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ESTADOS DA AFRICA DO OESTE

ECONOMIC COMMUNITY OF
WEST AFRICAN
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COMMUNAUTE
ECONOMIQUE DES ETATS
DE L'AFRIQUE DE L'OUEST

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2010 INTERIM REPORT OF THE PRESIDENT OF ECOWAS COMMISSION





ECOWAS COMMISSION INTERIM REPORT 2010

EXECUTIVE SUMMARY

ECOWAS COMMISSION

ABUJA, MAY 2010

Introduction

The worst effects of the economic recession now appear to be over, with the global economy having contracted by 0.6% in 2009. IMF projections in the April 2010 *World Economic Outlook* show that global recovery has evolved better than expected. Global economic growth is expected to reach 4.2 percent in 2010 and 4.3 percent in 2011, representing a sharp rebound when compared to the 4.2 percent average real growth in Global GDP witnessed over the decade (1999-2008), and the 4.5 percent real GDP growth registered over the past five years (2004-2008).

It is in this context of growth resumption at the global level that the ECOWAS Commission has implemented its work programme for the first quarter 2010.

Actually, with respect to the integration programmes of the Community, ECOWAS Commission remains engaged with the pursuit of its principal objective of promoting regional cooperation and integration. In this regard, the ECOWAS Heads of State and Government at their thirty-seventh ordinary session held in Abuja on 16 February 2010 reaffirmed their commitment to the development of the region by consolidating the ECOWAS integration process. This commitment aims to address five main challenges, namely: Peace building and security, promotion of the principles of good governance and democracy; Deepening of integration process via establishment of the ECOWAS Common Market and interconnectivity of the markets through appropriate infrastructure; and Integration into the global economy through improved regional competitiveness. Other challenges are Continue with the institutional reform of our organisation by providing it resources to perform effectively and to carry out its mandate, and Ratification and implementation of Community protocols and conventions by all member states.

In order to address the different challenges, the 2010 Community work programme focuses on the following areas:

- Establishment of the customs union: make the free trade area function effectively by establishing the common external tariff, eliminating obstacles to the free movement of persons and goods, and removing non-tariff barriers;

- Economic Partnership Agreement (EPA) : conclude the EPA negotiations to facilitate the signing of an equitable, balanced and development-oriented agreement with the European Union;
- Regional infrastructures: boost the implementation of the programs approved as part of the development of transport and the resolution of energy crises;
- Agricultural and environmental policy: complete the process of developing the national agricultural investment plans and to ensure a proper follow-up of the conclusions of the International Conference on Financing of the Regional Agricultural Policy;
- Peace and security : promote dialogue and preventive diplomacy and ensure leadership in the strengthening of the democratization process in West Africa;
- Institutional Issues: continue the efforts of reorganisation of the Community Institutions.

The 2010 Interim report is divided into three sections. Section 1 gives the regional economic situation while Section 2 highlights the status of implementation of the Community integration programmes. Section 3 examines the status of negotiations between West Africa (ECOWAS + Mauritania) and the European Union on the Economic Partnership Agreement (EPA). The report ends with some recommendations and conclusion.

