3% in 2014.

Figure 52: Overall Budget Balance Excluding Grants to Nominal GDP



249. The public debt: the stock of the country's public debt rose of the country has registered a significant increase during the period under review. Of the public debt rose by 61.1% to 397.6 billion CFA francs in 2015 from 246.8 billion CFA francs in 2014, the public debt has experienced a net increase of 61.1%, if establishing to 397.6 billion in 2015. As a percentage of GDP, the public debt has risen from 47.6% in 2014 to 65.8% in 2015.

2.8.3 External Sector

250. In 2015, the external transactions were characterized by a decline in the surplus of the overall balance which was estimated to be 35.8 billion in 2015 against 76.2 billion in 2014.

251. The trade balance improved significantly, from a deficit of 23.8 billion in 2014 to a surplus of 26.8 billion during the period under review, given the combined effect of the increase in exports far above increase in imports. Total exports increased from 82.0 billion CFA francs in 2014 to 149.2 billion CFA francs, an increase of 82%. This increase was driven by a 28.6% increase in the volume of exported cashew nuts and an increase in price from USD1000/tonne to USD1300/tonne. Imports of goods increased by 15.5% to 122.3 billion CFA francs in 2015 against 103.1 billion CFA francs in 2014.

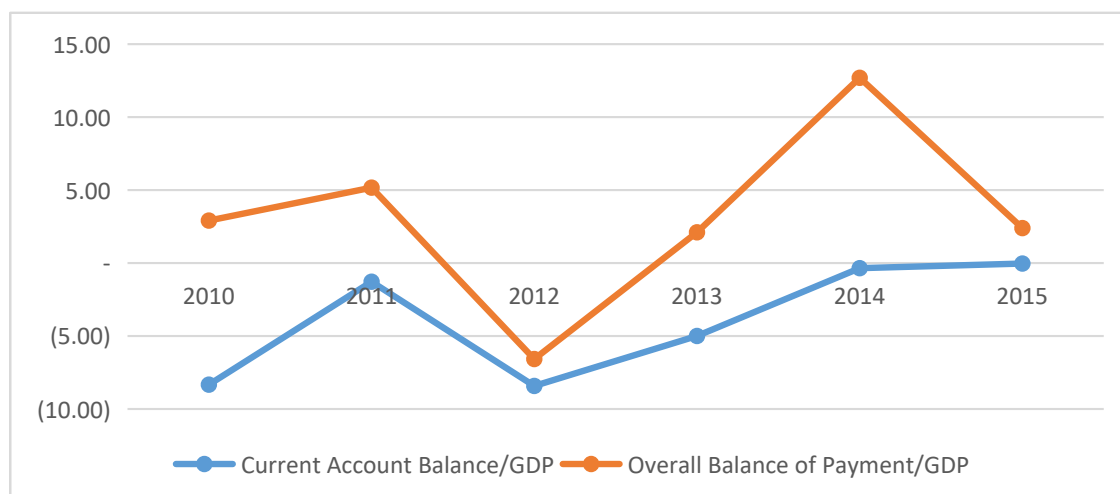


Figure 53: Guinea Bissau Current Account and Overall Balance of Payment to GDP

252. The balance of the services presented a deficit of 55.9 billion in 2015 against a deficit of 34.4 billion in 2014. The primary income account posted a surplus of 15.1 billion in 2015 against a surplus of 18.5 billion in 2014. The secondary income account presented a surplus of 26.4 billion in 2015 against 42.9 billion in 2014.

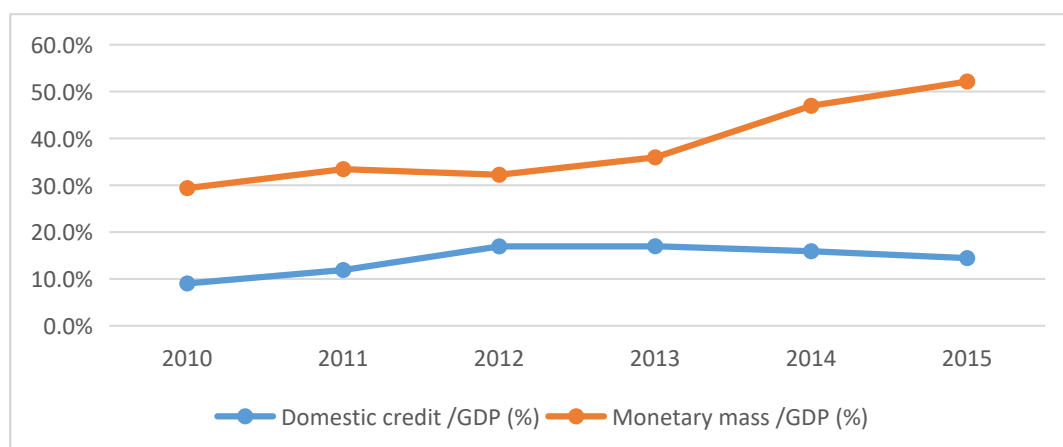
253. Capital account surplus increased to 35.4 billion CFA francs in 2015 against a surplus of 27.4 billion CFA francs in 2014. This increase in the surplus is mainly due to capital transfers for the benefit of the public administration. The financial account surplus rose to 4.1 billion F CFA in 2015 against a deficit of 40.3 billion in 2014.

2.8.4 Monetary Sector

254. Broad money supply rose sharply by 28.5% to 314.6 billion CFA francs at the end December 2015 against 244.8 billion at the end of December 2014. This development resulted in an increase of 31.4% of cash in circulation and an increase of 23.9% of demand deposits.

255. This sharp increase in the broad monetary was driven by an increase of 45.2% in domestic credit and 22.2% in net foreign assets.

Figure 54: Guinea Bissau Ratio of Net Foreign Assets, Domestic Credit and Broad Money to Nominal GDP



256. With regard to domestic credit, it increased by 45.2% to 124.4 billion CFA Francs against 85.6 billion in 2014. This increase is connected with the increase of 151.5% of claims on the government to 61.8 billion CFA francs in 2015 against 24.6 billion in 2014 as well as an increase of 2.4% of the credit to the private sector to 62.6 billion CFA Francs against 61.1 billion F CFA in 2014.

2.8.5 Macroeconomic Convergence

257. Guinea-bissau has respected four (4) criteria, including three (3) primary criteria and one (1) secondary criteria. In 2014, Guinea Bissau met all the six (6) criteria. The performance in terms of compliance with the criteria in 2014 and 2015 is as follows:

Convergence criteria	Standards	2014	2015
First level criteria			
Ratio of fiscal deficit including grants (commitment basis) to GDP	$\leq 3\%$	2.6%	3.2%
Average annual inflation rate	≤ 10 and $\leq 5\%$ target in 2019	-1.0%	1.4%
Central bank financing of the budget deficit	$\leq 10\%$ of tax revenues of n-1	0%	0%
Gross external reserves (in months of imports)	≥ 3 months	4.8	4.8
Second level criteria			
Ratio of Public debt to nominal GDP	$\leq 70\%$	47.6%	65.8%
Nominal exchange rate variation	$\pm 10\%$	+0.1%	-16.5%
Number of criteria met		6	4

2.8.6 Conclusion and Recommendations

258. Guinea Bissau economy rebound in 2015 at a time when the socio-political environment has begun to stabilize following the successful holding of legislative and presidential elections in 2014. Economic activities have experienced a renewed dynamism driven by all the sectors. The government fiscal operations resulted in a deficit. Finally, with regard to macroeconomic convergence, the country has respected four (4) criteria out of the six (6) of which, three (3) are Primary criteria.

259. In the light of the foregoing, the authorities are invited to:

- Continue efforts to strengthen and consolidate the stability of the socio-political environment necessary to ensure the economic take-off;
- Undertake a process of diversification of the economy in order to reduce its dependence on the production and export of few products and minimize its vulnerability to external shocks;
- Continue strengthening the management of public finances and the budgetary consolidation through better mobilization of domestic resources and rationalization of expenditure.

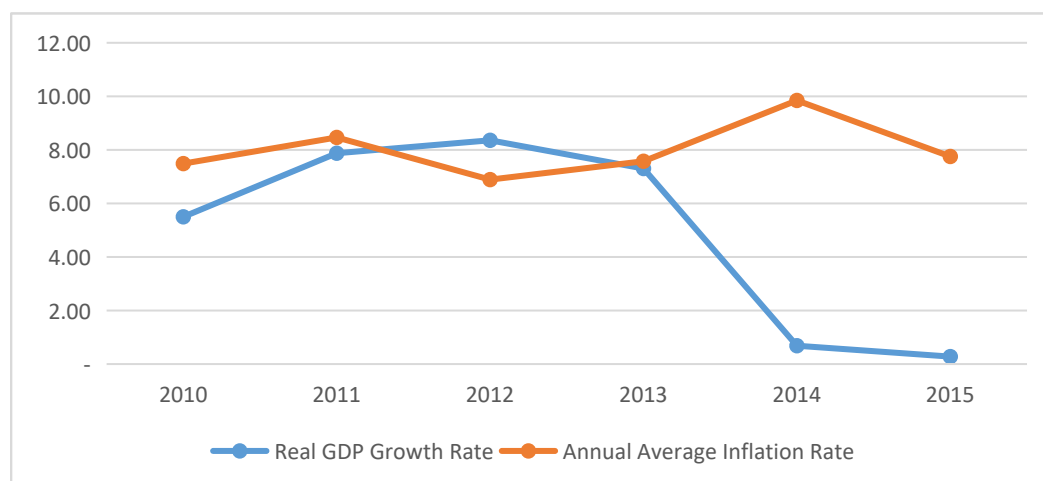
2.9 Economic and Financial Situation in Liberia in 2015

260. The downward trend in the global price of oil since the second half of 2014 continued in the second half of 2015, and sparked a rise in global growth during the year. These developments had mixed impacts on the Liberian economy. Low crude oil prices led to lower-than-expected import payments, while declines in iron ore and rubber prices greatly weakened the country's terms of trade, leading to lower-than-expected export performance.

2.9.1 Real Sector

261. Provisional estimates indicated that Liberia's economy stagnated in 2015 as real GDP recorded zero growth compared to 0.7 percent in 2014. The slowdown in growth was mainly due to the dismal performance of forestry, mining and panning subsectors which recorded 2.0 percent in 2015 compared to 2.2 percent in 2014. Iron ore production recorded negative 17.0 percent in 2015 compared to 3.3 percent growth in 2014. Agriculture and fisheries subsector recorded a slight improvement in 2015, growing from negative 3.7 percent in 2014 to negative 1.1 percent in 2015. Manufacturing and services sectors grew by 6.1 percent and 5.0 percent in 2015 compared to negative 0.7 percent and negative 2.3 percent, respectively.

Figure 55: Liberia Real GDP Growth Rate and Inflation rate



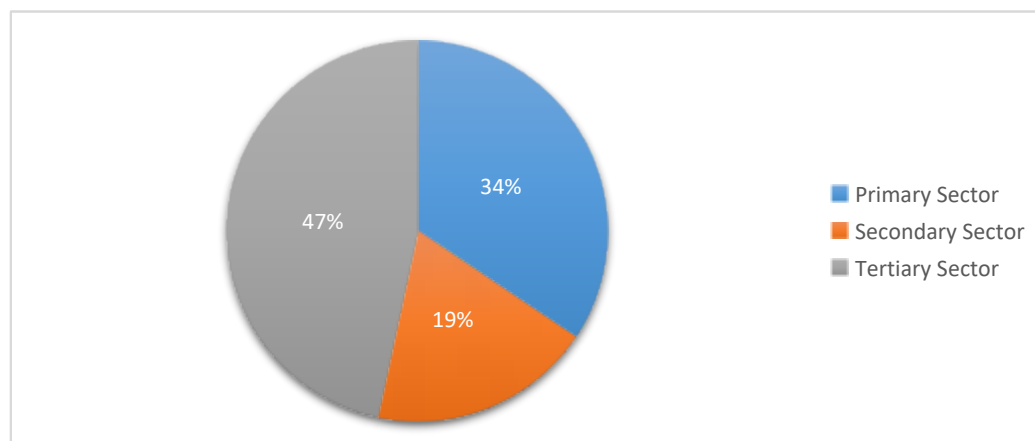
262. With regard to real sector contributions to GDP, even though the structure of the economy appeared to have slightly changed between 2014 and 2015, the tertiary sector remained the mainstay of the Liberian economy followed by the primary sector, with the secondary sector contributing the least. The primary, secondary and tertiary sectors contributed 34.23 percent, 21.63 percent and 44.14 percent to GDP in 2014, compared to 34.39 percent, 18.98 percent and 46.63 percent in 2015.

263. Regarding the primary sector, the intra-sector performance in 2015 was mixed as reflected in the agriculture and forestry subsectors which saw rubber output declining by 9.2 percent, due mainly to the decline in the average price of the commodity on the global market. Cocoa production upsurged by an estimated 56.9 percent, which was mainly due to increased supply of the commodity as a result of increased access to abandon farms after the cessation of the EVD coupled with an increase in the international price of the commodity.

264. For the secondary sector, iron ore production declined by 38.3 percent in 2015. The slump in iron ore output was mainly explained by the unfavorable global price of the commodity and the slowdown in demand for the commodity, mainly emanating from China, the

principal importer of the commodity from Liberia. Similarly, total output of gold and diamond declined to an estimated 15,494 ounces and 73,729 carats in 2015 from 19,938 ounces and 74,882 carats in 2014. The contraction in production was attributed to the decline in prices on the global market. Cement output rose by 1.0 percent in 2015, higher than the production level of 2014. The rise in production was attributed to increased construction activities. Similarly, the output of beverages, paints and other manufactured goods recorded modest increases in 2015.

Figure 56: The Composition of the Liberian Economy



265. Although GDP estimates for Liberia are based on the System of National Accounts (SNA) 1993 platform, GDP estimates using expenditure approach are not produced. However, there are plans to rebase the GDP estimates to 2011 current prices and expand the scope of the accounts to include expenditure and income approaches. This exercise is expected to be completed in 2019 and until such time Liberia will not have GDP by expenditure to be analyzed.

266. Average annual headline inflation in 2015 was contained at 7.8 percent, down from an average of 9.9 percent in 2014, mainly on account of favourable global oil prices and prudent liquidity management, despite the build-up of exchange rate pressure during the third quarter of 2015.

267. Price behavior among the major consumption function basket during the review period varied when compared to 2014. With the exception of food and transportation which recorded higher rates of inflation in the period compared with the corresponding period of 2014, the CPI for all other consumption functions declined during the review period.

2.9.2 Public Finance and Public Debt

268. The Government's fiscal operations recorded significant improvement in 2015 compared to the previous year. The fiscal balance including grants recorded a surplus of US\$ 33.2 million 1.6 percent of GDP in 2015, compared to a surplus of US\$3.7 million, about 0.2 percent of GDP, in 2014.

269. Total revenue and grants amounted to US\$611.5 million (3.4 percent of GDP), compared to US\$573.2 million (3.5 percent of GDP) in 2014, representing an increase of 6.7 percent. Of the amount, domestic revenue constituted US\$563.4 million or 92.1 percent, while grants composed 7.9 percent. Compared to 2014 domestic revenue recorded an increase of 7.0 percent which was attributed, essentially, to increases in non-tax revenue. Receipts from taxes experienced a slight decline, about 0.8 percent, in 2015, falling from US\$ 393.7 million in 2014 to US\$ 390.4 million in 2015, on account of drops in tax receipts from international trade, income, profit, property and real estates. Despite this decline tax revenue continued to play an important role in government's fiscal operations and in the economy generally. In relation to total revenue and domestic revenue, tax receipts (revenue) constituted 63.8 percent and 69.3 percent respectively. Contrary to the decline in tax revenue, non-tax revenue recorded an appreciable increase, rising by about 30.4 percent from US\$ 132.7

million in 2014 to US\$ 173.0 million in 2015. Its share in domestic revenue also recorded an increase, from 25.2 percent in 2014 to 30.7 percent in 2015.

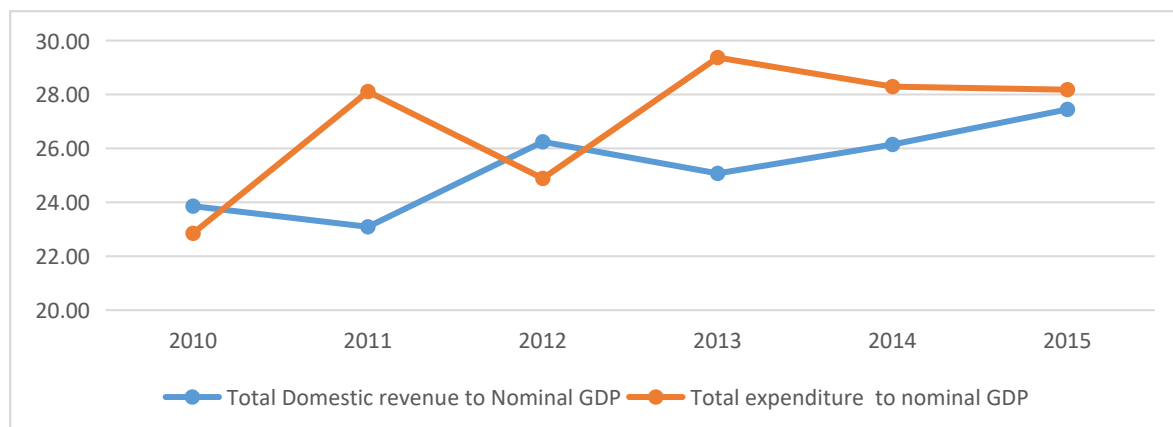


Figure 57: Liberia Total Revenue and Expenditure as Percentage of Nominal GDP

270. Total expenditure rose by 1.5 percent to US\$578.4 million in 2015, from US\$569.6 million in 2014, on account of modest increases in both recurrent and capital expenditures. Recurrent expenditure recorded a slight increase of 1.2 percent to stand at US\$ 527.1 million in 2015, from US\$520.8 million in 2014, with growth in the wage bill and expenditure on loan, interest payments and other charges accounting for the increase as government purchases of goods and services declined. Recurrent expenditure constituted 91.1 percent of total government spending and 135.0 percent of tax revenue (93.6 percent of domestic revenue). Even though it suffered a decline of 13.5 percent, government purchases of goods and services constituted the largest component of recurrent expenditure, as in previous years, accounting for 50.4 percent in 2015 and 59.0 percent in 2014. By contrast, expenditure on employees compensation (salaries and allowances, social contributions), recorded an increase of 7.4 percent and amounted to US\$ 229.3 million in 2015. This category of expenditure constituted 43.5 percent of government's recurrent spending in 2015 (41.0 percent in 2014) and 58.7 percent of tax revenue (40.7 percent of domestic revenue). Expenditure on loan, interest payments and other charges recorded a sharp increase of 91.0 percent to reach US\$ 32.1 million in 2015, from US\$2.9 million in 2014.

271. Capital expenditure during the period amounted to US\$ 51.3 million, representing an increase of 11.8 percent over the outturn in 2014 and constituting about 13.0 percent of tax revenue (9.1 percent of domestic revenue). The capital expenditure in 2015 was entirely financed from domestic sources.

Figure 58: Liberia Overall Budget Balance Excluding Grants to Nominal GDP



272. Liberia's total public debt stock declined considerably by 15.9 percent in 2015, to reach US\$ 655.4 million in 2015, from US\$ 759.4 million at end-December 2014, on account of declines in both domestic and external debt and explained by a deliberate policy of the authorities to limit borrowing to highly concessional facilities and grants. The public debt profile as at end-December 2015 shows that external debt accounted for 58.9 percent, while domestic debt represented 41.1 percent.

273. The external debt stock at end-December 2015 reduced by 18.9 percent to stand at US\$386.0 million, against US\$ 458.8 million at end-December 2014. The reduction was attributed to a 256.5 percent fall in bilateral debt, which more than offset a 3.9 percent growth in multilateral debt at end-December 2015. Similarly, the domestic debt stock dropped by about 10.4 percent to reach US\$ 269.4 million at end-December 2015. A greater part of the domestic debt, about 96.3 percent was held by financial institutions.

2.9.3 External Sector

274. Merchandise export receipts plummeted by 55.8 percent to US\$259.5 million in 2015, from US\$587.1 million in 2014, driven, essentially, by declines of 64.3 percent and 51.8 percent in iron ore and rubber exports, respectively, the country's major export commodities. The international price of iron ore fell by 43.7 percent in 2015 while that of rubber dropped by 15.3 percent. Merchandise imports rose by 6.5 percent to US\$2,237.2 million in 2015, from US\$2,100.3 million in 2014, driven by 35.0 percent and 24.0 percent increases in the importation of consumer and petroleum products respectively. The trade outturn was a deterioration of the deficit by 30.7 percent, from US\$ 1513.1 million in 2014 US\$1,977.7 million in 2015.

275. With regard to the destination of exports, North America, Asia and Europe were Liberia's leading trade partners during the year, accounting for 32.4 percent, 30.0 percent and 21.8 percent of total merchandise exports respectively. Exports to the ECOWAS region declined from US\$ 15.1 million in 2014 to US\$7.3 million in 2015, a drop of about 48.0 percent, attributable to the outbreak of EVD.

276. With respect to origin of imports, Asia, North America and Europe were the leading sources of imports. Asia accounted for 30.6 percent, Europe 23.1 percent and North America 20.0 percent, respectively. The country's imports from the ECOWAS region nearly doubled, and accounted for 15.1 percent of the region's imports, from 7.4 percent in 2014.

277. The current account deficit worsened by 5.3 percent to US\$1,974 million during the 2015, from a surplus of US\$1,874.8 million compared to the same period in 2014, driven by 30.7 percent deterioration in trade deficit that offset the 37.1 percent rise in current transfers. As a percent of GDP, the current account deficit averaged 39.0 percent in 2015, from 31.4 percent in 2014. Net service payments fell by 3.9 percent to an estimated US\$1,039.1 million in 2015, from US\$1,081.6 million in 2014.

278. The income account deficit grew slightly by 0.7 percent to US\$499.8 million during the year, from US\$496.6 million in 2014, largely explained by declining foreign investment in the domestic economy, particularly in the mining sector.

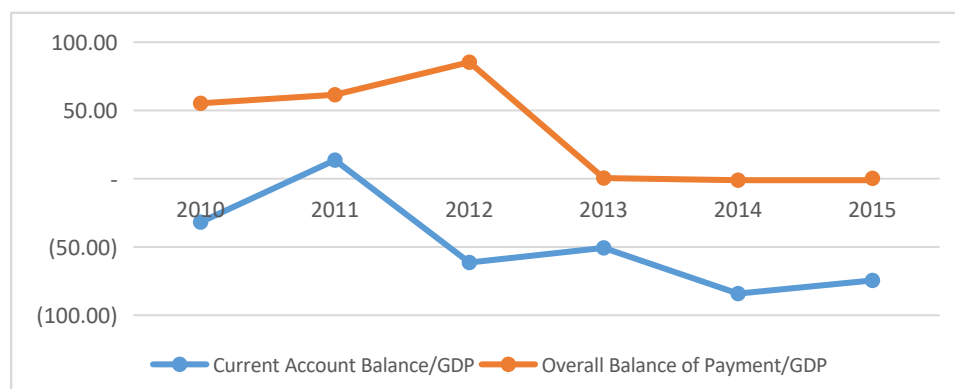


Figure 59: Liberia Current Account Balance and Overall Balance of Payment to GDP

279. The capital and financial account balance grew by 32.6 percent to US\$ 878.1 million in 2015, from US\$ 662.2 million in 2014, largely explained by a surge in the capital account balance. In 2015, the capital account balance grew by US\$ 245.0 million compared with the level recorded in 2014, as a result of capital-related grant from the Millennium Challenge Corporation when Liberia achieved grant-eligibility status.

280. Gross external reserves (including SDR holding) expanded by 5.3 percent to US\$ 560.6 million in 2015, from US\$ 532.2 million in 2014. In absolute terms, gross foreign reserves rose by US\$ 28.4 million, in terms of months of import cover, the reserves inched upward to 2.7 months at end-December 2015, compared to 2.4 months in 2014.

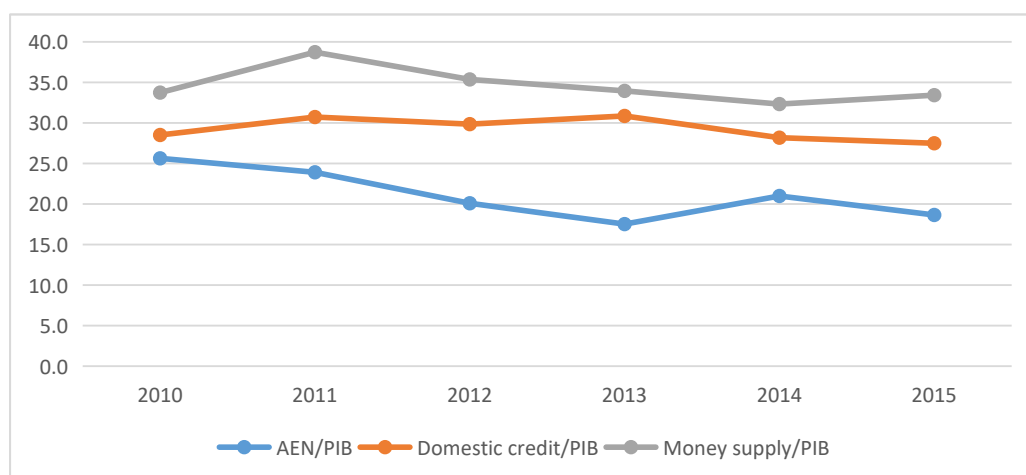
281. From provisional estimates, Liberia's overall balance of payments (BOP) position deteriorated to a deficit of US\$97.0 million (4.7 percent of GDP) in 2015, from a deficit of US\$38.0 million (1.8 percent of GDP) in 2014, underpinned mainly by expanded current account deficit estimated at 39 percent of GDP in 2015, compared to the 31.4 percent of GDP in 2014.

