

**WEST AFRICAN REGIONAL INTEGRATION AND THE
WORLD BANK**

STOCK-TAKING AND NEXT STEPS

World Bank

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LIST OF ACRONYMS

AAA	Analytical and Advisory Activities
AAP	Africa Action Plan
AfDB	African Development Bank
APL	Adjustable Program Lending
BCEAO	Banque Centrale des Etats de l’Afrique Occidentale
BOA	Bank of Africa
BOAD	Banque Ouest Africaine de Développement
CAS	Country Assistance Strategy
CET	Common External Tariff
CFA Franc	Currency of franc zone
CILSS	Comité Inter-Etats de Lutte contre la Sécheresse
COSCAP	Coordination Mechanism for Air Transport Security
CT	Country Teams
ECOWAS	Economic Community of West African States
ECOWAP	ECOWAS Agricultural Policy
EEP	ECOWAS Energy Protocol
EPA	Economic Partnership Agreement
EU	European Union
GEF	Global Environment Facility
GDP	Gross Domestic Product
GNI	Gross National Income
HIPC	High Indebted Poor Countries
ICOR	Incremental Capital Output Ratio
IDA	International Development Association, World Bank
IMF	International Monetary Fund
ISRT	Inter-State Road Transit Convention
IST	Inter-State Transport Convention
MDG	Millennium Development Goals
NBA	Niger Basin Authority
NEPAD	New Partnership for Africa’s Development
OHADA	Organisation pour l’Harmonisation de Droit des Affaires
OMVS	Office de Mise en Valeur du Fleuve Sénégal
OURES	Open, Unified, Regional Economic Space
PRSP	Poverty Reduction Strategy Paper
REC	Regional Economic Community
RIAS	Regional Integration Assistance Strategy
RRDP	Regional Regulatory Development Project
UEMOA	Union Economique et Monétaire de l’Afrique de l’Ouest (also known as WAEMU – West Africa Economic and Monetary Union)
WAGP	West African Gas Pipeline
WAPP	West African Power Pool
WAAPP	West Africa Agricultural Productivity Program

PREFACE

This report was requested by Mark Tomlinson, Director of the Regional Integration Department of the Africa Region, to help inform the programming of regional lending and analytical and advisory activities for West Africa. It is not intended as a strategy, but it is expected to feed into the development of a regional integration strategy for the Africa Region in the coming year. The authors drew heavily on the Regional Integration Assistance Strategy (RIAS) prepared by the World Bank in 2001, and this report should be read in conjunction with it. The RIAS remains very relevant today.

This report has also benefited from the Africa Regional Integration Portfolio Review completed in June 2006. In addition to assessing the performance of the various projects, this Review describes some of the practical problems faced by the Bank in supporting regional projects. Among other things, the availability of financing instruments has undoubtedly influenced the choice of projects, and complicated their implementation. We have not tried to internalize the limits imposed by this issue, focusing instead on what we believe should be thematic priorities for the Bank, in the belief that, at least in principle, funding should be driven by strategies and not the reverse. This Review is also recommended to the reader of the present report.

This report was prepared by Philip English, task team leader, with the assistance of Jerome Chevallier, consultant. They were supported by Deo Ndikumana and Sonia Plaza in the Regional Integration Department. A preliminary draft was reviewed internally in April 2006, and a formal review was held in June. The team wishes to thank all those members of the West Africa country teams who commented on the report, as well as the peer reviewers – Iradj Alikhani, Luis de Azcarate, Paul Brenton, and Charles N’Cho-Oguie. Thanks are also due to Josette Percival for her usual high-quality administrative support.

EXECUTIVE SUMMARY

The RIAS

1. The Regional Integration Assistance Strategy (RIAS) for West Africa was presented to the Board in 2001. Its guiding principles were subsidiarity, primacy of the private sector, pragmatism and progressivity, and partnership, notably with other donors. Its central focus was on the creation of regional, but open markets, as a way of reducing risks and transaction costs for private sector activities. A secondary focus was on facilitating regional cooperation in the areas of preventing communicable diseases, making higher education better and more affordable and tackling environmental issues that span borders.

has not been fully implemented

2. A number of initiatives have been taken in support of regional integration, in the areas of infrastructure services for a unified market, financial markets, water resource management, HIV/AIDS, and emergency locust control. On the other hand, only modest progress has been made on the central agenda of the RIAS, which emphasized macroeconomic convergence, trade liberalization, and business environment improvement, in addition to infrastructure. The crisis in Côte d'Ivoire is partly to blame. Lukewarm commitment among Heads of State or Government to regional integration, and lack of a clear strategy in the Regional Economic Communities, also contributed. But problems of internal coordination and financing constraints within the World Bank were partly to blame. In the end, pragmatism has been the dominant principle.

its conceptual framework is as valid today as it was five years ago

3. The conceptual framework of the RIAS is as valid today as it was five years ago. The RIAS argued that improving the competitiveness of the small and fragmented West African economies required regional integration, which could generate economies of scale, reduce costs, and enhance competition in a larger and open space. Sound macroeconomic policies through a convergence mechanism would contribute to improving the framework for private investment. This review recommends a return to the four basic objectives of the RIAS.

the programs prepared recently by the two regional institutions are broadly aligned with the RIAS

4. The two regional institutions (ECOWAS and UEMOA) have recently prepared programs, which are broadly aligned with the RIAS. The reform agenda proposed in the regional PRSP is broad but entirely consistent with the RIAS and the integration projects supported by the Bank. It would be important now for ECOWAS to formulate an action plan based on the PRSP, and establish a consensus among its members for its

implementation. The reform agenda included in the Regional Economic Program (REP) prepared by UEMOA emphasizes similar themes as the PRSP and the RIAS. However, its large investment program is perhaps too narrowly focused on infrastructure, and in need of some refinement.

current CASs show disparities in the importance of regional integration issues

5. Regional integration is a high priority in the Benin, Burkina Faso and Mali CASs. It is considered as essential for helping these countries diversify and expand their production. Most CASs emphasize trade and infrastructure. River basin management is mentioned in the Mali, Niger and Senegal CASs, and agriculture in the case of Mali, Burkina Faso and the new Senegal CAS. Health and education are not discussed as part of the regional integration agenda.

the Bank work program has shifted over time

6. The work program proposed in the RIAS was focused on the creation of a West African open, unified, regional economic space (OURES), which was to absorb 90 percent of the resources. The central criterion for deciding Bank assistance, both analytical and financial, was the extent to which such assistance would contribute to the OURES. The work program for FY02-04 allocated 100% of IDA lending to infrastructure and finance and 40 percent of the administrative budget to analytical and advisory activities (AAA) in support of regional integration institutions. In contrast, 50 percent of actual lending went to unplanned interventions. While the focus of the FY06-08 work program for West Africa returns to infrastructure, the share of AAA falls sharply to only 5 percent.

it is important now to reinvigorate Bank support to regional integration

7. The African Action Plan and NEPAD both give high priority to the need to promote regional integration, which will also help meet the first Millennium Development Goal (MDG) of reducing poverty by half by 2015.

but improved selectivity is needed through a renewed focus on OURES

8. The Bank should support the regional institutions call for more reform by returning to the central focus of the RIAS, which is to help the countries become more competitive through liberalizing and facilitating trade, lowering investment cost of infrastructure services, and improving the investment climate for business and agriculture. Despite some progress, trade remains constrained by many non-tariff barriers which must be dismantled before free trade is negotiated with the EU through an Economic Partnership Agreement. The investment climate is poor, with most countries at the bottom of the “Doing Business” index

and two countries will play a critical make-or-break role

9. Internal conflicts have cost the sub-region dearly, most notably in Cote d'Ivoire, which has served as a growth pole. UEMOA's health depends on a strong and peaceful Cote d'Ivoire. In the largest economy – Nigeria – experience with macroeconomic stability is recent and fragile, and its commitment to regional free trade is uncertain, but current negotiations of a common external tariff represent an important window of opportunity. ECOWAS can not survive without an active, committed and open Nigeria. These two countries deserve special attention.

Recommendations:

- Focus Bank efforts on trade liberalization, improving the business environment, and lowering the cost of infrastructure services. The IMF should take the lead on macroeconomic convergence issues.
- Support regional collaboration in agricultural research to promote agricultural investment, export development and rural poverty reduction, complemented with AAA to promote regional free trade in primary products. Assistance in the management and surveillance of the rich fishery which runs from Liberia to Mauritania would also seem warranted.
- Provide limited support to regional emergencies (Locust, Avian flu).
- Revisit HIV/AIDS projects, keeping in mind the subsidiarity principle to ensure that regional projects do not substitute for projects at the national level.
- Revisit the current emphasis given to river basin management projects in view of the slow moving pace of ongoing GEF projects.
- Increase allocations to AAA to address key policy and institutional reforms in the primary focus area. CASs and CEMs should systematically report on macroeconomic convergence, trade liberalization and investment climate.
- Reward countries which show commitment to regional integration by implementing political decisions. Focus regional projects on them.
- Discuss with countries the implementation of their commitments to regional integration and make key reforms part of the development policy operations.
- Be proactive with the two historic growth poles in the region. Use all available Bank instruments to help end the internal conflict in Côte d'Ivoire and bring about peace through fair elections. Support the current momentum in Nigeria to push for trade liberalization, adoption of the ECOWAS common external tariff, and implementation of regional free trade. A study on the potential benefits of regional free trade could help build support in Nigeria for integration.

- Help the regional institutions establish a division of labor and a workable program of economic reforms in the areas of trade liberalization, macroeconomic convergence, business environment improvement and more efficient infrastructure services.
- Resist developing regional programs in education and health sectors in order to maintain the focus of the Bank's regional integration program and increase the probability of impact. While regional approaches may sometimes make sense, CASs suggest that countries are not prepared for increased regional coordination in these areas, and the World Bank needs to be more selective.

Proposed AAA activities:

Trade liberalization: analysis of intra-regional trade, including informal flows and remaining barriers; technical assistance on the implementation of the common external tariff; examination of the potential for a revenue pooling arrangement and the elimination of internal border posts; harmonization of customs exemptions; assessment of the state of play in free regional trade in primary products.

Nigeria: study of costs and benefits of regional free trade; technical assistance to Nigerian authorities on concrete steps for moving forward on the trade liberalization agenda (perhaps co-funded with the Nigeria CT).

Trade facilitation: further analysis of customs, transport infrastructure and services, administrative barriers, and logistical problems which constrain regional trade, including precautionary measures in the event that Côte d'Ivoire situation is not resolved in short-term.

Investment climate: build on ICAs, DTISs and Doing Business reports to develop a regional overview of problems, share good practices and develop regional solutions; define priorities for action and systems for monitoring progress; support the creation of an observatory on the competitiveness of West African economies; disseminate results widely through the region.

Regional regulatory framework for electricity and telecommunications: Compare existing frameworks; identify strengths and weaknesses; define areas which could be handled at regional level; assess costs and benefits of transferring specific responsibilities to regional institutions; propose action plan for a realistic transfer of responsibilities.

Economic Partnership Agreement: evaluation of the impact of further trade liberalization through an EPA; examination of different alternatives; technical assistance to ensure a development-friendly arrangement.

1. INTRODUCTION

1.1 One of the key objectives of the **Africa Action Plan** (AAP) approved by the Board in 2005 is to support regional integration, as a means to increase economic opportunities for the private sector, and accelerate economic growth. In the West Africa sub-region, the small size of national markets and the fact that three out of 15 countries are landlocked place special emphasis on using regional approaches to build and maintain infrastructure in key trade corridors, to create common institutional and legal frameworks for enhanced private sector investment, and to better address negative trans-border externalities in the areas of security, health or food production for instance.

1.2 The **New Partnership for Africa's Development** (NEPAD) has set regional integration as a core objective. It is encouraging the Regional Economic Communities (RECs) in Africa to become more effective in promoting open regionalism, as a means for improved competitiveness in global markets, and in fostering priority regional investments. The European Union hopes to support this approach through its economic partnership agreement (EPA) initiative. NEPAD generated new momentum to regional integration. ECOWAS was the first sub-region to organize a specific summit on NEPAD in May 2002 in Yamoussoukro, which led to the idea of establishing a NEPAD focal point in the ECOWAS Secretariat and gave a boost to its infrastructure program.

1.3 A **Regional Integration Assistance Strategy** (RIAS) for the West Africa sub-region was reviewed by the Board in 2001. Its guiding principles were subsidiarity, primacy of the private sector, pragmatism and progressivity, and partnership, notably with other donors. Its central focus was on the creation of regional, but open markets as a way of reducing risks and transaction costs for private sector activities. A secondary focus was on facilitating regional cooperation in the areas of preventing communicable diseases, making higher education better and more affordable and tackling environmental issues that span borders.

1.4 The **Africa Action Plan** recommends that separate and small engagements under the previous support to RECs be folded into program approaches prepared jointly with main donor partners to strengthen donor harmonization and focus efforts on capacity building for policy analysis and preparation of priority regional projects. Four priorities were identified: (i) implementation of customs unions, including customs facilities and systems; (ii) gap-filling in regional infrastructure, especially trade corridors, regional power systems and telecommunications; (iii) financial sector integration, especially to broaden access to trade-related financial instruments; and (iv) strengthening agricultural productivity through research and technology development. The AAP seeks to fold regional integration into the mainstream of the Bank's program of assistance.

1.5 Notwithstanding a considerable pipeline of regional investments, particularly in infrastructure, the Bank's regional programs need to be set on a more strategic basis to assure the most advantageous outcomes under the AAP given available resources. This will be achieved through country teams (CTs) developing a shared sense of areas where

regional approaches enhance outcomes, setting priorities and integrating regional activities within CASs.

