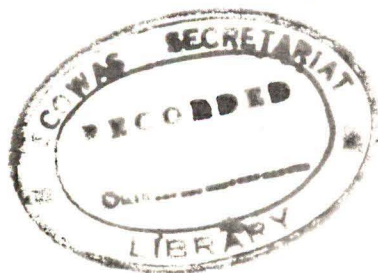


Communauté Economique Des
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Of West African States



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THE EXECUTIVE SECRETARY
MR. LANSANA KOUYATE



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INTRODUCTION

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

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

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

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

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

power than on institutionalising democratic practices. In addition, differences between governments and opposition parties have been exacerbated by controversies surrounding the constitutional amendments aimed at removing the limit to the number of terms a president can serve. On the positive side, though, we note that the States have developed a greater capacity to cope with economic crises. They have, in formulating policies, drawn useful lessons from past mistakes and have been able to eliminate many of the distortions by implementing structural adjustment programmes. However, such programmes have not produced all the desired results, primarily because the regional dimension of development has been left out of account.

6 An in-depth analysis of the problems hindering regional integration in West Africa reveals that the greatest impediment to economic cooperation is the acute shortage of financial, material and human resources. In addition, the real or apparent difference between the cost of integration in the short term and its advantages over the long term is crucial for countries that are highly dependent on short-term gains, particularly in the budget.

7 Beyond strictly economic considerations, another important factor responsible for the slow pace of the regional integration process within ECOWAS is the lack of commitment from the actors, particularly the authorities of Member States, whose actions deliberately aim to frustrate regional integration efforts. Examples of such actions would include the failure of several Member States to ratify the protocol relating to the Community levy and their refusal to pay the proceeds of the levy into the bank accounts opened for that purpose even where these could have served to offset their accumulated arrears. We can also cite the delay in the implementation of priority programmes, in negation of the declared political will, and the existence of regional organisations with overlapping areas of jurisdiction and contradictory actions, thereby reducing the effectiveness of efforts towards integration and cooperation. The issue of national sovereignty certainly plays a role here.

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

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

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

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

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

contributions towards the success of our regional integration efforts. This is equally an auspicious moment for me to warmly congratulate General Olusegun OBASANJO for his success at the recent elections held in the Federal Republic of Nigeria.

13 On behalf of myself and the staff of the Community Institutions, I wish him success in his onerous duties at the helm of his country's affairs. The first meetings I had with General Obasanjo left me in no doubt as to his determination and the great importance he attaches to the attainment of ECOWAS ideals. The world has high hopes that Nigeria will be able to reposition its economy on the path of growth and development, and that it regain its place among the shining stars of the developing world. It is our firm belief that the Nigeria of the next century will grow and prosper to benefit the entire West African region.

14 Sadly, however, our joy at the political change in Nigeria was dampened by the coups d'état in Niger and Guinea-Bissau.

15 The assassination on 9 April 1999 of His Excellency General Baré MAINASARA, President of the Republic of Niger, following a coup d'état, was a grievous setback for democracy and the hopes nourished by each and every one of us to see peaceful transitions take the place of military coups in West Africa. It is time that institutional arrangements be put in place to address these manifestations of institutional inadequacies attributable to diverse and varied causes.

16 The violent overthrow of the elected president of the Republic of Guinea-Bissau, His Excellency, General Joao Bernardo Vieira on 7 May 1999, in violation of the Abuja Agreement and the Lome Accord, filled us with the same sense of disillusion.

17 Our Community must condemn, unequivocally, any seizure of power by force for whatever reason. The overthrow of duly elected governments by the armed forces is unacceptable and the perpetrators of coups d'état should be ostracised by the world community.

18 West Africa faces formidable obstacles, but the prospects for positive change are nonetheless very bright. This report explores

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

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

CHAPTER I

THE WEST AFRICAN ECONOMY IN 1998 AND FUTURE PROSPECTS

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

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

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

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

average of 18.5% to between 25% and 30%. That will require ECOWAS countries to take measures that would ensure that the domestic savings rate reaches a level comparable to that of domestic investments. They should also offer attractive conditions for private local and foreign investors. Other prerequisites are peace, security and a good legal system.

I. EXTERNAL ENVIRONMENT: THE INTERNATIONAL ECONOMIC SITUATION

25 The international capital markets, particularly in the emerging economies, remained very unstable in 1998. The world economy grew by a mere 3.1% in 1998, down from 4.2% in 1997, and due essentially to the financial crisis that has held the Asian countries in its throes over the last two years.

26 The advanced countries recorded a moderate growth rate of 2.6% and a low inflation rate. The economy of the United States of America grew by 3.4% while the growth rate in Japan stood at 0.7%. In the European Union countries, West Africa's main trading partners, economic growth stabilised at 2.3%. Inflation continued its downward trend in the industrialised countries, from 2.2% in 1997 to 2% in 1998.

27 The volume of world trade grew by 4% in 1998, down from the 6% recorded in 1997. This was on account of the negative effects of the Asian crisis on the developed economies. Prices of raw materials, particularly crude oil, aluminium, gold, and agricultural products, fell sharply on the world market, following a reduction in demand.

28 Indications are that the West African economy is likely to perform better in 1999. This optimistic view is based on the improved political situation in Nigeria, the dominant economy in the sub-region, and the economic reform measures that are being envisaged in that country. The performance may be hindered however by some uncertainties such as the impact which the adoption of the Euro may have on the West African economies, and the evolution of commodity prices.

II. INTERNAL ENVIRONMENT: THE WEST AFRICAN ECONOMY

i) General economic trends

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

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

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

ii) Situation in the different countries

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

surrounding the macro-economic environment, and the installation of a democratic regime, should herald vigorous economic growth as from the second half of 1999.

33 Cote d'Ivoire continued to perform admirably. The growth rate remained steady in 1998, standing at 6.2%. This was as a result of the economic liberalisation measures adopted and a significant increase in the level of investments in the natural gas and petroleum sectors. The misunderstanding between Cote d'Ivoire and the IMF over transparency and efficiency in the public sector, both prerequisites for attracting investments and ensuring better resource allocation, have been resolved.

34 Gambia, Burkina Faso, and Mali were able to raise their growth rate to an impressive 6%. The growth rate rose to 5.5% in both Benin and Cape Verde. These results are indeed remarkable, especially given the fact that the countries concerned are victims of climatic changes. The positive performance was the result of sound economic management, high investment rates, and an increase in the level of production of some raw materials.

35 Ghana, Guinea, Mauritania and Senegal recorded a growth rate of about 4.5% in 1998. This figure could have been higher but for the fact that Ghana, Guinea and Mauritania were victims of falling prices of gold, aluminium and iron. The situation in Senegal was due to the instability in Casamance and Guinea Bissau, while Guinea suffered as a result of the influx of refugees from Sierra Leone and Guinea Bissau. However, these countries have adopted measures to ensure stricter budgetary discipline and this should enable them to narrow the gap between them and the countries with the best results.

36 Togo and Niger, with growth rates of 4% and 3% respectively, suffered the effects of the sharp reduction in the volume of public aid to development. They were nevertheless able to maintain a growth rate that outstripped population growth.

37 For the first time since the civil war began there in 1989, Liberia recorded a positive (3%) growth rate in 1998¹, the rise in the

¹ Report on the economic situation in West Africa - CDSR-AO - 1998

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

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

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

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

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

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

which recorded an impressive 24% investment rate, and Burkina Faso, Cote d'Ivoire, and Mali (20%), most of the ECOWAS countries recorded a rate of about 18%, while the rate in Guinea Bissau, Liberia and Sierra Leone was below 15%.

41 The poor performance of West African countries in the area of investments was further worsened by the rapid decline in the level of public investments, particularly in the area of infrastructures, due to the need to reduce budget deficits, as condition of SAP. Following the reduction in the level of public investments in the 1990s, private investment has become the most important component in the formation of fixed capital.