282. The average exchange rate between the Liberian Dollar and the US Dollar depreciated by 4.3 percent to L\$88.50 to US\$1.00 in December 2015 compared with L\$84.84 to US\$1.00 in December 2014, largely as a result of deteriorating terms of trade and high demand for imports.

2.9.4 Monetary Sector

283. Monetary policy in 2015 aimed at ensuring a stable macroeconomic environment characterized by exchange rate stability and low inflation. The monetary stance also aimed at supporting the national agenda for economic growth and development and enabling the country recover from the various shocks that hit the country, including declining prices of primary exports commodity, the negative effects of the Ebola crisis, and UNMIL's drawdown.

Figure 60: Liberia Ratio of Net Foreign Assets, Domestic Credit and Broad Money to GDP



284. **Broad money supply (M2)** at end-December 2015 stood at L\$ 60,627.3 million, compared to L\$53,696.9 million recorded at end-December 2014, representing a growth of 12.9 percent. The increase is attributable to the impressive performance of Net Domestic Assets (NDA), which grew by 42.0 percent and outweighed the decline of 2.9 percent in Net Foreign Assets (NFA).

285. Similarly, narrow money supply (M1) at end-December 2015 increased by L\$4,402.0, (about 12.0 percent) million to L\$41,036.5 million compared with the L\$36,634.5 million recorded at end-December 2014. The growth was mainly triggered by a 13.4 percent expansion in currency outside banks. Quasi Money also rose by (L\$2,528.8 million) 14.8 percent to reach L\$19,590.8 million at end-December 2015, from L\$17,062.4 million at end-December 2014, on account of increases in time and savings deposits. The shares of US dollar (US\$) and Liberian dollar (L\$) components of broad money supply at end-December 2015 stood at 70.2 percent and 29.8 percent respectively. The large share of United States dollar in the money supply reflects the highly dollarized nature of the Liberian economy.

286. Reserve money fell by 2.4 percent to L\$23,074.9 million at end-December 2014 from L\$23,641.2 million at end-December 2013, driven predominantly by a 56.5 percent and 2.5 percent increases in other demand deposits and reserves by banks.

287. Domestic credit rose from L\$ 46,809.0 in 2013 to L\$ 49,943.1 million, representing an increase of 6.7 percent. Net claims on government dropped significantly by L\$4,728.9 million 30.7 percent which was more than compensated by the increase in claims on the private sector of L\$4,980.6 (16.0 percent).

288. Movements in the interest rates in the review period showed mixed variations. Interest on lending and time deposits and mortgage rose by 7.0, 10.0 and 25.0 basis points during the review period while interest on personal loans fell by 20.0 basis points. The interest on savings and certificate of deposits remained unchanged at 2.0 percent.

2.9.5 Macroeconomic Convergence

289. The country's performance on the macroeconomic convergence scale remained unchanged in 2015 as in 2014. The country satisfied three of the four primary criteria: inflation, budget deficit and central bank financing and missed one, gross external reserves. Regarding the secondary criteria, the country sustained its performance by satisfying both criteria, which are exchange rate variation and public debt.

Primary Criteria:

- Ratio of Budget Deficit to GDP: This criterion was met. Liberia sustained its achievement on the budget deficit benchmark as the budget was balanced budget.
- Average Annual Inflation Rate: This criterion was not met. The country's average annual inflation rate stood at 7.9 percent;
- Central Bank financing of the budget deficit: This criterion was met as the budget ended in a surplus. Thus, no financing was required;
- Gross External Reserves: This criterion was not met. The country's Gross External reserves in 2014 was equivalent to 2.7 months of imports cover.

Secondary Criteria:

- Nominal Exchange Rate Stability: This criterion was achieved as nominal exchange rate depreciated by -0.1 percent.
- Ratio of public debt/GDP: This criteria was met as it was 31.9 percent less than the ECOWAS threshold.

Convergence criteria	Targets	2014	2015
Primary criteria			
Ratio of budget deficit(commitment basis) to GDP	≤ 3%	(+) 0.2%	(+) 1.6%
Average annual inflation rate	≤10%, objective of ≤5% on 31/12/2019	9.8%	7.8%
Central Bank financing of budget deficit	≤ 10percent previous year's tax revenue	0%	0%
Gross external reserves	≥ 3 months of imports	2.5	2.7
Secondary criteria			
Ratio of total public debt stock to GDP	≤70%	37.7%	31.9%
Nominal exchange rate variation	±10%	-0.1%	-0.1%
Number of criteria satisfied		4	5

2.9.6 Conclusion and Recommendations

290. The Liberian economy went through a challenging period in 2015 as the country continued to deal with the twin shocks – impact of the EVD outbreak and slump in the international prices of its key export commodities (rubber and iron ore). GDP growth almost stagnated, raising fears the economy could be heading towards recession as growth in 2014 was equally low. Government's fiscal operations showed considerable improvement as the fiscal balance recorded a surplus in excess of the previous year's outturn. The country's transactions with the rest of the world deteriorated. The trade balance recorded deficits as exports experienced significant decline, underpinned by the near-collapsed of the international prices of the main export commodities iron ore and rubber. The deficit of the overall balance of payments widened considerably in the review period. Regarding macroeconomic convergence, the country showed remarkable resilience, maintaining the performance achieved in 2014 by meeting three of the four primary criteria and all the secondary criteria.

291. From the above analysis the following recommendations are proposed:

- The authorities should continue and strengthen the fiscal consolidation process by enhancing resource mobilisation and rationalising expenditure;
- The authorities should strengthen the production base of the economy improve value addition and diversify exports in order to reduce the vulnerability of the economy to external shocks;
- Measures should be taken to revive the economy and prevent it from falling into a recession
- The government is encouraged to intensify efforts towards resource mobilisation for addressing the infrastructure gap especially in the energy sector.

2.10 Economic and Financial Situation of Mali in 2015

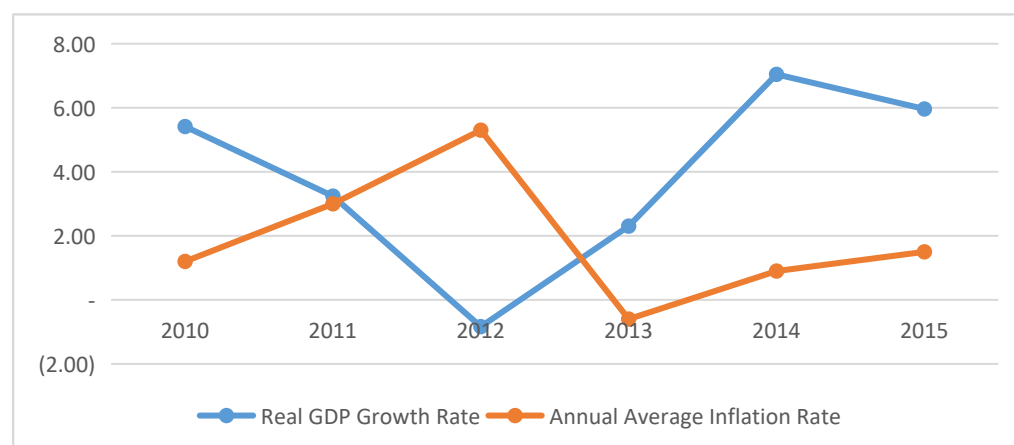
292. Economic activity in Mali in 2015 grew at 6.0% following the growth of 7.0% recorded in 2014. This growth was driven by the performance of the primary and tertiary sectors.

2.10.1 Real Sector

293. From the supply side, developments in primary, secondary and tertiary sectors compared to 2014 are as follows:

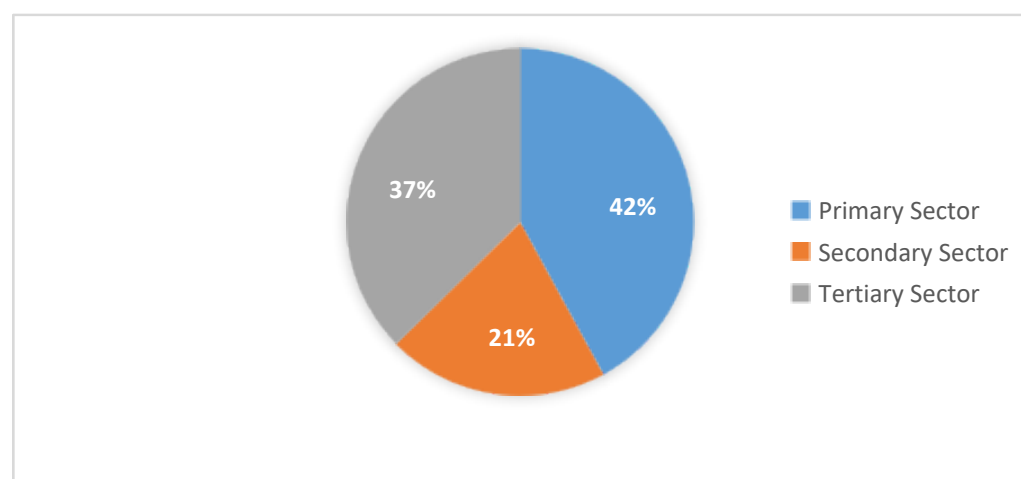
294. The primary sector recorded a 7.5% increase in value added in 2015 compared to 9.3% in 2014. The increase was due primarily to agricultural production which increased by 15.4 % as a result of good rainfall and the granting of subsidies on inputs to producers. Production in the export agriculture subsector dropped sharply by 6.4%, driven mainly by cotton production. The breeding and hunting, forestry and fisheries subsectors increased during the year.

Figure 61: Mali Real GDP Growth rate and Inflation rate



295. Growth of the secondary sector recorded a decline of 0.6% in 2015 compared to a rate of 9.1% in 2014. This underperformance was due to a general decline in the activities of most of the subsectors, in particular, agribusiness and textiles which recorded -8.8% and -8.6% growth respectively in 2015 compared to 32.8% and 27.2% in 2014. Only the foundry metallurgy (gold) and “other manufacturing” subsectors, recorded increases of 1.3% and 2.4%, compared to -2.2% and -0.4% in 2014.

Figure 62: The Composition of the Mali Economy in 2015



296. The tertiary sector recorded a growth rate of 7.0% after rising by 5.0% in 2014. This performance was related to the increase in activity of all the subsectors except Hotels and Restaurants (0.4% compared to 7.0% in 2014), and Other Business Services (3.2% compared to 3.3% in 2014).

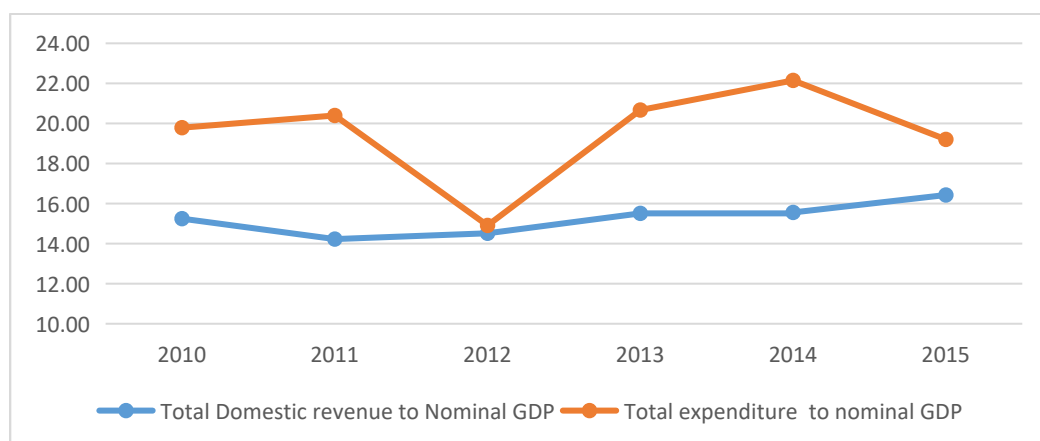
297. From the demand side, final consumption recorded an increase which was attributed to both government final consumption (8.1% compared to 2.0% in 2014) and household consumption. Investment rose by 7.5% compared to 5.2% in 2014. The increase in investments was attributed mainly to the major road construction works and housing construction. Regarding trade, exports rose by 4.7% in relation to the increase in gold production. With the boost given by the resumption of investment, imports grew by 5.7%, driven by the procurement of construction materials for large investment projects.

298. Regarding price developments, annual average inflation rose by 1.5% compared to 0.9% a year earlier. The rise in inflation was mainly explained by the increase in food prices.

2.10.2 Public Finance and Public Debt

299. The Government's financial operations in 2015 resulted in an overall deficit (including grants) of FCFA 141.7 billion (1.8% of GDP), a reduction compared to the deficit recorded in 2014 which stood at FCFA 272.1 billion (3.8% of GDP). Excluding grants, the overall deficit stood at FCFA 349.4 billion (4.5% of GDP) at end-December 2015, compared to a deficit of FCFA 463.5 billion CFA francs (6.5% of GDP) in 2014. The reduction in the overall deficit was due to a higher increase in total revenue and grants (14.1%), than the increase in expenditure and net lending (3.3%).

Figure 63: Mali Total Revenue and Total Total Expenditure to Nominal GDP



300. Total revenue and grants amounted to FCFA 1,480.5 billion (19.1% of GDP), compared to FCFA 1292.1 billion (18.2% of GDP) at end December 2014, an increase of FCFA 182.4 billion. This increase was due to increases in both total domestic revenue (15.0%) and grants (8.5%) compared to 2014.

301. Total domestic revenue amounted to FCFA 1,272.8 billion (16.4% of GDP) in 2015 compared to FCFA 1106.7 billion (15.6% of GDP) in 2014, representing an increase of FCFA 166.1 billion, attributable to tax revenue (14.4%) and non-tax revenues (25.6%). Tax revenue stood at FCFA 1086.0 billion (14.0% of GDP) in 2015 compared to FCFA 949.4 billion (13.3% of GDP) in 2014. Non-tax revenue amounted to FCFA 47.6 billion in 2015, against FCFA 37.9 billion in 2014, representing in absolute terms an increase of FCFA 9.7 billion.

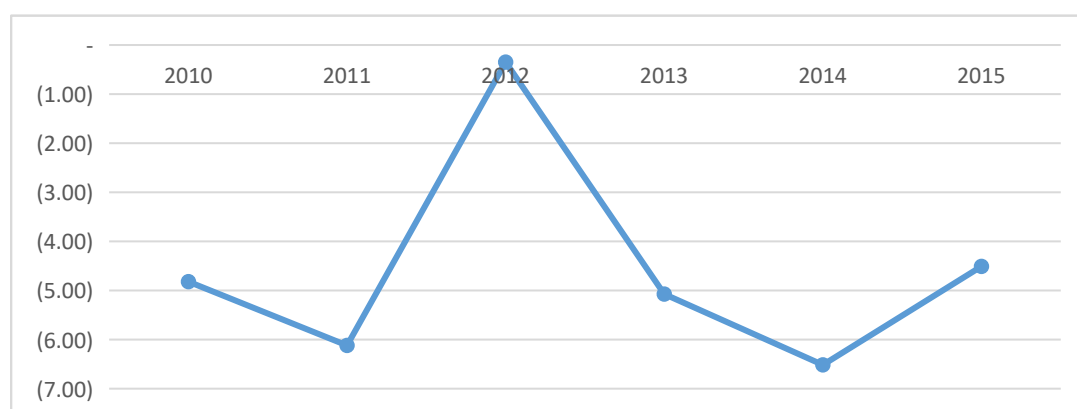
302. Concerning grants, a total of amount of FCFA 207.7 billion (2.7 percent of GDP) was mobilised in 2015, indicating an increase of FCFA 16.3 billion when compared with the FCFA 191.4 billion (2.7% of GDP) recorded in 2014.

303. Total expenditure and net lending increased to stand at FCFA 1, 622.2 billion (20.9% of GDP) compared to FCFA 1570.2 billion (22.1% of GDP) in 2014. Recurrent expenditure grew by 9.1% while capital expenditure contracted by 2.2%.

304. Reurrent expenditure incurred during the year amounted to FCFA 922.0 billion (14.6% of GDP) compared to FCFA 845.1 billion (13.9% of GDP) 2014, an increase of 9.1%. This increase was due to expenditure on salaries and wages (14.4%), purchases of goods and services (8.9%), interest payments on the public debt (16.5 %), and to a lesser extent, expenditure on transfers and subsidies that increased by 1.5%.

305. Capital expenditure stood at FCFA 565.9 billion (7.3% of GDP) in 2015 compared to FCFA 578.9 billion (8.1% of GDP) in 2014, a contraction of FCFA 13.0 billion. This decline was caused principally by externally financed capital expenditure which recorded a contraction of 9.1 percent as capital expenditure financed from domestic sources increased by 5.6%.

Figure 64: Mali Overall Budget Balance Excluding Grant to Nominal GDP



306. The stock of public debt at the end of December 2015 amounted to FCFA 2,375.9 billion (30.7% of GDP), compared to FCFA 1930.0 billion (27.1%) at end-December 2014, an increase of 23.1%. This increase was due to both external and domestic debts, which recorded increases of 18.2% and 39.5% respectively during the period. The stock of public debt at end December 2015 was made up of external debt in the amount FCFA 1754.4 billion (73.8%) and domestic debt of FCFA 695.5 billion (32.8%). The structure of public debt in 2014 consisted of 76.9% external debt and 23.1% domestic debt.

307. External debt service is regularly insured and as at end- December 31 2015 amounted to FCFA 120.5 billion compared to FCFA 70.9 billion at end- December 2014.

2.10.3 External Sector

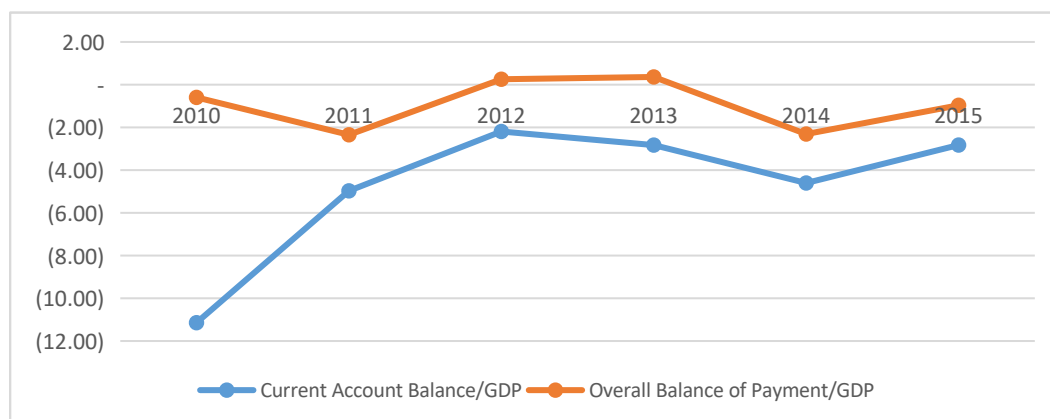
308. Mali's transactions with the rest of the world in 2015 resulted in an overall deficit of FCFA 74.8 billion (1.0% of GDP), an improvement compared with the deficit of FCFA 164.4 billion (2.9 % of GDP) recorded in 2014. This reduction in the overall deficit was due exclusively to the reduction in the deficit of the current account, excluding official transfers, by 33.1%; the surplus of the capital account and financial account having reduced by 11.6% compared to 2014.

309. The current account balance excluding grants in 2015 improved from a deficit of FCFA 327.5 billion (4.6 percent of GDP) in 2014 to a deficit of FCFA 219.0 billion (2.8% of GDP) This was explained principally by the reduction of the trade deficit by 82.1%. The deficits of the services, primary income and secondary income accounts deteriorated compared to 2014.

310. The trade deficit fell sharply FCFA 38.3 billion (0.5% of GDP), in 2015, from FCFA 214.2 billion (3.0% of GDP) in 2014. This was due to the combined effect of an 8.8% increase in exports and a 3.4% drop in imports. In fact, exports increased from FCFA 1376.4 billion (19.3% of GDP) in 2014 to FCFA 1,497.8 billion (19.3% GDP) in 2015. Imports on the other hand, stood at FCFA 1,536.1 billion (19.8% of GDP) in 2015 compared to FCFA 1,590.7 billion (22.4% of GDP).

311. The deficit of the services account increased to FCFA 963.1 billion (12.4% of GDP) in 2015, from FCFA 945.6 billion (13.3% of GDP) in 2014. This increase in the deficit was linked to the increase in military services received. The primary income deficit increased by FCFA 67.8 billion to stand at FCFA 280.1 billion in 2015 compared to FCFA 212.4 billion in 2014 as a result of the increase in investment income paid to non-residents. Regarding the secondary income, the surplus improved in 2015 to reach FCFA 1,062.5 billion (13.7% of GDP) compared to FCFA 1044.7 billion (14.7% of GDP) in 2014, an increase of 1.7% due to higher transfers received by the public administration.

Figure 65: Current Account and Overall Balance of Payment to GDP



312. The surplus of the capital and financial accounts saw a reduction in 2015 to stand at FCFA 144.3 billion, FCFA 163.1 billion in 2014. This reduction in the surplus was mainly on account of a decline of the surplus of the capital account from FCFA 108.5 billion in 2014 to FCFA 87.8 billion in 2015, a decrease of 19.0%. By contrast, the financial account surplus increased by 3.2% (FCFA 1.8 billion).

2.10.4 Monetary Sector

313. Developments in monetary aggregates, between end-December 2014 and end-December 2015 were marked by a decline in net foreign assets by 14.0%, a strengthening of outstanding domestic credit of 23.3% and an increase of money supply by 13.2%.

314. The decline in net foreign assets of the banking system was due to the Central Bank whose external asset position recorded a contraction of 33.3% (FCFA107.2 billion) to stand at FCFA 214.7 billion in December 2015. On the other hand, the net foreign assets of commercial banks increased by 6.7% to stand at FCFA 320.8 billion in 2015, mainly related to the increase in their assets vis-a-vis their foreign correspondents.

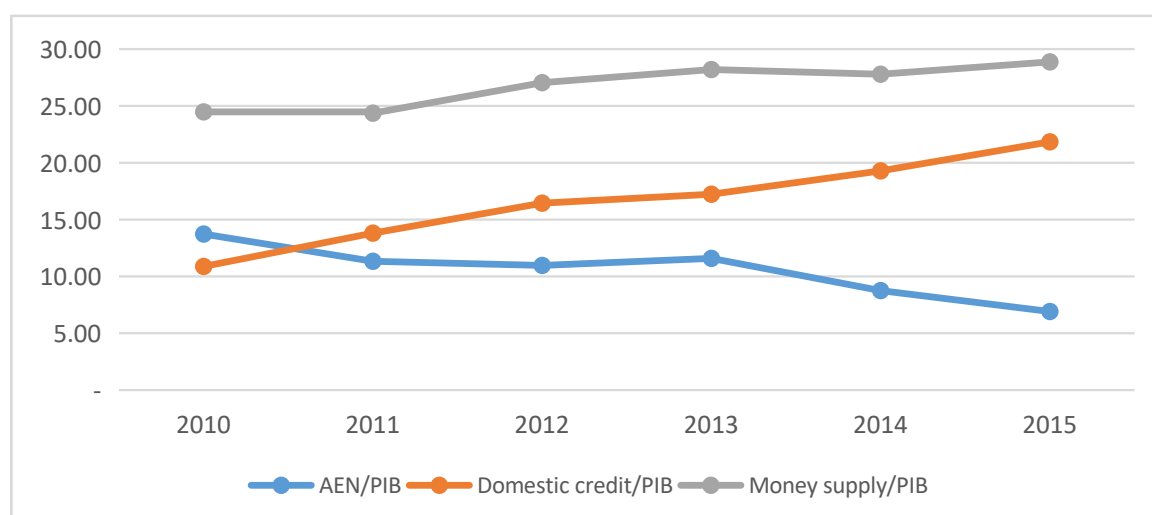


Figure 66: Mali Ratio of Net Foreign Assets, Domestic Credit and Broad Money to GDP

315. At FCFA 1692.2 billion end-December 2015, the stock of domestic credit recorded an increase of FCFA 320.3 billion compared to the same period of the previous year. This was mostly due to the extension of credit to the economy, net claims to the government having seen some improvements.