1.6 **Some recent developments** are favorable for a re-examination of Bank support to regional approaches in West Africa. First and foremost, Nigeria, the largest economy of the sub-region, has made steady progress in implementing its reform program. In 2004, it demonstrated a clear break from a long history of uncontrolled boom and bust cycles caused by oil price fluctuations. GDP is estimated to have grown at 6 percent, the fiscal surplus reached 10 percent of GDP on a cash basis, and inflation decelerated sharply to 10 percent.

1.7 Second, ECOWAS has agreed to adopt the UEMOA common external tariff with four tariff rates and a maximum tariff of only 20% by 2008. This is particularly significant for Nigeria as it represents a major liberalization of that economy.¹ More generally, it is an important step in ensuring that regional integration will be relatively open in nature, serving to promote rather than retard integration into the global economy. This development may also help build awareness and acceptance – inside the region and beyond – of West Africa as a truly regional market.

1.8 Third, the two regional bodies, the ECOWAS Secretariat (in charge of fostering economic cooperation among the 15 countries of the sub-region) and the UEMOA Commission (in charge of the economic and monetary union among a subset of 8 countries in the sub-region, which are all part of the CFA Franc zone) have reinforced their cooperation. They have produced a regional Poverty Reduction Strategy Paper (PRSP). In addition, the UEMOA Commission has prepared a Regional Economic Program (REP). These two documents call for enhanced regional integration to help reduce poverty in the sub-region, and provide a strong basis for improving cooperation with the donor community.

1.9 On the other hand, the lingering political crisis in Côte d'Ivoire has taken a toll on regional integration efforts. The regional integration process in UEMOA used to be led by Côte d'Ivoire. The country has now to rely on its neighbors to help it resolve an identity crisis, which has profound repercussions beyond its borders. On the positive side, ECOWAS involvement in brokering peace has helped Sierra Leone, Liberia and Guinea-Bissau move out of their respective crises.

1.10 **The proposed review.** The objective of the review is to revisit the conceptual framework proposed in the 2001 RIAS and define a set of strategic priorities through a collaborative process with Country Teams in preparation for further discussions with the two key regional organizations and other partners. The purpose of the exercise is not to develop a new RIAS, nor to identify specific integration projects. More specifically, the objectives of the review are to:

- Assess progress in implementing the RIAS;
- Take stock of knowledge on regional integration in West Africa and define areas for additional work;

¹ The situation is somewhat unclear, with talk of adding a new 50% tariff band still persisting in some circles.

- Suggest strategic priorities for regional integration as a means for enhancing CAS outcomes; and
- Use the review for promoting increased collaboration between the regional integration unit, country teams, and eventually regional and national partners.

1.11 **Outcomes.** The review has been designed to facilitate the dialogue between all partners concerned over the coming months. The expected outcomes of the dialogue are:

- Cooperation between a strengthened CD16 and country teams is enhanced
- Regional integration issues are discussed during CASs preparation and CASs include assessment of countries' performance in implementing regional integration agenda
- The FY07-09 work program for CD16 is fully aligned with the regional PRSP and countries' priorities
- Partnership between AfDB, EU, IMF and WB in regional integration programs is strengthened

1.12 The review is organized along the terms of reference, which are in Annex 1. It includes five parts: (i) presentation of the sub-region, including the regional institutions and an analysis of the intra-regional trade; (ii) assessment of the RIAS (conceptual framework and practical experience); (iii) review of the regional PRSP and UEMOA's Regional Economic Program in light of RIAS' priorities; (iv) review of Country Assistance Strategies and Business Plans of the ECOWAS member countries in light of regional priorities; and (v) proposals for CD16 work program.

2. THE WEST AFRICAN SUB-REGION

THE SETTING

2.1 West Africa is highly fragmented as a result of geographic, demographic and historical reasons. Its population of about 250 million inhabitants in 2003 is highly unevenly distributed among countries, with Nigeria containing over half of the total, and three countries (Cape Verde, the Gambia and Guinea Bissau) having 1.5 million or less inhabitants. The region is roughly one third desert, one third Sudano-Sahelian with irregular rainfall, and one third humid along the coast. Population density is low, except in the urbanized areas along the Atlantic coast. Two countries are highly densely populated, Nigeria (149 inhabitants per sq km) and the Gambia (142 inhabitants per sq km). On the other hand, the three landlocked countries (Burkina Faso, Mali and Niger) occupy more than half of the total area, but have only about 14 percent of the total population. Mali and Niger, which share among them 49 percent of the total area, have a population density of 10 and 9 inhabitants per sq km respectively. Internal distances are enormous, and transport infrastructure is deficient. National markets are tiny and regional markets are under developed. As a result, infrastructure costs are among the highest in the world, which translates into an especially high cost of doing business in the sub-region.

2.2 The sub-region is among the poorest in the world. In 2003, the fifteen countries of the sub-region had a combined GDP of about US\$109 billion and a GNP of about US\$89 billion, equivalent to Malaysia's, which had ten times less inhabitants (GNI of US\$93.4 billion for a population of 24.3 million inhabitants). The combined GDP of four countries out of the fifteen countries (Côte d'Ivoire, Ghana, Nigeria and Senegal) represented about 80 percent of the total GDP of the sub-region. Basic indicators are provided in Annexes 2 and 3.

2.3 About 60 percent of the population lives with less than a dollar per day. Life expectancy is 46 years and 111 infants out of 1000 births die before their first birthday. There is a high diversity in these indicators. Sierra Leone is at the lower end with a life expectancy at birth of 37 years and an infant mortality rate of 166 per thousand. Cape Verde is at the higher end of the spectrum with a life expectancy at birth of 69 years and an infant mortality rate of 26 per thousand. The illiteracy rate is 42 percent. The sub-region has been severely affected by internal conflicts, which had spill-over effects on neighboring countries. Three countries are emerging from conflict (Guinea-Bissau, Liberia and Sierra Leone) and three countries have had an unsettled political situation (Côte d'Ivoire, Guinea and Togo) over several years.

2.4 Traditional migration configurations in West Africa have changed in recent years, as West African countries have become both source and destination countries for migrants. Ghana has been one of the major host countries in the sub-region. Cote d'Ivoire and Nigeria were also traditionally key destinations. However, the disruption in Cote d'Ivoire and the economic crisis in Nigeria have diminished the number of migrants into these countries. Burkina Faso, Guinea, Mali and Togo are the main sender countries. Senegal has been both a receiving and sending country.

2.5 Progress in poverty reduction in West Africa is far from sufficient to achieve the MDGs. At the present rate of poverty reduction in the region of 1 percent per annum, reducing poverty by half would only be achieved in 2025. Achieving universal primary education in 2015 is an elusive goal as key member countries, such as Côte d'Ivoire and Nigeria, have experienced declines in enrollment rates since 2000. Progress is also slow in reducing infant and maternal mortality. In several countries the rates have stagnated in past years. They have increased in Côte d'Ivoire and Liberia as a result of internal conflicts. Despite efforts made, the prevalence of HIV/AIDS has not been reduced in the West Africa Region. The incidence of malaria has increased. Implementation of environment management plans, which were adopted by most countries, is lagging behind. More than 40 percent of the population in West Africa continues to lack access to potable water.

2.6 Economic performance has been uneven. Only six countries of the sub-region, with one fifth of the total population, have been able to increase their income per capita during the two decades of the 1980s and 1990s. However, the devaluation of the CFA franc in 1994 represented a turning point for the franc zone, leading to sharply improved economic growth for those countries with stable government. In 2003, per capita incomes ranged from a low US\$130/150 (Guinea-Bissau, Liberia and Sierra Leone) to US\$1,490 (Cape Verde). The average per capita income was US\$345. In recent years, several countries have made good progress in macroeconomic stability and economic growth. Five countries have a good track record (Benin, Burkina Faso, Cape Verde, Mali and Senegal). Economic growth has been strong recently in two countries, but inflation has remained high (Ghana and Nigeria). One country has made good progress in macroeconomic stability, but growth has remained extremely modest (Niger). One country, emerging from civil war, has staged a strong recovery (Sierra Leone). Unsettled political conditions in the six remaining countries have prevented them from achieving economic and social progress in recent years.

2.7 The population of the sub-region is increasing rapidly (about 2.7 percent per annum). It is expected that the population of the sub-region will reach about 320 million in 2015.

REGIONAL INSTITUTIONS

2.8 The Economic Community of West African States (ECOWAS) was established in 1975. It includes 15 countries (Mauritania was an initial member, but left the organization in 2000). ECOWAS has both an economic and a political-diplomatic mandate. It has been more effective in the latter than in the former. Its Executive Secretariat is located in Abuja, Nigeria. In 2005, ECOWAS' budget amounted to about US\$112 million, of which 69 percent was financed by the community levy (an import duty of 0.5 percent) and 31 percent by donors. At their summit on January 12, 2006, the Heads of State approved the transformation of the Secretariat into a Commission, and gave their support to the establishment of a Project Development and Implementation Unit (PDIU), in charge of coordinating implementation of regional projects. However, the Secretariat's capacity is severely constrained, and was further reduced in 2005 when it lost key staff in a plane crash and through the departure of a number of other officials.

2.9 The Union Economique et Monétaire Ouest Africaine (the West African Economic and Monetary Union - WAEMU -, known as UEMOA, its French acronym) was created in 1994. It was preceded by the West African Monetary Union, formally established in 1962. It includes eight countries, (Benin, Burkina Faso, Côte d'Ivoire, Guinea-Bissau, Mali, Niger, Senegal and Togo), all belonging to the CFA Franc zone. Their combined population was about 75 million in 2003. Following the devaluation of the CFA Franc in 1994, emphasis has been put on sound macroeconomic management. A customs union was established in 2000 with a common external tariff (CET), including four rates: 0 percent for medicine and books, 5 percent, largely for capital goods and raw materials, 10 percent for intermediate goods and some capital goods and 20 percent for finished consumption goods. UEMOA's Commission, patterned after the European Union Commission, is located in Ouagadougou, Burkina Faso.

2.10 ECOWAS and UEMOA have reinforced their cooperation in recent years. A memorandum of understanding was signed in 2004, and measures are being taken to improve coordination between the two secretariats. Donors, including the World Bank, have strongly encouraged closer cooperation between the two regional institutions.

2.11 In December 1999, the Heads of State meeting decided that ECOWAS was to become a customs union, by generalizing the UEMOA CET to all member countries in 2002, and a monetary union by 2003/4. Both deadlines have been extended, though in the latter case, this is probably just as well. On the other hand, a CET based on the UEMOA tariff has now been approved in principle, for final adoption by 2008, and some countries have already begun implementation. This is a very positive step, but only a first step.

2.12 Other regional institutions include the West African Health organization, which serves as a technical unit of the ECOWAS Secretariat, and Comité Inter-Etats de Lutte contre la Sécheresse (CILSS), which was created in the wake of the severe Sahelian drought in the early 1970s to pool resources to deal with a recurrent problem affecting several countries in West Africa. Others institutions have been created to manage a time-bound program of activities concerning several countries, such as the Onchocerciasis eradication program, or the West African Power Pool (WAPP), or to manage specific activities shared by neighboring countries, such as the Senegal River Valley Authority (OMVS) or the Niger Basin Authority (NBA).

REGIONAL TRADE

2.13 Regional integration through increased trade among member countries is a major objective of the two regional organizations. Two matrices have been developed to capture the amount of intra-regional trade in ECOWAS and UEMOA member countries in 2004, using the latest data from the Direction of Trade Statistics published by the IMF (See Annex 4). Some adjustments had to be made, however, particularly as concerns export data from Nigeria, which did not match import data, mainly for Côte d'Ivoire, Ghana, Niger and Senegal. It should be noted, however, that trade flows between countries are far from being fully recorded. It is the case, for instance, along the 1,600 km long border between Niger and Nigeria, where most trade flows are unrecorded. Since trade outside the region is more consistently captured, the share of regional flows

in total trade will be underestimated. Comparisons between countries within the region, and over time, are nonetheless revealing.

2.14 With the above caveats in mind, trade among ECOWAS member countries is a small fraction of their total external trade. In 2004, the total amount of merchandise exported by member countries to other member countries was about US\$4.1 billion, equivalent about 8.6 percent of their total exports and 9.1 percent of their total imports. The figure for total exports from ECOWAS countries is heavily biased by the importance of Nigeria's total exports (about 71 percent of the total), of which oil represent close to 98 percent. Nigeria's oil exports to other ECOWAS member countries also accounted for a large part of intra-regional trade (about 39 percent). Eliminating oil trade from total exports of member countries and from intra-regional trade among member countries would raise the ratio of intra- trade to total exports to 17 percent. On the other hand, eliminating oil trade from total imports by member countries and from internal trade among countries would reduce the ratio of intra-trade to total imports to a low 5.7 percent.

2.15 Nigeria was the largest exporter to other ECOWAS countries (about US\$1.65 billion). As already indicated, however, most of these exports consisted of oil. The second largest exporter to other ECOWAS member countries was Côte d'Ivoire (US\$1.24 billion), despite the internal crisis, followed by Senegal (US\$472 million) and Ghana (US\$163 million). Excluding oil exports from Nigeria, exports from the three countries represented about 75 percent of intra-regional trade among ECOWAS member countries. Only two member countries (Côte d'Ivoire and Senegal) exported to all other ECOWAS countries. Ghana exported to 12 countries.