42 On the whole, therefore, the economic situation is quite encouraging. Nevertheless, in order to ensure more vigorous growth, ECOWAS Member States have to pursue economic reforms more vigorously, encourage savings, and promote domestic investment. One of West Africa's objectives in the years to come should be to increase investments to a level close to what obtains in the most dynamic countries in Latin America and Asia, that is about 25% to 30% of GDP.

43 The increasing level of private investments augurs well for economic growth in the region. However, in order to ensure sustainable growth, the savings rate should go up by the same proportion.

44 The average rate of savings in ECOWAS countries is very low, accounting for only about 16% of GDP in 1998. There are however wide discrepancies from one country to another: 22% in Nigeria, 18% in Cote d'Ivoire, and below 10% in Guinea Bissau, Liberia and Sierra Leone.

45 The regional average is below the level needed to finance investments that could lead to sustained and durable growth. The West African sub-region absolutely must reduce the gap between domestic investment and savings, estimated at 2% of the region's GDP. Reduced budget deficits, lower inflation, stable exchange rates, increased per capita income, and development of capital markets can all contribute to raise the savings rate in the sub-region.

iv) External trade

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

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

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

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

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

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

51 Only by diversifying their economies can West African countries achieve sustained economic recovery and growth. The countries in the sub-region also need to gain a strong foothold in the rapidly expanding export markets for manufactured and high technology goods. To do this, they must invest heavily in the training of qualified, affordable manpower, a step which, if accompanied by the right security and legal framework, will encourage enterprises from the North to relocate to the South.

52 With regard to the import/GDP ratio, the highest figures were recorded by Gambia (59%), Cape Verde (49%), and Mauritania (40%). The very low 13% recorded by Nigeria underscores the country's comparatively high level of industrialisation. There is greater variety in the goods imported and their countries of origin than in the case of exports. The main categories of goods imported in about the same proportion by all the countries are "food items", "machinery", and "fuel". This suggests that the ECOWAS countries have similar production structures. There is thus little complementarity between the economies, offering limited possibilities for trade between them.

53 Intra-Community trade is estimated to represent only 11% of total trade by ECOWAS countries. Indications are that the situation will not improve significantly in the short term, despite the customs and trade arrangements put in place by ECOWAS.

54 With regard to international trade policies, it should be noted that WTO rules are most beneficial to countries that are exporters of manufactured goods, of which West Africa produces very little. In addition, there are a certain number of problems in the sense that global trade liberalisation envisaged within the WTO context does not fit into the framework of the preferential agreements under the Lome Convention. The dispute between the USA and Europe over ACP bananas is a case in point. It underlines the differences between the Lome Convention and the GATT Most Favoured Nation Clause.

55 The Lome Convention is under negotiation. West Africa must bear in mind that seeking trade preferences as set out in the convention is, in the long term, unrealistic. Robust measures must therefore be taken to promote the region's international trade, and to

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

v) Balance of payments and external debt

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

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

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

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

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

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

countries to cancel about 70 billion US dollars in public debt owed by poor countries is also not likely to bring about any substantial reduction in the debt stock if nothing is done to make the conditions more flexible.

61 Direct foreign investments (DFI) in West Africa amounted to 3 billion US dollars in 1997, representing 1% of total world investment flows. Most of it went into the gas, petroleum and mining sectors. The biggest beneficiaries were Cote d'Ivoire, Ghana, Mali, and Nigeria which, between them, absorbed 95% of the DFI to the sub-region. Nigeria alone received two-thirds of the funds.

vi) Performance per sector

62 The trends in the various production sectors in the sub-region are as follows:

6.1 Agriculture

63 Agricultural output in West Africa grew by a paltry 4% in 1997 and 1998. It was however higher than the population growth rate which remained at 3%. In order to boost economic growth in the sub-region, agricultural value-added must rise by at least 9%, so as to ensure food security, generate foreign exchange, create jobs, and provide inputs for manufacturing industries. The low level of development in this sector is due to the unstable prices of raw materials on the world market, poor policy formulation and implementation, and high population growth rates.

64 Governments in the sub-region should focus their agricultural policies on the major problems of ensuring food security and poverty alleviation. Improved food security must constitute a priority objective for ECOWAS countries. This will demand that all the countries implement more appropriate policies, particularly with respect to price fixing, infrastructure development, productivity, and diversification of crops. The Executive Secretariat and the FAO are working together to define a better agricultural development strategy for West Africa, as a means of assuring food security for our countries.

6.2 Industrial development

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

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

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

vii) Evolution of macro-economic policies

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

rewarded with greater macro-economic stability. The most significant progress was made in Nigeria where the dual exchange rate system was scrapped and the pump price of petrol was doubled towards the end of 1998.

69 In most of the countries, the improvement in budgetary management was accompanied by stricter public expenditure control, more far-reaching reforms in some public enterprises, and tax reforms. As the budget deficits continued to narrow, the governments reduced their own indebtedness to banks, thereby freeing resources that could be used to develop the private sector which was unfortunately handicapped by the inadequate infrastructures and high interest rates.

70 For most ECOWAS countries, therefore, 1998 was a year of stricter monetary regulation, in contrast to the laxist trends in the past. The monetary authorities are increasingly aware that laxist monetary policies could fuel inflation and give rise to over-valued exchange rates. In the spirit of recent economic reforms, monetary policy in all the countries henceforth aims to bring inflation under control. In addition, real interest rates are now positive and stable in a growing number of countries. In some countries, inflation continues to be fuelled by falling exchange rate and by rising food prices caused by inadequate production. The pressure exerted by foodstuff prices remains a real problem, being a reflection of the incapacity of the countries in the sub-region to increase the level of food production per inhabitant.

71 The restructuring and privatisation of enterprises received an added boost in 1998 with the adoption of new strategies for private-sector financing of road and energy infrastructures in the form of BOT. Member States should not relent in their efforts because the importance of restructuring and privatisation of enterprises to economic reform cannot be overemphasised.

viii) Social development⁵

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

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

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

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

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

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

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

78 Poverty in the sub-region is aggravated by the high number of refugees and by the AIDS pandemic. Civil strife in Liberia, Sierra Leone and Guinea Bissau has forced a large number of people to flee their homes and to seek refuge elsewhere. According to figures released by the United Nations High Commissioner for Refugees (UNHCR), West Africa produced 941,000 refugees in 1997. Such mass movements of people put a lot of pressure on the economies of the host countries, particularly in the areas of employment, security and environmental degradation.

79 Although not as widespread in West Africa as it is in other regions of Africa, the incidence of HIV/AIDS epidemic is still high, with serious socio-economic repercussions. The epidemic is spreading at a particularly alarming rate in the major capital cities and towns in the sub-region, the most affected cities being Abidjan and Bobo-Dioulasso.

80 The disease's spread accentuates the level of poverty among the population. It wipes out large numbers of the workforce, particularly in the agricultural sector, thereby jeopardising food security. It also drains family resources as resources which could have been used to increase production or saved for the future are now used to meet the increasing medical expenses.

III. DEVELOPMENT PERSPECTIVES

81 The above overview of the situation of the West African economy underscores the fact that economic recovery in Nigeria is pivotal to the growth and development of the sub-region. With the installation of a democratic civilian regime and the economic plans announced by the new authorities, the country should be able to increase production. However, Nigeria needs to take urgent measures to resolve two majors problems which pose a threat to political and economic stability in the country and in the sub-region. Firstly, the government should imperatively defuse the tension in the Niger Delta area which produces most of the oil. At the same time, the government must tackle the task of rehabilitating its infrastructures in order to be able to reconstitute its production potential. These are core challenges, and the country's ability to overcome them will

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

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

CHAPTER II

IMPLEMENTATION OF THE COMMUNITY WORK PROGRAMME

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

THE SOCIO-ECONOMIC PROGRAMME

I. HARMONISATION OF ECONOMIC AND FINANCIAL POLICIES

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

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

harmonisation of the economic and financial policies of Member States which has been sent to all the countries. Evaluation of these questionnaires will take place in the second half of 1999, and the results will be presented at the October 99 statutory meetings.