316. Credit to the economy was estimated at FCFA 1,747.5 billion at end-December 2015, an increase of FCFA 289.4 billion compared to the amount at end of December 2014. This increase represented primarily credit to companies operating in fields such as agriculture, agricultural inputs, mining, energy, telecommunications and trade. Net credit position of government stood at FCFA 55.2 billion at the end of December 2015, compared to negative FCFA 86.1 billion a year earlier due, mainly, to an increase of government deposit at the banks.

317. Reflecting developments in domestic credit, money supply recorded an increase of FCFA 260.3 billion to stand at FCFA 2,237.1 billion at the end of December 2015, compared to FCFA 1,976.8 billion a year earlier. This increase in liquidity resulted mainly from bank deposits which increased by 18.9% (FCFA 199.1 billion), as currency in circulation declined by 8.2% or FCFA 36.2 billion.

2.10.5 Macroeconomic Convergence

318. Regarding the status of macroeconomic convergence in 2015, five convergence criteria were met, same as in 2014. The efforts in public finance management made during the year enabled the country to meet the criterion relating to the budget deficit as a percentage of nominal GDP.

319. The convergence situation in 2014 and 2015 is as follows:

Convergence criteria	Standards	2014	2015
First level criteria			
Ratio of fiscal deficit including grants (on commitment basis) to gross domestic product (GDP)	≤ 3%	3,8%	1,8%
Average annual inflation rate	≤10 and ≤5% target in 2019	0,9%	1,5%
Central Bank financing of the budget deficit	≤ 10% of tax revenues of n-1	0%	0%
Gross External Reserves (in months of imports)	≥ 3 months	4,8	4,8
Second level criteria			
Ratio of Public debt to nominal GDP	≤70%	27,1%	30,7%
Nominal exchange rate stability	±10%	+0,1%	-16,5%
Number of criteria met		5	5

2.10.6 Conclusion and Recommendations

320. Mali's growth remained strong at 6.0 percent in 2015 following the 7.0% recorded in 2014. The country has experienced situations of insecurity especially in its northern part where domestic efforts combined with external partners to resolve the problem.

321. Performance of public finance recorded some improvements, with the budget deficit relative to GDP seeing considerable reduction which is the fruit of efforts to intensify resource mobilization and better control of expenditure. Regarding macroeconomic convergence, Mali met five of the six convergence criteria, four of which were primary criteria.

322. To consolidate the economic and financial situation and performance under macroeconomic convergence, the following recommendations are proposed:

- Continue efforts to ensure safety of the entire national territory.
- Continue the implementation of measures and reforms to improve resource mobilization and ensure control of recurrent expenditure.

2.11 Economic and Financial Situation of Niger in 2015

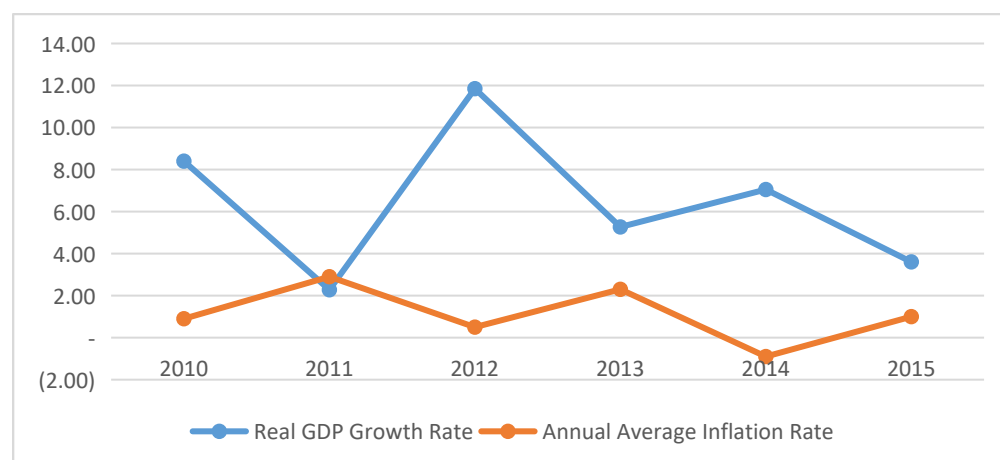
323. The macroeconomic environment of the country during the period under review was marked by the implementation of the Renaissance Programme, through the Economic and Social Development Plan (PDES 2012-2015) and the 3N Action Plan initiative 'Nigériens nourish Nigériens'. "The environment was also characterized by the implementation of the Economic and Financial Programme (2012-2015), supported by the IMF's Extended Credit Facility (ECF). The main objectives of the economic policies of the government, as set out in the Government Policy Statement (DPG), were:

- Achieve high, diversified, sustainable and employment-oriented economic growth that will increase the level of per capita income and the emergence of a middle class;
- Strengthen fiscal management and improve the performance of tax administration in order to reduce budget deficits to the level recommended in the community;
- Strengthen the institutional and administrative capacity;
- Develop basic infrastructure, particularly in the field of energy and transport, to meet the challenges of landlocked nature of Niger and boost its competitiveness;
- Undertake favorable reforms in the integration process.

2.11.1 Real Sector

324. Economic activity experienced a slowdown in 2015, after a recovery in 2014. Growth declined from 7% in 2014 to 3.5% in 2015, due to the poor output in the agriculture sub-sector and a decline in uranium and crude oil production.

Figure 67: Niger Real GDP Growth Rate and Inflation Rate

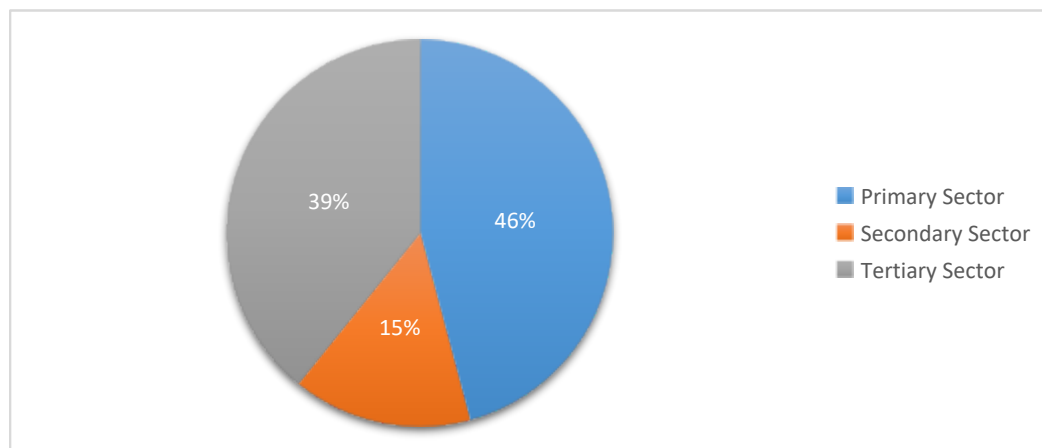


325. The primary sector, the main driver of the Nigerien economy and contributing up to 42% to GDP, recorded a growth rate of 1.5% in 2015 against 9% in 2014. This slowdown in growth of the primary sector was mainly due to the modest increase of 1.4 percent in agricultural production which was related to the decline in irrigated crops (13.2%), especially green pepper (42.9%), onion (25.5%) and tomatoes (22.7%). To this must be added the decline of 10.0 percent in the fishing industry linked to the insecurity in the Lake Chad region and the slower growth of forestry in connection with the increasingly important use of domestic gas by households as a wood substitute.

326. Representing 14.7% of GDP in 2015 compared to 15.6% in 2014, the secondary sector once again decreased by 1.6% in 2015, after a 1.5% decline in 2014. This underperformance was attributed to declines in all components of the sector, with the exception of the construction industry. Thus, uranium production fell by 1.0%, in connection with the production shutdown of SOMINA, crude oil production and refinery fell by 12.7% and 7.6%

respectively, in relation to the shutdown of crude oil production for a period of three (03) months, for maintenance purposes, while energy production dropped by 5.3% linked to supply and distribution difficulties. These declines were offset by the good performance of the construction sector which grew by 6.6%, in connection with the continuation of infrastructure projects. The sector contributed 1.2 points to GDP growth.

Figure 68: The Composition of the Niger Economy in 2015



327. The tertiary sector, which contributed 36.4% to GDP in 2015, recorded a growth rate of 5.8% in 2015 compared to 8.6% in 2014. This trend was due to the good performance of public administration (7.1%) and those of Other Services (7.9%), including communications and business services. Overall, the sector contributed 1.6 points to GDP growth in 2015.

328. From the demand side, growth in real GDP, driven by final consumption and investment, was moderated by the decline in exports.

329. The largest component of aggregate expenditure, household final consumption, accounted for 69.8% in 2015. It rose by 7.0% in 2015, compared to 4.6% in 2014. This increase was due to the increased supply of goods following the good harvest of the previous year and higher incomes of households following the increase in wages and salaries.

330. After a rebound in the previous year (21.7%), government final consumption increased by 12.8% in 2015. This rise was attributed to the increase in some categories of public expenditure, notably wages and salaries, operational expenses and public safety.

331. Overall, final consumption rose by 8.1% in 2015 compared to 7.4% in 2014. Over the period 2013-2015, the growth rate of final consumption was 6.3%.

332. Investments continued to grow, with a growth rate of 5.3% being recorded in 2015 compared to 11.4% in 2014. This rate, although slower than the previous year's, was due to movements in Gross Fixed Capital Formation (GFCF), both public and private, which increased by 5.7% and 5.0% respectively.

333. The increase in public GFCF was due to new investments in infrastructure (roads, bridges.), while the decline in the rate of private gross fixed capital formation was attributed to the completion of works (or their suspension) by some mining and oil companies.

334. Foreign trade was characterized in 2015 by a 4.3% increase in imports and a decrease of 13.0% in exports, connected with the decline in the sale of uranium and petroleum products. This development resulted in a worsening of the trade deficit, which rose from 18.5% of GDP in 2014 to 22.7% in 2015.

335. Developments in consumer prices were characterized by moderate price increases, with an annual average inflation rate of 1.0%, after falling to 0.9 percent in 2014. The year-on-year, inflation increased by 2.2%, after falling by 0.6% during the same period in 2014.

336. This development was mainly due to the 1.2% increase in “food and non-alcoholic beverages”, which represents 39.8% of the weight of the observed products, offset by, among others, decline of 7.5 % in “communication” function. The modest rise in consumer prices was due to government actions relating to the purchase of grains at low prices, free distribution of food to vulnerable populations affected by food insecurity and price stability of petroleum products at the pump.

2.11.2 Public Finances and Public Debt

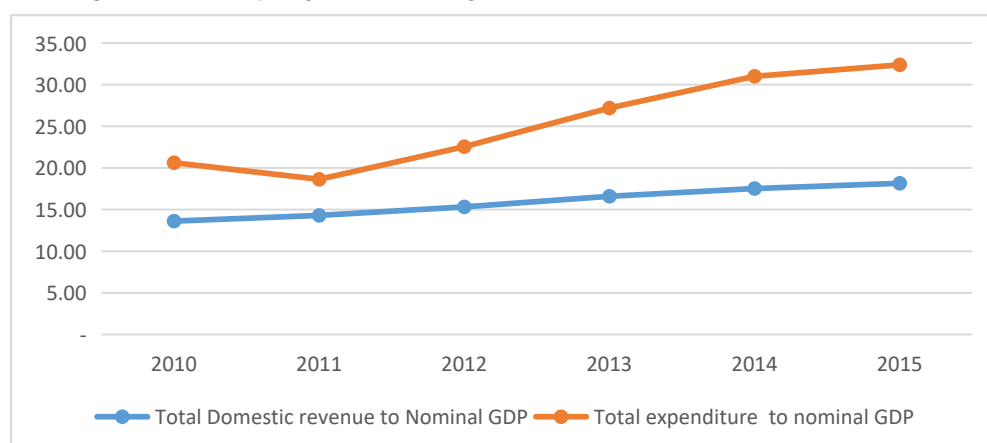
337. The fiscal operations of the government in 2015 resulted in a worsening of the budget deficit. Total revenue rose by 7.4% to stand at FCFA767.2 billion, or 18.1% of GDP, compared to 17.5% of GDP in 2014. This improvement in government revenue in 2015 was mainly due to higher tax revenue, non-tax revenues having decreased slightly.

338. Tax revenue grew by 8.2 percent in 2015, compared to 9.7% in 2014 to 8.2%. Despite the decline in the growth rate, the tax to GDP ratio improved progressively from 15.2 % in 2013 to 15.5% in 2014 and to 16.1% in 2015. The consolidation of tax revenue resulted from, both domestic taxes (10.1% on average per year) and taxes from the ports (15.3% on average per year) and is explained by the measures taken by the tax authorities to strengthen and improve the mobilization of tax resources through the implementation of tax reforms.

339. Non-tax revenue and special accounts (1.8% of GDP) declined by 1.1% in 2015, compared to an increase of 65.2% in 2014, in relation to capital losses by the mining and oil companies.

340. Grants rose by 6.3% to stand at FCFA 232.6 billion (equivalent to 5.5% of GDP) in 2015, with programme and project grants increasing by 12.8% and 3.3% respectively.

Figure 69: Niger Total Revenue and Total Expenditure to Nominal GDP



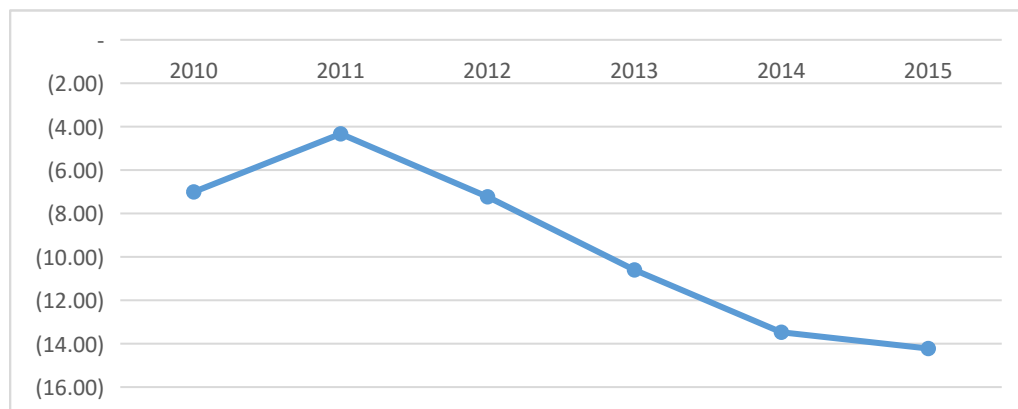
341. Total expenditure and net lending grew at a faster pace (9.6 percent) than fiscal revenues to represent 32.8% of GDP in 2015 compared to 31.0% in 2014 and 27.2% in 2013, driven by both recurrent expenditure and capital expenditure.

342. Recurrent expenditure increased by 10.5% in 2015, (and represented 15.5% of GDP), on account of increases in wage bill (16.7%), operational cost (24%) and interest payment (65.5%), related to recruitment into the civil service and the expenditure related to the organization of Presidential and Legislative elections.

343. Capital expenditure rose by 8.7% in 2015, representing 17.1% of GDP, having risen by 28.9% in 2014. This resulted from an 11.5% increase in expenditure on capital financed from domestic sources and 5.0% increase in externally financed capital expenditure. These expenditures were largely oriented towards the social sector and economic infrastructure.

344. In general, the overall deficit excluding grants and the overall deficit including grants in terms of GDP, worsened during the period, representing 14.6% and 9.1% respectively compared to 13.5% and 8.0% in 2014.

Figure 70: Niger Overall Budget Deficit Excluding Grants to Nominal GDP



345. With regard to public debt, the total stock amounted to FCFA 1,535.9 billion at the end of December 2015, representing 36.4% of GDP. The external component of this debt was estimated at FCFA 1,124.1 billions, or 73.2% of the total stock of debt. In terms of structure, external debt accounted for 73.2% of the total amount of public debt and amounted to FCFA 1,124.2 billions (21.4% of GDP). Debts owed to multilateral institutions represented 60.6% of the external debt (and 40.8% of total debt), while bilateral institutions held 39.4%. It is worth noting that the external debt of the country also included the commercial debt of FCFA 117.7 billion or 11.3% of the total external debt that is mainly composed of loan guaranteed by the State for the construction of the refinery in Zinder (SORAZ).

346. Amounting to FCFA 411.8 billion, domestic debt accounted for 32.6% of the total public debt, and was composed mainly of cash management bills and bonds of the central bank, arrears to suppliers and public-private partnership contracts.

347. The external debt service paid at the end of December 2015 amounted to FCFA 25.3 billions, or 5.0% of exports and 5.5% of budget revenue.

2.11.3 External Sector

348. The country's foreign trade in 2015 was characterized by a decline in exports and increased imports, which led to a deterioration of the trade balance. Driven by uranium, crude oil and gold, total value of merchandise exports in late December 2015 was estimated at FCFA 602.6 billions, compared to FCFA 715.2 billions in 2014, representing a decline of 15.7%. The main export products were uranium, crude oil and gold, which together represented approximately 50.5% of merchandise exports. The collapse of world commodity prices had a negative impact on the export of these products. Apart from gold, which increased by 33%, exports of uranium and crude oil declined respectively by 14% and 52.4 %. This led to a decline in the group's contribution to exports of 6.3 percentage points, or FCFA 101.6 billions in value.

349. Imports registered a significant increase during the period under review, from FCFA 1084 billions (26.6% of GDP) in 2014 to FCFA 1,167.6 billions (27.6% of GDP) in 2015, an increase of 7.8%. The increase was mainly due to the importation of military equipment for the Ministry of defense, national security and international forces based in the country. This import accounted for 26.1% percent of all imports. The main components of imports were foodstuffs (mainly cereals, cooking oil and sugar) which represented 21.2%, building materials and vehicles (51.7%) and equipment.

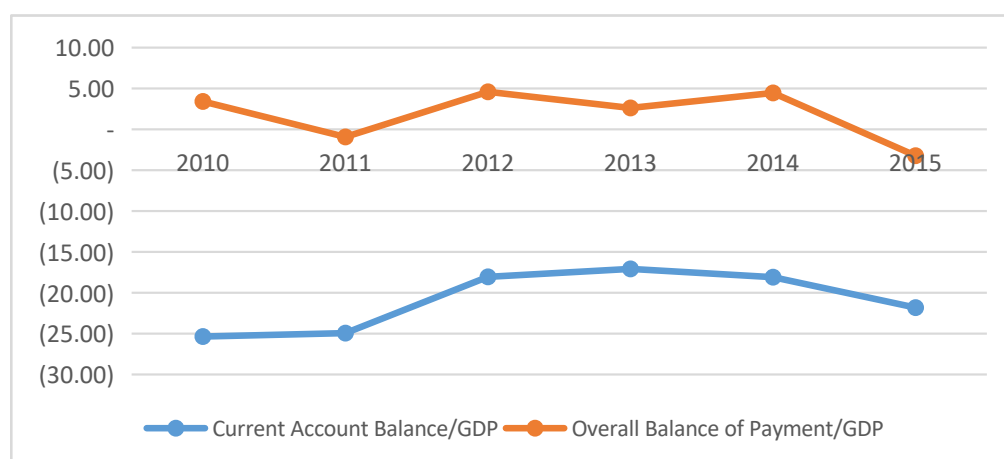
350. The analysis of the of the country's direction of trade shows that the country traded more with non-African countries. The main destinations for exports were France (41.3%), Burkina Faso (17.8%), Nigeria (14.4%), China and other Asian countries (12.9%) and the United States (8%). Together, these countries accounted for 94.4 percent of all exports. Regarding imports, the main sources (suppliers) were China (23.7%), France (15.7%), the United States (5.3%), Nigeria (6.8%), Japan (9.4%), Pakistan (4.1%), Côte d'Ivoire (3.3%) and Ghana (2.9%).

351. With respect to intra-ECOWAS trade, the region accounted for 31.2% of Niger's exports (99.6% of its exports to African countries) and provided 18.5% of imports. Nigeria was the largest trading partner in the ECOWAS region, providing 6.8% of total imports (36.8% of imports from the region) and purchasing 14.4% of all exports (46.2% of exports from the region).

352. The country's transactions with the rest of the world resulted in a deficit of the balance of payments, arising from deficits of the current account and capital accounts that exceeded the surplus of the financial account. The current account deteriorated FCFA 181.4 billion and amounted to FCFA 826.7 billion, compared to FCFA 645.3 billion CFA the previous year. This was due to the deterioration of the trade, services and secondary income accounts.

353. The trade deficit deteriorated by FCFA 197 billion to stand at FCFA 564.9 billion in 2015 under the combined effect of falling exports and rising imports. The services balance also decreased by FCFA 18.5 billion, from a deficit of FCFA 375.5 billion in 2014 to a deficit of FCFA 394 billion in 2015. However, the balance of primary income recorded an improvement of FCFA 37.4 billion due to lower dividend payments by mining and oil companies. This was mitigated by the repatriation of wages and salaries of expatriate workers, notably the Chinese. The balance of secondary income fell by FCFA 2.8 billion. In relation to GDP, the current account deficit excluding grants increased by 37 percentage points year-on-year to stand at 21.8% in 2015.

Figure 71: Niger Current Account and Overall Balance of Payment as a Percentage of GDP



354. The surplus of the capital account declined by 36.4 percent to stand at FCFA 147.7 billion in 2015 on account of a reduction in project grants.

355. The balance of financial operations fell, mainly as a result of a decline in foreign direct investment amounting to FCFA 82.9 billion due to the privatization of IMMOURAREN. By contrast, portfolio investment recorded an increase of FCFA 26 billion from the subscription by foreign banks, of securities issued by the Nigerien treasury on the regional financial market.

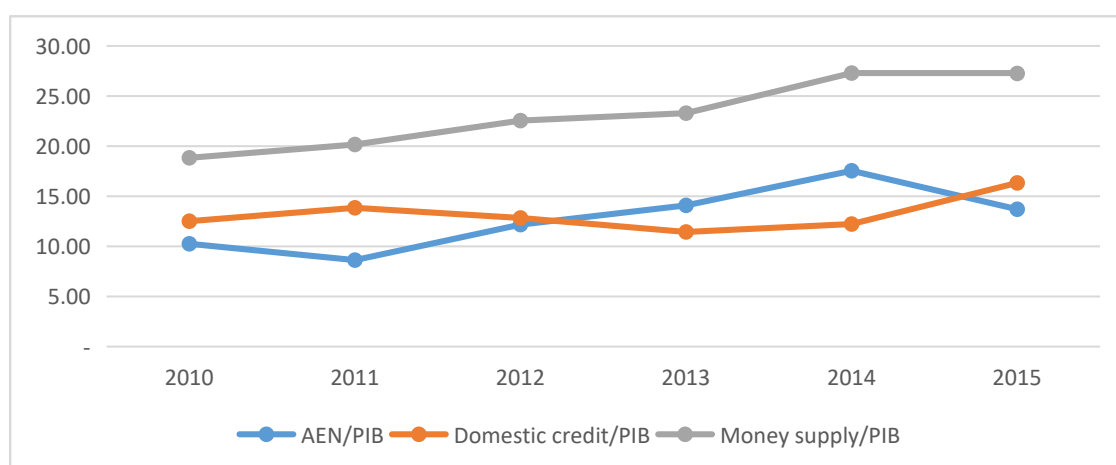
356. To sum up, the country's external transactions resulted in an overall deficit of the balance of payments of FCFA 136.4 billion, compared to a surplus of FCFA 181.6 billion in 2014.

2.11.4 Monetary Sector

357. Developments in the monetary sector were characterized by a decline in net foreign assets and an increase in domestic credit and money supply. Net foreign assets decreased by 19% from FCFA 715.2 billions at end-December 2014 to FCFA 579 billions at end-December 2015.

358. Domestic credit at end-December 2015 increased by FCFA 191.5 billion, or 38.4%, to stand at FCFA 690 billion due to the deterioration of the net position of the Government (NGP) of FCFA 116 billion and a credit expansion to the economy of FCFA 75.5 billion, or 13.2%, corresponding to FCFA 649.1 billion. This was due to an increase in the stock of all types of credit and reflects an increase in net disbursements to all sectors of the economy with the exception of mining and construction.

Figure 72: Niger Net Foreign Assets, Domestic Credit and Broad Money to GDP



359. Following the developments in its components, money supply increased by FCFA 38.7 billion, or 3.5%, and stood at FCFA 1.1513 billion at the end of December 2015, with currency in circulation constituting FCFA 31 billion and bank deposits FCFA 7.7 billion of the increase.