2.16 The share of exports to other member countries to total exports was over 20 percent for four countries, Togo (57 percent), Senegal (34 percent), Niger (29 percent) and Benin (21 percent). On the other hand, seven countries (Cape Verde, the Gambia, Guinea, Guinea-Bissau, Liberia, Mali and Sierra Leone) exported less than 5 percent of their total exports to other ECOWAS member countries. The total of their exports to member countries was about US\$67 million. Four among these countries (Cape Verde, the Gambia, Guinea-Bissau and Sierra Leone) exported less than US\$2 million each to their fellow member countries.

2.17 With 15 member countries, the intra-trade matrix includes 210 cells. Over half of these cells in the 2004 matrix recorded exports of less than US\$100,000, of which close to one third, no trade at all. On the other hand, ten cells recorded exports larger than US\$100 million, of which three from Nigeria. Exports from Côte d'Ivoire were responsible for six of these ten cells, and Senegal for one.

2.18 Intra-regional trade in the UEMOA customs union amounted to about US\$1.14 billion out of total exports of US\$9,6 billion and total imports of US\$13 billion in 2004 (i.e. 11.9 percent of total exports and 8.7 percent of total imports). These percentages are only marginally higher than those for ECOWAS. One would have expected significantly higher percentages, as UEMOA is a customs and monetary union. Nonetheless, according to UEMOA, trade liberalization and the harmonization of indirect taxes have resulted in growing trade among member countries. Since the establishment of the common external tariff in 1996, intra-zone trade increased at an annual rate of 10.6 percent up to 2001,

compared to a growth rate of exports to other countries of 4.4 percent per annum on average. Since 2001, however, the growth rate in internal trade has slowed down, as a result of the crisis in Côte d’Ivoire. This may explain why a recent IMF study (Regional Trade Arrangements in Africa, 2005) shows that the share of intra-regional trade in ECOWAS and UEMOA has not increased significantly over the past decades.

2.19 Despite the political crisis in Côte d’Ivoire, that country was responsible for close to two thirds of total exports from UEMOA countries and 52 percent of exports to other UEMOA countries. Togo’s exports to other UEMOA countries represented about 30 percent of its total exports. The corresponding figures for Senegal, Benin, Côte d’Ivoire and Burkina Faso were 22 percent, 11 percent, 9 percent and 7 percent. Guinea Bissau, Mali and Niger exported less than three percent of their exports to UEMOA countries. However, it is worth repeating that these figures are underestimates due to the difficulty of measuring informal trade. For example, both Burkina Faso and Mali make significant exports of livestock to coastal states, much of which goes unrecorded.

OTHER DONOR PROGRAMS

2.20 In thinking through the role of the World Bank in supporting West African regional integration, it is clearly important to take into account the on-going programs, priorities and comparative advantages of other development partners. A number of donors are very active in West Africa. The European Union has pledged Euro 235 million for regional integration in their current development strategy for the region (2002-2007), including support for the EPA negotiations. USAID also has a large program in the region focusing on trade, HIV/AIDS, food security, natural resource management, and enhancing peace and security. They are providing support on the implementation of the Common External Tariff. The African Development Bank (AfDB) has been supporting regional projects in the area since 1967. These and other donors, (UNDP, DfID, CIDA, IMF, and France) provide ECOWAS and UEMOA with support for capacity building.

2.21 It was not possible to do an exhaustive review of all relevant donor programs for this paper. As the World Bank develops its strategy for West African regional integration, it will be necessary to consult with all the major donors to determine where it makes sense to partner, and where there may be gaps to fill. Table 1.1 which follows is only a very preliminary snapshot of some of the programs with which we are familiar.

Table 1 1: The Role of Other Donors

Donor Agency	Assistance
AfDB	From 1967-2005 the AfDB has financed over US\$ 400 million for activities aimed at improving cooperation among the countries including with the OMVS, the Integration Development Authority for the Liptako-Gourma Region, roads linking Mali and Guinea, and credit lines to the BOAD and the ECOWAS Fund. AfDB is working with UEMOA on procurement reform. The AFDB has provided support to the Lake Chad Basin Initiative and the WAGP/WAPP energy programs. The AfDB recently approved a \$66 million transport project for the Southern Dakar-Bamako corridor managed by UEMOA.

Canada (CIDA)	CIDA is funding a project to improve ECOWAS' overall management capacity for \$6 million. Support is also being provided for UEMOA's efforts to reform the financial market in West Africa and support the transformation and modernization of six savings and credit networks in West Africa (\$5.7 million).
Denmark	Denmark is providing technical assistance to ECOWAS.
European Union (EU)	The EU provides its support through the Cotonou Agreement. In transport, the EU is financing the Northern Dakar/Bamako corridor project. The EU provides capacity support to both the UEMOA Commission and the ECOWAS secretariat. The EU is providing 194 million Euros to improve food security in the region, through the EU Agricultural Fund for regional integration.
France	France's assistance totals about \$2 million a year in areas capacity building, and cross-country efforts to control infectious diseases. The Regional Regulatory Development Project (RRDP) is being financed by France to develop an appropriate regulatory framework for WAPP.
IMF	The IMF provides technical assistance to both UEMOA and CEMAC. In 2003 the West AFRITAC was opened to provide capacity-building assistance through a team of resident experts, supplemented by short-term specialists in the core areas of the IMF's expertise.
Netherlands	Netherlands is providing technical assistance to ECOWAS.
UNDP	UNDP is providing technical assistance to ECOWAS.
U.K. (DFID)	DFID is supporting improvements in ECOWAS' overall management capacity.
USAID	USAID's program in West Africa, entitled the West Africa Regional Program (WARP) supports: 1) fostering regional economic integration and trade (current projects include Facilitating regional exports and imports; 2) increasing the adoption of effective policies and approaches to reproductive health, child survival, and HIV/AIDS in the region; 3) enhancing capacity to achieve regional food security, improved management of natural resources, and agricultural growth and 4) improving the conditions for peace and stability in West Africa. WARP's main partner is ECOWAS.

3. THE REGIONAL INTEGRATION ASSISTANCE STRATEGY (RIAS)

3.1 Part two will examine the regional integration assistance strategy, its conceptual framework and the practical experience with its implementation.

THE STRATEGY AND CONCEPTUAL FRAMEWORK

3.2 As indicated above, the Regional Integration Assistance Strategy (RIAS) for the 15 West African member countries of ECOWAS was reviewed in 2001. Its **guiding principles** were subsidiarity, primacy of the private sector, pragmatism and progressivity, and partnership, notably with other donors. Subsidiarity implies that national actions, and Bank assistance to them, should dominate, except where regional institutions and multi-country efforts would be more effective. Regional integration should make it easier for the private sector to operate and develop activities. The private sector and the civil society should be the main engine of integration. Their representatives should be actively involved in the design and implementation of regional programs. Progress along the three dimensions of regional integration – geographic coverage, substantive focus and institutional depth – must proceed pragmatically and gradually, as experience brings the trust on which deep integration is based. In some areas, such as trade liberalization, virtually all countries are involved. In other areas, such as a gas pipeline, for instance, only neighboring countries are concerned.

3.3 The central focus of the RIAS was on the creation of regional, but open markets, as a way of reducing risks and transaction costs for private sector activities. A secondary focus was on facilitating regional cooperation in the areas of preventing communicable diseases, making higher education better and more affordable and tackling environmental issues that span borders.

Case for sub-regional integration

1. The economies of the sub-region need to become more competitive and capable of participating in globalization. Regional integration can provide economies of scale and increased competition on a larger and open sub-regional space. This can be achieved by integrating goods and factors markets, including non-trade activities, such as infrastructure services.
2. It is essential for the sub-region to become more attractive to private investors through a more open policy, which is consistently applied and credible. Regional integration can help achieve this, by providing joint commitments acting as lock-in mechanisms and restraints against unsound and inconsistent policies. This would improve macroeconomic convergence and stability, and strengthen national liberalization programs.
3. It is important to deal more effectively and humanely with labor migration issues. By facilitating population movements across the sub-region, regional integration would provide the framework for developing a more effective supply of labor

force in growth poles, while allowing the fruit of growth to be redistributed across the sub-region, thus helping alleviate poverty.

4. Finally, regional integration may help deal more effectively with common causes and cross-border issues, such as shared resources, security and health, and to increase bargaining power in world forums. Regional integration can provide the framework for dealing with positive (e.g. conservation, river basin management) and negative (e.g. communicable diseases, conflicts) trans-border externalities.

3.4 The RIAS was fully aware of the difficulties of steering integration forward, because of the high fragmentation of the sub-region, the large number of countries and the lack of a real economic magnet with sufficient resources, leadership and motivation.

3.5 In the debate on the effectiveness of trade blocs in the context of globalization, the RIAS has taken the position that regional integration may help globalization, especially in the case of poor and fragmented economies, such as in West Africa. Without denying the possibility of some trade diversion in the process of market integration, RIAS considered that deeper factor and infrastructure market integration would significantly contribute to reducing costs, and thus making countries more competitive in the global economy, which in turn may spur global trade, investment and export-led growth. The other danger of any regional arrangement i.e. the geographical polarization of economic activity was also acknowledged. The RIAS argued that such polarization occurs with or without integration. Its extent and consequences would be better managed, however, within the institutional framework and financial safeguards offered by increased integration.

3.6 In keeping with the principle of subsidiarity, the RIAS emphasized that **country-level assistance** should remain the fundamental pillar of Bank assistance to the sub-region and to regional integration itself, both because it helps strengthen overall country performance (an indispensable precondition), and because it can be used to help countries respect their regional commitments and deal with additional requirements imposed by regional integration. The RIAS indicated that Bank assistance at country level would continue to help countries (i) compensate for transitional fiscal losses arising from increased openness; (ii) finance the national portions of regional public sector infrastructure networks; and (iii) improve their business environment for region-wide private sector investment. It was recognized that, for this support to be effective, however, it would need to be coordinated across West African countries and made coherent with the regional initiatives.

THE THREE PILLARS

3.7 At the regional level, the RIAS proposed that Bank assistance be built on three pillars:

- a) convergence of macroeconomic policies,
- b) integration of markets, and
- c) strengthening human and institutional capacities.

a) Bank assistance under the first pillar of **macroeconomic convergence** would be provided in close collaboration with the IMF. It would help the regional institutions (ECOWAS and UEMOA) carry out their mandate, by refining the methodologies, sharpening the approaches, and reinforcing monitoring mechanisms. This first pillar, while essential for enhanced regional integration, would be the smallest of the three pillars, as most of the work would be delivered at the national level through country dialogue.

b) **Integration of markets** was the central pillar of Bank assistance under the RIAS. The over-arching objective of the strategy was to create an open, unified, regional economic space (OURES) for private operators, a single West African market open to competitive entry and well integrated into the global economy. It had three different and complementary facets: a commercial policy for free goods markets, arrangements for efficient networks of infrastructure services, and a favorable environment for business and finance.

3.8 The agenda for *making the customs union effective* and welfare enhancing was a complex one. It involved five steps, including: (i) rationalize and apply the UEMOA tariff; (ii) merge the UEMOA customs union into a larger ECOWAS customs union; (iii) continue to reduce the level of tariffs and narrow their dispersion; (iv) improve existing measures to facilitate exports; and (v) focus on informal barriers to trade. The RIAS acknowledged that not all countries would move in unison.

3.9 In the *infrastructure sector*, the RIAS emphasized the need to reduce the high cost of transport, telecommunications and energy services by expanding their market and scale of operation and by establishing a more competitively oriented regional regulatory framework. It stressed that a network of efficient infrastructure services – not just physical infrastructure – is the foundation of an open market. In the road transport sector, the objective was to help countries (i) complete and maintain their portion of the West Africa interstate road network and (ii) assure that transport services function effectively and competitively across borders. In air transport, the priority was to help the sub-region implement its open sky objective and improve air safety and oversight.

3.10 In the telecommunications sector, the RIAS emphasized the emergence of a regional market, rather than common physical infrastructures projects. This would involve the harmonization of a number of policies and the establishment of common regional and regulatory agency over time, in view of the small size of most national markets.

3.11 In the energy sector, the RIAS proposed to support the ECOWAS initiative to establish an interconnected electricity market, including three components: (i) reinforce physical integration of national power grids and reform market policies and regulatory arrangements; (ii) pilot a cooperation model for the functioning of the integrated market; and (iii) implement a fully functional market with the creation of a regional regulatory capacity and adherence to open access.

3.12 As concerns the *business environment*, the RIAS proposed actions in the areas of financial sector integration, taxation harmonization, private sector incentives, labor markets, and legal framework and judicial systems. It recognized, however, that the bulk

of Bank's work would continue to be country-based. It also proposed to advance the regional dialogue on facilitating the free movement of workers, particularly skilled ones.

c) Finally, concerning the third pillar, **supportive institutional capacity**, the RIAS proposed supporting policies and programs which would directly contribute to the formation of OURES. The focus was primarily on macroeconomic convergence, trade, cross borders infrastructure services and enhanced business environment. The RIAS also indicated that limited support would be provided to a multi-country approach to higher education in fields related, for instance, to business management. It would support coordination of efforts to share public goods, such as agricultural research, and fight against public "bads", such as communicable diseases. Finally, it pledged to continue Bank support to the two regional institutions.