86 The ECA has given technical assistance towards the regional development programme (RDP) by recruiting two consultants to conduct the macro-economic segment of the programme. Work in the field has already commenced.

II. DEVELOPMENT OF AN ECOWAS STATISTICAL SYSTEM

i) Update of Statistical Data on Member States

Annual Questionnaires on Socio-economic Data completed by the Consultants

87 Eleven countries have sent in their completed questionnaires for 1998: Benin; Burkina Faso; Ghana; Guinea; Liberia; Mali; Mauritania; Niger; Nigeria; Senegal and Togo.

88 A EUROTRACE Regional site is soon to be set up at the Secretariat for the specific purpose of improving compilation of statistics and managing the databases which will be used for the compilation and publication of external trade statistics.

Data processing and publications

89 Publications of external trade data and national accounts for 1997 are being prepared. It should also be recalled that the Directors of Statistics recommended in April 1998 that ECOWAS should publish a regular statistical bulletin, with effect from 1999.

ii) Harmonisation of Statistics in the Member States

National Accounts

90 From the end of November to early of December 1998, an ECOWAS delegation was in Luxembourg to negotiate funding with

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

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

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

Consumer Price Index (CPI)

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

III. MONETARY COOPERATION PROGRAMME

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

be managed initially by the West African Monetary Agency (WAMA), will facilitate intra-regional trade and payments transactions.

95. In the first quarter of the year, a number of Central Banks organised workshops and awareness programmes on the ECOWAS Travellers' Cheque for banks, bureaux de change, economic operators, hotels, and travel agents, etc. Unfortunately, however, by the end of the first quarter of 1999, the travellers' cheque and related documents, contrary to expectation, had not been put into circulation by the Central Banks. The Committee of Governors has therefore decided to put the cheques into circulation on 1 July 1999.

96 In the course of the October 98 summit, the five-nation ad hoc Committee of Heads of State and Government (Côte d'Ivoire, Ghana, Mali, Nigeria and Togo) met to review progress in the implementation of the programme to establish a single monetary zone by the year 2000. The Committee, after reviewing the progress made and the studies undertaken, emphasised the need for all countries to forge ahead in meeting the macro-economic convergence indicators.

97 The study on the use and acceptability of local currencies in intra-regional trade and payments transactions was completed during this period. The appropriate authorities will be asked to consider the Community proposals and recommendations regarding the use and acceptability of national currencies in regional trade.

IV. TRADE COOPERATION PROGRAMME

98 The star event of the period under review was the second ECOWAS Trade Fair, organised in Accra from 26 February to 7 March 1999, with funding from the European Union. The theme of the fair was "Economic Cooperation Through Trade". The opening ceremony was presided over by the Togolese Prime Minister, Mr. Kwasi Klutse, representing the current Chairman of the Authority of Heads of State and Government, His Excellency, General Gnassingbe Eyadema. The Vice-President of Ghana, Professor John Atta-Mills, was also present at the ceremony.

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

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

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

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

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

V. CUSTOMS COOPERATION

i) Harmonisation and Simplification of ECOWAS Customs Documents

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

105 The draft of the single customs document was prepared in collaboration with UEMOA. It was examined at the 39th meeting of the Trade and Customs Commission which approved and recommended its adoption by the Council of Ministers.

ii) Implementation of the Trade Liberalisation Scheme

106 At the 43rd session of the Council of Ministers which was held in Abuja from 23 to 28 October 1998, the Executive Secretariat was requested to visit those Member States which are yet to implement the trade liberalisation scheme to work out with them the modalities for its effective implementation. At the beginning of the year, the Executive Secretariat wrote to selected Member States to suggest dates for the proposed visits, drawing attention in the letter, to the directive issued by Council. Two Member States have responded asking that the visit be deferred.

107 Most Member States have failed to take the administrative and legal actions necessary to effectively implement the trade liberalisation scheme. The date for the total elimination of tariff barriers for products of ECOWAS origin imported into Member States is set for 31 December 1999.

108 As the region approaches the deadline, the number of applications for approval to benefit from the liberalisation scheme has been increasing. This year, we have registered more than 85 enterprises presenting 160 products. This brings the total number of approved industrial enterprises and products to 270 and 600 respectively.

109 These figures offer tangible proof that manufacturers are eager to trade in their products. However, the obstacles to intra-ECOWAS trade remain, despite the promises made by the Member States.

110 The Executive Secretariat will visit Member States in the second half of 1999 on a TLS evaluation mission, and will present a report to the Council of Ministers in October. In the meantime, I have touched briefly in chapter III on a new orientation for the TLS to speed integration of West African economies.

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

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

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

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

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

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

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

VI. COOPERATION IN THE TOURISM SECTOR

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

117 The European Union which had initially been in favour of the project withdrew its offer in December 1998 on the grounds that its policy of assistance to ACP countries had changed in the interim.

118 In view of this development, and mindful of the importance of the project for the development and expansion of tourist activities in the region, the Secretariat proposed alternative sources of funding for consideration by the Trade/Customs Commission which met in Abuja from 17 to 19 May 1999.

119 The participants acknowledged the need to use self-generated funds to organise the tourism fair, in particular the budget of the Executive Secretariat.

VII. AGRICULTURE AND INDUSTRIAL COOPERATION PROGRAMME

i) Agriculture

120 The Secretariat is currently reviewing its agricultural development strategy with a view to formulating a more suitable framework within which the objectives of ECOWAS with regard to agriculture and food security in the region may be more readily achieved. Terms of reference have already been drawn up for a study on the review, and negotiations are in progress with CTA, FAO and other partners for funds for the conduct of the study. The funds will also cover the organisation of a conference of Ministers of Agriculture which will consider the ECOWAS agricultural development strategy in detail.

ii) Animal Health

121 Terms of reference have been sent to Member States in connection with the recruitment of two consultants to conduct a study on enhancing the vaccine-producing veterinary laboratories. All the preliminaries for the preparation of the study have been completed.

iii) Circulation of the ECOWAS Transhumance Certificate

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

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

iv) Fisheries Development

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

v) The European Union - West Africa Investors' Forum

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

IX. ENVIRONMENTAL PROTECTION PROGRAMME

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

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

the areas recently infested by floating weeds, namely the Volta basin, Burkina Faso, the Gambia, Guinea and Togo. The terms of reference for the study have been completed and were approved by the ADB in February 1999.

127 After consultations had been held between ECOWAS and the ADB, an international invitation to tender was launched with a view to recruiting a firm of consultants to carry out the study. A meeting of the Tenders Board is scheduled for July to select the successful candidate.

128 Work on the study will commence immediately the contract is signed in August 1999, with the creation of a coordinating unit at the Executive Secretariat. The duration of the study will be 12 months.

ii) Desertification Control Programme

129 ECOWAS has been working with CILSS and consulting with IGOs and focal points in Member States, with a view to drawing up a sub-regional action programme (SRAP) to combat desertification in West Africa. The regional committee which was set up for this purpose met in Cotonou in October 1998 to examine a preliminary draft of the SRAP document. This document was finalised in March 1998, and was adopted at the meeting of West African Ministers responsible for the environment which took place in Lome in May 1999. The Ministers recommended its adoption by the next summit of the ECOWAS Authority of Heads of State and Government.

130 The Executive Secretariat took part in the 2nd conference on the Convention to Combat Desertification (CCD) held in Dakar from 30 November to 11 December 1998. Mindful of its involvement in the implementation of the convention, ECOWAS has submitted an application for observer status at the Conference of Parties (COP). The application will be considered at the 3rd Assembly which will take place in Brazil in November 1999.

131 ECOWAS also took part in workshops on the establishment of thematic networks relating to desertification control which the secretariat of the Convention organised within the framework of the regional action programme.