2.11.5 Macroeconomic Convergence

360. The country met four (4) of the six (6) criteria under the rationalised macroeconomic convergence criteria. Three (3) primary criteria and one (1) secondary criterion were met. The details are given below:

Convergence criteria	Standards	2014	2015
Primary criteria			
Ratio of fiscal deficit including grants (commitment basis) to Gross Domestic Product (GDP)	≤ 3%	8,1%	8,7%
Average annual inflation rate	≤10, objective ≤5% in 2019	-0,9%	1,0%
Central bank financing of the budget deficit	≤ 10% of tax revenues of n-1	0%	0%
Gross external reserves (in months of imports)	≥ 3months	4,8	4,8
Secondary criteria			
Ratio of Public debt to nominal GDP	≤70%	+25,6%	36,4%
Nominal exchange rate stability	±10%	+0,1%	-16,5%
Number of criteria met		5	4

2.11.6 Conclusion and Recommendations

361. Despite the slowdown in real GDP growth in 2015, other macroeconomic aggregates showed a solid trajectory. At 1%, the inflation rate remained well below the community convergence threshold. Regarding public debt, despite having recorded a rise during the period, it remained relatively low. However, the budget deficit was relatively high, on account of the increase in investment spending to strengthen social and economic infrastructure.

362. In light of the above, the following recommendations are made to the authorities:

- Continue to accelerate implementation of programmes and projects contained in the 3N initiative and others to promote growth and development;
- Measures should be taken to strengthen resource mobilization, particularly taxation, and control expenditure in order to reduce the budget deficit;
- Take steps to diversify the economy, and by extension exports, to limit the negative effects of an economy that relies only on a few export products.

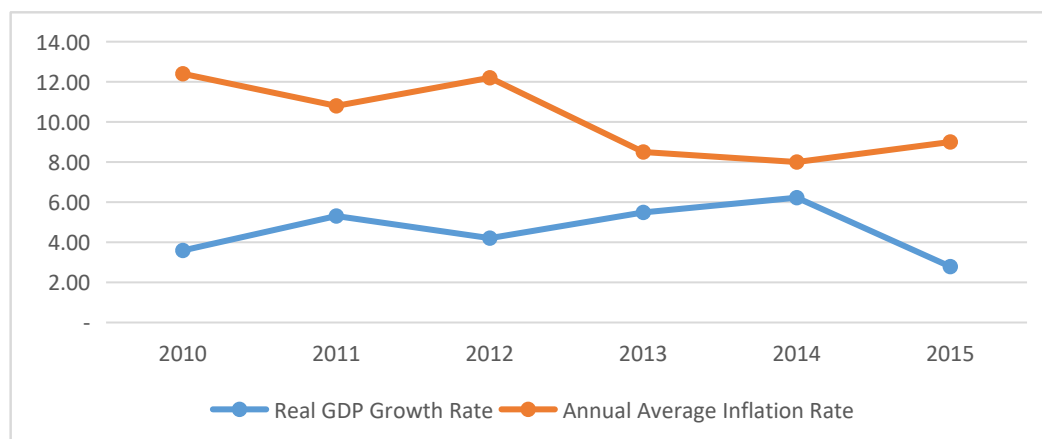
2.12 Economic and Financial Situation in Nigeria in 2015

363. The slowdown in global output growth, sharp declines in international commodity prices, especially crude oil, as well as domestic shocks such as the Boko Haram insurgency in the North East and oil sabotage in the Niger Delta regions impacted adversely on the Nigerian economy in 2015. The economy suffered from severe shocks related to energy shortages and price hikes, depreciation of Naira against major international currencies and depressed consumer demand, among others. Hence, output growth slowed down considerably in 2015 compared to the previous year.

2.12.1 Real Sector

364. Real Gross Domestic Product (GDP) grew by 2.79 percent in 2015, compared to 6.22 percent in 2014, driven by the non-oil sector which expanded by 3.75 percent. The oil sector recorded negative growth rate of 5.45 percent in 2015, indicating aggravation of the trend from the previous year when a contraction of 1.32 percent was recorded. The contraction observed in the oil sector was due to the persistent decline in the price of crude oil on the international market as well as an increase in oil pipeline vandalism in the Niger delta area.

Figure 73: Nigeria Real GDP Growth rate and Inflation rate



365. In absolute terms, real GDP expanded to N 69,023.93 billion in 2015, from N67, 152.79 billion in 2014. Real oil and non-oil GDP stood at N6,629.96 billion and N62, 393.97 billion in 2015 respectively, against N 7,011.81 billion and N60, 140.97 billion in 2014. Thus, the oil sector GDP contracted by N381.85 billion while the non-oil sector GDP expanded by N 2,253.00 billion during the review period.

366. In terms of sectoral performance, primary sector made appreciable progress in 2015, even though its growth declined compared to 2014. The value of output of the sector stood at N 15,952.2 billion in 2015, against N 15,380.39 billion in 2014, representing a growth of 3.72 percent. In 2014 the sector recorded growth of 4.27 percent. Agriculture which used to be the largest and dominant sector of the Nigerian economy in past decades has seen its fortunes drastically reduced. The sector accounted for only 23.1 percent to GDP in 2015.

367. The secondary sector contracted by 3.4 percent in 2015, against growth of 5.9 percent in 2014. In absolute terms the sector's output declined by N 472.1 billion to stand at N13,319.1 billion in 2015, against N13,791.25 billion in 2014. Although the sector as a whole contracted in 2015, subsectors such as cement production, chemical and pharmaceutical products, water supply, sewerage and waste management recorded positive double digit growth. The sector's contribution to GDP stood at 23.2 percent in 2015, making it the second largest in the economy of Nigeria.

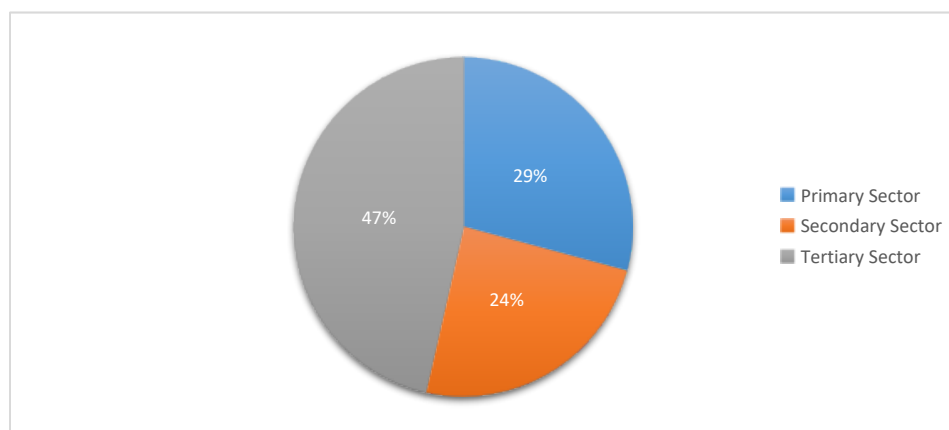


Figure 74: The Composition of the Nigeria Economy in 2015

368. Output of the tertiary sector expanded by N1,659.7 billion to N37,072.4 billion in 2015, from N35,412.7 billion in 2014. This translates to a growth rate of 4.7 percent in 2015 down, compared to the 6.9 percent recorded in 2014. The sector contributed 67.3 percent to GDP in 2015, making it the largest and dominant sector.

369. From the perspective of aggregate demand (or expenditure) final consumption constituted the largest component of GDP and amounted to N80.57 trillion, representing 80.4 percent of GDP in 2015. Of this amount private household consumption expenditure composed 92.1 percent while government consumption constituted 7.9 percent. Household consumption expenditure increased by 14.75 percent to stand at N74.20 trillion in 2015, from N64.33 trillion in 2014 and constituted 78.8 percent of GDP. Government final consumption expenditure stood at N6.37 trillion in 2015 reflecting a growth rate of 9.25 percent when compared to the N 5.83 trillion it consumed in the 2014 fiscal year.

370. Gross Fixed Capital Formation stood at N14.11 trillion in 2015, indicating a growth of 3.80 percent from the N13.60 trillion recorded in 2014. External trade GDP contracted significantly as a result of the dip in both exports and imports, but especially the sharp reduction in exports. Net import of Goods and Services fell by 5.54 percent in 2015.

371. The Nigerian economy witnessed a general increase in inflationary pressure in 2015. The rate of inflation, however, was held at single digit and remained relatively stable throughout the year. Both food and core inflation components increased during the review period and were mainly attributed to the energy crisis which was characterised by incessant scarcity of refined petroleum products, the pass-through effects of exchange rate depreciation, increases in electricity tariffs and high transport cost, among others.

372. Headline inflation increased by 1.0 percentage point to 9.0 percent in 2015. Similarly, core inflation rate jumped by 1.3 percentage points from 6.9 percent in 2014 to 8.2 percent in 2015. The food component of inflation also exhibited marginal increase during the review period. The rate stood at 9.9 percent in 2015, compared to 9.5 percent in 2014.

2.12.2 Public Finance and Public Debt

373. Overall, fiscal performance worsened in 2015 compared to the 2014 fiscal year as a result of the dwindling revenue from both oil and non-oil sources. The 2015 budget, therefore focused on achieving fiscal consolidation through fiscal prudence with job creation and inclusive growth as cardinal objectives.

374. The Federal Government revenue inflow in 2015 fiscal year stood at N 3,994.50 billion, a decline of 27.0 percent from the N5,470.39 billion for the same period in 2014. The decrease in revenue was largely attributed to decreases in FGN share of Federation Account (Net), though other income components also decreased during the period. Tax revenue for the period increased from N1,386.0 billion in 2014 to N1,482.71 billion in 2015, which represents an increase of about 7.0 percent. However, non-tax revenue declined significantly in 2015 by about 38.5 percent, from N 4,084.37 billion in 2014 to N 2,511.79 billion in 2015.

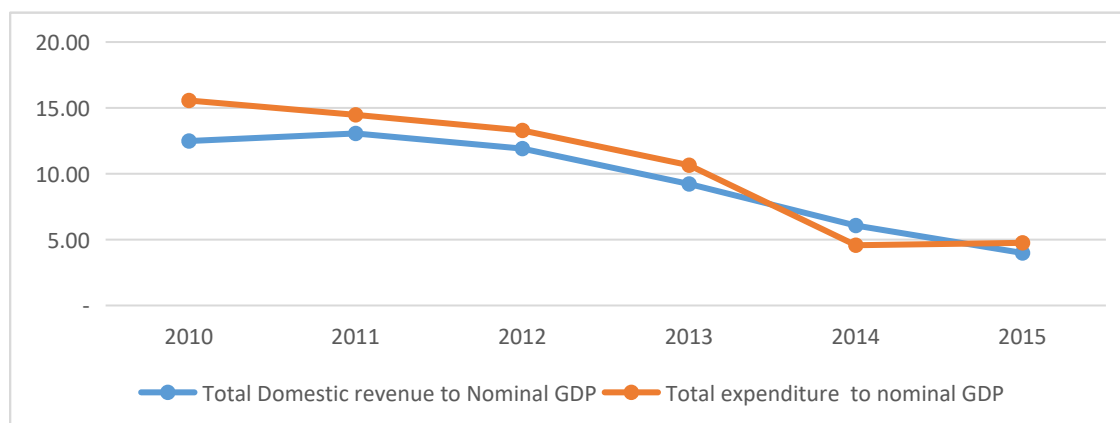


Figure 75: Nigeria Total Revenue and Total Expenditure to GDP

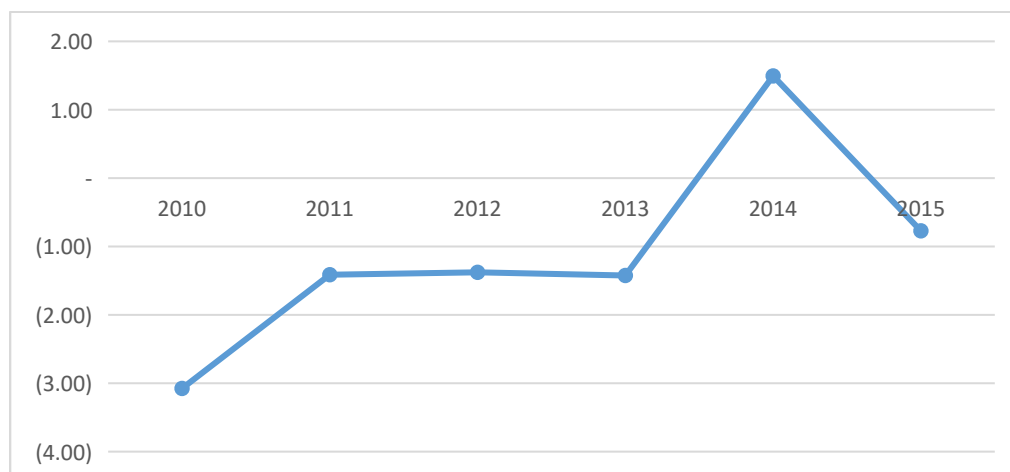
375. As regard expenditure, total Federal Government expenditure and net lending in 2015 stood at ₦4,767.4 billion, indicating an increase of ₦300.53 billion or 5.9 percent over the budget estimate of ₦4,493.37 billion, and 15.6 percent higher than the outturn in 2014.

376. Recurrent expenditure stood at ₦3,610.45 billion, representing an increase of ₦49.70 billion compared to 2014. Transfers amounted to ₦338.55 billion, falling short of the budget estimate by ₦47.69 billion compared to 2014.

377. Capital expenditure stood at ₦362.39 billion, compared to ₦587.6 billion in 2014 and the budget estimate of ₦557.00 billion. The ratio of capital expenditure to total budget expenditure declined to 8.0 percent in 2015, from 14.11 percent in 2014.

378. The consolidated account (income and expenditure) of the Federal Government in 2015 resulted in a deficit of ₦1,557.80 billion or 32.68 percent of total expenditure. This indicates that budget deficit was ₦543.32 billion or 33.63 percent higher than the budget estimate for the review period. This also translates to a budget deficit as a ratio of GDP of 0.8 in the review period, from a surplus of 1.5 in 2014. The deficit was financed to the tune of ₦1,043.47 billion, indicating a financing shortfall of ₦287.54 billion. The deficit was financed mainly through domestic borrowing, to the tune of ₦615.96 or 59.03 percent, and credit advance from the CBN of ₦330.00 billion.

Figure 76: Overall Budget Balance Excluding Grants to Nominal GDP



Public debt

379. Nigeria's total public debt stock at end-December 2015 was estimated at naira 10,948 billion. Domestic debt stood at naira 8,837.0 billion as at end of December, 2015, compared to naira 7,904.0 billion in 2014, representing a increase of naira 933 billion or 11.8 percent. The external debt stock as at end of December, 2015, was naira 2,111.0 billion or 28.11 percent of the total public debt stock. The domestic debt has continued to dominate the debt portfolio, accounting for more than 80 percent of the total public debt outstanding during the review period. As a percentage of GDP, total public debt constituted 13.02 percent at the end of December 2015, compared to 12.7 percent in the corresponding period of 2014.

380. The domestic debt stock consists mainly of Federal Government of Nigeria (FGN) Bonds, Nigerian Treasury Bills (NTB) and Treasury Bonds. The FGN Bonds that have continued to dominate the domestic debt portfolio accounted for N5. 81 trillion or 65.73 percent of the total portfolio of domestic debt stock as at end-December, 2015. The NTBs accounted for N2.77 trillion (31.38 percent) of the portfolio, while the share of Treasury Bonds marginally decreased from N296.22 billion or 3.8 percent at end -December, 2014, to N255.99 billion or 2.9 percent at end -December, 2015, due to the redemption of matured instruments.

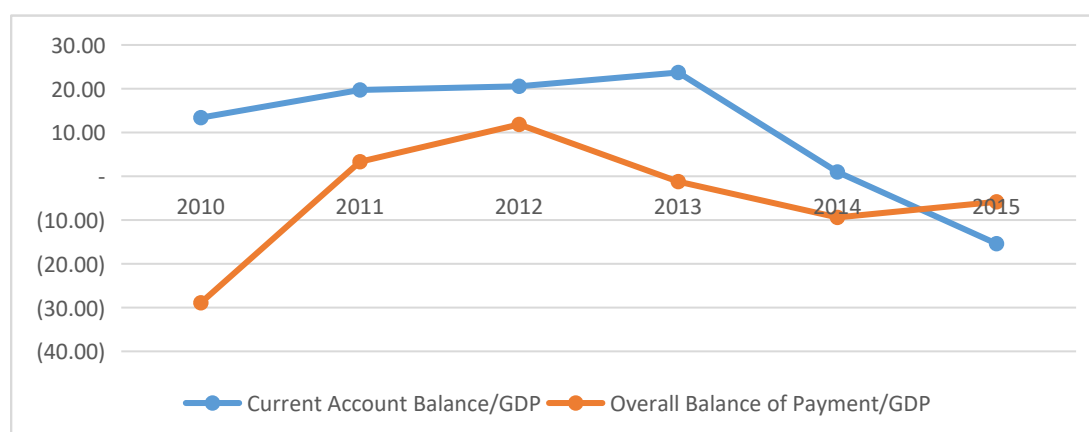
2.12.3 External Sector

381. Nigeria's trade balance deteriorated during the 2015 fiscal year. Total trade declined from ₦ 23.68 trillion in 2014 to ₦ 16.201 trillion in 2015, representing a reduction of 31.0 percent. Exports recorded a substantial decline during the review period, falling by 44.4 percent, from ₦ 16.30 trillion in 2014 to ₦ 9.59 trillion in 2015, on account of large reductions in both crude oil and non-crude oil exports. Similarly, imports experienced appreciable decline, dropping by about 15.1 percent to ₦ 6.70 trillion in 2015 from ₦7.37 trillion in 2014.

382. Nigeria's trade with Africa and the ECOWAS region declined in 2015. Trade in the African region declined by 26.0 percent to ₦1,810.8 billion in 2015 from ₦2,447.9 billion in 2014. Also, trade with the ECOWAS region, decreased, but by a lesser extent, by 6.6 percent, from ₦870.8 billion in 2014 to ₦813.6 billion. Trade with other regions of the world also decreased accordingly during the period.

383. The current account balance deteriorated from a surplus of US\$ 91 billion in 2014 to a deficit of US\$ 1.03 billion in 2015. This development was largely due to the steep fall of 130.7 percent in trade surplus. The deficit of the services account (net) continued to improve, declining by US\$6.41 billion from US\$ 22.86 billion in 2014 to US\$16.45 billion in 2015. Similarly, the income account deficit (net), narrowed to US\$12.71 billion in 2015, from US\$19.16 billion in 2014. The current transfers balance (net) remained in surplus, but declined by 8.0 percent, from US\$21.93 billion in 2014 to US\$ 20.2 billion in 2015.

Figure 77: Nigeria Current Account Balance and Overall Balance of Payment to GDP

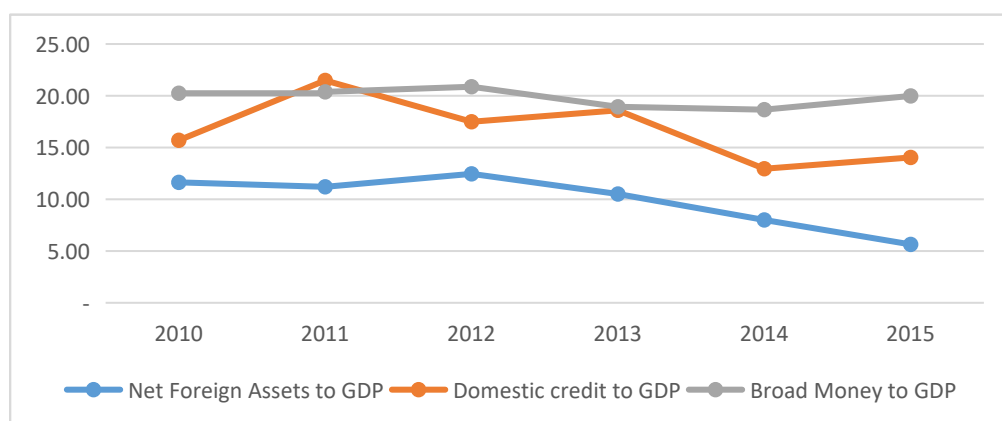


384. The financial account balance deteriorated from a surplus of US\$ 12.29 billion in 2014 to a deficit of US\$6.9 billion in 2015. This development was mainly attributed to the substantial drop of 34.7 percent in foreign direct investment (net) to US\$3.06 billion. The overall balance of payment improved to a deficit of US\$5.9 billion in 2015, from a deficit of US\$ 8.5 billion in 2014.
385. Gross external reserves declined by 17.40 percent to US\$28.3 billion (5.8 months of import-cover) at end-December 2015, from US\$34.2 billion (6.0 months of import-cover) in the corresponding period of 2014. This development was attributed to the slump in oil prices and the resultant decline in foreign exchange earnings, as well as the utilization of available reserves to intervene in the foreign exchange market in order to stabilize the value of the naira.
386. The Central Bank of Nigeria (CBN) sustained its commitment to maintaining stability in the foreign exchange market during the review period. Accordingly, the interbank foreign exchange market opened and closed at N196.99/US\$ during the period. Stability in the foreign exchange market was, however, threatened by sustained demand pressure owing to speculative activities and rising import of goods and services in the face of low accretion to external reserves.
387. The Interbank foreign exchange rate depreciated by about 1.5 percent in the second half of the year to reach N196.99/US\$ from N194.04/US\$ in the first half of 2015. Over the same period, the BDC rate depreciated by 7.67 percent from an average of N215.40/US\$ to an average of N231.93/US\$. The naira depreciated by 15.54 per cent to N267.00/US\$ at the BDC segment of the foreign exchange market at end-December 2015, compared with the N225.50/US\$ at end-June 2015. At the interbank foreign exchange market, the depreciation moderated to N197.00/US\$ at end-December, 2015 from N196.95/US\$ at the end-June 2015.

2.12.4 Monetary Sector

388. The Monetary Policy Committee (MPC) decisions in 2015 were influenced by key global and domestic developments mainly the crisis in the Euro Area, the uncertainties in the US monetary policy, declining oil revenue from lower crude oil prices and persistent liquidity surfeit in the banking system and high costs of liquidity management.

Figure 78: Nigeria Ratio of Net foreign Assets, Domestic Credit and Broad Money to GDP



389. Broad Money (M2) supply grew by 6.48 percent to ₦20.2 trillion at end-December compared with the end-December 2014 level of ₦18.9 trillion. The year-on-year growth in M2 of 5.9 percent was below the 2015 indicative growth target of 15.2 percent.
390. Narrow Money (M1) increased by 33.02 percent to ₦8.6 trillion at end-December 2015 compared with the end-December 2014 figure of ₦6,54 trillion. The year-on-year growth in M1 of 24.1 percent was above the indicative growth target of 9.9 per cent (Figures 4.4 and 4.5), indicating that M1 over-performed during the review period.

391. Net Foreign Assets (NFA) declined by 5.0 percent to N5.7 trillion at end-December 2015 compared with the end-December 2014 figure of N7.0 trillion. The year-on-year decline in NFA of 18.7 percent was below the indicative growth target of 10.6 percent. The continued weak performance of NFA was attributed to lower receipts from falling oil prices.

392. Claims on government net grew significantly by 151.6 percent above the indicative growth benchmark of 36.1 percent to N3.0 trillion at end-December compared with the end-December 2014 figure of N 1.2 trillion. The development was attributed to government's effort at bridging the budget financing gap following the significant drop in government revenues due to lower oil prices.

2.12.5 Macroeconomic Convergence

393. Nigeria met three (3) of the four Primary Criteria and one of the two Secondary Criteria. The Primary Criteria met were Annual Average Inflation rate, Ratio of budget deficit to GDP and Gross external reserves, while the Secondary criterion met was Ratio of Public Debt to GDP. Performance under the macroeconomic convergence is highlighted as follows.

Primary Criteria

- Annual Average inflation rate: Nigeria met this criterion as the annual average inflation rate remained at single digit of 9.6 percent.
- **Ratio of Budget Deficit (including grants on commitment basis)/GDP ratio ≤3percent:** Nigeria met this criterion during the 2015 fiscal year.
- **Gross External Reserve ≥3 months of imports cover:** Nigeria met this criterion during the period under review. Gross external reserves declined by 17.40 percent to stand at US\$28.3 billion at end-December 2015, which was equivalent to 5.8 months of imports cover.
- **Central Bank financing of Budget Deficit ≤10 percent of previous year's tax revenue:** This criterion has been consistently met by Nigeria since 2009 to the 2014 fiscal years as the Federal Government does not borrow from the Central Bank CBN except for 2015 where the outcome was 13.1%.

Convergence criteria	Targets	2014	2015
Primary criteria			
Budget deficit/Gross Domestic Product (GDP) ratio, including grants (commitment basis)	≤ 3%	+1,5%	0,8%
Average annual inflation rate	≤10%, objective of ≤ 5% at 31/12/2019	8.0%	9.0%
Budget deficit financing by the Central Bank	≤ 10% tax revenue n-1	0%	13.1%
Gross reserves in months of imports	≥ 3 months	6.0	5.8
Secondary criteria			
Debt stock/nominal GDP ratio	≤70%	25,6%	36,4%
Nominal exchange rate variation	±10%	-0.8%	-19,3%
Number of criteria satisfied		6	4

Secondary Criteria

- **Ratio of Total Public Debt to GDP ≤ 70percent:** Nigeria achieved this criterion. The ratio of total public debt to GDP was 10.9 percent, which was within the convergence threshold.
- **Nominal Exchange Rate variation ±10percent:** Nigeria did not meet this criterion in 2015. Against USD naira depreciated by 19.3% during the period under review in foreign exchange earnings.