3.13 The work program for the RIAS was focused on the creation of a West African open, unified, regional economic space (OURES), which was to absorb 90 percent of the resources. The central criterion for deciding Bank assistance, both analytical and financial, was the extent to which such assistance would contribute to the OURES. This central theme would account for over 90 percent of total assistance, with infrastructure services comprising about half, concentrated in air transport and energy, and financial sector market integration for nearly a third. The proposed work on trade would focus on the adoption and implementation of an ECOWAS common external tariff (harmonized with a revised UEMOA CET) and, to a lesser degree on removing other barriers to trade. The work program for FY02-04 included increased analytical and advisory activities (AAA), which accounted for 40 percent of the resources, and direct financial support of both national and cross border activities.

3.14 Financial support was envisaged for improving infrastructure services markets (air transport, power pool and gas pipeline, and telecommunications harmonization), and enhancing the business environment (financial markets integration, in particular. Targeted capacity building was suggested for reinforcing selected West African institutions, including the river basin authorities. A large program of analytical and advisory activities was proposed in four areas, macroeconomics and trade policy, infrastructure services markets, regional business environment and other. In the latter category, support to procurement reform, agricultural policy and research harmonization, collaboration among higher education institutions and a possible regional PRSP was mentioned.

Assessment of the conceptual framework

3.15 The conceptual framework on which the RIAS is based is a solid one. Improving the competitiveness of West African economies is essential to enable them to better participate in globalization, raise economic growth and reduce poverty. Regional integration can generate economies of scale, reduce costs, and enhance competition in a larger and open space. Sound macroeconomic policies through a convergence mechanism contribute to improving the framework for private investment. Trade liberalization, regionally and internationally, is a necessary condition for increased competitiveness, but not a sufficient one. It has to be accompanied by sound macroeconomic policies, a favorable environment for business and finance, and a

reduction in the cost of factors through integration of infrastructure services. Small countries in West Africa must look beyond their borders and access to a larger regional market is essential. However, since the regional market will remain too small to offer a strong stimulus for increased productivity and diversification, the RIAS emphasized the need for the sub-region to reinforce its policies of openness to the rest of the world.

IMPLEMENTATION EXPERIENCE

a) Convergence of macroeconomic policies

3.16 Since the 1994 devaluation of the CFA Franc, UEMOA members have become more aware of the need for increased convergence of their macroeconomic policies. They have established a multilateral convergence system, which was revamped in 1999. They have adopted eight convergence criteria. Four of them are considered first-order criteria, which, in case of non-compliance, lead to instructions from the council of ministers to the concerned country to submit a reform program, including corrective measures. These criteria are as follows: (i) the basic fiscal balance should be positive; (ii) the average annual inflation rate should be lower than 3 percent; (iii) the ratio of internal and external debt to GDP should not be higher than 70 percent; and (iv) there should be no accumulation of internal or external arrears. Four criteria are considered as second-order criteria. They do not elicit sanctions. They include (i) the ratio of the wage bill to fiscal revenues, which should not exceed 35 percent; (ii) the ratio of domestically financed public investment to fiscal revenues, which should be at least 20 percent; (iii) the ratio of the current account deficit to GDP, which should not exceed 5 percent; and (iv) the ratio of fiscal revenues to GDP, which should be higher than 17 percent.

3.17 Reaching an agreement on convergence criteria was highly positive. It helped the countries better define their macroeconomic objectives and develop tools for assessing results. Experience shows little compliance with these criteria, however. Four countries (Benin, Burkina Faso, Mali and Senegal) have met at least four convergence criteria during the period 1998-2003. The other four countries have been unable to meet most criteria. Guinea-Bissau has met only three times one of the eight criteria during the six-year period. The corresponding figure was 7 for Niger and Togo, and 13 for Côte d'Ivoire. Some improvement took place in 2003 with three countries meeting 6 criteria (Benin, Mali and Senegal), one country meeting 4 criteria (Burkina Faso), two countries meeting 3 criteria (Côte d'Ivoire and Niger), one country meeting 2 criteria (Togo) and one meeting only one criterion (Guinea-Bissau). Because of weak revenue performance, all member countries have had difficulties complying with the fiscal criteria. However, that the total number of criteria violations has tended to decline in recent years.

3.18 In 2000 five of the non-UEMOA members of ECOWAS (the Gambia, Ghana, Guinea, Nigeria and Sierra Leone) indicated their intention to create a second monetary zone by January 2003, as a first step toward a wider monetary union including all ECOWAS members. In November 2003, however, they decided to postpone the launching of the second monetary zone (West African Monetary Zone – WAMZ) to July 2005. In May 2005, they decided again to postpone the establishment of the zone to

December 2009. However, some observers believe that these postponements are well-founded and that this group of countries is not yet ready for a monetary union.

3.19 These countries have agreed on primary and secondary convergence criteria. The first-order criteria are much looser than those for the UEMOA zone. They are as follows: (i) average annual inflation rate should be less than 10 percent; (ii) the ratio of budget deficit to GDP should be less than 4 percent; (iii) the monetary financing of the budget deficit should be less than 10 percent of fiscal revenues; and (iv) gross external reserves should be higher than three months of imports. The second-order criteria, are as follows: (i) the ratio of the wage bill to fiscal revenues should be less than 35 percent; (ii) the ratio of domestically financed public investment to fiscal revenues should be at least 20 percent; (iii) the ratio of fiscal revenues to GDP should be at least 20 percent; (iv) the real interest rate should be positive; and (v) there should not be any accumulation of domestic arrears. No disciplinary action is envisaged in case of non compliance. In any event, these criteria are still far from being met.

b) An open market

3.20 Progress has been made in reducing tariffs and eliminating additional taxes, but the central objective of the RIAs, the creation of an open, unified regional economic space, is far from being achieved. Even in the UEMOA zone, there are still deviations from the common external tariff (CET). In Benin, a number of levies and surcharges on specific products are still in place. In Burkina Faso, additional taxes on a number of imports are levied for the Chamber of Commerce. In Senegal, surcharges are levied on textiles and some agricultural imports competing with local production. In Togo, a stamp duty of 4 percent is levied on imports. In several countries, a declining protection tax is still implemented and a cyclical import tax continues to be levied to give additional protection to selected producers in agriculture and agro-industries. Perhaps most importantly, many non-tariff barriers remain: rules of origin that prohibit many manufactured goods, inappropriate use of standards, administrative delays and bribes at the border, unofficial blockage of food exports, and of course the ubiquitous road blocks.

3.21 In 2000, the non UEMOA member countries of ECOWAS committed themselves to establish a full-fledged customs union by applying the UEMOA CET by January 2002. The difficulties were not sufficiently analyzed, however, and, as a result, agreement was not reached until the end of 2005, and with a transition period lasting until January 2008. This calendar has not been a major problem for Ghana, which had a tariff structure similar to the UEMOA CET, or Sierra Leone, which was the first non-UEMOA country to join. On the other hand, this new CET will be very difficult for Nigeria, which still had many bans or prohibitive tariff rates (150 percent) in 2005. Nigerian bans have had a negative impact on trade from Benin, Ghana and Sierra Leone among others. Nigeria has committed itself to removing these bans, but insisted on keeping a special 50% tariff for some products until 2008 (and perhaps beyond).

3.22 The guidelines for extending the CET provide that during the transition period (2005-07) member countries would be authorized to apply rates different from the four-rate structure to a number of products for the following reasons: protection of an industrial sector, commitments made to industrial companies, losses of budget resources,

social reasons, bilateral or international commitments, and economic policy. The reasons for not applying the CET were extensive. The guidelines listed two categories of exceptions. Type A exceptions concerned tariff rates, that at the start of the implementation period would be different from the CET, but would be aligned at end 2007. Type B exceptions concerned tariff lines for which member countries wanted to change the CET rate. These latter exceptions were to be kept to a minimum. Even before Nigeria has submitted its proposals, the other countries had listed a total of 797 exceptions, of which 137 type B exceptions.

The five steps proposed in the RIAS for making the regional customs union effective are not complete. (i) The UEMOA CET tariff has yet to be fully rationalized and applied. Additional duties continue to be levied, leading to significant cross-country tariff differentiation. Exemptions differ across countries. (ii) The classification of products into tariff categories remains inconsistent. (iii) The merger of the UEMOA customs union into a larger one is on-going, though progress has been made. (iv) There has been no discussion on how to continue the reduction of tariffs. Much remains to be done to facilitate exports – e.g. less delays at customs, faster reimbursement of the VAT. (v) The removal of internal, non-tariff barriers to trade, known as the second liberalization agenda, remains an elusive objective. While further tariff reductions beyond the UEMOA CET seem unlikely, until Nigeria applies the agreed tariff structure, all the other agendas demand action.

Infrastructure services for a unified market

3.23 Significant progress has been made recently in the **energy sector**. Two key projects have been approved in 2005. IDA has provided an innovative partial risk guarantee of US\$50 million to support the West African Gas Pipeline (WAGP) in January 2005. The project aims at transporting natural gas from Nigeria to Benin, Togo and Ghana, and converting existing power plants to gas. It is a cooperative effort involving the four concerned states, the producers, the sponsors (the West African Gas Pipeline Company – WAPCo – a newly created entity owned by international oil companies, the Nigerian National Petroleum Corporation, and the Takoradi Power Company in Ghana), which will build, own and operate the gas pipeline, and transport the gas), and the two customers (Volta River Authority in Ghana and Communauté Electrique du Bénin, a joint company owned by Benin and Togo). Nigeria produces about 1,300 billion cubic feet of gas, of which nearly 75 percent is associated gas; most of which is flared. The gas produced by Nigeria could meet most power requirements of sub-Saharan Africa.

3.24 In June 2005, the Board approved a US\$40 million credit to Ghana to support the first phase of the coastal transmission backbone project of the West Africa Power Pool (WAPP) Program. This program stems from the meeting of ECOWAS energy ministers in November 1999, which initiated a cooperative arrangement to pool their countries' power resources. The vision is to put in place a cooperative power pooling mechanism for integrating national power system operations into a unified regional electricity market. The long-term objective of the program is to help meet the sub-region's power requirements through harnessing electricity from (i) several large hydropower plants sited on the major rivers of the sub-region; (ii) the substantial but yet untapped hydro resources

of Guinea; and (iii) an expansion of gas-fired power stations using gas from Nigeria through the WAGP.

3.25 A phased approach was envisaged to achieve the integration of national power systems under WAPP. The instrument selected by the Bank to support this approach was an Adaptable Program Lending (APL), conceived as a multi-year, multi-country umbrella to mobilize co-financing from a large group of partners, including the private sector. The objective of the WAPP APL program is to develop three sub-regional projects, the coastal zone power pool, including Nigeria, Togo/Benin, Ghana and Côte d'Ivoire (APL 1), the Western zone power pool, including Senegal, Mali, Guinea, Guinea-Bissau and the Gambia (APL 2) and the Sahel power pool, including Côte d'Ivoire, Nigeria and the three landlocked countries (APL 3).

3.26 The first WAPP APL involves the provision of IDA credits in the amount of US\$100 million to Ghana and Benin in two tranches to increase access of the five coastal zone countries to more stable and reliable electricity and reduce their collective vulnerability to drought-induced power supply disruptions.

3.27 In 2003, ECOWAS member states signed the ECOWAS Energy Protocol (EEP), which sets forth the basic principles for cooperation in the energy sector, to facilitate the harmonization of legal, regulatory and institutional frameworks for the WAPP, the WAPG and other similar initiatives. Key principles are: (i) the assurance of third party access to power generation and transmission facilities, regardless of their nationality and location within ECOWAS, and (ii) the free transit of electricity (power wheeling) without distinction as to the origin, destination or ownership of such electricity. The Regional Regulatory Development Project (RRDP) is being financed separately by Agence Française de Développement (AFD) to develop an appropriate regulatory framework for WAPP.

3.28 In January 2005, the ECOWAS member states approved a revised Master Plan for the Generation and Transmission of Electrical Energy. A WAPP Steering Committee and a WAPP Project Implementation Committee were established. The eligibility criterion for benefiting from the WAPP APL is ratification of the EEP. Project triggers to determine when an investment is eligible for WAPP APL support are defined in the Master Plan.

3.29 In **road transport**, good progress has been made in the implementation of the ECOWAS road master plan (approved in 1980, and revised in 1988 and in 2003), but little has been accomplished in the execution of the ECOWAS/UEMOA Regional Transport Facilitation Program. ECOWAS has identified a priority 20,000 km road network comprising the Trans-West African and the Trans-Sahelian Highway, roads linking land-locked countries to sea ports and some other important inter-State links. About 3,777 km out of the 4,560 km long coastal road from Nouakchott in Mauritania to Lagos in Nigeria have been completed. About 3,894 km have been built on the other major axis, the 4,460 km long Dakar to Chad border road. Maintenance remains a problem, however.

3.30 The Regional Transport Facilitation Program was aimed at reducing transport costs. It included (i) the construction of joint border posts; (ii) the establishment of observatories to identify and analyze abnormal practices preventing the free flow of merchandise along the main corridors; (iii) the effective implementation of the two regional road transport agreements signed in 1982 (the Inter-State Transport Convention - IST - on technical norms and conditions for road transport and the Inter-State Road Transit Convention - ISRT – aimed at facilitating the movement of goods and people in the sub-region); and (iv) the extension of the HIV/AIDS initiative along the road corridors.

3.31 Joint border posts have not yet been established and observatories are not yet in place. In spite of the IST convention, transport regulations have not yet been harmonized. The establishment of a single document (waybill), to be used in each transport operation involving two or more countries, has not prevented the multiplication of other documents, contributing to increasing transport cost. The axle load control regulation is little complied with. The IRST convention is far from being fully implemented. The bond guarantee system is only in place in a few countries and does not cover the entire trip from origin to destination.