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

iii) Meteorological Programme

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

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

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

iv) Rural Water Supply Programme

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

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

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

IX. TRANSPORT COOPERATION PROGRAMME

i) Land Transport

139 The programme of activities to mobilise resources for the completion of the missing sections of inter-state highways, and the maintenance of the existing roads is in progress. A coordination meeting for Member States was held in Lome from 24 to 25 March 1999 to review the projects for submission to the donors meeting on ECOWAS Regional Road Transport Programme for funding consideration. The road programme will require about US\$1.2 billion in donor funds.

140 The tenth meeting of the Higher Committee on Land Transport (HCLT) took place in Cotonou from 6 to 8 October 1998. The meeting highlighted the agreement between designated national guarantors of inter-State road transit of goods. Seven Member States have so far signed the agreement (Benin, Burkina Faso, Guinea, Mali, Nigeria, Senegal and Togo). The meeting noted that no country has as yet fully implemented the provisions of the convention. It therefore recommended the establishment of a mixed technical commission comprising national guarantors, Directors of road transport, customs and road transporters to review Annex B of the ISRT Convention as it relates to the sealing of pick up vehicles and containers.

141 The Executive Secretariat attended the 16th meeting of the Council of Bureaux of the ECOWAS Brown Card held in Banjul from 15 to 22 October 1998. . It was agreed that an instrument should be established to gather and collate current compensation figures over a period of twelve months. This data should serve as a basis for deliberations on limits acceptable for the harmonisation of the CIMA Code and the ECOWAS Brown Card. All Members are requested to pass legislation establishing a national bureau and defining the operations and statutes of the bureau.

ii) Rail Transport

142 At the tenth meeting of the Higher Committee on Land Transport in October 1998, the Directors of Railways and the representatives of railway corporations reported on their respective activities to

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

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

iii) Air Transport

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

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

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

147 As part of the effort to boost carrier capacity, the Secretariat is willing to guarantee private operators wishing to set up private regional airlines. The findings of the feasibility studies conducted by the Secretariat and updated by private promoters, confirms this as a viable project. A company known as ECOAIR has already obtained a licence to operate in Nigeria, with Abuja as its operational base. The promoters are currently engaged in fund mobilisation, and hope to commence operations this year.

X. REGIONAL TELECOMMUNICATIONS PROGRAMME

i) INTELCOM II

148 Implementation of the INTELCOM II programme has been delayed due to the changes at the ITU in the last quarter of 1998. The ITU as the technical sponsor and supervisor for the feasibility studies conducted on INTELCOM II, has agreed to put up US\$222,000 (67%) of the cost of the study. The total cost of the studies is estimated at US\$ 328,400.00. Of this amount, thirty-three percent, or US\$106,400, will be provided by ECOWAS.

149 Work on the studies will commence after a cooperation agreement on administration is signed between ECOWAS and the ITU, and a preparatory meeting held between experts from the two institutions.

150 The meeting of ECOWAS Ministers of Telecommunications originally scheduled to be held in the first few months of 1999 will now take place in Bamako during the second half of 1999. The ECOWAS Executive Secretariat and ECOWAS Fund have prepared a joint memorandum on the future of the Special Fund for Telecommunications for consideration at the meeting.

ii) The Lome Regional Telecommunications Maintenance Centre (LRMC)

151 The constituent General Assembly of the Maintenance Centre was held in Lome on 7 December 1998. At this meeting, Benin, Burkina Faso, Niger and Togo paid their subscriptions to the capital of

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

iii) Evaluation and Maintenance of Inter-State Links

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

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

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

XI. ENERGY COOPERATION PROGRAMME

i) Development of Power Production Supports and interconnection of Electricity Grids of Member States

155 Ministers of Energy could not hold their meeting to adopt the master plan for energy production and the interconnection of electricity grids due to lack of funds with which to defray the expenses of delegates. A budget, totalling US\$ 68,000 was drawn up and sent to USAID, Chevron and the World Bank, with a request for assistance. To date, only Chevron has offered US\$ 25,000 as assistance to the Secretariat. To cover the difference, the Secretariat approached the Ghanaian Minister of Energy with a request for Ghana to host the meeting and bear the subsistence costs of delegates from Member States. Under this arrangement, the meeting will take place in Accra in July 1999.

156 The feasibility study for the West African Gas Pipeline Project was submitted to the Project Implementation Committee in March 1999, for consideration and adoption. The Implementation Committee has engaged the services of technical advisers who have examined the consultant's report and presented two memoranda thereon. The memoranda were presented to a meeting of the Project Implementation Committee and the Commercial Group which was held in Akosombo in Ghana, from 24 to 26 March 1999.

157 Applications have been made to USAID and the ADB for funds to complete the final phases of the project relating to its institutions. As a follow-up to this initiative, a joint mission of the Project Implementation Committee and the Executive Secretariat went to the USAID Resident Mission in Accra. USAID agreed in principle to provide the assistance requested.

ii) Development of renewable energy sources

158 The regional programme on renewable energy equipment for Member States has been completed, but has yet to be adopted by the Member States.

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

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

XII. CULTURAL AND SOCIAL COOPERATION PROGRAMME

i) Decoration of the ECOWAS Headquarters in Abuja

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

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

ii) Health

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

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

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

iv) The ECOWAS Prize for Excellence

165 The 1999 ECOWAS Prize for Excellence will be awarded in the field of literature for the best novel. The selection has been completed at the national level, and the growing interest of the Member States in the event is indicated by the number of entries: nine Member States have sent in submissions and a total of 21 entries have been received.

166 The international jury which will judge the entries will be selected from the 11 candidates proposed by seven Member States. A memorandum on the selection of the jury members will be presented to the next meeting of the Council of Ministers. The award ceremony will be held during the summit of the Authority of Heads of State and Government at the end of 1999.

v) ECOWAS Drug Control Merit Award

167 At the inter-ministerial drug control committee meeting held in Banjul in September 1998, ECOWAS merit awards were presented to five persons and two institutions for their contribution to the war against drug abuse in West Africa.

vi) Statutes of the ECODRUG Fund

168 The statutes of the ECODRUG Fund were approved by the Authority of Heads of State and Government in October 1998, on the recommendation of the Council of Ministers. The Fund will be used to finance ECOWAS programmes to control drug abuse and illicit drug trafficking in West Africa.

vii) Declaration of Heads of State during the Community Flame Ceremony

169 The ECOWAS Heads of State and Government reaffirmed their commitment to the regional war against drugs when they took part in the Community anti-drug flame ceremony which was held in October 1998. On this occasion, they set ablaze over 1,700 kilogrammes of seized narcotics, and thereafter read a solemn declaration of their commitment.

XIII. INFORMATION PROGRAMME

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

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

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

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

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

XIV. INSTITUTIONAL MATTERS

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

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

the Board of the Global Environment Facility. It was decided at the meeting that consideration should be given to the fact that the countries in the sub-region belong to the Sahel and the coastal zones. The representative from the Sahel zone would be a CILSS member country while the coastal member countries of ECOWAS would choose their own representative. A suggestion was made to the effect that Nigeria should take over from Cote d'Ivoire which had been a member of the Board for many years.

ii) Meeting of the Committee of Ambassadors
Accredited to Nigeria

176 The Executive Secretary met with the Ambassadors of eight ECOWAS Member States accredited to the Federal Republic of Nigeria.

177 After the presentation of the report of the missions undertaken by the Executive Secretary in connection with the Community priority programmes, the meeting stressed the need to explore ways and means of involving ECOWAS diplomatic representations more in the implementation of Community decisions. To this end, during the second phase of the restructuring of the Secretariat, the institution's structure should reflect the role of the Committee of Ambassadors

iii) Meeting between the Executive Secretary and
the Committee of ECOWAS Ambassadors in Geneva,
Washington, New York and Tokyo

178 While on a visit to Geneva, Washington, New York and Tokyo during the period under review, the Executive Secretary held meetings with the Committees of ECOWAS Ambassadors in those countries to apprise them of the activities of ECOWAS and to solicit their assistance to publicise the Community. Each committee expressed satisfaction at the worthy initiative and pledged to support the implementation of the ECOWAS priority programmes by liaising with the host institutions and countries in the quest for assistance.