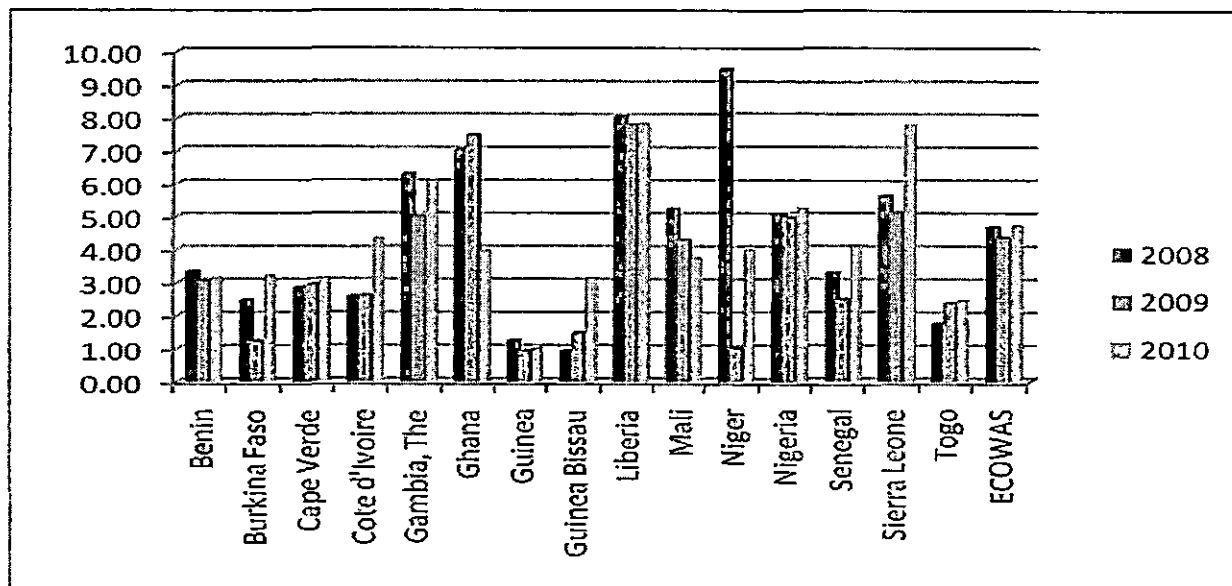
1. *West African Economic Situation*

Real growth in West Africa declined from 5.6% in 2007 to 4.7% in 2008 and declined further to 4.4% in 2009 because of the fall in prices of raw materials, contraction in demand for ECOWAS exports, drop in Foreign Direct Investment, decline in remittances and tourism receipts.

However, growth will record a recovery, rising to 4.7% in 2010 and hopefully to 5.0% or more in 2011, in response to the positive signs of recovery in the major world economies following the introduction of budgetary measures, relaxation of monetary conditions and financial sector reforms. West Africa weathered the global financial crisis very well, with real GDP growth remaining positive, with some countries posting an increase in their real GDP growth rate (see figure). This

largely reflects the strong economic reform measures that have been undertaken, particularly over the past decade, that have led to a growing and more competitive private sector, macroeconomic stability and sound macroeconomic management.

Figure: Real GDP Growth in ECOWAS Members State



Source: ECOWAS Commission

The unfolding challenge for ECOWAS Member States is therefore to build upon the recent record of stronger growth and the concrete steps taken to reduce poverty. Meeting this challenge will require significant investment in infrastructure development, particularly in the transportation sector, that opens up the rural areas to the benefit of the market economy and enhances intra-ECOWAS regional trade (which currently is about 14%) by lowering the cost of doing business.

Significant investment is also needed in the energy sector, as power deficits and high cost of power is one of the main cost drivers affecting the competitiveness of the private sector operators in many Member States. Further, increased investment is needed in the education and health sectors as this represents the best down payment for the future prosperity of ECOWAS young generations. Sustained focus is also needed in the agriculture sector as well articulated in the ECOWAS Common Agricultural Policy (ECOWAP), as this sector offers the surest

way of ensuring food security, guaranteeing employment for the rural folk and enhancing their incomes.

2. ECOWAS Socio-Economic Programmes

2.1 Macroeconomic Policy Convergence

ECOWAS is implementing a Roadmap on the ECOWAS Single Currency Programme adopted by the ECOWAS Convergence Council (consisting of Ministers of Finance and Governors of Central Banks) on 25 May 2009. In the Roadmap, a second regional currency for the West African Monetary Zone (WAMZ) comprising The Gambia, Ghana, Guinea, Liberia, Nigeria and Sierra Leone is scheduled for launching in December 2015 while the ECOWAS-wide common currency will be launched in December 2020. One key activity of the Roadmap is continuous multilateral surveillance of the economic performance of the Member States. In March and April 2010, a joint ECOWAS-WAMA multilateral surveillance mission was fielded to the Member States. This attests to the ECOWAS Commission's commitment to the Peer-review Mechanism of the performance of the Member States on the macroeconomic convergence scale.

Concerted efforts are being also made to formulate an ECOWAS Strategic Plan to address the impact of the global financial and economic crisis on the region. This is, in addition, to a Regional Poverty Reduction Strategy Paper, recently launched in Accra, to address trans-boundary and cross-cutting poverty issues. The Regional Poverty Reduction Strategy Paper is entitled: Regional Integration for Growth and Poverty Reduction: Strategies and Plan of Action.