3.32 These issues are now being addressed under the corridor approach promoted by the donor community. The approach combines physical investment to bring road conditions to acceptable standards, and a package of transport facilitation measures including establishment of joint border points equipped with axle load control equipment and scanners to check sealed trucks, and a radio network to monitor movements of trucks along the corridor.

3.33 Beneficiary countries must meet several conditions, including establishment of (i) a second generation road maintenance fund (adequate representation of users and most resources paid directly out of levies on transport to a commercial bank account); (ii) a national transit committee; and (iii) observatories for monitoring transit flows. A management committee for each corridor must be in place before project funds are disbursed. The first corridor from Tema (Ghana) to Bamako (Mali) through Burkina Faso, was financed by the African Development Bank (AfDB), the European Union (EU), DANIDA, the Danish aid agency, and BOAD, the development bank of UEMOA in December 2003. In December 2005, AfDB approved the Southern Dakar/Bamako corridor project, and the EU agreed to finance the Northern Dakar/Bamako corridor.

3.34 In parallel, progress has been made in addressing the HIV/AIDS threat along the Abidjan-Lagos corridor. In October 2003, the Bank extended a grant to Benin, on behalf of the five countries along the corridor, to increase access to HIV/AIDS prevention, basic treatment, support and care services to underserved vulnerable groups, with particular attention given to transport sector workers, the migrant population, commercial sex workers, and the local population along the corridor. Extremely high HIV prevalence rates have been observed among truck drivers and commercial sex workers in the major cities along the corridor.

3.35 A project is under preparation for IDA financing to facilitate trade and transport in the Ghana, Burkina Faso and Mali corridor. It would include support to three broad components: (i) road transport and transit regulations (harmonization of road transport

regulation, streamlining of transit procedures, establishment of national and regional facilitation committees); (ii) corridor efficiency improvement (establishment of a corridor management mechanism and of observatories of abnormal practices, securitization of transit through electronic monitoring of truck movements, construction of joint border posts and improvement of customs efficiency); and (iii) improvement of regional infrastructure and mitigation of impact of international transit (rehabilitation of road sections in poor condition, improvement of port security, measures to reduce road crashes, and HIV/AIDS prevention). Ideally, internal border posts would be removed, all customs duties would be collected at the first port of entry, and then revenues would be distributed according to the final destination of the imports. This is the definition of a true customs union. As there seems to be some renewed interest in this option, it may be worthwhile to explore its feasibility further before investing in new joint border posts.

3.36 In the area of **air transport**, the Bank supported the Yamoussoukro decision of November 1999 calling for gradual liberalization of air transport services in West and Central Africa. Two IDF grants totaling US\$800,000 were extended to review the existing situation in member countries and identify the best technical and regulatory options to be put in place. An action plan was approved in Bamako in March 2001. This action plan included four categories of activities: (i) revision of the legal and institutional framework at country level; (ii) safety enhancement and establishing a new mechanism for effective technical regulation; (iii) establishment of a regional economic regulatory agency; and (iv) implementation of harmonized user charges to cover costs, including of regulatory capabilities at the regional level. ECOWAS established a secretariat to oversee implementation of the Bamako decision.

3.37 In June 2002, the air transport ministers of UEMOA approved an extensive Air Transport Program listing eight priority actions to be implemented over a three-year period. A set of two packages have been prepared and adopted on the legal and regulatory framework for air transport. Little has been done, however, to adjust national regulations to the new framework or to implement the new regulations after their adoption by member countries. A few activities have been launched by Benin, Burkina Faso and Senegal to improve the security of air transport and the efficiency of airport operations.

3.38 In 2003, the ministers of transport agreed to support the following initiatives: (i) the revision and harmonization of air transport legal and institutional frameworks at country level; (ii) the development of a new mechanism for effective regional technical and safety regulation; (iii) the creation of a regional economic regulatory framework to address competition, market access, consumer protection; and (iv) the upgrading of security standards for each country as well as main airports in the sub-region. A project was approved in 2006 to help participating countries improve airport authorities' compliance with international safety and security standards. The first beneficiaries would be Burkina Faso, Guinea and Mali. The other ECOWAS countries are invited to join the program.

3.39 In the **telecommunications sector**, the objective of ECOWAS is to create a common market through the harmonization of the member countries' legal and regulatory frameworks. The initial emphasis was on improving the interconnectivity of national networks through infrastructure development. In the wake of the liberalization of the

sector and the privatization of public entities, the emphasis shifted to market integration through improved policies and regulatory frameworks. The West African Telecommunications Regulators' Association (WATRA) was created in 2002 to support this process. The Bank helped this shift through a PPIAF grant, which financed a study aimed at (i) reviewing and benchmarking national regulatory frameworks and sector policies, (ii) identifying areas of common rules; and (iii) proposing a roadmap for the harmonization schedule.

3.40 The study was completed in 2002 and concluded that (i) country sector policies lacked clarity; (ii) there were large variations in sector privatization and liberalization across the 15 countries; (iii) independence of regulatory authorities remained a serious challenge for member states; and (iv) little consideration was given to regional harmonization. This was followed up with an ITU/EU Market Harmonization project. New analysis of the options for building up the role of WATRA is now under way in the World Bank with BNPP funding.²

Business environment

3.41 Efforts have been made by UEMOA member countries in the area of taxation harmonization. Good progress was made in harmonizing the system of value added tax (VAT) across the zone. Except for Guinea-Bissau, all countries apply a 18 percent rate. However, there are still a number of exemptions concerning sectors or enterprises, and reimbursements are generally considerably delayed. Other ECOWAS countries have not moved on taxation harmonization. For instance, the VAT rate is 12.5 percent in Ghana and 5 percent in Nigeria. No progress has been made either on investment incentives harmonization. Countries are extremely reluctant to abandon their special regimes, including a vast array of exemptions.

3.42 In 2002, UEMOA adopted a general competition law, which sets rules and procedures related to cartels, abuses of dominant position, state aid to public enterprises, and transparency in financial relations between governments on the one hand and public enterprises and international or foreign organizations. The Bank and IMF supported preparation of the law by the UEMOA Commission. In addition, the Bank co-financed with AfDB through a regional IDF grant a reform of public procurement for UEMOA members. The Bank has also provided support to OHADA, the regional organization of francophone countries for the harmonization of business law, to (i) identify issues, roadblocks and bottlenecks, which prevent the implementation of OHADA's uniform laws; and propose specific actions; and (ii) strengthen the capacity of OHADA's permanent secretariat.

3.43 Despite efforts made, including IDA support to private sector development projects in several ECOWAS countries, the business environment in West Africa is poor. The 2006 Doing Business report covers 155 countries and includes 39 indicators in the following areas: starting a business, dealing with licenses hiring and firing employees, registering property, getting credit, protecting investors, paying taxes, trading across borders, enforcing contracts and closing a business. Most of the eleven ECOWAS

² "The Regional Dimension of Telecommunications Reform in West Africa", by Ioannis Kessides and Roger Noll.

countries, for which data are available, are ranked at the bottom of the scale. The difficulties in starting or running a business explain to a large extent the high share of informal activities in the economies of West Africa. In turn, governments find it difficult to mobilize income tax, and resort to taxation of international trade.

3.44 Six indicators are tracked in the area of trading across borders, namely, the number of documents, signatures and days for export and import. The regional averages for these indicators are 8.5 (number of documents for export), 18.9 (number of signatures for export), 48.6 (number of days for export), 12.8 (number of documents for import), 29.9 (number of signatures for import), and 60.5 (number of days for import). The corresponding figures for the best performer (Denmark) are 5, 3, 20, 8, 4 and 22. The conclusion to be drawn from the survey is that most countries in West Africa make it unnecessarily difficult for business to engage in cross-border trade. (For more details, see Annex 5).

Financial markets

3.45 The Bank has supported the development and integration of financial markets through two projects. The first project, approved in October 2000 was aimed at improving the payments system in the UEMOA monetary zone. An efficient payments system was deemed essential for improving trade among the members of the zone. The project, by reducing credit, liquidity and systemic risks, was expected to contribute to the development of non-cash transactions, the strengthening of banks the deepening of the financial sector, and, more generally, increased regional integration.

3.46 The project focused on improving the settlement system for large transactions and the clearing system for low value payments. It supported the establishment of an inter-bank card system and helped improve the telecommunications and computer system of BCEAO, the central bank of UEMOA. Most project activities have been completed, and the new payments system is working satisfactorily. Large delays in making payments within UEMOA have been greatly reduced.

3.47 A project has been approved in February 2004 to develop the capital markets of the UEMOA zone through BOAD, its development bank, and mobilize public and private financing for the zone's infrastructure development. A credit guarantee scheme to finance infrastructure projects is a major component of the project. The recent regional integration portfolio review suggests that this project has suffered from lack of ownership among beneficiary states and capacity constraints at BOAD which had already been observed in previous projects.

c) Institutional development and other regional cooperation

Agricultural development

3.48 Recognizing the need to coordinate their agricultural policies, the governments of West and Central Africa created the Agriculture Policy Network (APN) in 1999. Its mandate is to improve agricultural policies through enhanced analyses and exchanges among policy makers. Through an IDF grant the Bank has helped increase APN's

institutional capacity, with particular focus on establishing phytosanitary norms and promoting food quality.

3.49 More recently, NEPAD designed the Comprehensive Africa Agriculture Development Program, which covers food production, rural infrastructure and trade, land and water management, and research and technology adoption. In turn, the RECs developed policies for its implementation: the ECOWAS Agricultural Policy (ECOWAP) and the UEMOA Common Agricultural Policy (CAP). While much of this is arguably best tackled at the national level, there are clearly advantages to specialization at a regional level in research. Plans are currently under way in the Bank to develop a West Africa Agricultural Productivity Program (WAAPP) to promote centers of excellence in research and technology particularly for cash crops not covered by the CGIAR system. This and the previous support to APN are broadly consistent with the RIAS, to the extent that they help improve the investment climate in the largest productive sector in most West African countries. It is also consistent with the Diagnostic Trade Integration Studies conducted in several West African countries as part of the Integrated Framework program. These studies underline the important actual or potential role played by export crops in poverty reduction.

3.50 The Africa Emergency Locust Management project was a large project not foreseen by the RIAS precisely due to its emergency nature. In June 2006 it was rated “at risk” in the portfolio review, perhaps not surprisingly given that it only took 3 months to prepare. However, the review is otherwise impressed by the project. It exhibited high country ownership, good coordination with all stakeholders including Bank CTs, and established a sound regional strategy. Given the degree of potential damage at stake, and the obvious externalities involved, one probably can not question the wisdom of such an intervention. A Bank regional programming strategy needs to reflect the likelihood of such unforeseen events – as witnessed by the rise of Avian flu in 2006.

Water resource management

3.51 The RIAS recognized the need to ensure a sound management of regional natural resources. A regional approach is essential to increase the efficiency of proposed investments and reduce conflicts between states. Through three GEF projects, the Bank has contributed to strengthening the capacity of three regional organizations responsible for the sustainable land and water management of the two large West African rivers (Niger and Senegal) and the Lake Chad basin (which is of concern to Niger and Nigeria).

3.52 Two follow up projects are under preparation to help the two river basin management organizations implement their mandates and address major development issues in the basins. The first project would support implementation of a joint development program for the Senegal River Basin, which would reinforce regional integration among the four riparian countries (Guinea, Mali, Mauritania and Senegal) in the efficient management of water and land resources. The proposed instrument is a ten-year APL in two phases.

3.53 The efficient management of resources in the Niger Basin is of concern to nine riparian countries, of which seven in West Africa (Benin, Burkina Faso, Côte d'Ivoire, Guinea, Mali, Niger and Nigeria). The proposed project would include three components: (i) the strengthening the capacity of the Niger Basin Authority; (ii) the rehabilitation and upgrading of two large dams in Nigeria and a number of small dams in Guinea and Mali; and (iii) the restoration and preservation of selected degraded environments, through watershed management and afforestation on the one hand, and river bank stabilization and soil erosion control on the other hand.

3.54 According to the portfolio review, all three on-going GEF projects are unsatisfactory, experiencing problems related to design at entry, institutional capacity to implement, and/or country ownership. These projects were not listed as top priorities by ECOWAS, and appear to have been somewhat donor-driven (GEF, UNDP, AfDB). Given the long preparation times involved, the small size of the projects, and the uncertain benefits, the portfolio review urges the Bank to reexamine such interventions.

HIV/AIDS

3.55 The second largest category for regional lending in West Africa was HIV/AIDS prevention and treatment, for which two separate projects were approved. This is perhaps surprising since unlike the locust plague, HIV/AIDS was already well-known at the time of the RIAS preparation. The Treatment Acceleration Project has proven particularly problematic, with problems in design and implementation. But the most critical issue for present purposes is the lack of significant transboundary externalities which would justify a regional approach. In essence, the project appears to consist of three national projects whose only regional dimension is the sharing of learning.

3.56 The second project in this area was for the Abidjan-Lagos Transport Corridor, referred to already in the transport section. Here the justification as a regional project was much stronger, while country ownership and implementation were also improved. The link to the transport sector clearly strengthens the regional rationale. However, for HIV/AIDS projects more generally, the portfolio review questions whether the World Bank has a comparative advantage in regional approaches.

Capacity building

3.57 Deeper regional integration requires strong regional institutions. In 2002, ECOWAS undertook a through review of its missions and resources, formulating a short-term action plan for capacity building. The Bank has provided support to this program through an IDF grant to help ECOWAS implement the NEPAD agenda. The purpose of the grant was to (i) hire a NEPAD coordinator in the ECOWAS Secretariat; (ii) prepare a study to review the way in which regional integration and NEPAD programs are being managed; (iii) organize a workshop on harmonization of the telecommunications sector; (iv) facilitate coordination meetings between ECOWAS and UEMOA; and (v) upgrade ECOWAS telecommunications capabilities.