XV. MOBILISATION OF EXTERNAL ASSISTANCE

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

i) Attendance at Donor Country Meetings

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

ii) Cooperation with France

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

iii) Cooperation with Japan

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

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

two consultants who will evaluate the organisation's total needs with a view to providing funding under the terms of the Tokyo International Convention (TICAD II).

184 Moreover, the United Nations University in Tokyo has promised to assist ECOWAS to upgrade its capacities, particularly in the area of training. A cooperation agreement is to be signed in this regard.

185 The Executive Secretariat and the ECOWAS Fund are currently preparing a programme on a visit to West Africa by the Japanese private sector.

iv) Cooperation with Sweden

186 On 10 November 1998, His Excellency Lars Ekstrich, Ambassador of Sweden and Chairman of the Dublin Group in Nigeria, visited the Executive Secretariat. The Dublin Group is a donors forum for coordinating anti-drug programmes. The Ambassador promised the support of his country and from his group to strengthen ECOWAS anti-drug initiatives. Both parties agreed to identify areas of cooperation.

v) Cooperation with the United States of America

187 During the review period, the Executive Secretary undertook three visits to the United States. The USA is currently interested in establishing broad cooperation links with ECOWAS, as can be seen by the prominent place accorded the regional organisation at the ministerial meeting on USA/Africa partnership held in Washington DC from 15 to 18 March 1999. The conference and the various workshops on American-African cooperation stressed the potentially vital role of ECOWAS in the development and integration of the West African and African economies. ECOWAS intends to continue efforts to ensure that the American Government fulfils its pledge to assist Africa in its development efforts. USAID plans to assist ECOWAS in the areas of market and energy sector development, peace and regional security, and institutional development.

vi) Lome Convention

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

a) Assistance to Member States for Enhanced Regional Integration

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

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

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

b) Assistance to ECOWAS as an Institution

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

193 Still under the RIP, the European Community plans to provide ECOWAS with 2 million Euros to finance a study on the Integrated Transport System for West Africa (ITSWA).

194 The RIP coordination meeting has acknowledged the proven role of ECOWAS in conflict prevention and intends to provide 1,900,000 Euros to the institution for the establishment of the ECOWAS Mechanism for Conflict Prevention, Management and Resolution, Peacekeeping and Security. The funding agreement is being prepared by the European Union in Brussels.

195 It should be noted also that the second ECOWAS Trade Fair organised in Accra from 26 February to 7 March, 1999 received funding amounting to 1,950,000 Euros under the Regional Indicative Programme.

196 Two million Euros has been provided for the year 2000 ECOWAS industrial forum coming up in Dakar.

197 As a follow-up to these pledges of support, the Executive Secretariat has submitted a project document to the European Union, relating to the financing of activities to promote the integration of markets in West Africa.

vii) Cooperation with OAU/ECA

198 The Executive Secretariat attended the meeting of the Policy Analysis Support (PASU) Steering Committee held in Addis Ababa on 19 February 1999. PASU is a think-tank for the capacity-enhancement efforts of the OAU/ECA in the area of regional integration. The meeting requested the unit to support the activities relating to the establishment of databases on development within the OAU and regional economic communities, and to rationalise its programmes by taking into account the activities of other donor agencies. The Executive Secretariat also presented to PASU a multi-sectoral support programme to enhance its activities. The PASU Steering Committee has agreed to commit funds worth US\$ 119, 500 to finance studies on free movement of persons, establishment of a common external tariff, elimination of tariff and non tariff barriers, private-sector promotion, harmonisation of economic and financial policies, and the protocol on

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

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

viii) Cooperation with the African Development Bank (ADB)

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

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

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

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

x) Cooperation with UNDP

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

draft project document has been prepared by the Secretariat for signature by both parties to actualise the assistance agreement.

xi) Cooperation with FAO

204 In December 1998, the ECOWAS Executive Secretariat undertook a working visit to the FAO headquarters in Rome to strengthen the cooperation links existing between the two institutions, and to reactivate the Community activities in the agricultural and livestock sectors. Following the visit, a pluri-disciplinary team from the FAO visited the ECOWAS headquarters in Abuja to review the agricultural programmes with the Secretariat and to determine areas of future cooperation.

xii) Cooperation with the International Telecommunications Union (ITU)

205 The ITU has agreed to provide 67%, representing US\$ 222,000, of the cost of the study on INTELCOM II.

xiii) Cooperation with the World Trade Organisation (WTO)

206 The WTO organised a seminar on the international trade system for professional staff of the Executive Secretariat. A second seminar on the rules and regulations of the WTO is to be organised in collaboration with Member States.

xiv) Cooperation with the International Organisation of French-speaking Communities (La Francophonie)

207 On 21 February 1999, the Executive Secretary, on behalf of ECOWAS, signed a memorandum of understanding with Dr. Boutros Boutros-Ghali, Secretary-General of the French-speaking Communities. Eleven ECOWAS Member States are members of that organisation.

208 Both parties agreed to exchange information and documentation, hold consultations on issues of common interest and

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

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

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

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

XVI. OPERATIONS OF THE ECOWAS FUND

i) Implementation of measures to redeploy and rationalise staff strength

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

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

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

at 31 January 1999, 31 members of staff had left the services of the Institution.

214 As a result of the various measures adopted by the decision-making authorities and the efforts undertaken by the management to reduce administrative costs, the Fund was finally able to present a surplus budget in 1999, after ten years of accumulated deficits.

ii) Study on the transformation of the Fund

215 It would be recalled that the 20th session of the Authority of Heads of State and Government held in Abuja from 28 to 29 August 1997 agreed in principle to the recommendation that the Fund be transformed into a full financial institution, albeit without losing sight of its development and integration objectives. The Management was then requested to commission a feasibility study to determine the type of financial institution that would replace the Fund.

216 Following the approval of the study's terms of reference by the Ad Hoc Ministerial Committee and the Council of Ministers, the management of the Fund called for tenders from consulting firms and finally recruited "Development Finance Corporation" (DFC) to carry out the study. After negotiations, a contract was signed with the firm which began work on the study on 21 September 1998. The draft final report was submitted at the end of March 1999.

217 The conclusions of the study were considered by the Ad Hoc Ministerial Committee during its meeting held in Lome from 10 to 11 May 1999. The consultant is to prepare a report reflective of the committee's observations and comments. A copy of the final report will be sent to all Member States.

iii) Activities

218 In conjunction with the on going restructuring exercise, the Fund Management is making efforts to increase its level of activity. In implementation of its approved 1998-2002 work programme, the Fund has conducted programme identification missions to Member States, to establish a loans programme with them.

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

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

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

iv) Arrears of contributions to the Fund

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

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

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

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

ADMINISTRATIVE AND FINANCIAL ISSUES

iv) Vacant posts

226 Following the retirement or resignation of the incumbents, the following professional posts at the Executive Secretariat are vacant:

- Director, Social and Cultural Affairs Department,
- Director, Audit Department,
- Director, Administration Department,
- Director, Transport, Communications and Energy,
- Principal Officer, Immigration,
- Principal Officer, Information,
- Principal Officer, Accounts,
- Principal Officer, Transport,
- Principal Officer, Research,
- Principal Officer, Statistics,
- Principal Officer, Customs,
- Principal Officer, Trade,
- Senior Officer, Projects,
- Senior Officer, Natural Resources,
- Senior Officer, Personnel.

227 By the end of 1999, a number of other staff members will have become due for retirement. Also, two security guards have passed away while two bilingual secretaries have resigned.