2.12.6 Conclusion and Recommendations

394. The overall macroeconomic environment of Nigeria remained fragile given the less-than expected performance during the review period. There were upside and downside risks that would determine near term developments in the economy. Deepening reforms in various sectors of the economy, particularly in the areas of fiscal management, recovering external conditions, renewed fight against corruption and continued fiscal consolidation, are expected to support economic growth and prosperity in the medium term. Conversely, a weak external environment, lower international prices as well as low production of crude oil, insecurity resulting from the continued threat of terrorism, and negative effects of climate change are some of the risks that could pose a threat to the good outlook and prospects of the economy.

395. In the light of the foregoing, the following recommendations are proffered for the attention of the Nigerian Authorities:

- The Authorities should accelerate initiatives to increase energy supply in order to ease the high costs of production and operation of businesses, especially in sectors such as industry;
- There is need for the fiscal authority to sustain fiscal discipline, enhance revenue mobilization and rationalize public expenditure;
- The authorities are urged to strengthen and consolidate effort to addressing the security situation in country, particularly in the oil production region;
- Authorities are urged accelerate effort towards diversification of the economy in order to reduce heavy reliance on the oil sector and mitigate external vulnerability.

2.13 Economic and Financial Situation of Senegal in 2015

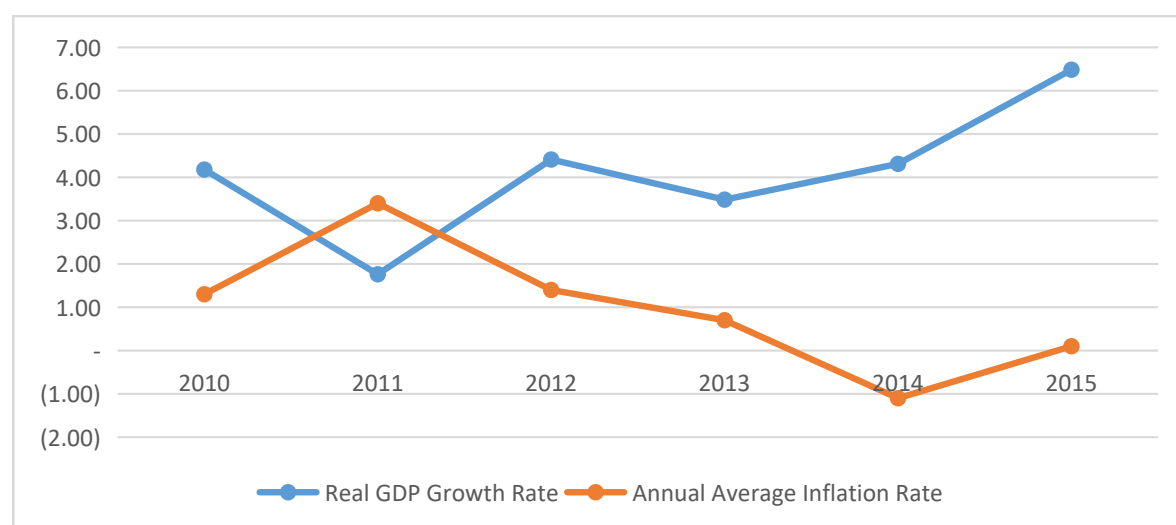
396. Economic activity in 2015 took place in 2015 in the context of the Plan Senegal Emergent (PSE) with the implementation of major projects starting to contribute to strengthen the domestic economic framework. Growth stood at 6.5% at the end of 2015 compared to 4.3% in 2014. The primary, secondary and tertiary sectors contributed to growth by 2.2 points, 1.5 points and 2.8 points respectively.

2.13.1 Real Sector

397. From the supply side developments in the primary, secondary and tertiary sectors are as follows:

398. The primary sector recorded growth of 18.2% in 2015 compared to 2.4% in 2014. The increase was attributed mainly to the agricultural sub-sector (subsistence farming and industrial agriculture). Production of food crops increased by 35.4% as a result of favorable weather combined with inputs supplied by the government as part of the implementation of the Programme for the Acceleration of Senegalese Agriculture (PRACAS). Thus, strong growth was recorded in cereal production, in particular staples such as rice, sorghum and maize. Regarding cash crops, an increase of 20.9% was recorded and attributed to the performance of peanut production which benefited from good winter season, improvement in the quality of inputs, ie, increased supply of certified seeds. The livestock and hunting sub-sector, for its part, increased by 4.8% in 2015, the same pace as in 2014. The increase is due to flocks, whose production recorded an increase of 5.6% in 2015.

Figure 79: Senegal Real GDP Growth Rate and Inflation rate



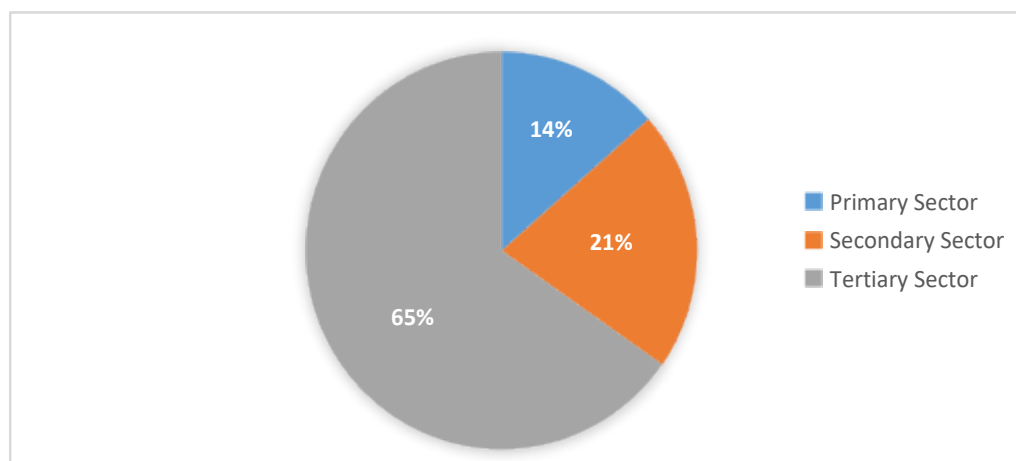
399. The share of the primary sector in real GDP stood at 13.5% in 2015 compared to 12.2% in 2014. Its contribution to GDP growth stood at 2.2 points in 2015 compared to 0.3 points in 2014.

400. The secondary sector recorded a 7.1% increase in 2015, after expanding by 5.3% in 2014. This increase was driven by the buildings, public works (BTP) and energy, chemicals manufacturing, oil refinery, processing of meat and fish as well as the manufacture of cereal food subsectors. Construction activities rose by 7.0% compared to 11.3% in 2014 on the back of key construction works such as the extension of the North Clearance Way work (VDN), completion of the Blaise Diagne International Airport (AIBD), execution of the urban center project in Diamniadio and the public social habitat programme. This favorable trend, coupled with the strengthening of foreign demand for cement was beneficial to the

construction materials sub-sector, and thus triggered an increase of 13.6%, following a rise of 7.4% in 2014. Regarding energy, an increase of 6.2% was recorded in 2015 compared to 9.7% in 2014. The sector benefited from the commissioning of the Central Tobène Power with a capacity of 70 megawatts, in the first quarter of 2015. Thus, taking advantage of the programme for rehabilitation of production capacity, the Electricity subsector expanded by 6.1% in 2015. In the Water subsector, continued investment in the water supply emergency programme enhanced production by 4.5%. In relation to chemical manufacturing, an increase of 32.4% was recorded in 2015 after a slight increase of 0.2% in 2014. Indeed, the recapitalization of Chemical Industries of Senegal (ICS) helped revive phosphoric acid and fertilizer production with respective increases of 32.8% and 29.0%. Regarding oil refinery, the resilience of domestic demand and the favorable impact of oil price decline helped strengthen the sub-sector and thus expanded by 35.5% in 2015 compared to a decline of 13.7% in 2014. Regarding meat and fish processing and preservation and manufacture of cereal food products growth of 8.8% and 11.6% respectively were recorded in 2015 compared to 0.3% and 0% a year earlier.

401. The share of the secondary sector in real GDP stood at 21.2% in 2015, compared to 21.1% in 2014. Its contribution to GDP growth stood at 1.5 points compared to 1.1 points in 2014.

Figure 80: The Composition of Senegal Economy



402. The services sector grew by 4.1% compared to 4.4% a year earlier. This slowdown was observed in both tradable services (3.8% compared to 4.1% in 2014) and non-tradables services (5.1% compared to 5.3% in 2014). Regarding the tradable services, the slowdown observed was the result of the deceleration in trade (3.9% compared to 5.4% in 2014) and real estate (3.4% compared to 4.7% in 2014) combined with the downturn in housing and restaurants (-0.9% compared to + 8.8%). However, positive developments in the sector were driven by the acceleration of the growth recorded in the transport (9.5% compared to 2.0% in 2014) and financial services (9.0% compared to 4.6% in 2014) subsectors. As regards transport, the sub-sector “terrestrial” benefited from the expansion of the road network combined with the continued renewal of the transport fleet. In rail transport, the activity benefited, among others, from the growth of Chemical Industries of Senegal and the African Refining Company, through increased product routings by rails. With respect to financial services, developments in the subsector was boosted by the diversification of banking services, the development of new money transfer systems and increased access to credit.

403. The sector's share in GDP stood at 65.3% in 2015 compared to 66.8% in 2014, while its contribution to growth was 2.8 points compared to 2.9 points in 2014.

404. From the demand side, growth was driven essentially by both final consumption (4.4 points) and investment (3.2 points). Trade contributed negatively to growth by 1.1 points. Final consumption increased by 4.9% in 2015 compared to 5.0% in 2014. This increase reflected the strengthening of both private consumption (5.0% compared to 5.2% in 2014) and public consumption (4.6% compared to 3.9% in 2014). Regarding Gross Fixed Capital Formation (GFCF), it rose by 6.1% in 2015 compared to 7.8% in 2014. The slowdown reflects the delays in the start-up of some public investment projects. Thus, public investment rose by 5.5% in 2015 (compared to 13.4% in 2014) while private investment posted a growth

of 6.5% in 2015 compared to 5.9% the previous year. Trade was characterized by a 12.0% increase in imports in 2015, compared to 4.0% in 2014 on one hand, and an increase of 12.7% in exports on the other hand, in 2015 compared to 6.8% a year earlier.

405. Regarding price development, the average annual inflation measured by the CPI stood at 0.1% in 2015, compared to -1.1% in 2014. This reflected, primarily, higher prices of food and non-alcoholic beverages (1.8%), offset by lower prices of services such as “housing, water, electricity and other fuels” (-2.7%) and “transport” (-2.1%).

2.13.2 Public Finance and Public Debt

406. Government’s fiscal operations in 2015 resulted in an overall deficit of FCFA 387.2 billion (4.8% of GDP), a reduction compared with the deficit of FCFA 391.7 billion (5.2% of GDP) recorded in 2014. Excluding grants, the deficit declined from FCFA 645.2 billion (8.5% GDP) in 2014 to FCFA 617.2 billions (7.7% of GDP) in 2015. The decline was attributed to increased mobilization of domestic revenue and grants (FCFA 99.3 billion francs) which more than offset the increase in total expenditure and net lending (FCFA 92.8 billion).

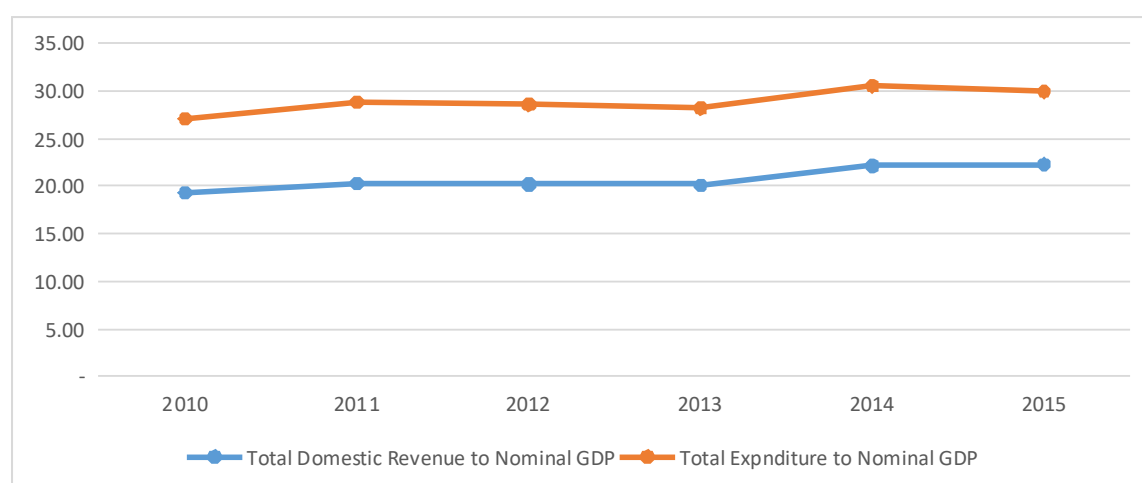
407. Total revenue and grants amounted to FCFA 2,026.3 billion (25.2% of GDP) in 2015 compared to FCFA 1,927 billion (25.5% of GDP) in 2014, representing an increase of 5.2%. This increase was due solely to domestic revenue which rose by 7.2%; grants declined by 8.5%.

408. The increase in domestic revenue was due to both tax revenue (7.7%) and non- tax revenue (21.1%).

409. Tax revenue for the period amounted to FCFA 1,597.0 billion (19.8% of GDP) compared to FCFA 1582.5 billion (19.6% of GDP) in 2014. The increase was due both to domestic taxation (direct and indirect taxes) and to taxes from international trade. The increase in direct tax receipts was due mainly to the increase in corporate income tax (CIT) and personal income tax (PIT) due to an increase in business activities in 2014 which formed the basis of assessment for corporate tax in the 2015 as well as the measures taken by the fiscal authorities to control and monitor the CIT and PIT. Regarding indirect taxation, the increase was boosted by the performance domestic VAT excluding oil, specific tax and tax on financial activities. Expansion in industrial and construction activities accounted for the increase in VAT revenue collection. With respect to taxes on international trade, VAT accounted for most of the revenue, especially that on petroleum products.

410. Non-tax revenue amounted to FCFA 111.7 billion in 2015, an increase of FCFA 19.5 billion (21.1%) compared to the level in 2014. This increase resulted from increases in income, dividends and recovery of premium “Climate Risk Insurance”. This favorable development mitigated the declines recorded in transfer fees and “special levy on telecom.”

Figure 81: Senegal Total Revenue and Total Expenditure to GDP



411. Total grants received for the period declined by 8.5% to stand at FCFA 232 billion, due to low level of mobilization. This contraction resulted from both programme grants (FCFA 31.2 billion) and capital project grants (FCFA 200.8 billion), which recorded declines of 22.5% and 5.8% respectively.
412. Total expenditure and net lending increased by 4.0% to stand at FCFA 2,411.5 billion (30.0% of GDP) compared to FCFA 2,318.7 billion (30.7% of GDP) in 2014. This increase was mainly due to recurrent expenditure, as capital expenditure recorded only a 0.9% increase.
413. Recurrent expenditure grew in 2015 by 6.7% to stand at FCFA 1,504.3 billion (21.2% of GDP) compared to FCFA 1409.3 billion (20.8% of GDP) in 2014. This increase was boosted by interest payments on the public debt, notably external debt (22.0%), spending on transfers and subsidies (24.1%) as well as staff cost (8.4%). By contrast, spending on purchases of goods and services decreased by 13.3%, after a sharp rise of 41.2% a year earlier, in connection with public expenditure rationalization measures. Regarding staff costs, measures were taken during the year to contain any increase, notably through ceiling imposed on overtime hours and control of integrating emergency units into the public service. As a proportion of tax revenue expenditure on wages accounted for 32.9% in 2015 compared to 32.7% in 2014.

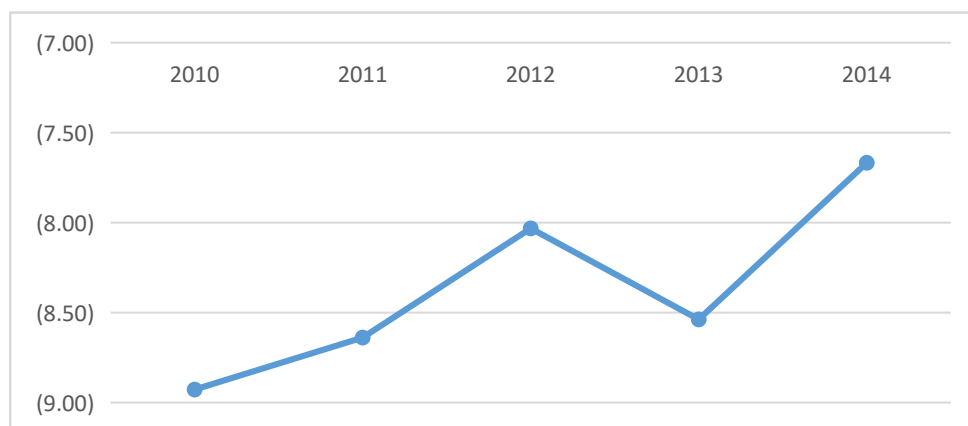


Figure 82: Senegal Overall Budget Balance Excluding Grants to Nominal GDP

414. Capital expenditure amounted to FCFA 907.2 billion (11.3% of GDP) in 2015 compared to FCFA 899.1 billion (11.9%) in 2014, an increase of FCFA 8.1 billion. This slight increase reflects the modest rise in investment spending financed from external sources (3.6%) combined with the 1.2 percent contraction of investment financed from domestic sources.
415. Regarding public debt, the total stock outstanding increased from FCFA 4112.9 billion in 2014 to FCFA 4597.7 billion in 2015, representing an increase of 11.8 percent compared to 23.1 percent in 2014. In relation to GDP the public debt rose from 54.4 percent in 2014 to 57.1 percent in 2015, a 3 percentage point increase. In terms of structure, external debt constituted FCFA3317.9 billion (72.2 percent), while domestic debt amounted to FCFA 1279.7 billion (27.8 percent).
416. With respect to debt service in 2015, external debt accounted for 11.1% of budget revenue and 8% of exports of goods and services, compared to the respective ceilings of 22% and 25% provided under debt sustainability analysis.

2.13.3 External Sector

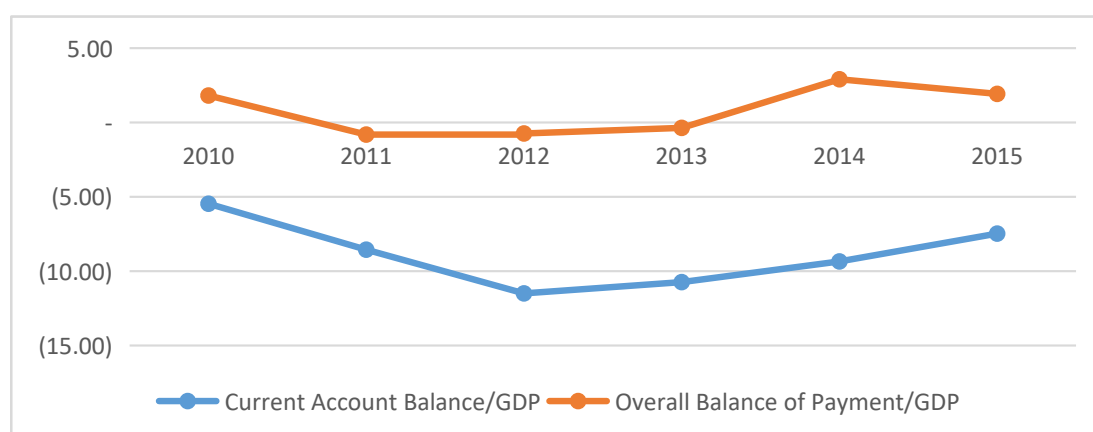
417. Senegal's transactions with the rest of the world in 2015 resulted in a surplus of the overall balance. Indeed, the overall balance of the balance of payments stood at FCFA 154.9 billion (1.9% of GDP), down from the surplus of FCFA 219.7 billion (2.9% of GDP) recorded in 2014. The decrease in the overall balance was due to a decline in the surplus of the capital and financial accounts as the deficit of the current account improved between 2014 and 2015.

418. The current account balance excluding official transfers improved from a deficit of FCFA 718.5 billion (9.5 percent of GDP) in 2014 to a deficit of FCFA 619.7 billion (7.7 percent of GDP) in 2015. This is explained by a reduction of the trade deficit by 6.5%, coupled with a 4.4 percent increase in the surplus of the secondary income. However, it was offset by a worsening of the deficits of the services and primary income accounts by 7.0% and 18.1% respectively.

419. The deficit of the trade balance declined to settle at FCFA 1,293.3 billion (16.1% of GDP) in 2015, compared to FCFA 1,383.2 billion (18.3% of GDP) in 2014. This was due to a higher increase in the value of exports than imports. Exports grew by 13.0% to settle at FCFA 1664.6 billion (20.7% of GDP) in 2015 on account of a good performance of sales of groundnut products, phosphoric acid, phosphate and cement abroad. On the other hand, imports increased by 3.6 percent to reach FCFA 2,957.9 billion (36.7% of GDP) in 2015, from FCFA 2855.9 billion CFA francs (37.8% of GDP) in 2014, driven by foreign purchases of capital goods, food products and intermediate products.

420. The deficit of the services account deteriorated from FCFA 65.6 billion in 2014 (0.9 percent of GDP) to FCFA 70.2 billion (0.9% of GDP) in 2015. This increase in the deficit was associated with the increase in freight resulting from the rise in imports. The primary income deficit widened from FCFA 33.7 billion to stand at FCFA 220.2 billion in 2015 compared to FCFA 186.5 billion in 2014 due to the increase in interest payments on the external debt and to the payments of higher of investment income to non-residents. The surplus of secondary income improved during the period, increasing from FCFA 969.3 billion (12.8 percent) in 2014 to FCFA, on account of strong remittances from migrants.

Figure 83: Senegal Current Account Balance and Overall Balance of Payment to GDP



421. The surplus of the capital and financial accounts was reduced in 2015 to stand at FCFA 725.2 billion from FCFA 880.7 billion in 2014. This reduction was associated mainly the financial account which was marked by a fall in net public capital, reflecting the issuance of Eurobond in 2014.

2.13.4 Monetary Sector

422. The monetary situation at the end of 2015, compared to the same period in 2014, was characterized by an improvement of 14.4% in net foreign assets, a 11.2% increase in domestic credit and an expansion of the money supply by 13.4%.

423. Net foreign assets stood at FCFA 1,232.9 billion in 2015, an increase of FCFA 154.9 billion compared to the FCFA 1078.0 billion recorded in 2014. This increase was due both to net foreign assets of BCEAO (FCFA 98.6 billion) and those of commercial banks (FCFA 56.4 billion).

424. The stock of domestic credit increased by FCFA 295.1 billion to stand at FCFA 2932.7 billion (36.4% of GDP), compared to FCFA 2637.6 billion (34.9% of GDP) in 2014. This increase is explained by the deterioration of FCFA 127.8 billion of net government position and an increase of FCFA 167.4 billion of credit to the private sector.

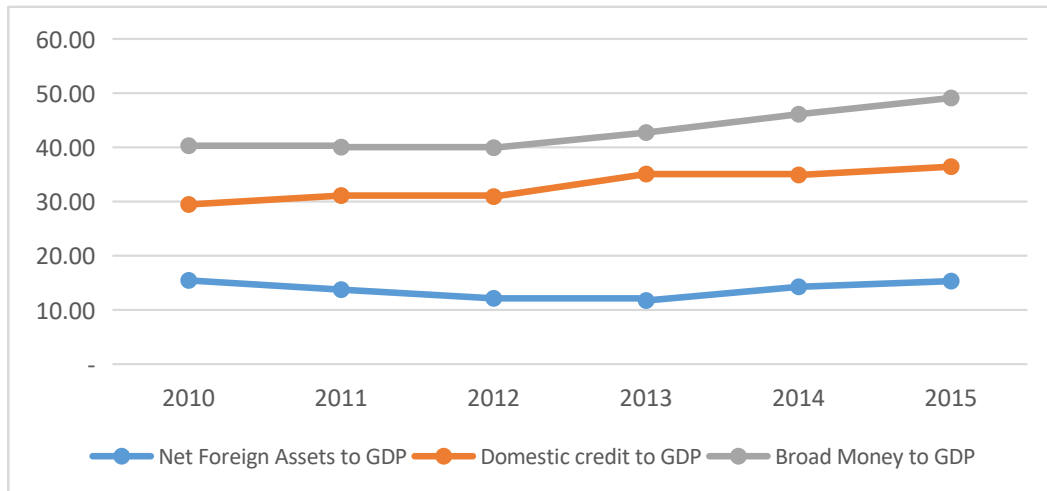


Figure 84: Senegal Ratio of Net Foreign Assets, Domestic Credit and Broad Money to GDP

425. Reflecting developments in its components, money supply grew by 13.4% in 2015 compared to an increase of 11.5% in 2014. This increase in overall liquidity resulted from an expansion of bank deposits (FCFA 331.7 billion) and currency in circulation (FCFA 121.7 billion). In total, the overall liquidity rate of the economy increased from 46.1% in 2014 to 49.1% in 2015, an improvement of 3 percentage points.