3.58 Annual meetings are held to better coordinate donor support to ECOWAS. The last meeting took place in November 2005. The conclusion of the meeting was that ECOWAS has achieved a lot in 2005, but has not been able to convey information efficiently on its achievements to its member states. ECOWAS was able to make good progress where both member states and donors are interested, such as peace and security and infrastructure. Progress on regional integration is much harder, however, because of weak political will on the part of member countries. Donors were concerned that ECOWAS spent too much energy on fire-fighting, and not enough on building a long-term strategic perspective. The donors represented at the meeting included bilateral donors (Canada, Denmark, France, Sweden, UK and USA) and multilateral donors (EU, AfDB and World Bank). In May 2005, the donors agreed on common principles of engagement in support of ECOWAS. Work began on a new capacity-building grant from the World Bank to support and complement the assistance provided by other donors, but this has stalled pending identification of the appropriate funding mechanism.

RIAS AND THE WORLD BANK PROGRAM IN WEST AFRICA

3.59 The RIAS proposed a work program for the next three years (2002-04) heavily focused on infrastructure and the business environment, which would account for 82 percent of the total administrative budget. Much of the remainder was allocated to macroeconomics and trade (12 percent), with 6 percent for other topics. The details are shown in Table 2.1. The RIAS also proposed a 40:60 split of this budget between AAA and lending to reflect the high policy and institutional content of the regional agenda.

3.60 Similarly, lending was expected to be dominated by infrastructure and financial services, as summarized in Table 2.2 below. Actual lending differed quite dramatically from this proposal. Only one infrastructure project was finally approved, and that happened at the very end of the 3-year time period in question (June 2005). On the other hand, two un-programmed loans in HIV/AIDS and one in locust control were approved. The financial sector project was developed as planned, as were three small river basin management grants through the GEF. Total lending was also much lower than planned.

Table 2 1: Budget Allocations for Bank Work on Regional Integration in West Africa
(In percent)

	FY01 (Actual)	FY02-04 (Proposed)
Macroeconomics and trade	8	12
Infrastructure	40	48
<i>Transport</i>	25	30
<i>Energy</i>	10	15
<i>Telecommunications</i>	4	3
Business Environment	26	34
<i>Financial Sector</i>	20	31
Other	5	6
Internal Strategic Work	21	-

Total 100 100

3.61 Assessment of RIAS implementation. Some progress has been made in advancing the RIAS agenda, but there is little evidence of a strategic approach on the part of the World Bank, and results have been limited. Several factors explain this lackluster performance. First, external factors, such as the outbreak of civil war in Cote d'Ivoire, have slowed down the drive for closer integration, particularly in the UEMOA zone. Second, the reform agenda proved to be over ambitious. Member countries of the two regional bodies committed themselves to bold reforms, but were only able to take modest steps and they lacked their own strategic focus. Third, there was no ownership by country teams of the regional integration agenda in the World Bank. Integration projects have been promoted, but the central focus of the RIAS, the creation of regional, but open markets, has been largely neglected. And fourth, the practical complexities of preparing and funding regional projects at the Bank can not be ignored. The Bank's program has been characterized by pragmatism – supporting task managers who identified an opportunity and were willing to cope with the internal and external challenges of developing a regional project.

Table 2 2: Proposed and Actual West Africa Multicountry Financing Program, FY02-04

	(US\$ millions)			
	----- Tentative -----			Actual
	IDA Credits and Guarantees	IDF/DGF	GEF	
Infrastructure services markets				
Air transport restructuring, liberalization and strengthening (TA, restructuring, investments)	100-200	x ¹	-	
West Africa electricity power pool (TA, investments)	150-200	-	-	
Telecommunications harmonization	100	- ²	-	
West Africa Gas Pipeline (guarantees, equity)	possible	-	-	40
Regional business environment				
Financial market integration (TA, credit lines, guarantees)	100 ³	x	-	96.4
Other				
Targeted capacity building support to selected West African institutions (eg. UEMOA, ECOWAS, CESAG)		x	-	
Watershed management	-	-	20 ⁴	14.2
HIV/AIDS	-	-	-	76.6
Emergencies (locust)	-	-	-	59.5
Total	450-600	2-3	20	286.7

1 Plus ongoing IDFs to ECOWAS (air transport) and UEMOA (trade).

- 2 Requested support from the Public-Private Infrastructure Advisory Facility (PPIAF).
- 3 Plus ongoing credit to BCEAO.
- 4 Senegal and Niger river basins, freshwater biodiversity.

4. REGIONAL PROGRAMS OF ECOWAS AND UEMOA

4.1 ECOWAS and UEMOA have prepared a regional PRSP, with assistance from the World Bank, with the objective of making regional integration a catalyst for poverty reduction in the sub-region. The regional PRSP is to serve as a reference framework for increased synergies between national PRSPs and regional programs. In 2005, UEMOA also prepared a Regional Economic Program with the objective of mobilizing financing for regional projects. These two reports are in draft form and are being revised.

THE REGIONAL PRSP

4.2 Recognizing that the region is not on track to achieve the Millennium Development Goals (MDGs), the regional PRSP makes the point that enhanced cooperation among ECOWAS members and deeper regional integration would help member countries accelerate growth, reduce poverty, and thereby improve performance on the MDGs. It then proposes four strategic axes:

- Improve governance, prevent and manage conflicts, and facilitate the free movement of people across the sub-region;
- Integrate markets to increase competitiveness and economic growth;
- Develop and interconnect infrastructures; and
- Build up human resources.

Axis 1: Improve governance, prevent and manage conflicts and facilitate the free movement of people

4.3 Poor governance is at the root of internal conflicts, which cost the sub-region dearly and aggravated its poverty in recent years. ECOWAS has established an early warning system and a troop deployment mechanism. ECOWAS is also trying to build a consensus on harmonizing constitutions and electoral laws, so as to limit the terms in office and establish independent electoral commissions, for instance. ECOWAS is also promoting the free movement of people through a protocol aimed at ensuring that migrants are granted basic rights. While ECOWAS has demonstrated success in resolving some conflicts, such as the one in Sierra Leone, the sub-region is still seriously affected by internal conflicts, which drag on.

Axis 2: Deepen market integration to accelerate economic diversification and growth.

4.4 The overarching objective under this axis is to create an **open economic space**, which would generate economies of scale and intensify competitiveness, through the free flow of people, factors and goods. Three components are required to achieve this objective: macroeconomic stability, trade liberalization and integration of factor markets. Somewhat curiously, although agricultural development is discussed in the text, and ECOWAS has developed an Agricultural Policy (ECOWAP), no mention is made of this sector in the summary of this or any other Axis.

4.5 Progress was made in the **harmonization of macroeconomic policies**, particularly in the UEMOA area. The need now is to reinforce the multilateral surveillance mechanism. In the UEMOA zone, the convergence criteria, particularly the second-order ones, should be revisited to make them more realistic. More attention should be devoted to effective implementation of the revised criteria.

4.6 The ECOWAS Secretariat intends to strengthen the National Coordination Committees, to achieve greater convergence with UEMOA. The strategy calls for greater involvement of Ghana and Nigeria in driving the convergence agenda. Improved tax harmonization is also required. An assessment of indirect tax systems is underway in the countries which are interested in establishing a second monetary zone, and should provide the basis for such harmonization.

4.7 Further progress in **trade liberalization** is essential for improving the competitiveness in the ECOWAS area, and hence facilitating access to global markets. Effective implementation of agreements remains a serious problem in the sub-region, however, and non-tariff barriers continue to hamper regional trade. While some countries such as Ghana and Sierra Leone have made efforts to reduce and simplify tariffs, Nigeria has just started down this path. Strong commitment to reform in Nigeria is essential for making the regional free trade area a credible undertaking.

4.8 In addition, the strategy calls for trade facilitation through (i) the establishment of joint border posts, (ii) implementation of the simplification and harmonization of procedures in main ports; (iii) implementation of the corridor strategy, including the establishment of observatories of abnormal practices; (iv) implementation of the interstate transport and transit facilitation program; and (v) interconnection of customs and port operations computer systems.

4.9 The first priority is to integrate the **financial markets**, which is expected to contribute to a much needed increase in the investment rate in ECOWAS countries. Progress has been made by UEMOA, including the modernization of the payments system and the establishment of a regional stock market. Two commercial banks, ECOBANK and BOA, are active in most ECOWAS countries, and two development banks cater to the needs of UEMOA (BOAD) and ECOWAS (BDIC). The agenda proposed in the regional PRSP includes (i) better coordination between the three stock markets in the sub-region (Abidjan, Accra and Lagos); (ii) improved payments systems between UEMOA and other ECOWAS countries; and (iii) enhanced cooperation between the two development banks. The development of financial products accessible to the vast majority of the people, who are excluded from financial markets is a priority.

4.10 Facilitating the **free movement of people** is a key objective. The PRSP emphasizes the need to better coordinate labor legislations and improving access of migrant workers to land. It recommends regional efforts to complement national programs in favor of private sector development. Actions in that area include: promoting increased cooperation between Chambers of Commerce, establishing regional trade groups, and supporting joint ventures.

Axis 3: Develop and interconnect infrastructures

4.11 The PRSP makes the distinction between developing infrastructures and integrating infrastructure services. Both are needed.

4.12 In the **road transport sector**, ECOWAS made good progress in the physical implementation of its Regional Road Transport and Transit Facilitation Program of January 2003, focusing on the Lagos-Nouakchott and Dakar-N'Djamena corridors. The two main roads along the coast and across the Sahel are well advanced. The next steps proposed in the PRSP are to: (i) complete the missing links; (ii) allocate sufficient resources to maintenance; and (iii) eliminate all obstacles to the free flow of trade. Implementation of the Regional Transport Facilitation Program approved by ECOWAS and UEMOA is essential in that respect.

4.13 In the area of **air transport**, the priority is to implement the program developed by UEMOA and extend it to ECOWAS. This includes: (i) implementation of the priority program; (ii) the establishment of a surveillance and monitoring mechanism; and (iii) the harmonization of legislations and the preparation of a common code.

4.14 In the **energy sector**, the PRSP recommends implementation of the two regional schemes, the West African Power Pool program and the West African Gas Pipeline project.

4.15 In the **telecommunications sector**, good progress has been made in the reform program, including liberalization and privatization. The next step is to create a common market in telecommunications services. The priority is to revise the regulatory framework to allow telephone companies to operate throughout the sub-region, once they are established in one country.

Axis 4: Develop human resources

4.16 Most activities aimed at human resource development should be carried out by countries. A number of activities should be conducted at the regional level in the **education sector**, however. These include the establishment of norms and standards; and enhanced cooperation among countries for the development of capacity in higher education and highly specialized training.

4.17 In the **health sector**, priority regional actions should aim at (i) establishing an information system on epidemic conditions; (ii) harmonizing health policies; (iii) developing common procedures for combating major illnesses (malaria and HIV/AIDS); (iv) promoting generic drugs and improved traditional medicines; and (v) ensuring the quality control of drugs.

4.18 Effective implementation of the PRSP requires the establishment of a **monitoring system** at the regional level. Such a system would monitor implementation of decisions made to accelerate regional integration, assess progress in reducing poverty, and evaluate the impact of measures taken by countries. The present monitoring system is not up to the task, however. The statistics published by the ECOWAS Secretariat for assessing progress in meeting the overall objectives of the economic community are out of date.

THE UEMOA REGIONAL ECONOMIC PROGRAM

4.19 In January 2004, the conference of Heads of State instructed the Commission to prepare a regional economic program for submission to a round table of donors. In November 2005, the Commission issued a draft report, which it discussed with the European Union and the Bank in December 2005. Following an analysis of past trends, the draft report provides a vision and strategy, a five-year action program, and an evaluation of macroeconomic impact of the program.

The vision

4.20 Two scenarios were developed. The outcome of the first one, which is based on the continuation of present trends, is deemed unacceptable. The Millennium Development Goals (MDG) would not be achieved. As income per capita would increase by 1 percent only, the poverty rate would decline from 44 percent in 2005 to 41 percent in 2015. The gross enrollment rate would reach 79 percent only, close to 60 percent of the population would still be illiterate, and the infant mortality rate would remain at a high level (85 per thousand).

4.21 The second scenario is based on the declaration the Heads of State made in Niamey in January 2004, calling for a new impetus to foster regional integration. It requires a number of reforms aimed at establishing an open and competitive economic space, improving the investment climate, promoting economic diversification, and focusing on inclusive growth. Key challenges for implementing the vision include: (i) effective implementation of decisions concerning trade liberalization and macroeconomic convergence, (ii) faster interconnection of infrastructure services, (iii) promotion of local enterprises, (iv) development of human resources, and (v) improved partnership between governments, the private sector, the civil society and external stakeholders.

4.22 This scenario is based on the assumption that a settlement is reached in the Côte d'Ivoire conflict in 2006. Other assumptions include a growth rate of investments of 10 percent per annum, resulting in an investment rate of over 25 percent in 2015, and an increase in productivity resulting in a decline of the ICOR from close to 5 in 2005 to 4 in 2015. The growth rate would increase from 3.6 percent in 2005 to 6 percent in 2015. Per capita income would increase by 50 percent over the period. The poverty rate would decline to about 20 percent. The other MDG would be reached.