228 The Council of Ministers' decision freezing staff recruitment for the vacant posts is hampering the smooth operation of the Institutions as several units of the Secretariat have either no staff or are being run by a single officer.

229 I therefore strongly appeal to the Council of Ministers to lift the embargo on staff recruitment to enable us remedy the situation. Furthermore, if the Secretariat is to have the best staff in the sub-region, it is highly desirable that the quota system which allocates professional posts to Member States be abolished. This rigid system

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

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

ii) Restructuring of the executive secretariat

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

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

iii) Appointment of statutory appointees

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

submitted four recruitment options to the Executive Secretary, who has forwarded them to the current Chairman of the Authority of Heads of State and Government for a decision. The Chairman has suggested to his brother Heads of State that the posts should be allocated to the countries of the statutory appointees whose terms of office have just expired.

iv) Movement of the Secretariat to Abuja

234 The Executive Secretariat has finally moved its headquarters to Abuja, the last phase having been implemented in March this year. The departments in the Secretariat have been operating fully since the installation of its headquarters in Abuja in March 1998.

235 With the exception of the security guards who moved to Abuja at their own expense as directed by Council, all staff members who relocated to Abuja have been provided with residential accommodation.

236 However, the Secretariat maintains an office in Lagos manned by five category "G" staff, five drivers and twenty-two category "M" staff who provide security at the residence of Statutory Appointees, the liaison office and certain staff residences at Festac Town

v) Construction of staff residences

237 The contract for the construction of staff houses was awarded to Nahman Construction Company Limited. Aim Consultants are the Project Management Consultants while the Consultancy Firm, Takyi and Partners, are in charge of technical supervision. The project is funded through a loan in the amount of US\$ 6,650,000 granted by the Federal Government of Nigeria. The amount has been lodged in an ECOWAS account.

238 AIM Consultants have been paid US\$ 398,250 as their fees for the technical studies and architectural plans. Arrangements have been made to pay a mobilisation fee of US\$ 2,656,069.33 to Nahman Construction Co. Ltd. The company has cleared the access road to the site. Construction work is scheduled to begin shortly.

vi) Tenders code

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

vii) Financial resources of the Executive Secretariat

a) Budget Execution

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

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

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

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

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

245 The Member States that are very far behind in the payment of contributions include Liberia, 19 years behind schedule; Mauritania, 15 years; Sierra Leone, 12 years; The Gambia, 10 years; Cape Verde and Guinea-Bissau, 9 years each; and Niger, 8 years.

b) Community Levy

246 Only nine Member States (Burkina Faso, Cape Verde, Gambia, Ghana, Guinea, Mali, Niger, Senegal, Togo) have so far ratified the protocol. Cape Verde is however yet to deposit its instruments of ratification.

247 In connection with its implementation, the Executive Secretariat visited Benin on a fact-finding mission to draw on the experience of that Member State where there is a functional structure inherited from the former CEAO and which played a great role in the implementation of the UEMOA community levy.

248 Certain Member States which had initially made payments, have withdrawn the proceeds of the levy from the ECOWAS accounts. Such actions are a manifestation of their lack of commitment to the regional integration process and undermine the smooth operation of the Institutions. Member States must demonstrate stronger political will by implementing the provisions of the Protocol on the Community Levy. It is only under this condition that the huge arrears of contributions could be reduced and payments made on a regular basis.

c) Budget of the West African Women's Association (WAWA)

249 As part of measures to enable WAWA make a more meaningful contribution to the regional integration process, the Authority of Heads of State and Government, at its twenty-first session in Abuja, increased the grant to the Association to 25,000 units of account. The Authority also decided that the salaries of WAWA officials should be paid from the budget of the Executive Secretariat. The Secretariat has drawn up the salary scale for WAWA staff. The financial implication of these directives have been assessed and will be presented to the forthcoming meeting of the Administration and Finance Commission.

REGIONAL PEACE AND SECURITY

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

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

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

i) Liberia

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

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

that most of the arms would be destroyed immediately, the remaining weapons to be destroyed in a symbolic ceremony on 26 July 1999, Liberia's independence anniversary. This is a commendable action particularly against the background of the moratorium which the ECOWAS Heads of State and Government declared on the importation, exportation and manufacture of light weapons signed in Abuja on 31 October 1998.

ii) Sierra Leone

255 On 6 January 1999, Freetown was invaded by elements of the Revolutionary United Front. This invasion of the Sierra Leonean capital was repulsed, albeit with a loss of thousands of lives and significant material damage.

256 I wish to use this opportunity to renew my sincere thanks to the current Chairman of ECOWAS, His Excellency, Gnassingbé Eyadéma, and to the Heads of State and Government of Nigeria, Guinea, Ghana, Mali and Côte d'Ivoire. I also thank all the other Heads of State who spared no effort to make available the considerable additional resources needed by ECOMOG, and to facilitate and encourage dialogue between the warring Sierra Leonean parties, as recommended by the 21st session of the ECOWAS Authority. In order for the negotiations started in Lome on 28 May 1999 between the Sierra Leonean factions to proceed in all serenity and increase the chances of success, the ECOWAS Chairman prevailed upon the parties to sign a cease-fire agreement on 18 May 1999.

257 The ECOWAS Ministers of Foreign Affairs meeting expressed unconditional support for this effort in favour of peace. The Ministers urged the contending parties to demonstrate flexibility, a spirit of compromise and conciliation in order to arrive at a speedy, global and definitive resolution of the Sierra Leonean crisis. I shall report on the outcome of the on-going negotiations at the appropriate time.

258 The United Nations Secretary-General has sent in a team to evaluate the logistics requirements for the deployment of United Nations observers. The Executive Secretariat is maintaining contact with the United Nations with a view to effecting the speedy deployment of the UN observers as soon as the situation permits.

iii) Guinea-Bissau

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

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

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

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

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

Accord, but has been proscribed by ECOWAS as a means of acquiring power. Furthermore, the meeting, mindful of the situation on the ground and the difficulties encountered in financing the operation, agreed to withdraw ECOMOG from Guinea-Bissau. This was completed on 5 June 1999.

iv) Niger

264 Over the past few years, we had every reason to believe that democratic transition had finally come to replace the acquisition of power by force of arms. Unfortunately, the perpetrators of the coup d'état which resulted in the sudden and tragic death of the President of the Republic of Niger, His Excellency Ibrahim Bare Mainassara on Friday 9 April 1999, showed that they had nothing but contempt for the principles which had guided the actions of ECOWAS in Liberia, Sierra Leone and Guinea-Bissau.

265 During the discussion of the political situation in Niger, the meeting of Ministers of Foreign Affairs, held in Lome on 24 and 25 May, 1999, unequivocally condemned the coup d'état that led to the assassination of President Baré. The Ministers stressed the need for an independent commission of enquiry into the circumstances surrounding the death of the President and asked that a report be submitted, within the shortest possible time, to the authorities in Niger and for the ECOWAS Executive Secretariat.

266 The Executive Secretariat despatched a letter to the Niger authorities requesting the immediate constitution of the commission in accordance with the ministerial decision taken in Lome. The Niger authorities have chosen to entrust the matter to the Gendarmerie and the Police, instead of setting up a commission of enquiry.

267 In order to avert the occurrence in our subregion of such events, which can only jeopardise development in Member States and undermine the prosperity of the Community, the Executive Secretariat has increased efforts being made to elaborate the protocol on the Mechanism for Conflict Prevention, Management and Resolution, Peacekeeping and Security. The operational framework for this protocol was endorsed by the twenty-first session of Heads of State and Government.