In addition, ECOWAS Commission has made considerable progress in the harmonisation of statistics and national investment codes. A booklet titled "ECOWAS Common Investment Market Vision" has been published as a reference material on the implementation strategies and guidelines for stakeholders. The Commission is also fully engaged in the implementation of the recommendations of the first ECOWAS-China Economic Forum, the first ECOWAS - China Modern Agricultural Forum, the first ECOWAS-India Business Forum, the second ECOWAS Business Forum and the first ECOWAS Investment Forum held in Brussels, Belgium.

2.2 Trade Liberalization Scheme and the Common External Tariff

We continue to observe low level of intra-regional trade (about 14 percent) in the region. On the part of ECOWAS Commission, we shall continue to pursue our enlightenment programme on the trade liberalisation scheme. For example, sensitisation programmes and workshops organised in 2009 and 2010 in collaboration with the Federation of West African Chambers of Commerce and Industry (FEWACCI), ECOWAS Federation of Business Women and Women Entrepreneurs (ECOWAS - FEBWWE / FEFA), Open Society Initiative of West Africa (OSIWA) and the West African Civil Society Forum (WACSOF) along the Aflao-Sémé Borders. In addition, an Ad-hoc Committee has been set up to deal with complaints from the business community. The Commission is also collaborating with USAID, West African Trade Hub to conduct studies in nine member states as phase 1 to highlight gaps in the implementation of ETLs for corrective measures to be taken. Reports for Burkina Faso and Ghana are ready for discussion and adoption.

With respect to the Common External Tariff (CET), we have made considerable progress in negotiations at the level of the ECOWAS-UEMOA Joint Committee, especially with the adoption of common eligibility criteria for all the Member States and for the submission of products within the fifth band. The Roadmap for future actions in connection with the finalisation of the CET comprises the following:

- Receipt of the list on the products for re-categorisation from the Member States by the ECOWAS Commission ;
- Compilation of a single list of products from the lists submitted by the member states, and transmission of this single list to the Member States for their consideration and reactions, with a view to formulating a single negotiation position;
- Proposal of safeguards for CET support measures;
- Consideration of strategies and modalities in support of Member States during the renegotiation of their consolidated WTO rates.

2.3 Infrastructure

The Project Preparation and Development Unit (PPDU) and the ECOWAS Infrastructure Fund, approved by the Authority of Heads of State and Government, have taken off. In addition to ECOWAS funding of the PPDU, there are pledges by Kingdom of Spain €15 million over 5 years, UK Department of International Development (DFID) US \$5 million in technical and financial support; and the EU to support purchase of equipment for PPDU staff in the first year of operation.

Moreover, we continued efforts on the implementation of the Transit Facilitation Programme and Regional Road Transport: Joint Border Post pilot projects.

In the energy sector, 2009 marked the effective establishment and take-off of the ECOWAS Regional Electricity Regulation Authority (ERERA) and the commencement of the ECOWAS Regional Centre for the Promotion of Renewable Energy and Energy Efficiency. In addition, in compliance with the decision of Authority to end the use of incandescent bulbs in the ECOWAS region by the end of 2015, the Commission undertook a pilot project of energy efficiency in Nigeria in partnership with the Government of Cuba, towards replacing incandescent bulbs with low consumption CFL bulbs.

2.4 Agriculture, Environment and Health

On 11 and 12 November 2009, we convened an International Conference on Financing Regional Agricultural Policy in West Africa (ECOWAP/CAADP) in Abuja. The regional financing mechanism aims to ensure the adherence of all stakeholders to the orientation, objectives as well as institutional and financial requirements of ECOWAP/CAADP; and the recognition of ECOWAP/CAADP as the sole reference framework for intervention and coordination of support to the agricultural sector.

ECOWAS has embarked on a number of post-compact signing activities to translate the commitments made into reality. Eleven Member States have finalized the preparation of their National Agricultural Investment Programmes (NAIPs) and signed Compacts. The Member States are Benin, Cape Verde, Gambia, Ghana, Liberia, Mali, Nigeria, Niger, Senegal, Sierra Leone and Togo. Three Member States have conducted their roundtable meetings and signed their compacts with

stakeholders while the remaining Member States are at an advanced stage of organising their roundtable meetings and signing their compacts.