The program

4.23 Five strategic axes are proposed. They are broadly in line with those included in the regional PRSP (see above). They are as follows: (i) improve economic governance; (ii) develop economic infrastructures; (iii) build up an integrated production apparatus; (iv) develop human resources; and (v) put in place a partnership for the mobilization of resources and the monitoring and evaluation of progress.

4.24 The cost of the regional economic program for the period 2006-2010 has been estimated at CFAF 2,800 billion (about US\$5.2 billion). The lion's share of the program (80 percent) is allocated to activities proposed under the second axis (economic infrastructure).

4.25 Two broad components are included under the **first axis** (improve economic governance): achieve macroeconomic stability and complete the customs union. A long list of actions is presented, but the report does not give an indication of how and when these actions would be implemented. Over the 2006-2010 period, the cost of the program is estimated at CFAF 2 billion. Only two projects are proposed: the reinforcement and equipment of the judiciary systems, and of the administrations in charge of procurement in the member countries. While these actions may contribute to improved governance, their link to the two components of this axis is rather tenuous.

4.26 Under the **second axis** (develop economic infrastructures), the bulk of investment (CFAF 2,055 billion) is allocated to the road sector. The objective is to complete the Community Infrastructure and Road Action Program prepared in 2001. The program focuses on the principal corridors, which connect the three land-locked countries to the sub-region's ports. A set of measures is proposed to ensure the sustainability of investment, including the harmonization of road maintenance programs, the establishment of autonomous road funds, the generalization of axle load controls, and the training of sector operators. Trade facilitation measures are included in the program aimed at completing the customs union under the first axis.

4.27 In the rail sub-sector, the program includes the rehabilitation of the Dakar-Bamako line and a study on the feasibility of interconnecting the networks. In the air transport sub-sector, the program includes three components: the creation of a regional airline, the updating of airports to meet security and safety norms, and a coordination mechanism for air transport security. With the demise of Air Afrique and the gradual progress under "Open Skies" in promoting a competitive airline industry, the need to support a regional airline is subject to debate.

4.28 In the energy sector, the program includes the interconnection of the priority networks in Côte d'Ivoire and Mali. Other items under the second axis include the development of telecommunications through the establishment of a broadband network and an action plan for the promotion of information technology. Finally, a program for the development of microfinance is proposed.

4.29 Under the **third axis** (build up an integrated production apparatus), a series of actions are proposed. They include a pilot program to upgrade industrial production, the promotion of SMEs, a program for improving food security, a water supply program for 3000 villages, an anti-erosion program for coastal areas, a program to reinforce national capacity in monitoring pests and animal health, and support to policy formulation in the agriculture sector.

4.30 Under the **fourth axis** (develop human resources) two broad activities are proposed in the education sector: the establishment of centers of excellence for higher education, including reforms of existing systems, and the development of girls education in the poor areas straddling national borders. In the health sector, support is proposed for the regional HIV/AIDS and malaria programs, the establishment of a reference network and of a regional hospital to be managed as a private institution, and the constitution of a vaccines stock.

Assessment

4.31 The regional PRSP and its reform agenda are broadly consistent with the RIAS and the integration projects supported by the Bank. However, it appears to underplay the role of agriculture, and notably agricultural trade, as a key instrument for poverty reduction. In addition, the PRSP does not include a results framework, or an action plan. It does refer to the investment program prepared by UEMOA, but this is also quite incomplete.

4.32 Its usefulness lies in the formulation of a reform agenda, which might, after further refinement, serve as the basis for a consensus among member states. It emphasizes effective implementation of decisions made by the Heads of State. Its focus on trade liberalization, macroeconomic convergence and integration of markets is most welcome. It is important for the PRSP to be fully internalized by member countries. However, first it needs to be tightened up, as the key messages are lost in a long and insufficiently focused report.

4.33 The UEMOA program is basically an infrastructure program. The document includes a good assessment of the limited progress made in trade liberalization and macroeconomic convergence. It recommends reforms, which are similar to those put forward in the RIAS, but does not provide an action plan for implementing the large unfinished agenda, nor suggestions on how to encourage member countries to implement the commitments they have made in the past. It emphasizes the need to accelerate growth if the zone is to achieve the MDGs, but, with the exception of an early return to peace in Côte d'Ivoire, it does not explain how the proposed high growth scenario will materialize. The document does not discuss the sources of expected growth.

4.34 The link between the program and the scenario is weak. The focus is too much on physical investment, not sufficiently on the regulatory framework for the efficient integration of markets. The announced criteria for selecting the proposed investments are their contribution to integration and the principle of subsidiarity, but a strict application of these criteria would exclude several of the projects in the program. The economic justification of the proposed projects is lacking. The third axis of the program, which aims at building up an integrated production system, is the weakest. The report suggests a number of activities, but does not discuss what should be done to improve the business environment.

5. THE REGIONAL INTEGRATION DIMENSION IN COUNTRY ASSISTANCE STRATEGIES

Benin: CAS of June 2003

5.1 The CAS indicated that Benin had implemented a number of reforms to comply with the UEMOA convergence criteria. The country was one of the most compliant members of the monetary zone. In 2002, it met all the first-order criteria, but failed to meet the second-order criteria concerning tax revenue collection and current account deficit.

5.2 The CAS emphasized that Benin was actively pursuing regional integration within UEMOA and ECOWAS. As the bulk of Benin's intra-regional trade is with Nigeria, the country is well placed to benefit from renewed growth in Nigeria. Benin competes with Ghana and Togo as a key port of entry for trade with landlocked countries, and must therefore make all efforts required to enhance the efficiency of its port and transport system. As a transit country among the larger economies of the region, Benin is keen on playing its role in sub-regional schemes for the development of transport and energy infrastructure in the context of the 2001 RIAS.

5.3 The CAS estimated that the crisis in Côte d'Ivoire had a marginally positive impact on Benin. Workers' remittances were not significant before the crisis, and the port of Cotonou was able to capture part of the traffic to landlocked countries. On the other hand, the CAS was concerned that the momentum for regional integration within UEMOA would be weakened, if the crisis were to last.

5.4 The CAS supported the first pillar of the PRSP, which aimed at bolstering the medium-term macroeconomic framework. The two sub-regional energy projects (WAGP and WAPP) were expected to reduce electricity cost and improve services. The planned Regional Trade and Transport Facilitation project would help improve the competitiveness of the economy. A Diagnostic Trade Integration Study would help develop a reform agenda for seizing regional trade opportunities, especially with Nigeria, and promoting Benin's further integration into global markets.

5.5 In the risk section, the CAS indicated that economic and political developments in Nigeria represented both a big opportunity and a serious risk for Benin. While, Benin had benefited from policy distortions in Nigeria, it was important for Benin to adjust to positive developments in that country by becoming a more efficient trade platform and leading ECOWAS to adopt more open trading policies.

Burkina Faso: CAS of May 2005

5.6 In view of the country's constraints (landlocked location, limited resource base and undiversified economy), the CAS emphasized the need for Burkina Faso to pursue a long-term vision based on regional economic integration, as an avenue for attaining the 6 percent real growth rate required to significantly reduce poverty. Regional integration across historic and linguistic divides was considered critical for reducing transport and energy costs, expanding markets for trade, taking advantage of economies of scale in

processing activities, developing viable service industries, promoting foreign direct investment, enhancing the quality of advanced education, and encouraging labor mobility.

5.7 The first strategic objective of the CAS is to help Burkina Faso accelerate shared growth. The critical element for achieving this objective is to foster integration into a larger regional market. The CAS makes forcefully the point that a country the size of Burkina Faso cannot significantly expand and diversify its production unless it has access to a larger regional market. The CAS proposes using the PRSC instrument to help Burkina Faso reach the UEMOA convergence criteria and harmonize its trade and economic policies within the common West African framework. Investments for regional integration, particularly with respect to infrastructure, energy, financial markets and agricultural productivity, will be supported. Regional initiatives for civil aviation, regional rail transport and telecommunications should receive support. In the area of agricultural productivity, Burkina Faso is participating in the West Africa Agricultural Productivity Program (WAAPP) initiated by NEPAD with IDA support. Finally the CAS includes an Integrated Trade Framework analysis to reinforce the analytic underpinnings for second-generation reforms in that area.

Cape Verde: CAS of January 2005

5.8 The CAS acknowledges that remoteness from mainland Africa hinders regional integration. The Government's long-term vision calls for Cape Verde to become an infrastructure gateway service provider for West Africa, but studies are needed to determine niches that would be technically feasible and economically and financially viable. Efforts to establish closer links to West Africa, particularly in the areas of business law modernization, air transport safety and regulation, and insurance regulation, have not been brought to fruition, in part due to language considerations.

5.9 Cape Verde's currency is pegged to the Euro. Though this is not discussed in the CAS, it would make sense for Cape Verde to work closely with the UEMOA countries on implementing the convergence agenda. This could in turn trigger interest in joining efforts in the area of business legislation and other undertakings of the UEMOA group. Cape Verde would bring to the table a solid experience in sound macroeconomic management and poverty reduction. On the other hand, Cape Verde, which has still high tariffs (7 bands between 0 and 50 percent) could benefit from UEMOA's trade liberalization experience.

Côte d'Ivoire: Interim CAS of May 2002

5.10 For obvious reasons, the interim CAS was mostly concerned with helping Côte d'Ivoire extricate itself from the deep political and economic crisis, which started in 1999. The interim CAS did not discuss regional integration issues.

The Gambia: CAS of February 2003

5.11 Transit trade has traditionally accounted for a large share of the Gambia's revenues. The re-export trade has been affected by trade liberalization in the UEMOA zone, particularly in Senegal, however. Tariffs are comparatively low (four bands with the highest rate at 18 percent), and the port of Banjul is efficient, when compared with neighboring countries.

5.12 The CAS emphasized the need for the Gambia to take advantage of regional integration, but did not mention specific area in that respect, except for interconnection with the West Africa power grid.

Ghana: CAS of February 2004

5.13 The CAS indicated that Bank support to regional integration schemes would be delivered through the implementation of the RIAS. The CAS mentioned two transport corridors, one to the north (Burkina Faso) and the other along the coast (to Côte d'Ivoire and Togo), the two regional operations in the energy sector, the regional project for air transport, and the HIV/AIDS project in the Abidjan/Lagos corridor.

5.14 The CAS did not discuss the leading role Ghana could play in fostering regional integration with its UEMOA neighbors, while Côte d'Ivoire is trying to sort out its internal problems.

Guinea: CAS of June 2003

5.15 The CAS mentioned the adoption by Guinea of the OHADA agreements, and the preparation of customs reforms leading to the introduction of the common external tariff. It also indicated Guinea's interest in linking its road network with neighboring countries. The crises in the sub-region had a negative economic and financial impact on Guinea. A number of displaced persons took refuge in Guinea. Public spending increased to accommodate the refugees and to improve security. The prevalence of HIV/AIDS increased in the affected regions. Moreover, regional uncertainty curbed foreign direct investment and trade.

5.16 The CAS did not elaborate on activities in support of regional economic integration.

Guinea-Bissau: No recent CAS

Liberia: No recent CAS

Mali: CAS of July 2003

5.17 Regional integration is a major theme in the CAS for Mali. Mali is keen on diversifying its exports and taking advantage of the West African market. It has made efforts to facilitate trade and transport. The Côte d'Ivoire crisis had a negative impact on the Malian economy. The road from Abidjan to Bamako used to handle about 70 to 80 percent of Mali's external trade. Workers' remittances declined significantly.

5.18 Mali has played an active role in promoting regional integration, including harmonization of sectoral policies in power, transport, telecommunications and agriculture. It adopted the UEMOA competition law and the convergence pact. It invested in strengthening the Senegal River Basin Authority (OMVS)

5.19 The CAS included a Box on Bank support to regional integration. It mentioned the WAPP project, the harmonization of the telecommunications policy and establishment of a regulatory framework, the support to OMVS – the Senegal River Basin Authority - , road transport programs, the modernization of the BCEAO payments systems and the support to BOAD. It indicated that the Bank, in association with other agencies, would prepare a diagnostic trade integration study for Mali's trade and would help fast track Mali's integration with Senegal and Guinea.

Niger: CAS of January 2003

5.20 The CAS made the point that expanded trade with UEMOA partners and, more importantly, Nigeria, offers opportunities for diversifying and stabilizing economic growth. The PRSP, adopted in 2001, argued that it was essential for Niger to participate fully in regional organizations, such as ECOWAS, and initiatives, such as NEPAD. The CAS mentioned the two sub-regional projects for the Niger River Basin and the Lake Chad Basin, which have significant implications for Niger.

Nigeria: Country Partnership Strategy (CPS) of June 2005

5.21 The CPS argued that Nigeria can and should play an important catalytic role in the economic development of the West African sub-region. It is a large potential market for its much smaller neighbors. The CPS discussed government initiatives for implementing the ECOWAS trade liberalization agenda and preparing the second monetary zone. It also reviewed Nigeria's involvement in the two regional energy projects and in several regional road initiatives.

5.22 To sustain growth, the CPS proposed to focus on improving the business environment and removing major infrastructure bottlenecks. National efforts should be complemented by participation in regional initiatives. In that respect, capacity building in ECOWAS was seen as important to enhance its ability to articulate and implement the regional integration agenda. Participation in the Niger River Basin development program was considered an important endeavor for Nigeria's.

Senegal: CASs of 2003 and 2006

5.23 Regional integration is one of the eight strategic orientations of the PRSP. The 2003 CAS mentioned that the trade regime had become much more open, and reviewed progress towards greater regional integration within the framework of UEMOA. It indicated support provided by the Bank in the modernization of the payments systems, the regional hydropower project (Manantali), and the implementation of UEMOA's common agricultural policy. It proposed new activities, including support to BOAD and the Senegal River Basin resource management project.