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

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

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

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

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

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

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

- a) measures to enhance confidence in the moratorium such as improving controls at harbours, airports and border crossings. To this end, donor country assistance should be sought for the installation and effective operation of such control mechanisms;**
- b) security sector reform, including initiating and strengthening regional training programmes for the uniformed services;**
- c) incentive schemes to collect and destroy weapons in uncontrolled circulation or unauthorised possession;**
- d) cooperation with civil society organisations.**

274 The Executive Secretariat has formally notified the United Nations Security Council and the Wassenaar Arrangement of the entry into force of the Moratorium and of the list of the categories of light weapons covered by it, in line with the directive given by the Ministers of Foreign Affairs meeting of 25 March 1999..

275 It was also decided at that meeting that a dialogue should be initiated with other arms producers that are not members of the Wassenaar Arrangement, with a view to promoting respect of the Moratorium.

276 The Foreign Ministers supported the convening of the high-level consultation that has been initiated by the Norwegian Initiative on Small Arms Transfer (NISAT) to garner international support for PCASED.

277 The Ministers passed a declaration on the phenomenon of the children soldiers, which they decided to incorporate into the Plan of Action and the Code of Conduct.

CHAPTER III

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

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

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

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

development of road, communications and energy infrastructures. Cooperation in this case takes a physical form. It is also selective and limited in time, lasting only the period it takes to complete a project.

280. A critical evaluation of ECOWAS activities reveals that progress has been made in the area of regional cooperation, this being an area where the objectives are easily realisable. However, in terms of economic integration and, more particularly, market integration, the results have been less encouraging. Unfortunately, market integration rather than any of the major and numerous advances made in other areas, particularly sectoral regional cooperation, will be the main yardstick by which ECOWAS success will be judged.

281. The ECOWAS programmes that have been the most successful are those relating to the construction of the trans-West African highway and the telecommunications network. Also worthy of note are the great advances made in the energy sector as evidenced by the West African gas pipeline project. The point must be made however, that it is easier to convince donors to finance projects of this nature.

282 The most dismal performance by ECOWAS has been in the area of market integration which involves trade liberalisation and requires a high degree of harmonisation of economic policies, as well as the establishment of a common external tariff.

283 Twenty-four years after its inception pursuant to the signing of the treaty establishing it in May 1975, ECOWAS has not achieved any of its market integration objectives. As of today, ECOWAS cannot even be said to constitute a free trade zone. The ECOWAS Trade Liberalisation Scheme (TLS) which was expected to take off in 1979 had to be postponed at least three times, becoming effective only in 1990. Normally, customs tariffs on industrial goods (customs duties and import taxes) should have been totally eliminated by December 1999 in all ECOWAS countries, signalling the establishment of a free trade zone. However, just a few months to that date, there is nothing to suggest that the total liberalisation of intra-Community trade will become a reality before the end of the year. Benin, however, has applied the scheme and has allowed in products exported by Ghana, Nigeria and Togo under the scheme. Notwithstanding the imperfections of the liberalisation scheme, Member States should

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

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

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

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

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

officers held in Praia in December 1998, the focus of EU assistance has shifted to ECOWAS, being now directed essentially at promoting market integration within ECOWAS. At the Praia meeting, the Executive Secretary shed new light on the issue of external support for regional integration in West Africa, pointing out that the donor country aid to ECOWAS must be conceived in a more systematic manner if the benefits of regional integration are to be felt by all Member States, particularly UEMOA member countries.

288 Placing ECOWAS on a solid footing would enable UEMOA countries to form part of a larger economic and monetary union, affording their industrial enterprises greater opportunity to profit from the economies of scale that would be provided by a bigger market.

289 Similarly, the differences in the economic and financial policies of UEMOA and non-UEMOA countries, particularly as regards exchange rate policies, can impede adjustment and convergence efforts in UEMOA member countries. If UEMOA is to realise its objectives fully, it has to harmonise its programmes with those of non-UEMOA countries within the framework of a single economic zone, in other words ECOWAS.

290 The wary attitude of donor countries to ECOWAS will not change until the Member States demonstrate their determination to apply the decisions relating to integration.

291 The advent of a democratic regime in Nigeria and the economic reform measures being implemented in that country should no longer be an excuse for donors to justify the dysfunctions and problems facing ECOWAS and their lack of interest in our Community. Regional integration in West Africa can be viable and the support of donors put to optimum use only within the framework of ECOWAS.

292 However, for Member States to optimise the benefits of an enlarged regional market totally free of tariff and non-tariff barriers, ECOWAS programmes must be coherent and pragmatic. The procedures and instruments currently applied by ECOWAS within efforts to integrate markets are most inadequate. Neither the ECOWAS trade liberalisation scheme nor the macro-economic

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

II. ECOWAS TRADE LIBERALISATION PROGRAMME

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

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

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

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

the basis of which the tariff reduction is calculated. Below is a table outlining the rates applied in the four most industrialised ECOWAS countries.

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

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

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

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

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

297 Pending the time the study on the ECOWAS-CET is finalised, Member States could adopt 25% as the maximum rate of customs duties on goods imported from third countries, that being the maximum UEMOA-CET rate. Even with lower tariff rates, Member States should be able to exploit their fiscal potential in a more rational manner by expanding their tax base and improving the level of recovery of customs duties.

298 The second problem concerning compensation lies in the fact that it is paid by the exporting Member States. With the planned reduction in the customs duties payable on imports from third countries, the exporting country will pay less. Nevertheless, the financing of the mechanism will still constitute a problem. Two solutions could be considered:

- donors could be requested to bear the burden of compensation in the form of assistance to the budget or support towards balance of payments under the framework of the structural adjustment programme. This would mean that the reduction in the tariffs would be taken into account in the economic reform programmes of the Member States. This can only be a short term option since donors will not readily offer such assistance indefinitely
- the compensation could be financed from the proceeds of the Community levy, as envisaged in the provisions of the relevant protocol. This option would be more realistic, on the condition that the levy becomes effective before the tariff elimination takes place.

299 With regard to the first option, the European Union intends to assist ECOWAS Member States with the sum of 70 million Euros under the RISP programme, to enable them meet the costs of integration. 14 million Euros is to go to countries in Phase I while the remaining 56 million Euros is meant for countries in Phase II. As soon as the study on the potential impact of the various ECOWAS programmes on the national economies is completed, the balance of amounts outstanding as a result of the liberalisation of intra-Community trade and the establishment of a CET will be included in the budgets of

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

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

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

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

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

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

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

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

305 These two criteria are normally included in the treaties of all regional and sub-regional communities. However, it is worth noting that in the case of UEMOA, the rate of value-added is set at 40%. Using the value-added criterion therefore, a product eligible under the ECOWAS scheme is not necessarily eligible under the UEMOA scheme, while a product that qualifies under the UEMOA scheme does not necessarily qualify under the ECOWAS scheme. Moreover, UEMOA did not adopt the criterion on raw materials of Community origin. Instead, it emphasises the quantity of raw materials of Community origin utilised, which should constitute at least 60% of the total raw materials used.

306 The rules of origin of the two organisations should be harmonised in order to avoid having two distinct TLS operating within the same sub-region. This could be done with the assistance of donors within the scope of consultations between the two organisations.

307 With regard to the establishment of a customs union, the common external tariff (CET) applied by UEMOA on goods imported from third countries has been in force since 1st January 1998. UEMOA considers ECOWAS countries as third countries, contrary to the provisions of the ECOWAS conventions and protocols signed by all the Member States.

308 ECOWAS has started work on the preparation of its common external tariff. As part of efforts to harmonise the instruments of the two institutions, it would be necessary to bring the ECOWAS CET closer in line with that of UEMOA.

309 The European Commission and the Bretton Woods institutions could assist ECOWAS in preparing and implementing a regional CET, within the context of the Regional Integration Support Programme (RISP). Discussions have already started with the European Commission in this regard.

iii) Accompanying customs documents

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

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

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

iv) Approval procedures

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

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

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

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

317 ECOWAS, the Member States and the Bretton Woods Institutions may hold negotiations on the possibility of making lower tariffs on goods originating in ECOWAS one of the conditionalities of SAP. That would greatly facilitate the implementation of the trade liberalisation scheme.