Concerning regional health programme, an ECOWAS-Cuba-Venezuela tripartite agreement was signed in 2009 to eliminate malaria in the region.

3. Economic Partnership Agreement

ECOWAS is making conscious efforts to ensure that the EPA between West Africa and European Union is development-oriented. ECOWAS and UEMOA Commissions are in the process of finalizing the Regional Operational Plan on the EPA Development Programme. However, there are some key issues outstanding on the draft EPA Text. These include:

- European Commission (EC) Internal Support (Funding of the EPA Development Programme);
- Treatment of Community and Solidarity Levies;
- Most Favoured Nation Clause;
- Non Execution Clause;
- Market Access offer;
- Rules of Origin.

On 6 and 7 May 2010, the ECOWAS Ministerial Monitoring Committee (MMC) on EPA met in Bamako, Mali and reaffirmed the position of the 37th Summit of Heads of State and Government (held on 16 February 2010) that prior to the conclusion of the EPA, the EU should provide an appropriate response to West Africa's funding request on the EPA Development Programme (EPADP).

3.1 Draft Text

The two parties in the discussions on the joint draft EPA have made major progress. However, some points of divergence still remain including the issue of Status quo, treatment of the UEMOA Community and Solidarity Levies (CSL) and ECOWAS Community Levies (CL), the Most Favoured Nation clause, agricultural subsidies, funding of the operation of the institutional mechanism, Prevention and settlement of disputes, and the Rendezvous Clauses.

3.2 EPA Development Programme (EPADP)

After the adoption of EPADP framework document in February 2009, the West Africa region started preparing operational plans at national and regional levels, which aimed to articulate the trade-related needs of West Africa in order to facilitate the participation of EU States in financing the activities. National operational plans received to date show a strong emphasis being placed particularly on EPADP Axis 3 (Development of trade-related infrastructure). As member States finalize their national plans with the assistance of the ECOWAS and UEMOA Commissions, the two Commissions continue to work towards concluding the regional operational plan.

EU development ministers meeting in Brussels on 10 May agreed that the EU should provide support for the West Africa development programme. The European Union will be providing financial support of at least €6.5 billion over the next five years for West Africa's programme for implementation of the future economic partnership agreement (EPA) on development and the promotion of regional integration. Funding available for this support will be taken from the existing European Development Fund (EDF) and Community budget.

3.3 West Africa market access offer

Following the directive given by West Africa Senior Officials, the thematic working group undertook an in-depth analysis of the list of products in Group D in order to come out with proposals aimed at bringing the exclusion list to 30%, corresponding to a 70% liberalization rate. The thematic group presented its findings at the regional seminar for Member States at the beginning of March 2010 in Cotonou. Discussion on the approach, moratorium and the dismantling timetable is in progress between the two parties.

Conclusion and Recommendations

Despite the challenges encountered in the implementation of the Community Work Programme, tangible results have been achieved in the strengthening of the regional integration process in West Africa. In 2010, we have accelerated the effective implementation of the Community Work Programme.

We shall continue to implore the leadership in our Member States to ensure greater political stability, good governance and democracy to reverse the losses caused by political instability to the regional economy. National economic managers are also encouraged to incorporate the regional agenda into their national development strategies, as the task of the implementation of regional plans to achieve development remains the primary responsibility of the Community and its Member States. In addition, the challenge of ensuring a sound and sustainable economic environment requires the leadership in each Member State to pursue more vigorously the regional approach. It is necessary to stress that the future of the national economies lies in the successful implementation of the regional approach to growth and development as it provides realistic and cost-effective strategies for improving the economic conditions and development prospects of individual Member States.

In order to support and to speed up the completion of on-going community projects, the following recommendations are proposed:

- Ratification of protocols by all the Member States;
- Increased commitment in the Implementation of all protocols, development programmes and policies e.g. ECOWAP approved by the Authority. This should include the finalisation of national agricultural investment programmes
- A greater involvement of the States in negotiations for the finalisation of the CET structure;
- Continuation of EPA negotiations with a view to signing a development-oriented agreement which will respect regional development efforts;
- Continuation of diplomatic efforts to resolve the political crises in Niger and Guinea;
- Speeding up the macroeconomic convergence process by applying strict budgetary and monetary policies.

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