2.13.5 Macroeconomic Convergence

426. With regard to macroeconomic convergence underperformance was observed in 2015. Senegal met four convergence criteria in 2015 compared to five in 2014. The criteria relating to budget deficit and nominal exchange rate could not be met.

427. The convergence situation of the Senegalese economy in 2014 and 2015 is as follows:

Convergence criteria	Standards	2014	2015
First level criteria			
Ratio of fiscal deficit including grants (commitment basis) to Gross Domestic Product (GDP)	≤ 3%	5,2%	4,8%
Average annual inflation rate	≤10 and ≤5% target in 2019	-1,1%	0,1%
Central Bank financing of the budget deficit	≤ 10% of tax revenues of n-1	0%	0%
Gross external reserves (in months of imports)	≥ 3months	4,8	4,8
Second level criteria			
Ratio of Public debt to nominal GDP	≤70%	54,4%	57,1%
Nominal exchange rate stability	±10%	+0,1%	-16,5%
Number of criteria met		5	4

2.13.6 Conclusion and Recommendations

428. During 2015, growth was consolidated with a rate of 6.5% compared to 4.3% in 2014 with a positive contribution from all sectors. In terms of public finances, the execution fiscal operations was marked by efforts directed at resource mobilization and expenditure rationalization aimed at reducing the overall deficit as a percentage of nominal GDP. With respect to macroeconomic convergence, developments in the relationship between the euro and the dollar affected attainment of the criterion relating to nominal exchange rate, in contrast to the situation in 2015.

429. To further strengthen the economic and financial situation as well as macroeconomic convergence, the following recommendations are made:

- Ensure proper implementation of the Plan Senegal Emergent through effective implementation of the projects it contains;
- Continue efforts in mobilizing domestic resources and control of expenditures;
- Continue efforts to ensure adequate production and distribution of electrical energy.

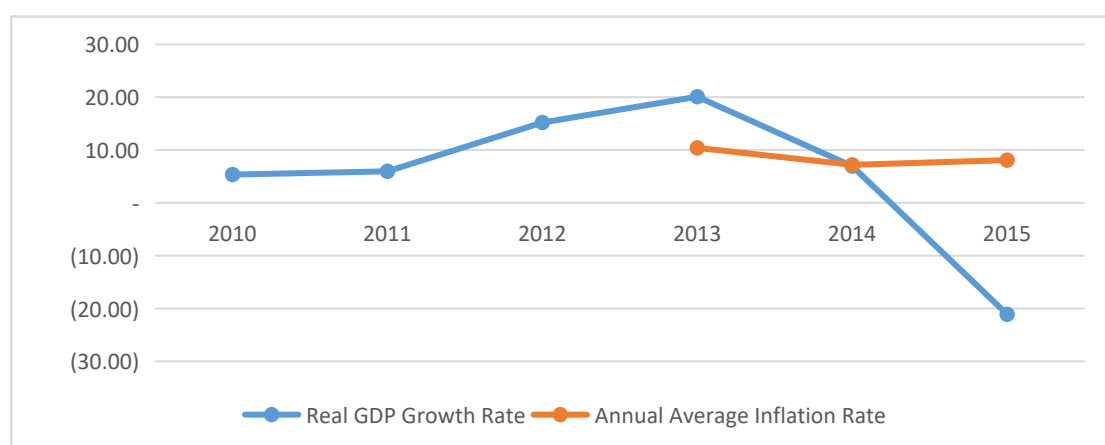
2.14 Economic and Financial Situation in Sierra Leone in 2015

430. The objective of economic policy in 2015 was to ensure macroeconomic stability through the implementation of sound fiscal and monetary policies in line with the post-Ebola recovery strategy. The economy was seriously affected by two major shocks: the Ebola epidemic and the collapse in global iron ore prices, which resulted in financial difficulties of the iron ore mining companies. As a result, some of the significant gains achieved in 2014 were eroded and new challenges emerged in the fiscal, external and social sectors.

2.14.1 Real Sector

431. Provisional estimates indicated that real GDP growth contracted by 21.1 percent in 2015 relative to a moderate growth of 4.6 percent in 2014, due largely to the lingering impact of the Ebola and the cessation of iron ore mining.

Figure 85: Sierra Leone Real GDP Growth Rate and Inflation Rate



432. The Agriculture sector accounted for 40 percent of GDP and grew by 3.2 percent in 2015, compared to 39.2 percent in 2014, mainly on account of strong government and donor support to farmers through the provision of basic agricultural inputs such as improved seedlings and fertilizers. The value added of the sector grew marginally by 3.2 percent in 2015 compared to the 0.8 percent growth recorded in 2014, largely due to the recovery of the crop production from the impact of the Ebola Virus Disease (EVD). Livestock grew by 1.4 percent as the restrictions on movement created an opportunity for farmers to increase their stock as the points of sale were reduced. Forestry grew by 2.1 percent since the ease of restrictions on vehicular movement encourage production and supply to urban markets of timber, fence sticks; charcoal production continued and used to support the energy needs of quarantined homes. Fisheries grew by 2.1 percent as artisanal and industrial fishing activities were marginally affected by EVD.

433. The mining industry contracted by 75.3 percent due to the declining status of mining and quarrying by 85.31 percent and manufacturing and handicrafts by 3.14 percent respectively. Under mining, iron ore declined significantly by 96.0 percent while diamond and zircorn declined by 15.9 percent and 73 percent, respectively. However, other minerals such as rutile, ilmenite, bauxite and gold increased by 9.6 percent, 5.0 percent, 25.5 percent and 131 percent, respectively relative to the 2014 figures. Electricity and water supply also increased by 5.87 percent and construction by 1.10 percent. Manufacturing value added continued to decline, but at a slower pace, from a negative growth rate of 7.1 percent in 2014 to negative 3.1 percent in 2015 due to the impact of EVD on economic activities such as agriculture and entertainment that support the sub-sector. In terms of growth rate, manufacturing and handicraft is estimated to have declined by 3.1 percent in 2015, compared to a decline of 7.1 percent in 2014.

434. Services marginally increased by 0.1 percent in 2015. Trade declined by 6.7 percent in 2015 due to the reduction in imports, manufacturing production, and diamond output in the same year. Hotels and Restaurants industry was hard hit as the industry lost over 20 percent of arrivals due to the ban on majority of flights to and from Sierra Leone – this led to a further decline of value added in the industry in 2015 by 8.4 percent.

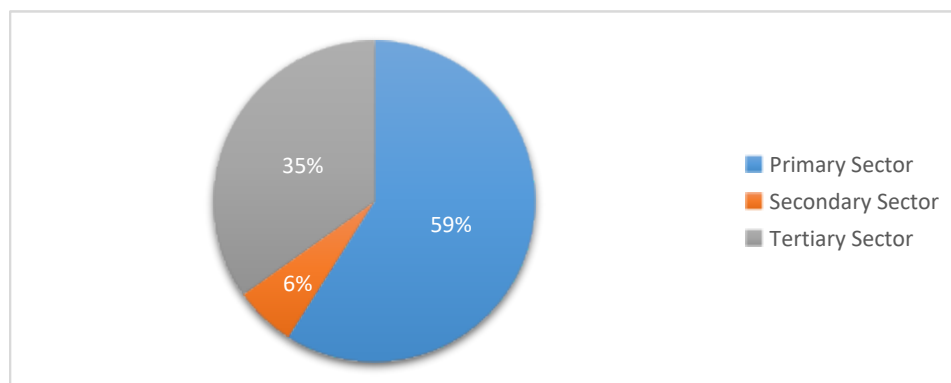


Figure 86: The Composition of Sierra Leone Economy in 2015

435. Communication grew by 4.4 percent due to an increase in foreign nationals in the country in the fight against EVD as well as being the major means of communication for quarantined homes. Public administration services grew by 5.1 percent as government continued to support the economy. Other services declined by 2.4 percent as mining supporting activities became affected by the closure of iron ore mining companies throughout 2015.

436. Inflation was contained within single digit throughout 2015. Nevertheless, inflationary pressures mounted during 2015 ending at 8.9 percent at end-December 2015, from 7.9 percent at end December 2014. Non-food inflation increased to 11.08 percent in 2015 from 7.66 percent in 2014, reflecting the pass-through effects of the depreciation of exchange rate on domestic prices. Food inflation, which started to decline from the beginning of the year, sustained its declining trend throughout the year to end at 5.76 percent in December 2015, from the 8.11 percent recorded in December 2014. Core inflation (excluding food and energy) stood at 4.88 percent in 2015 compared to 3.80 percent in 2014, largely reflecting the gradual recovery of domestic demand.

2.14.2 Public Finance and Public Debt

437. The Government of Sierra Leone's fiscal policy in 2015 aimed at supporting fiscal consolidation through increased revenue mobilization as well as expenditure rationalization and prioritization.

438. Actual total domestic revenue collected in FY 2015 amounted to Le2.33 trillion compared to the revised target of Le2.2 trillion, recording an excess over target of about Le148.9 billion. Collections from Income Taxes were Le901.7 billion, exceeding the target of Le831.5 billion by Le70.2 billion. Goods and Services Tax were also above target by Le33.8 billion, with total collections of Le593.0 billion. Customs and Excise department collections amounted to Le545.8 billion compared to a target of Le516.4 billion, with the target being exceeded by Le29.4 billion. Mines department collections for the year amounted to Le86.5 billion compared to a target of Le78.9 billion recording an excess over target of Le7.7 billion. Revenues collected from other departments amounted to Le108.4 billion, exceeding the target by Le14.8 billion. Road User Charges and Vehicle Licenses amounted to Le94.7 billion compared to the target of Le101.7 billion.

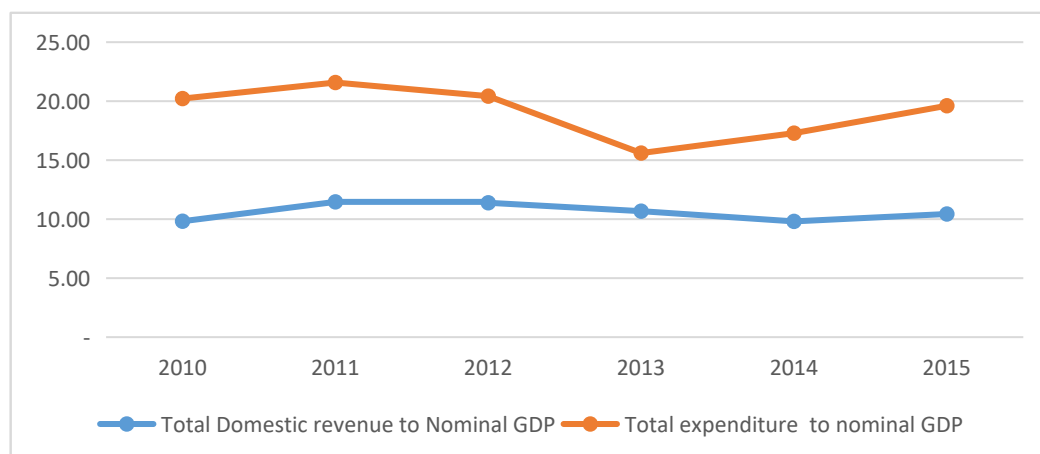


Figure 87: Sierra Leone Total Revenue and Total Expenditure to GDP

439. Total Grants received for the year amounted to Le1.16 trillion (5.2percent of GDP) compared to a target of Le1.19 trillion (5.4percent of GDP). Of this, programme grants received stood at Le656.1 billion, while project grants amounted to Le508.5 billion. External budget support received and credited into the CRF amounted to Le645.2 billion (2.9 percent of GDP) compared to a target of Le657.0 billion (3 percent of GDP), recording a shortfall of about Le11.8 billion. In total therefore, about Le52.5 billion of Programme Grants to support budget execution was not received.

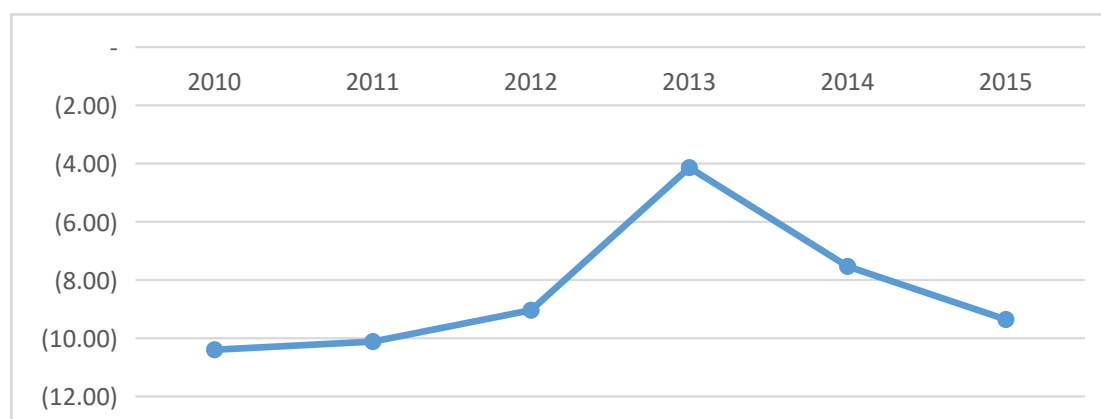
440. Total expenditure and net lending amounted to Le4.42 trillion in 2015, compared to a target of Le4.38 trillion, resulting in an overrun of about Le40.4 billion. The wage bill stood at Le1.58 trillion and accounted for about 65 percent of domestic revenue or 6.7 percent of GDP, due mainly to the half year impact of the implementation of the 15 percent salary increase for all public workers, and the impact of the Ebola outbreak on domestic revenue collection.

441. Strict expenditure commitment control policies were adopted in the first half of the year to minimize expenditure overruns. Non-salary non-interest recurrent expenditures amounted to Le 1,041,760 billion, below the annual target.

442. Actual capital expenditure and net lending for the year was Le1.61 trillion or 7.5 percent of GDP recording an over-run of about Le64.9 billion. Total repayment of arrears for FY 2015 amounted to Le38.7 billion, compared to a target of Le34.5 billion, leading to an overrun of about Le4.2 billion.

443. The overall budget deficit on cash basis amounted to Le1.02 trillion or 4.6 percent of GDP, compared to a programme target of Le1.09 trillion or 4.9 percent of GDP. The deficit was financed from both domestic and foreign sources. Total foreign financing of the budget deficit was Le337.8 billion or 1.5 percent of GDP, compared to the target of Le360.6 billion or 1.6 percent of GDP. Domestic financing of the budget deficit stood at Le669.6 billion or 3 percent of GDP, compared to the programme target of Le733.2 billion or 3.3 percent of GDP.

Figure 88: Sierra Leone Overall Budget Balance Excluding grant to GDP



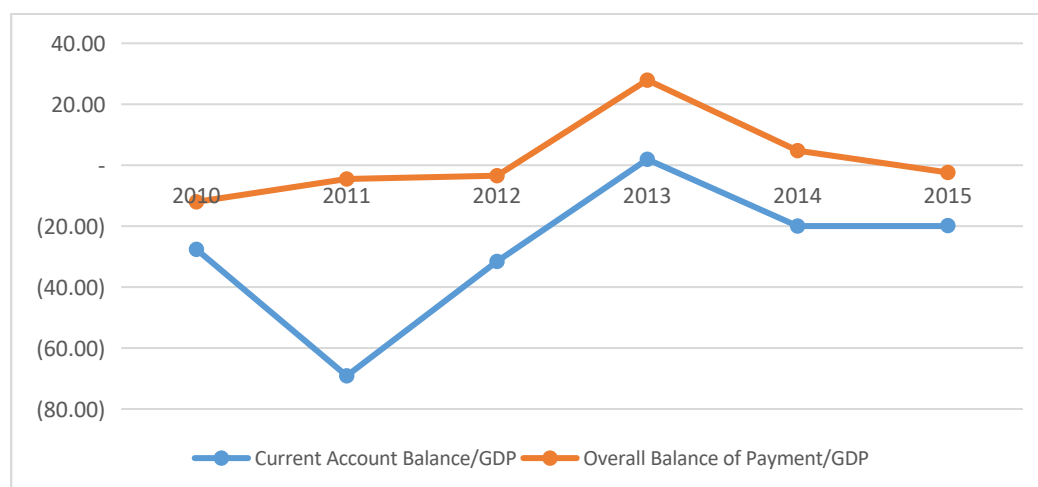
444. Public Debt: Public and publicly guaranteed external debt stood at US\$1.25 billion as at end-December 2015, compared to US\$1.127 billion at end-December 2014, representing an increase of 10.8 percent. The increase was mainly due to increased net inflows from multilateral creditors, particularly the International Monetary Fund (IMF). The share of multilateral debt increased from 68.0 percent from December 2014 to 70.4 percent in December 2015, while commercial and bilateral debts accounted for 16.3 percent and 13.3 percent respectively. Total external debt service payments for 2015, excluding IMF repayment, amounted to US\$30.48 million (Le156.48 billion), of which principal and interest payments amounted to US\$22.85 million (Le116.79 billion) and US\$7.63 million (Le39.72 billion) respectively.

445. Total domestic debt interest paid in 2015 amounted to Le134.87 billion, representing a 25 percent decrease when compared to total domestic interest payments of Le181.89 billion in 2014.

2.14.3 External Sector

446. External sector performance was mixed during the review period. The current account deficit narrowed to US\$680.5 million (15.5 percent of GDP) in 2015 from US\$911.1 million (18.2 percent of GDP) in 2014, mainly on account of increased donor transfers for post-Ebola recovery support and the reduction of net services payments to expatriates. The trade deficit however widened to US\$723.9 million (16.5 percent of GDP) in 2015 from US\$339.2 million (6.8 percent of GDP) in 2014, due largely to the sharp contraction in exports, particularly iron ore. Total exports declined to US\$582.0 million (13.2 percent of GDP) from US\$1,304.4 million (26.0 percent of GDP) in 2014, reflecting the cessation of iron ore production by the two major mining companies. Merchandise imports also declined to US\$1,305.9 million (29.7 percent of GDP) from US\$1,643.7mn (32.7 percent of GDP) in 2014, due largely to the reduction in the importation of petroleum products as well as Ebola-related items.

Figure 89: Sierra Leone Current Account Balance and Overall Balance of Payment to GDP



447. The capital account recorded a surplus of US\$134.5 million (3.1 percent of GDP) in 2015, compared to US\$82.2 million (1.6 percent of GDP) in 2014, due to increased capital transfers. The financial account remained in surplus, although it decreased to US\$323.1 million (7.3 percent of GDP) in 2015, from US\$541.8 million (10.8 percent of GDP) a year earlier, mainly due to reduction in net direct investment and other net investment flows. On the whole, the overall balance of payments (BOP) recorded a deficit of US\$73.8 million (1.7 percent of GDP) compared to a surplus of US\$39.0 million (0.8 percent of GDP) in 2014.

448. Gross International Reserves: Gross foreign reserves increased to US\$ 580 million (3.8 months of imports) in 2015 from US\$554 million (3.6 months of imports) in 2014. Major inflows during the year include aid disbursement/BOP Support amounting to US\$238.48 million of which US\$60.15 million was IMF financing for the budget and US\$30 million was EU budget support. Major outflows include payment for goods and services amounting to US\$215.28 million and debt service of US\$22.58 million.

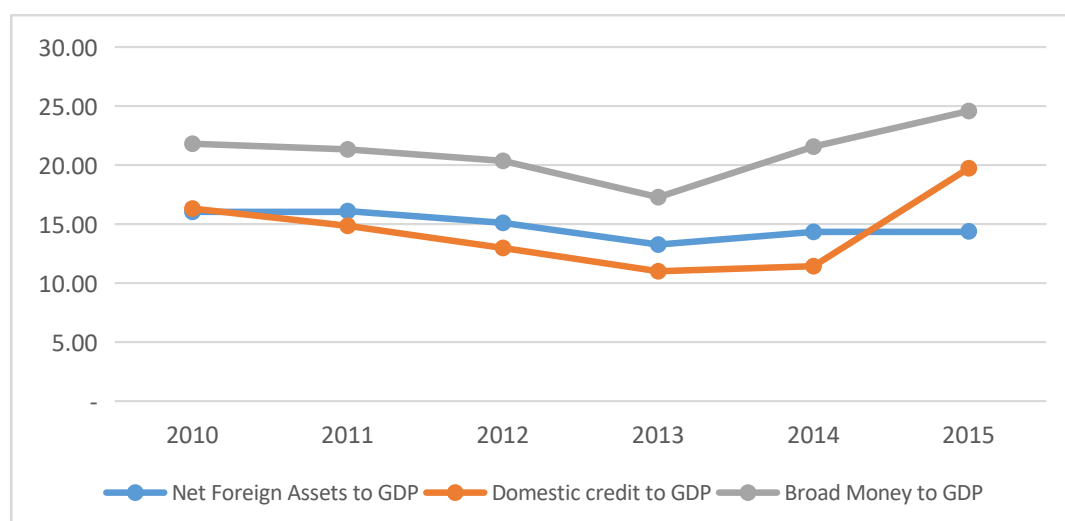
449. Trends in Exchange Rates: The exchange rate of the Sierra Leonean Leone to the US dollar continued to depreciate across all the foreign exchange market segments in 2015, albeit the spread improved in all the market segments. The official Central Bank rate depreciated by 13.4 percent compared to a depreciation of 13.3 percent in 2014. The commercial banks' rate depreciated by 13.4 percent relative to a depreciation of 13.1 percent in 2014. The auction rate depreciated by 13.7 percent compared to a depreciation of 14.1 percent in 2014 whilst the parallel market rate depreciated by 10.4 percent compared to a depreciation of 19.5 percent in 2014.

2.14.4 Monetary Sector

450. The primary objective of monetary policy in 2015 was to achieve price stability to support overall economic recovery. In addition to maintaining price stability, monetary policy was also focused on pursuing financial sector stability through enhancing supervision of the financial sector. The monetary policy management framework remained monetary targeting and Reserve money continued to be the operational target while open market operations (OMO) remained the key monetary instrument.

451. Trends in monetary aggregates: Developments in monetary aggregates in 2015 broadly showed a slower pace of expansion compared with those of 2014. Broad money supply registered an annual growth of 11.3 percent in 2015, largely due to growth in Net Domestic Assets (NDA) of the banking system of 35.9 percent. However, Net Foreign Assets (NFA) of the banking system contracted by 1.3 percent due, largely, to increase in foreign liabilities of the Central Bank arising mainly from GOSL/IMF on-lending Budget Financing funds. In terms of components of M2, demand deposits and currency in circulation expanded by 25.3 percent and 18 percent year-on-year respectively in 2015, compared with 35.83 percent and 14.0 percent respectively during the preceding period. However, time deposits recorded significant decline of 16.1 percent, due to the general decrease in the average interest rates across all time deposits of commercial banks.

Figure 90: Sierra Leone Ratio of Net Foreign Assets, Domestic Credit and Broad Money to GDP



452. Reserve Money (RM) grew by 10.5 percent on a year-on-year basis in December 2015, up from 30.1 percent in December 2014. The growth reflected, mainly, expansion in Bank of Sierra Leone Net Domestic Assets (NDA), which was in turn driven by strong Net Claims on Government (NCG). Net Claims on Government by the banking sector increased by 33.6 percent from Le1, 938.94 billion in December 2014 to Le2, 589.2 billion in December 2015.

453. Credit: Commercial Banks' credit to the private sector remained subdued, partly reflecting crowding out from public borrowing and difficult economic environment. Total credit to the private sector by commercial banks grew marginally by 2.2 per cent (Le22.3 billion), compared with 5.1 percent (Le50.0 billion) growth recorded in the preceding period of 2014.

454. Interest Rates: The Monetary Policy Rate (MPR) which signals the Bank's monetary policy stance and also serves as a guide to other market rates was reduced from 10 percent in December, 2014 to 9.5 percent in March, 2015 and remained at 9.5 percent as at end December, 2015. In terms of interest rates on deposits, there was a general decrease in the average interest rates across all term deposits of commercial banks. The average lending rate of banks remained sticky with only a marginal decrease to the range of 18.1 to 24.8 percent in December 2015 from 19.23-25.14 percent in December 2014.

2.14.5 Macroeconomic Convergence

455. In the review period the country satisfied three of the four Rationalized ECOWAS primary convergence criteria, namely: single digit inflation, central bank financing as a percentage of previous year's tax revenue and gross external reserves in months of import cover, same as in December 2014. The attainment of ratio of budget deficit to GDP criterion remained a challenge during the review period due mainly to expenditure overruns to finance post-Ebola recovery programmes and government capital projects. The country also met one of the two, secondary convergence criteria, namely: the ratio of public debt to GDP, but missed the criterion of exchange rate variation.