318 To be optimal, trade liberalisation must be pursued in tandem with the harmonisation of economic and financial policies.

III. HARMONISATION OF ECONOMIC AND FINANCIAL POLICIES OF ECOWAS MEMBER STATES

319 There can be no economic and monetary union in West Africa without the harmonisation of the economic and financial policies of ECOWAS Member States. This must accompany tariff reduction, and will accelerate the development of intra-regional trade and creation of a single monetary zone, and strengthen the national economies. To this end, ECOWAS has set four convergence indicators: budget deficit/GDP ratio, government indebtedness to the Central Bank, inflation, and exchange rate. Yearly assessments have shown that these indicators are not adequate and precise enough to pave the way for an economic and monetary union. Hence the need to review them.

320 This part of the report contains new proposals by the Executive Secretariat which will certainly accelerate the creation of the desired economic and monetary union. The proposals also incorporate UEMOA's budgetary criteria so as to create the conditions for a single regional market in West Africa.

i) Justification and quantification of new convergence criteria

a) Budget deficits

321 ECOWAS has set the target of a budget deficit not exceeding 3% of the GDP as one of its convergence criteria. However, this criterion does not indicate the specific nature of the budget deficit being referred to. This is a problem because there are different types of budgetary balances and several ways of measuring them. The

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

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

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

b) Indicators relating to bank credits and arrears

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

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

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

10 UEMOA uses the UMOA criterion

326 With regard to arrears, the criterion should be a prohibition of new arrears and an obligation to liquidate existing arrears.

c) Ratio of fiscal revenue/GDP

327 The appropriate convergence criterion here might be the average for the last three years for the 3 best performing countries out of a sample of 12. These would be Cape Verde with 24% of GDP, Cote d'Ivoire (18.5%) and Mauritania (16.6%); this yields an average ratio of 20% of fiscal revenue/GDP. All Member States are urged to optimise their fiscal capacity by expanding their tax base and running their tax collection machinery more efficiently.

d) Customs duty

328 ECOWAS countries must reduce the share of customs duty in their total tax receipts in order to prepare their entry into the customs union. Pending finalisation of the study on the ECOWAS/CET, Member States could adopt the UEMOA CET ceiling of 25% of customs duty on goods from third countries.

e) Indicators relating to expenditure

329 Current expenditure and investments constitute the two components of government expenditure. In West Africa, salaries make up a significant part of current expenditure, reducing current savings, which then become insufficient to finance investments.

330 ECOWAS has not adopted any criterion bearing on the composition of current expenditure. UEMOA, by contrast, has fixed a ceiling of 50% as the ratio of salaries to fiscal revenue. This appears to be too high to generate the current savings needed to finance investment and may therefore be reduced. ECOWAS and UEMOA should negotiate and arrive at a ratio of at least 35% of salaries to fiscal revenue. Cote d'Ivoire, Ghana and Nigeria which are the most dominant economies in the sub-region have a salary outlay of between 30% and 40% of tax revenue.

331 With regard to the investment component of government budgets, one of the problems is the high percentage of gifts and grant

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

f) Price stability

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

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

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

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

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

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

¹¹

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

g) Indicators relating to balance of payments

338 The reference variable per excellence of balance of payments is a country's reserves. They are considered an important element of financing under the line from the global payment balance deficits. Reserves also constitute a variable which gives an indication of country-risk and the potential degree of convertibility of a currency. In UEMOA countries, reserves are equivalent to the value of exports over 6 months, whereas in most ECOWAS states, they represent imports over 3.6 months. Countries should also make every effort not to accumulate external arrears.

h) Improving competitiveness

339 Other factors besides macro-economic measures affect the competitiveness of the West African economies, in particular the cost of factors of production (salaries, water, electricity, fuel, availability of qualified manpower).

340 The inadequacy of transport, telecommunications and energy infrastructures also constitutes a major impediment to improving competitiveness.

341 Within their countries, ECOWAS member States must commit more funds to improving transport, telecommunications and energy facilities and to human resource development. The greatest achievements of ECOWAS, as a regional organisation, is in regard to the provision of regional infrastructures. Efforts should be intensified in this connection to accelerate completion of the remaining sections of the trans-West African road network and the interconnecting roads. The INTELCOM II telecommunications project also needs to be executed for improved inter-State telecommunications links, as does the proposed interconnection of electricity grids and the West Africa Gas Pipeline project linking Nigeria to Ghana through Benin and Togo. Ultimately, the gas pipeline project will be extended to all countries in the sub-region.

342 Sectoral policies in each of the areas identified above should be co-ordinated at the regional level, and convergence indicators chosen. These could include the number of telephones per inhabitant; annual

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

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

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

i) Harmonisation of fiscal regimes

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

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

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

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

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

- General accounts plans of Member States;
- Government financial flow of funds accounts.

347 The experience of UEMOA, which has harmonised some of these instruments, could be beneficial to ECOWAS.

ii) Institutional Arrangement for Macro-Economic Convergence

348 A surveillance mechanism must be set up to ensure regular and effective monitoring of compliance with the convergence indicators.

349 Already, the WAMA Committee on Economic and Financial Matters, the Committee of Governors of Central Banks and the Consultative Forum of Ministers of Finance, Planning and Governors of Central Banks meet at regular intervals to evaluate the application of ECOWAS convergence indicators.

350 The following measures are necessary for the establishment of the ECOWAS monitoring mechanism:

- Adoption by the Council of Ministers and the Authority of Heads of State and Government, of a regulation and decision fixing economic policy guidelines and defining convergence criteria;
- Establishment of the institutional arrangement for the monitoring mechanism, consisting in the creation of a national economic policy committee (NEPC) in each Member State, as is the case in UEMOA. Within the monitoring mechanism, the NEPCs will function as complements of the ECOWAS institutions, for the collection, processing and interpretation of data relating to their countries. Each NEPC will also serve as a national organ for the formulation of economic policy scenarios for that respective country;
- Establishment of a macro-economic data base having a specific scope, with the variables assembled into different files: economic accounts; prices, public finance operation

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

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

IV. TOWARDS ACHIEVING MORE EFFICIENT ECOWAS PROGRAMMES

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

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

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

355 This and all other reasons make it necessary to set up a regional consultative framework on economic reforms at which will be discussed all issues pertaining to the integration of markets, in particularly trade liberalisation, the common external tariff and the means of achieving macro-economic convergence. It may be necessary to hold regular meetings of ECOWAS experts in the area of economic reform at least twice a year and these could be attended by donors, principally the European Union and the Bretton Woods institutions. The experts will report to a joint meeting of Ministers of Finance and Planning and Governors of Central Banks, a forum which could be institutionalised in the form of a ministerial meeting on ECOWAS development and integration issues.

CONCLUSION

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

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

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

optimise the advantages of regional integration for the benefit of their countries' economic development. For its part, the Executive Secretariat must take necessary measures to promote implementation of those provisions that will best serve the cause of economic and monetary union in West Africa. This will entail evolving a realistic, pragmatic strategy that can accelerate the process of regional integration.

359 This report attempts to direct ECOWAS priority action towards the creation of a regional market having at its core a liberalised trading system, a common external tariff and macroeconomic convergence. This approach must take due cognisance of the achievements which ECOWAS and UEMOA already have to their credit in this area, and every effort must be made to harmonise the actions of the two institutions. Whether the strategy succeeds or not will also be a function of the extent to which Member States respect their commitments by actually implementing the programmes adopted. This strategy envisions the need to put in place credible organs of control, capable of enforcing compliance with decisions taken of a common accord. The Executive Secretariat has set as one of its key priorities, in the coming years, the task of ensuring that the Court of Justice and the Community Parliament effectively come into being. It has every hope that if ECOWAS Member States genuinely apply this strategy, they will be in a position to satisfy all the economic and social needs of their populations and succeed in claiming a place for themselves in the world economy.