Convergence criteria	Targets	2014	2015
Primary criteria			
Ratio of budget deficit(commitment basis) to GDP	≤ 3%	3.3%	4.1%
Average annual inflation rate	≤10%, objective of ≤ 5% at 31/12/2019	7.2%	8.1%
Central Bank financing of budget deficit	≤ 10% tax revenue n-1	8.1%	0%
Gross external reserves	≥ 3 months	3.6	4.8
Secondary criteria			
Ratio of Total Public Debt to GDP	≤70%	35.4%	29.1%
Nominal exchange rate variation	±1%	-2.3%	-12.3%
Number of criteria satisfied		5	4

Primary Criteria

- **Fiscal Deficit (including grants)/GDP:** This criterion stood at 4.1 and was not met due mainly to expenditure overruns to finance post-Ebola recovery programmes and government capital projects, coupled with the external price shock that affected our exports.
- **Annual Average Inflation Rate:** This criterion was met at 8.08 percent. Despite the inflationary pressures generated by the Ebola outbreak, the country satisfied this criterion during the review period.
- **Central Bank financing of the Fiscal deficit:** This criterion was met as the total central bank financing amounted to -0.7 percent which was well within the threshold of ≤ 10 percent of previous year's tax revenue.
- **Gross External Reserves:** The criterion was met as gross foreign reserves increased to US\$ 580 million (4.8 months of imports) in 2015 from US\$554 million (3.6 months of imports) in 2014.

Secondary Criteria

- **Public Debt/GDP:** The ratio of public debt to GDP in 2015 was met at 29.1 percent.
- **Exchange Rate Stability:** The nominal exchange rate in 2015 was -12.2 percent which breached the ECOWAS target of ± 10 percent of the central parity rate. The country did not satisfy this criterion due to the exchange rate volatility in the review period spurred partly by the supply shock caused by the Ebola outbreak.

2.14.6 Conclusion and Recommendations

456. The Sierra Leone's economy contracted in 2015, on account of the negative impact of the decline in the price of iron ore, including the subsequent closure of two major iron ore mining companies as well as the protraction of the Ebola Virus Disease. Supply shocks and the pass-through effect of exchange rate depreciation increased inflationary pressures in the country. Fiscal deficit widened on account of revenue shortfalls and expenditure overruns to finance Ebola-related spending. In terms of macroeconomic convergence, the country satisfied three of the four primary criteria, same as at end-December 2014. The country also met one secondary criteria same as 2014.

457. Against this backdrop, the following recommendations are proposed:

- The need to expand, diversify and strengthen the productive base of the economy to make it able to withstand, to a greater extent, both external and domestic shocks.
- Efforts should be intensified to boost electricity generation and address the current energy deficit by creating the necessary fiscal space for the implementation of the energy sector development blueprint. Furthermore, the authorities should follow through with current reforms to unbundle electricity generation, transmission and distribution.
- The authorities should intensify the implementation of measures aimed at expenditure rationalization. In this regard, the Government should restrain non-priority spending and sustain public financial management reforms. The creation of the Single Treasury Account as well as the formulation of medium-term wage policy and strategy should be done speedily.
- The BSL is encouraged to consolidate the recent reforms to reduce NPLs and continue the implementation of sound corporate governance in banks. Furthermore, commercial banks should strengthen the quality of credit administration through sustained capacity building and introduction of asset/debt recovery mechanisms.

2.15 Economic and Financial Situation in Togo in 2015

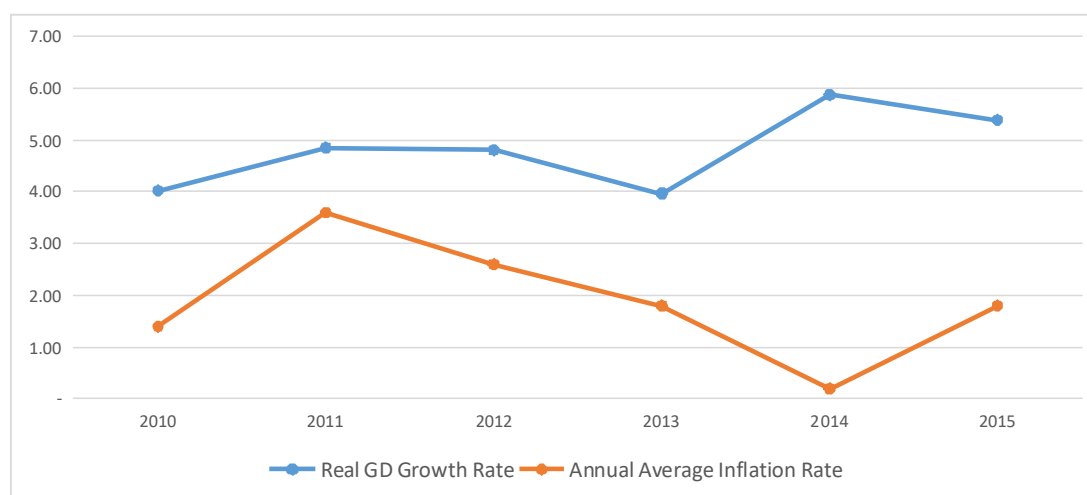
458. Economic activity in 2015 was marked by the continued implementation of projects to support the agriculture sector through the National Agricultural Investment Programme and Food Security (PNIASA) and major policy initiatives to boost the economic infrastructure. It is estimated that GDP growth in real terms fell slightly from 5.9% in 2014 to 5.4% in 2015, driven by the secondary and tertiary sectors.

2.15.1 Real Sector

459. The value added of the primary sector recorded a decline of 1% in 2015 after a growth of 14.3% in 2014. The sector's contribution to growth was 0.3 percentage points compared to 4.1 percentage points in 2014. This underperformance was largely due to the decline in agricultural production, which induced a decrease of 7.2 percent in the value added. The decline in agricultural production was linked to the poor rainfall recorded during the first half of 2015 which had a negative impact on agricultural production, especially food crops and cotton.

460. The decline in food production of 6.5% in 2015 was related to all products with the exception of beans and peanuts which grew by 5.9% and 0.6% respectively. The production of export crops such as cotton fell from 199.5 thousand tonnes in 2014 to 180,000 tonnes in 2015, mainly in connection with the decline in cotton production of 29.8%. The value also decreased by 9.8% in 2015, after an increase of 27.6% in 2014.

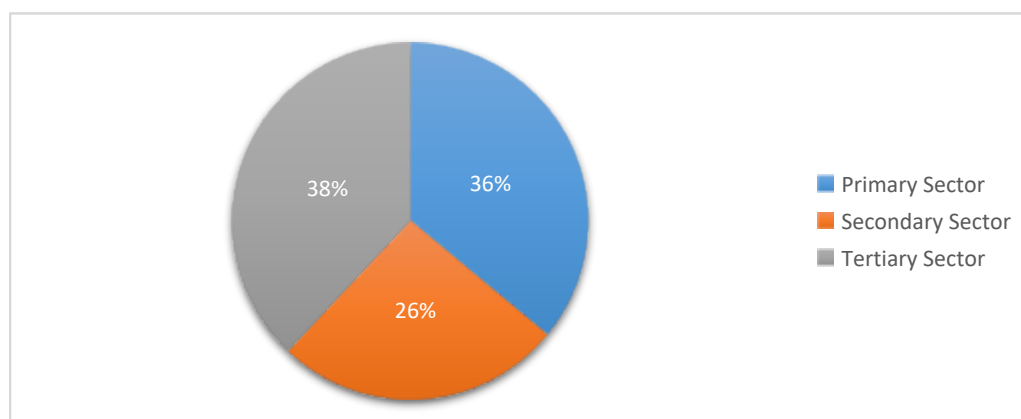
Figure 91: Togo real GDP growth Rate and Inflation Rate



461. The secondary sector recorded an increase of 10.3% in value in 2015 compared to 0.8% in 2014. The sector's contribution to GDP growth was 2.1 percentage points. This was mainly due to contributions of 0.8%, 0.7% and 0.6% respectively by the subsectors "construction and public works" (BTP), "manufacturing" and "extractive industries". Value added in the mining industry experienced an increase of 18.5% compared to a decline of 3% in 2014, due to the increase in value added of phosphate and clinker by 0.1% and 80.5 percent respectively. Value added in manufacturing increased by 8.4% while "electricity, gas and water" rose by 0.3% compared to 2% in 2014. The value added of "construction" experienced an increase of 12.9%, driven by major works undertaken to renovate and strengthen basic infrastructure.

462. The value added of the services sector increased by 3.9%. The changes in the various components of this sector were as follows: “Trade” (3.5%), “Transport, storage and communication” (8.9%), “Banking, insurance” (2.1 %) and “other services” (1.6%). The sector’s contribution to GDP growth was 1.2 points in 2015. The value added of non-tradable subsectors increased by 2.2% compared to 1.9% in 2014.

Figure 92: The Composition of the Togo Economy



463. From the perspective of demand, growth was mainly driven by private final consumption and public investment. Overall, final consumption rose by 10%. This increase was boosted by government consumption and private consumption. Gross fixed capital formation increased by 17.6%, driven by public gross fixed capital formation, which increased by 33.7%, while private gross fixed capital formation increased by 5.6%. Regarding foreign trade, exports and imports of goods and services increased respectively by 2.8% and 13.6% in 2015. Domestic demand accounted for 125.4% of GDP in 2015, compared to 118.4 % in 2014.

464. With regard to price developments, inflation increased from 0.2% in 2014 to 1.8% in 2015. This increase was due, mainly to “food and non alcoholic beverages”, “clothing and footwear products”, “housing, water, electricity, gas and other fuels”, “restaurants and hotels”.

2.15.2 Public Finance and Public Debt

465. The financial activities of the government in 2015 showed the following trends: an increase of 14% in total revenue and grants; a 24.6% increase in total expenditure and net lending; a 34% increase in capital spending, worsening of the overall fiscal deficit including grants of FCFA 152.4 billion compared to FCFA 75.3 billion in 2014.

466. Total revenue (including grants) increased by 14% to stand at FCFA 628.2 billion, while revenue excluding increased by 13%, to stand at FCFA 571 billion FCFA. Tax revenue amounted to FCFA 516.3 billion representing an increase of 12.7%, on account of increases in taxes on goods and services by 19.6%, to stand at FCFA 265.8 billion and taxes on foreign trade by 13% amounting to FCFA 132.5 billion CFA francs.

467. Indirect taxes increased by 19.4% to stand at FCFA 294 billion at end- December 2015, compared to FCFA 246.2 billion at the end of 2014. This positive performance was due, largely to intensification of the fight against corruption and smuggling, tax recovery by banks, strengthening of risk analysis, computerization of services, efforts to increase awareness. At the end of 2015, non-tax revenue amounted to FCFA 54.7 billion in 2015, compared to FCFA 47.2 billion in 2014. Grants received amounted FCFA 57.2 billion, compared to FCFA 45.8 billion in 2014.

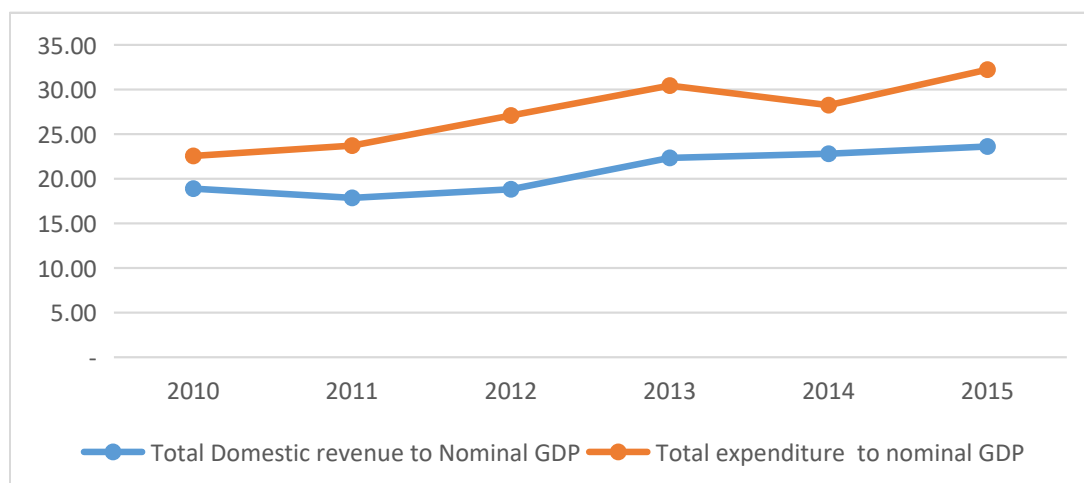
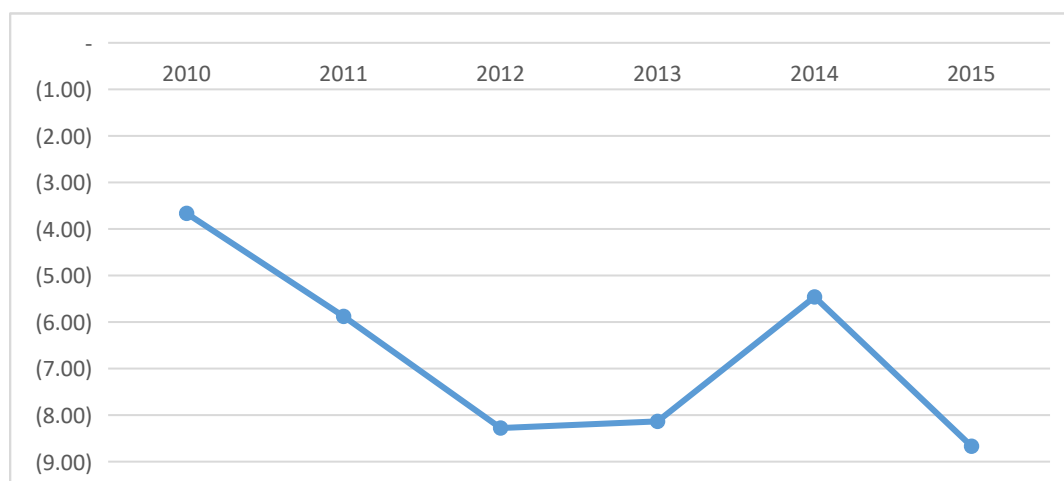


Figure 93: Togo Total Revenue and Total Expenditure to Nominal GDP

468. Total expenditure increased by about 24.6% to stand at FCFA 780,6 billion compared to FCFA 626.4 billion in 2014. Recurrent expenditure rose by 19.8%, reaching FCFA 501.5 billion, compared to FCFA 418.8 billion at the end of December 2014. This increase was due to a rise in “wages and salaries” and “other current expenditure” of 19.7% and 27.9 percent respectively to stand at FCFA 171.7 billion and FCFA 250 billion respectively. Interest due on the public debt amounted to FCFA 45.4 billion, compared to FCFA 28.3 billion in 2014. Capital expenditure increased by 34% to stand at FCFA 277.7 billion, compared to FCFA 207.3 billion in 2014.

469. The overall budget balance including grants, on commitments basis, resulted in a deficit of FCFA 152.4 billion, compared to a deficit of FCFA 75.3 billion in 2014. Excluding grants, the deficit amounted to FCFA 209.6 billion in 2015, compared to a deficit of FCFA 121 billion in 2014. The overall balance including grants (cash basis) resulted in a deficit of FCFA 124.1 billion, compared to a deficit of FCFA 100.2 billion in 2014. The domestic and external financing of the deficit amounted to FCFA 47.2 billion and FCFA 76.9 billion respectively, compared to FCFA 59 billion and FCFA 49.4 billion respectively in 2014.

Figure 94: Togo Overall Budget Balance Excluding Grants to GDP



470. The total stock of public debt (domestic and external) recorded an increase of 18.7% to stand at FCFA 1,384.9 billion end-December 2015. The total stock of external debt amounted to FCFA 604.2 billion in 2015 (representing 43.6% of the total debt stock), compared to FCFA 470.5 billion in 2014.

471. The total stock of external debt increased by 28.5% due to the combined effect of payments, prints and fluctuations in major currencies in which the loan portfolio is denominated. The increase in external debt was mainly due to the stocks of multilateral and bilateral debts which experienced increases of 20.7% and 58.5% respectively in 2015 to stand at FCFA 293.5 billion and FCFA 42.3 billion, respectively.

472. Regarding domestic debt, the stock outstanding at end-December 2015 amounted to FCFA 780.8 billion, representing an increase of 12.1 percent, compared to FCFA 696.4 billion in 2014. The increase was attributed mainly to the rise in conventional debt (bond issues, securitizations, allocations of SDRs and bad debts of banks).

2.15.3 External Sector

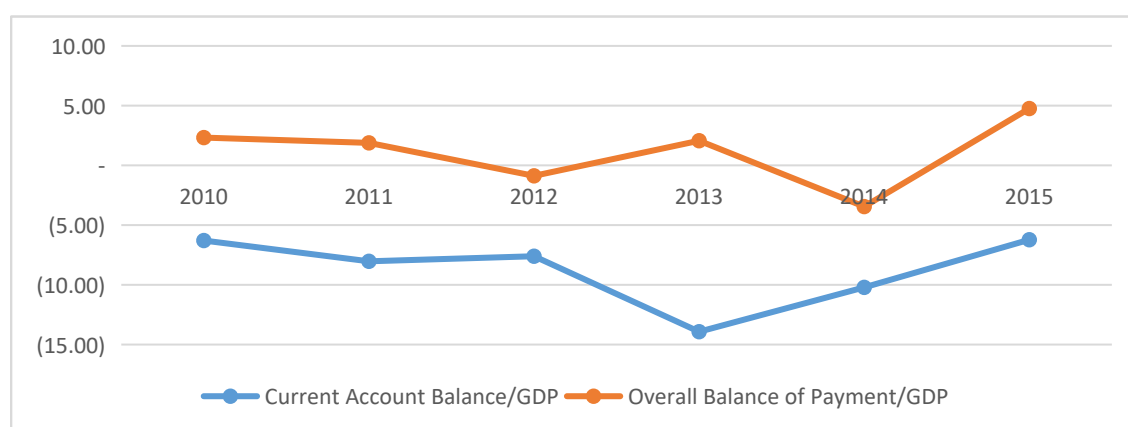
473. Togo's foreign transactions in 2015 resulted in a surplus in the overall balance of FCFA 115.0 billion, or 4.8% of nominal GDP, against a deficit of FCFA 76.5 billion (3.5% of GDP) in 2014.

474. The current account balance excluding grants ended in a deficit of FCFA 150.5 billion (6.2% of GDP), an improvement from the deficit of FCFA 226.4 billion (10, 2% of GDP) recorded in 2014. This is explained by a reduction of the trade deficit by FCFA 62.5 billion coupled with an increase of the surplus of the balance of services (FCFA 1.4 billion), primary income (FCFA 0.7 billion) and secondary income (FCFA 11.2 billion).

475. The deficit of the trade balance declined by 14.2% to stand at FCFA 375.9 billion (15.5% of GDP) in 2015, against a deficit of FCFA 438.4 billion (19.8% of GDP) in 2014. This increase was due to the combined effect of the decline in imports by 0.6% and the increase in exports of 8.6%. Indeed, exports rose to settle at FCFA 711.8 billion (29.4% of GDP), compared to FCFA 655.5 billion (29.6% of GDP in 2014). Export growth was due, in particular, to the increase in the export of mining products, especially phosphate. Regarding imports, an amount of FCFA 1,087.7 billion (45.0% of GDP) was spent in 2015, compared to FCFA 1093.9 billion (49.4% of GDP) in 2014. This reduction in imports was due to the decrease in the oil bill due to the drop in oil prices and the decline in equipment purchases due, in particular, to the completion of equipment modernization works at the ports and airports.

476. The surplus of the balance of services increased by FCFA 1.4 billion, following the increase in the supply of services, in particular transport and port activities. The balance of the primary income improved by FCFA 0.7 billion to settle at FCFA 23.5 billion in 2015, compared to FCFA 22.8 billion in 2014, mainly in connection with the increase in net flows of employees' remuneration. The surplus of secondary income balance amounted to FCFA 169.4 billion in 2015, an increase of FCFA 11.2 billion, following the improvement in the balance of remittances from migrant workers coupled with an increase in current grants to the government.

Figure 95: Togo Current Account Balance and Overall Balance of Payment to GDP



477. The surplus of the capital account balance fell to FCFA 154.2 billion from FCFA 3.3 billion, following the reduction in grants mobilisation and resources by government. The balance of the financial account resulted in a deficit of FCFA 111.3 billion in 2015, compared to a surplus of FCFA 9.8 billion in 2014, representing a net debt of FCFA 121.1 billion. This change resulted mainly from net inflows of FCFA 64.3 billion of foreign direct investment and FCFA 61.7 billion of portfolio investment.

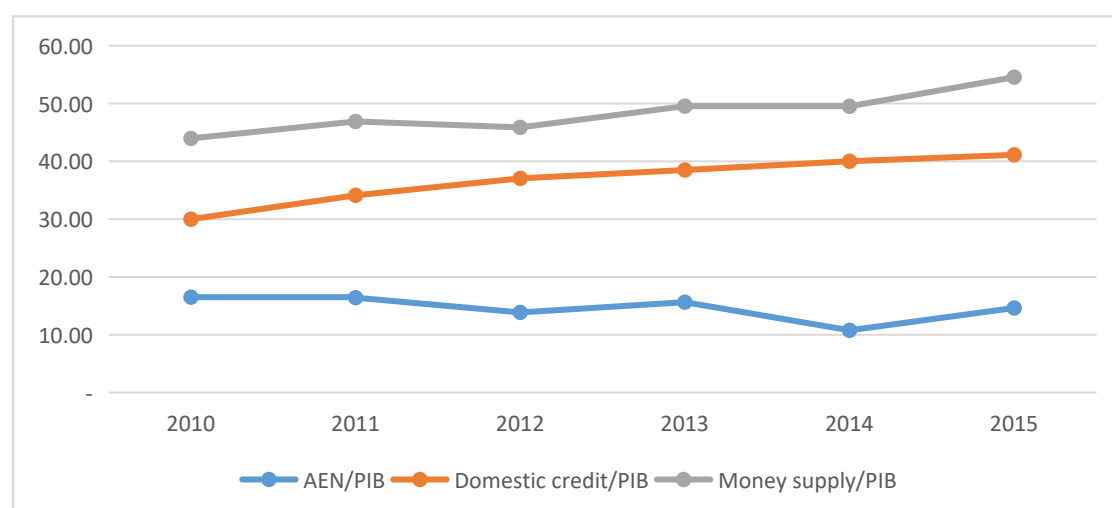
2.15.4 Monetary Sector

478. The monetary situation in 2015, compared to 2014, was characterized by an increase in net foreign assets and domestic credit of FCFA 115 billion and FCFA 107.4 billion respectively. In turn, the money supply increased by FCFA 221.6 billion.

479. The net foreign assets of banking system at the end of December 2015 increased by 48.5% from FCFA 238.9 billion in December 2014 to FCFA 353.9 billion in 2015. This increase was due to an increase of FCFA 119.3 billion in the net foreign assets of the Central Bank.

480. The total stock of domestic credit at end-December 2015 was estimated at FCFA 994.4 billion, an increase of 12.1% compared to amount at end-December 2014. This increase was attributable mainly to the increase of FCFA 123.4 billion credit to the private sector and improvement in the net government position (NGP) by 16 billion CFA francs. The growth of credit to the economy was due to the increase in short term loans and medium and long term loans by 7% and 25.8% respectively. This increase in credits benefited, in particular, companies operating in sectors such as “industries and construction” (52.5%), “services provided to the community, social and personal services” (28.2%), “manufacturing” (20.8%) and “wholesale and retail trade, restaurants and hotels” (8.9%).

Figure 96: Togo Ratio of Net Foreign Assets, Domestic Credit and Broad Money to Nominal GDP



481. Reflecting developments in its constituent parts, money supply recorded an increase of 20.2% and amounted to FCFA1.319 billion (54.6% of GDP). This increase was driven mainly by the increase in bank deposits (FCFA 125.7 billion) and currency in circulation (FCFA 94.7 billion CFA francs).

2.15.5 Macroeconomic Convergence

482. With respect to the status of macroeconomic convergence, the country met three (3) of the four primary criteria and one (1) of the two secondary criteria. The primary criteria met are: (i) the average annual inflation rate <10% with a long-term goal of ≤ 5% by 2019; (ii) Central bank financing of the the budget deficit ≤10% of tax revenues from the previous year; (lii) gross external reserves ≥ 3 months of imports. The secondary criterion met was the ratio of public debt to nominal GDP ≤70%.

483. The key criterion, ratio of the budget deficit including grants (commitment basis) to GDP, which stood at 6.3% was not met.

484. The secondary criterion relating to nominal exchange rate stability, was not met due to the depreciation of the CFA Franc against the US dollar via the euro. Togo's performance regarding the achievement of the convergence criteria in 2015 and 2014 is shown in the table below.

Convergence criteria	Standards	2014	2015
Primary Criteria			
Ratio of fiscal deficit including grants(commitment basis) to Gross Domestic Product (GDP)	≤ 3%	3,4%	6,3%
Average annual inflation rate	≤10 and target ≤5% in 2019	0,2%	1,0%
Central bank financing of the budget deficit	≤ 10% of tax revenues of n-1	0%	0%
Gross external reserves (in months of imports)	≥ 3 months	4,8	4,8
Secondary criteria			
Ratio of Public debt to nominal GDP	≤70%	52,6%	57,3%
Nominal exchange rate stability	±10%	+0,1%	-16,5%
Number of criteria met		5	4

2.15.6 Conclusion and Recommendations

485. In Togo, the year 2015 was characterized by a less favourable economic context marked by a decline in food crop production, seed cotton and cement which led to a slowdown in growth, declining from 5.9% in 2014 to 5.4% in 2015. However, there was an increase in activity in the secondary and tertiary sectors, including mining, manufacturing, trade, construction and transport. A recovery is expected in 2016 in the primary sector, which should allow making up for the decline observed in 2015. As regards public finance, the total revenue fell short of government expenditure, resulting in a worsening of the budget deficit.

486. With regard to macroeconomic convergence, the country met three of the four primary criteria and one of the two secondary criteria. However, the key criterion, ratio of the fiscal deficit including grants (commitment basis) to gross domestic product (GDP), was not met. Similarly, the criterion relating to the stability of nominal exchange rate was not met.

487. To strengthen macroeconomic stability and improve the country's performance under the convergence criteria, the following recommendations are proposed:

- Strengthen the foundations of production in the primary sector, especially agriculture, by making it less dependent on climatic conditions;
- Strengthen tax mobilisation to ensure sustainable compliance with the criterion relating to tax burden;
- Adopt measures to rationalize public expenditures, including recurrent expenditure;
- Ensure the sustainability and proper management of the public debt.

III. MACROECONOMIC CONVERGENCE OF ECOWAS MEMBER STATES IN 2015

488. The assessment of performance of the ECOWAS Member States on macroeconomic convergence is made on the basis of Acts adopted by the highest Authorities of the Region. Thus for 2015, the year covered by the report, the assessment was made through the provisions of the Supplementary Act A / SA.01 / 12/15 of 16 December 2015 amending the Supplementary act A / SA.4/06/02 of 29 June 2012 on Convergence Pact and macroeconomic stability among ECOWAS member states. According to the provisions of this new Supplementary Act, the convergence criteria have been reduced from eleven (11) to six (6), of which four (4) are primary and two (2) are secondary.

489. Thus, the performance of Member States under each of the convergence criteria for the years 2014 to 2015 is presented as follows:

Primary criteria

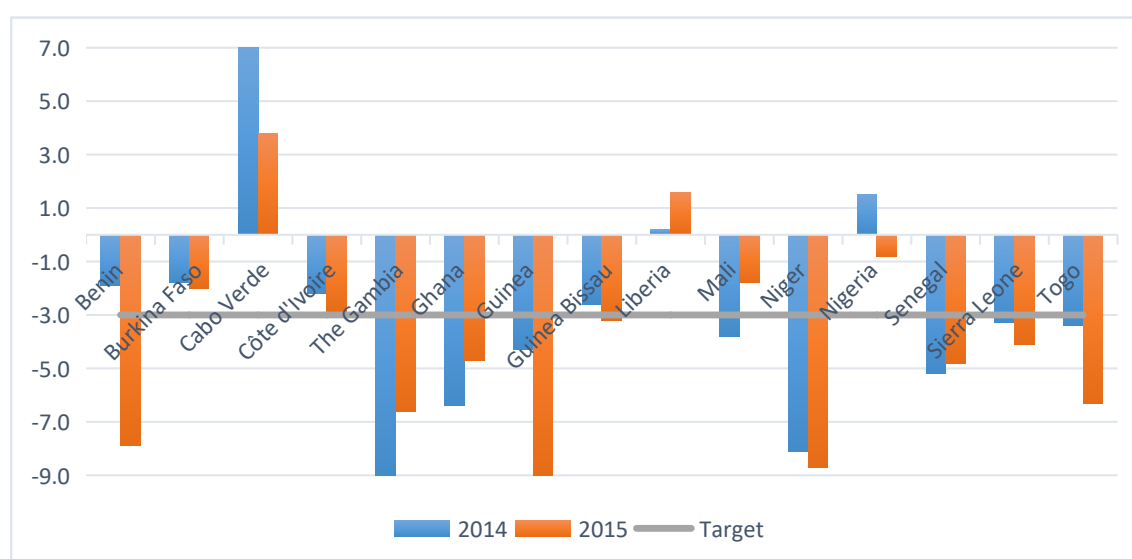
Ratio of the budget deficit (including donations) to GDP ($\leq 3\%$)

490. In 2015, the performance of Member States in relation to this criterion compared to 2014, deteriorated. Indeed, six (6) Member States recorded an overall deficit below 3%, compared to seven (7) in 2014. This can be explained, in large part, by the more than proportionate increase in spending compared to total revenue, coupled with the decline in grants mobilization in some Member States. Five Member States recorded very high deficits in 2015. These are Benin (7.9% compared to 1.9% in 2014), The Gambia (6.6% compared to 9.1% in 2014), Guinea (9.0% compared to 4.3% in 2014), Niger (8.7% compared to 8.1% in 2014) and Togo (6.3% compared to 3.4% in 2014).

491. Regarding Benin, the sharp increase in the deficit was due to the sharp rise in recurrent expenditure, especially expenditures on transfers and subsidies and capital expenditure financed from domestic sources. Cabo Verde recorded a budget surplus in 2014 as well as in 2015 with ratios of 7.3% and 3.8%.

492. The performance of the Member States in relation to this criterion is as follows:

Figure 97: Budget deficit of the States in 2014 and 2015



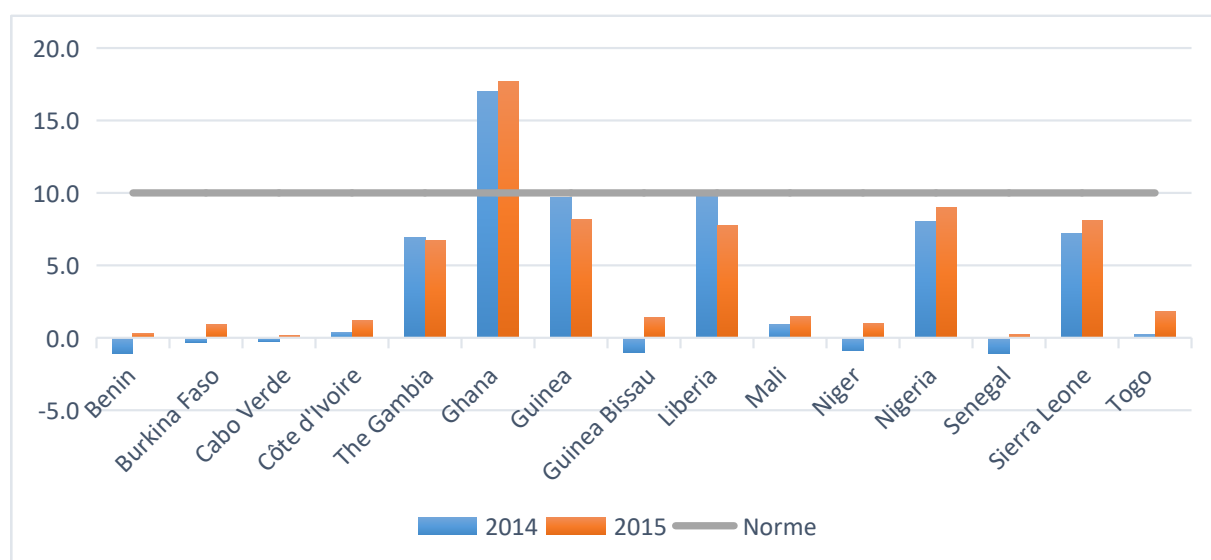
Annual Average Inflation rate ($\leq 10\%$, Target $\leq 5\%$ by 31/12/2019)

493. The Supplementary Act of 2015 sets at 10% the Community standard with a target of maximum 5% by 31 December 2019. Apart from Ghana, all Member States recorded an inflation rate below 10% in 2015 and 2014. In the UEMOA countries and Cabo Verde, inflation was below 2% in both 2014 and 2015. By contrast, the highest inflation rates were recorded on the WAMZ countries. However, with the exception of Ghana and Nigeria, inflationary pressures subsided in these countries in 2015, compared to 2014. The inflation situation in 2015 compared to 2014 was as follows: The Gambia (6.7% compared to 6.9% in 2014), Ghana (17.0% compared to 17.7% in 2014), Guinea (8.2% compared to 9.7% in 2014), Liberia (7.8% compared to 9.8% in 2014), Nigeria (9.0% compared to 8.0% in 2014) and Sierra Leone (8.1% compared to 7.2% in 2014).

494. With regard to price developments in Ghana and Nigeria, it was explained, to a greater extent, by the depreciation of the national currencies of both countries in 2015, leading to higher prices.

495. The figure below shows the inflation rates in the countries for the years 2014 and 2015.

Figure 98: Inflation rates in ECOWAS Member States in 2014 and 2015



Central Bank Financing of Budget Deficit

496. The ECOWAS convergence criteria fixed at a maximum of 10% the financing of the budget deficit by the Central Bank as a proportion of the tax revenue of the previous year.

497. In 2015, this criterion could not be met by three States - The Gambia (41.5%), Guinea (25.6%) and Nigeria (13.1%). In 2014, the criterion was met by thirteen (13) countries and only The Gambia and Ghana could not meet this requirement as they had deficit financing rates of 40.8% and 13.7% respectively.

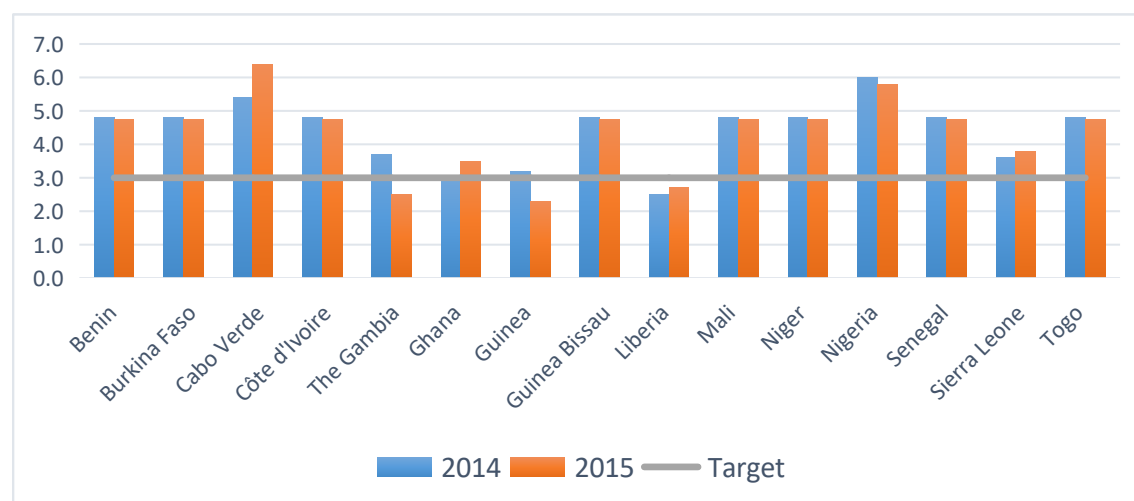
Gross External Reserves (≥ 3 months of imports)

498. The target for this criterion was reduced from six (6) to three (3) months of imports cover in accordance with the 2015 Supplementary Act which amended the Convergence and Macroeconomic Stability Pact among ECOWAS Member States. In 2015, gross external reserves of twelve Member States covered at least three months of imports. However, The Gambia (2.5 months), Guinea (2.3 months) and Liberia (2.7 months) were unable to have sufficient gross reserves to cover their imports for three months.

499. Nigeria, despite the fall in gross external reserves due to the slump in crude oil prices, and Cabo Verde had the largest imports cover in 2015. Their gross external reserves could cover respectively 5.8 and 6.4 months of imports. Regarding the WAEMU countries, because of their joint management gross reserves of the Union could cover 4.8 months of imports.

500. The chart below compares the countries in relation to their foreign exchange reserves in months of imports for the years 2014 and 2015.

Figure 99: Gross reserves in months of imports of Member States in 2014 and 2015



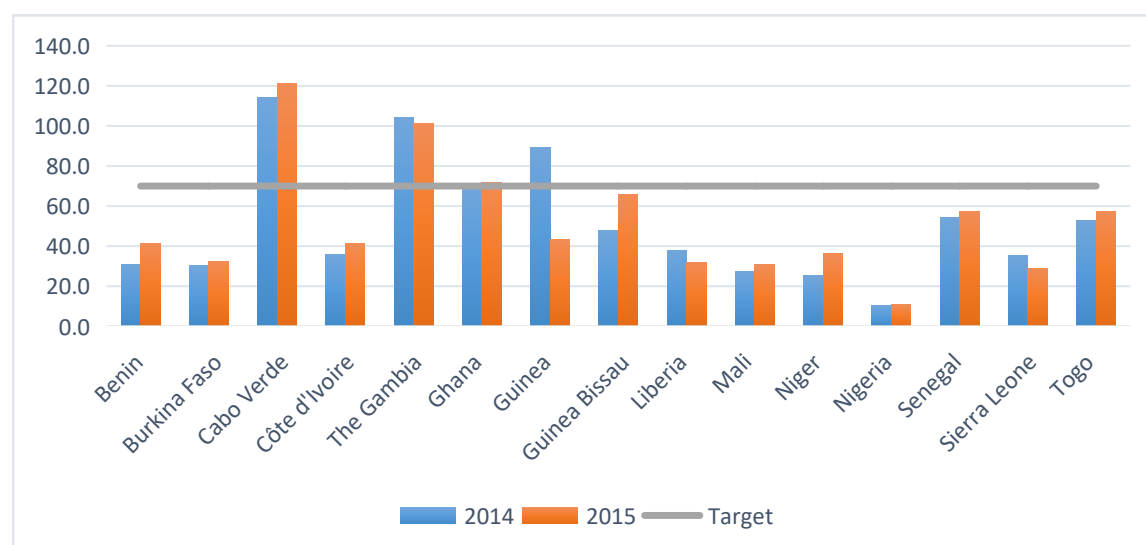
Secondary criteria

Public Debt / GDP ratio ($\leq 70\%$)

501. The graph below shows that the overall situation of compliance with this criterion improved in 2015 compared to 2014. Indeed, in 2015, twelve (12) Member States recorded debt ratios below 70%. Three (3) States namely, Cabo Verde (121.2%), The Gambia (101.1%) and Ghana (71.2%) failed to meet this criterion in 2015 compared to four countries in 2014 (Cabo Verde (114.0%), The Gambia (104.1%), Ghana (70.2%) and Guinea (89.2%).

502. The situation of the Member States' public debt as a percentage of nominal GDP in 2014 and 2015 is presented as follows:

Figure 100: Public debt to GDP ratio in 2014 and 2015

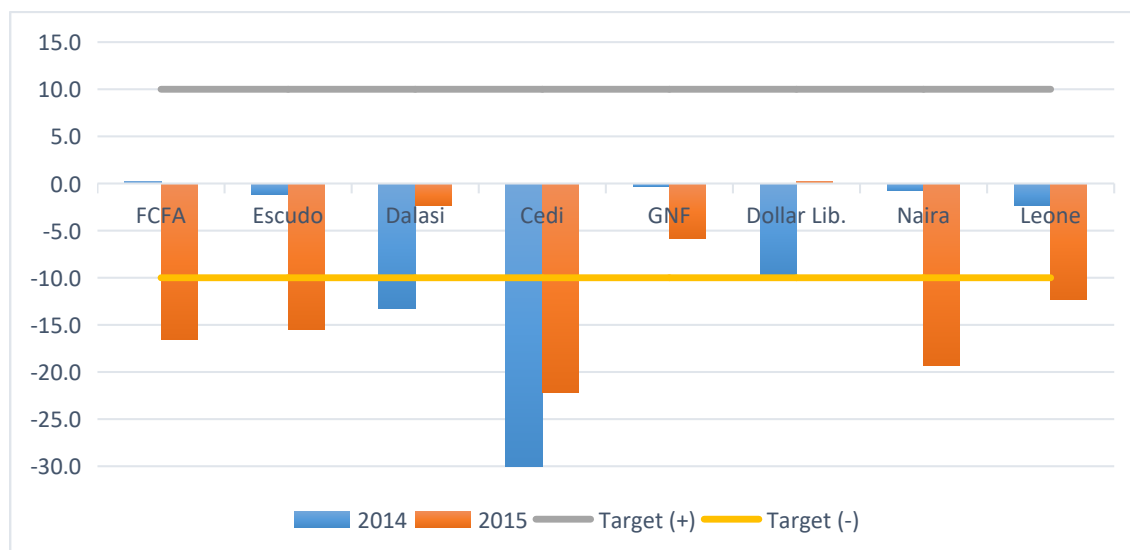


Variation in nominal exchange rate ($\pm 10\%$)

503. The variation in the nominal exchange rates of five currencies was above the lower limit of the target $\pm 10\%$. During the year, the average depreciation of the respective currencies was: 22.2% for the Cedi, 19.3% for the Naira 19.3%, 16.5% for the CFA Francs, 15.4% for the Escudo, and 12.3% for Leone. Only the Liberian dollar (+ 0.1%), the Dalasi (-2.4%) and the Guinean Franc (-5.8%) experienced variations within the limits of the Community standard.

504. The variation in the nominal exchange rate of national currencies in 2014 and 2015 is as follows

Figure 100: Change in nominal exchange rates in 2014 and 2015



IV. POLICY HARMONISATION AND INSTITUTIONAL ARRANGEMENTS

Ratification of Protocols, Conventions and Supplementary Acts

505. Several legal instruments have been adopted by the Authority of Heads of State and Government of the Community within the framework of the regional integration programme. These legal instruments principally consist of Protocols and Conventions which provide the bedrock of the legal framework for the operations of the various ECOWAS institutions and regional programmes as well as regulating the relationship between the institutions and Member States on one hand, and among the Member States on the other.

506. As at 1st November 2016, 54 Protocols and Conventions had been adopted and signed by the Authority of Heads of State and Government. However, the number of these legal instruments ratified by each Member State varied as shown in the table below.

Number of Protocols and Conventions signed as from 1978 to 1st November 2016 = 54

Countries	Number of Protocols and Conventions Ratified	Number of Protocols and Conventions not Ratified
Burkina Faso	52	2
Niger	48	6
Ghana	44	10
Togo	43	11
Sierra Leone	42	13
Mali	43	11
Senegal	43	11
The Gambia	44	10
Nigeria	41	13
Guinea	37	17
Benin	38	16
Cote d'Ivoire	31	23
Liberia	24	30
Guinea Bissau	34	20
Capo Verde	26	28

507. As at 1st November 2016, Burkina Faso had ratified 52 out of the 54 Protocols and Conventions signed; while Niger Republic had ratified 48. Two countries, Republic of Ghana and Republic of The Gambia had ratified 43; three countries, Republic of Togo, Republic of Mali and Republic of Senegal had ratified 43 protocols and conventions; Republic of Sierra Leone, Republic of Nigeria had ratified 42 and 41 protocols and conventions respectively while Bénin, Guinea, Guinea Bissau, Côte d'Ivoire, Cabo Verde and Liberia had ratified 38, 37, 34, 31, 26 et 24 protocols and conventions respectively.

National Coordination Committees (NCCs)

508. The National Coordination Committees are important organs of the multilateral surveillance mechanisms responsible for the collection, processing and analysis of data on the economy of each Member State. Their responsibilities also include, among others, management of the multilateral surveillance database (ECOMAC), preparation of reports on economic and financial performance, monitoring economic policy and assessing their impact at the economic and financial levels. As at end-December 2015, all the fourteen Member States, except Cabo Verde, had effectively established NCCs which were operational. During the year, the Commission continued engagements and consultations with the authorities of Cabo Verde in relation to the establishment of the country's NCC.

509. During the course of 2015, the ECOWAS Commission organised the regional meeting of the NCCs from 22 to 26 June 2015 in Bamako. The regional meeting provided a platform for peer review of macroeconomic performance and status of macroeconomic convergence of the Member States based on the country economic reports submitted by the NCCs. The Commission also organised Appraisal Missions to the NCCs in Benin, The Gambia, Ghana and Nigeria from 23 February to 4 March 2015 to assess the operations of the NCCs in these countries, with focus on the efficient utilisation of the ECOWAS subvention for 2014. The missions also reviewed recent macroeconomic developments in the countries and assessed progress made in the preparation of the Multi-year Convergence Programmes and the Country Economic Reports for 2014

Conduct of Joint Multilateral Surveillance Missions

510. Multilateral surveillance missions to Member States were jointly organized with WAMI and WAMA to assess recent macroeconomic developments and the status of macroeconomic convergence as well as reforms related to policy harmonization and institutional frameworks that are necessary for the realisation of the monetary and economic union of ECOWAS. Against this backdrop, the Commission conducted half-yearly Joint ECOWAS Commission- West African Monetary Agency (WAMA) - West African Monetary Institute (WAMI) to ECOWAS Member States (WAMZ Member States and Two UEMOA Commission Member States, namely Burkina Faso and Senegal) in April 2015 and September 2015 to assess the status of macroeconomic stability and convergence in 2014 and the first half of 2015. The missions held discussions with key policy makers in the Member States on policy harmonisation measures relating to the Roadmap for the ECOWAS Single Currency.

Review of Convergence Criteria

511. Following the meeting of the Presidential Task Force, The 45th Ordinary Session of the ECOWAS Summit held on 16 december 2015 in Abuja, adopted the Supplementary Act A/SA.01/12/15 amending the Supplementary Act /SA.4/06/12 of 29 june 2012 on the Macroeconomic convergence and stability pact among the ECOWAS member States.

512. The new rationalized Convergence Criteria as recommended by the Presidential Task Force consist of four primary criteria and two secondary criteria as follows:

Primary Criteria

- Budget deficit (including grants and on commitment basis)/GDP \leq 3 percent
- Average annual inflation $<$ 10 percent with a long-term goal of \leq 5 percent by 2019
- Central Bank financing of Budget Deficit \leq 10 percent of previous year's tax revenue
- Gross external Reserves \geq 3 months of imports

Secondary Criteria

- Public Debt/GDP \leq 70 percent
- Exchange Rate Variation \pm 10 percent.

CONCLUSION

513. Global growth in 2015 was sluggish, precipitated by the slowdown in economic activities in advanced economies and to some extent emerging market and developing countries. World economic performance was affected by developments in China, slump in international commodity prices and gradual easing of monetary policy in major advanced economies. Under impulse of accommodative monetary policy and decline in oil and other commodity prices, inflationary pressures in the world economy eased.
514. Economies of ECOWAS Member States continued to show some degree of resilience in 2015 in the face of unfavourable international economic environment marked or characterised by slump in the prices of key export commodities and the waning, yet effective, impact of the Ebola Virus Disease which swept through the region in earlier periods. Growth of Gross Domestic Product (GDP) varied from country to country and ranged between 10.3 percent (in Cote d'Ivoire) and negative 21.1 percent (in Sierra Leone). Economic activities in most countries slowed down in the review period as reflected by a decline in GDP growth rates, compared to the previous year. Only three Member States (Cote d'Ivoire, The Gambia and Guinea Bissau) recorded higher growth rates than in 2014.
515. Government fiscal operations continue to pose challenges to most Member States. Excluding grants, the budgets of all Member States recorded deficit, with the deficit varying between 0.7 percent of GDP (Liberia) and 14.2 percent of GDP (Niger). However, the deficit showed a declining trend compared to the previous year.
516. With respect to exchange rate developments, most currencies of the region experienced substantial deterioration. Only The Gambian Dalasi appreciated. The other currencies recorded large depreciations against the major international currencies, in the double digit range.
517. Developments in the monetary sector produced mixed results. Generally, most countries pursued tight monetary policy in an attempt to contain inflationary pressures. Money supply growth increased modestly and cautiously in all the countries from 0.6 (Ghana) to 4.8 (Guinea) percentage points of GDP.
518. Regarding the status of macroeconomic convergence, the assessment was conducted using the framework of the new Supplementary Act A/SA.1/12/15 of 16 December 2015 which amended Supplementary Act A/SA.4/06/02 of 29 June 2012, under which six convergence criteria (four primary and two secondary) was adopted by the ECOWAS Authority of Heads of State and Government to replace the old framework which consisted of eleven criteria. As in previous years, performance of individual Member Countries was mixed and progress was not consistent.
519. In the area of policy harmonization and institutional arrangements little progress was made in the ratification of protocols and conventions. Of the 54 existing protocols and conventions, only one country had ratified more than 50 as at 1er November 2016. The Commission has also pursued its efforts for the operationalisation of the National Coordinating Committees, which are the main stakeholders of the multilateral surveillance mechanism through the disbursement of the operating grant and the capacity building of their members.



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