5.24 A new CAS is under development in 2006. The range of regional operations and analytical studies is even wider this time, covering hydroelectric energy cooperation with Mali, road links to Mauritania and the Gambia, navigation on the Senegal River, cooperation on ocean fisheries management, participation in regional projects to control Avian flu and combat malaria, and support to the West Africa Agricultural Productivity Program.

Sierra Leone: No recent CAS

Togo: No recent CAS

SUMMARY

5.25 Most CASs emphasize the need for closer regional integration. The most recent ones are more specific on activities to be supported. The CASs for Burkina Faso and Mali strongly make the point that regional integration is essential for helping these two landlocked countries diversify and expand their production. Regional integration is also a high priority in the Benin CAS. In general, with the exception of the CAS for Benin, the CASs do not assess in detail progress made in the implementation of decisions taken by Heads of State in the areas of trade liberalization and of macroeconomic convergence. Most CASs emphasize trade and infrastructure. River basin management is mentioned in the Mali, Niger and Senegal CASs, and agriculture in the case of Burkina Faso and Mali. Health and education are not generally discussed as part of the regional integration agenda.

6. CHAPTER FIVE: PROPOSED APPROACH

WORLD BANK WORK PROGRAM

6.1 The Bank work program in support of regional integration evolved over time. The work program proposed in RIAS was focused on the creation of a West African open, unified, regional economic space (OURES), with a heavy emphasis on policy and regulation reforms. All IDA lending was to be devoted to infrastructure and finance. In addition, 40 percent of resources were to be allocated to analytical and advisory activities, reflecting the non-lending nature of much of the required work, notably in the fields of macroeconomics and trade policy.

6.2 As shown in Table 2, actual lending favored activities in the area of HIV/AIDS and emergency locust control, which were requested by ECOWAS and UEMOA. This shift was also the result of the difficulties inherent in preparing and financing regional infrastructure projects, offset by a somewhat opportunistic approach in other sectors where sensible things could be done.

6.3 The regional integration work program for CD16 for FY06-08 reflects a return to the focus on infrastructure in the RIAS. Of the administrative budget allocated to loan preparation, 60 percent is earmarked for the West African Power Pool, air and road transport. Another 22 percent is intended for further work on river basin management. The remainder is accounted for by one agricultural productivity project.

6.4 The administrative budget for loan preparation represents 26 percent of the total budget for West Africa regional integration. Another 69 percent is set aside for loan supervision. With the growing loan portfolio, it is not surprising that the supervision budget has become the largest single component of the budget. However, it is striking that only 5 percent remains for AAA and that a significant amount of this is for the development of the Bank's own strategy. The rest is for studies on agricultural productivity, financial integration, and higher education. A table on the FY06-08 work program is in Annex 6.

6.5 The Bank has demonstrated resourcefulness in developing regional integration projects in infrastructure, financial markets, and emergency locust management. On the other hand, its forays into water resource management, and the treatment of HIV/AIDS have been more problematic. This range of projects has helped not only build up regional institutions, but also good will in the region. While continued support to regional infrastructure projects is fully warranted, the big challenge now is to go back to the core of the RIAS, and pursue forcefully the trade liberalization, macroeconomic convergence and business environment agendas.

PRIORITIES FOR ACTION

For the regional institutions

6.6 The first priority is to help Côte d'Ivoire settle its internal conflict. ECOWAS and UEMOA, with international support, should continue to put considerable pressure on all parties concerned to implement the process leading to general elections. The government in charge of preparing the country for general elections should receive all the support required to organize elections and conduct them in a fair and transparent way. A return to normalcy in Côte d'Ivoire is essential for helping UEMOA and ECOWAS put the regional integration agenda back on the front burner. The two regional institutions should continue to monitor progress made in post-conflict member countries.

6.7 The second priority is for ECOWAS to reach a consensus on the reform agenda proposed in the regional PRSP with member countries – after some revisions to clarify the key messages. A detailed plan of action with a clear and realistic implementation schedule is needed. Past experience has shown that a great number of Decisions, Protocols and Conventions have been adopted by the Heads of State and Government, but many of them are honored more in the breach than in reality. Key areas requiring immediate attention are (i) the removal of barriers to free trade in the sub-region. (ii) the establishment of a credible surveillance mechanism for moving toward macroeconomic convergence; and (iii) capacity building for the development of a regulatory mechanism at the sub-regional level.

6.8 The third priority is to establish a clear distribution of responsibilities between ECOWAS and UEMOA, as well as with the other regional bodies. Cooperation between the two institutions has improved over past years. Now, it is important for them to reach an agreement on how best to use their existing capacities and avoid duplication of efforts. ECOWAS could focus on conflict resolution, the NEPAD agenda, improving the business environment in member countries, and working with Nigeria to help it lead the regional integration agenda. UEMOA could focus on the trade liberalization, trade facilitation, and macroeconomic convergence agenda. The Regional Economic Program of UEMOA will need further refinement to be internally consistent, as well as some realignment as the relationship between UEMOA and ECOWAS evolves.

6.9 The fourth priority is the successful negotiation of a development-friendly Economic Partnership Agreement with the European Union. In principle, the EPA framework as conceived by the EU would help address some of the issues raised here – stronger regional integration, liberalization of services trade, improved investment climate. However, the reality is that the process is proving extremely challenging, the outcome is uncertain, and ECOWAS, as lead institution, is finding its capacity sorely taxed. Promoting development through trade negotiations between 16 African countries and the EU is not a straightforward task. ECOWAS needs to marshal its resources and those available to it from UEMOA, the EU and other partners, in order to ensure a constructive outcome.

For the Bank

6.10 The basic RIAS message on trade liberalization, macroeconomic convergence, infrastructure and the business environment is as compelling as it was in 2001. Agreements reached among member countries on these issues have not been adequately implemented, however. It is important now to carry out a detailed assessment on where each country stands in relation to commitments made, and propose a timetable for effective implementation of key policy measures. This should be a priority task. It may be difficult to enlist the support of all member countries to a set of measures intended to achieve the objectives agreed upon by their Heads of State or Government in past years. In this case, it is suggested that an agreement be reached among the countries which are the most likely to implement these measures. This group would include the four members of UEMOA, which have made efforts to meet the convergence criteria, together with Ghana. It must also include Nigeria, even if its commitment is less certain, for without Nigeria, West African regional integration will remain a paper agreement. The remaining countries may be too absorbed with their post conflict situations or crisis management to be able to focus seriously on regional integration issues. However, in some areas such as the implementation of a common external tariff, all countries will have to participate.

6.11 Analysis and advisory activities (AAA) have been somewhat neglected in recent work programs in favor of lending and supervision. A better balance is needed to help the regional institutions and the countries implement the decisions they made on trade liberalization and macroeconomic convergence. A detailed analysis of intra-regional trade, which goes beyond official flows to incorporate the vigorous informal trade, is required. Bank work on these issues should be geared to reinforcing the role of regional institutions in monitoring progress in trade liberalization. It should also support ECOWAS in its EPA negotiations. Macroeconomic convergence needs to be revisited, but the definition of criteria and surveillance mechanisms can be left to the IMF.

6.12 Another priority is to better associate the private sector in pushing the agenda for improving the business environment in West Africa. An analysis could be made of the investment climate assessments conducted for the group of countries most advanced on the path to regional integration. It would compare country performance in key aspects in the environment for private sector development, and seek regional approaches to accelerate reform. However, regional cooperation must serve to build confidence for bolder reform among the recalcitrant, not to drag down reformers to the lowest common denominator. The study should therefore look at the past record of regional cooperation in this field to see what its impact has been.

6.13 Finally, it is important to remember that most of the private sector consists of farmers and fishermen, who also constitute the majority of the poor. As emphasized in the DTIS, supporting their capacity to export in the region and internationally can make a major contribution to poverty reduction. While many of the required interventions will be national in scope, there are some which offer significant regional externalities, such as agricultural research and ocean fisheries stock management. These deserve attention. The welfare of rural producers will also be increased through the promotion of genuine regional free trade in primary products.

PRACTICAL NEXT STEPS

6.14 The present report does not provide a blueprint of the way forward. It offers observations, some lessons from experience, preliminary results of consultation, and some suggestions. More consultation within the Bank is needed if this exercise is to enjoy stronger ownership than the RIAs. Then consultations will be needed with the regional institutions – ECOWAS and UEMOA – and with the key donors. In the former case, this should include some assistance in refining the strategies of those institutions. One will also need to take into consideration the funding modalities available and the options for greater flexibility than has so far been possible. We have not tried to address this important constraint. And once a proper regional strategy has been formulated, it will be necessary to work with the country teams to interpret the strategy in the context of national priorities, notably but not exclusively in the process of CAS preparation. CD16 may wish to identify a subset of countries where regional integration clearly has a higher profile, and concentrate on implementing their strategy for regional integration there, in the first instance.

6.15 With those provisos, here then are some recommendations and proposals for AAA.

RECOMMENDATIONS:

- Focus Bank efforts on trade liberalization, improving the business environment, and lowering the cost of infrastructure services. The IMF should take the lead on macroeconomic convergence issues.
- Support regional collaboration in agricultural research to promote agricultural investment, export development and rural poverty reduction, complemented with AAA to promote regional free trade in primary products. Assistance in the management and surveillance of the rich fishery which runs from Liberia to Mauritania would also seem warranted.
- Provide limited support to regional emergencies (Locust, Avian flu).
- Revisit HIV/AIDS projects, keeping in mind the subsidiarity principle to ensure that regional projects do not substitute for projects at the national level.
- Revisit the current emphasis given to river basin management projects in view of the slow moving pace of ongoing GEF projects.
- Increase allocations to AAA to address key policy and institutional reforms in the primary focus area. CASs and CEMs should systematically report on macroeconomic convergence, trade liberalization and investment climate.
- Reward countries which show commitment to regional integration by implementing political decisions. Focus regional projects on them.

- Discuss with countries the implementation of their commitments to regional integration and make key reforms part of the development policy operations.
- Be proactive with the two historic growth poles in the region. Use all available Bank instruments to help end the internal conflict in Côte d'Ivoire and bring about peace through fair elections. Support the current momentum in Nigeria to push for trade liberalization, adoption of the ECOWAS common external tariff, and implementation of regional free trade. A study on the potential benefits of regional free trade could help build support in Nigeria for integration.
- Help the regional institutions establish a division of labor and a workable program of economic reforms in the areas of trade liberalization, macroeconomic convergence, business environment improvement and more efficient infrastructure services.
- Resist developing regional programs in education and health sectors in order to maintain the focus of the Bank's regional integration program and increase the probability of impact. While regional approaches may sometimes make sense, CASs suggest that countries are not prepared for increased regional coordination in these areas, and the World Bank needs to be more selective.

PROPOSED AAA

Trade liberalization: analysis of intra-regional trade, including informal flows and remaining barriers; technical assistance on the implementation of the common external tariff; examination of the potential for a revenue pooling arrangement and the elimination of internal border posts; harmonization of customs exemptions.

Nigeria: study of costs and benefits of regional free trade; technical assistance to Nigerian authorities on concrete steps for moving forward on the trade liberalization agenda (perhaps co-funded with the Nigeria CMU).

Trade facilitation: further analysis of customs, transport infrastructure and services, administrative barriers, and logistical problems which constrain regional trade, including precautionary measures in the event that Côte d'Ivoire situation is not resolved soon.

Investment climate: build on ICAs, DTISs and Doing Business reports to develop a regional overview of problems, share good practices and develop regional solutions; evaluate past attempts at coordinated reform; define priorities for action and systems for monitoring progress; support the creation of an observatory on the competitiveness of West African economies.

Regional regulatory framework for electricity and telecommunications: Compare existing frameworks; identify strengths and weaknesses; define areas which could be handled at regional level; assess costs and benefits of transferring specific responsibilities to regional institutions; propose action plan for a realistic transfer of responsibilities.

Economic Partnership Agreement: evaluation of the impact of further trade liberalization through an EPA; examination of different alternatives; technical assistance to ensure a development-friendly arrangement.

Annex 1: Terms of Reference

Background

The Africa Action Plan (AAP) identifies regional integration as an important complement in national programs of development and seeks to fold this into the mainstream of the Bank's program of assistance. However the Africa Region lacks a solid analytical base of regional Economic and Sector Work (ESW) to enable Country Teams (CTs) to prioritize among the various areas where regional approaches offer potential. Consequently, regional engagements have tended to be ad-hoc, exploiting particular opportunities for policy dialogue and supporting regional investments on which there is some consensus. And, regional integration has continued to figure low on the list of priorities in CTs, with limited visibility in Country Assistance Strategies (CAS).

Notwithstanding a considerable pipeline of regional investments, particularly in infrastructure, the Bank's regional programs need to be set on a more strategic basis to assure the most advantageous outcomes under the AAP given available resources. This will be achieved through CTs developing a shared sense of areas where regional approaches enhance outcomes, setting priorities and integrating regional activities within CASs.

Objective

The objective of this assignment is to build a conceptual framework and a set of strategic priorities through collaborative processes with CTs and the key regional organizations. The work will not attempt to develop a regional strategy as completely as a full CAS, nor to consult with all countries in the region, nor to identify specific projects. The study will aim at four main outcomes:

- Assess progress in implementing the RIAS;
- Take stock of regional knowledge and define areas for additional work;
- Suggest strategic priorities for regional integration as a means for enhancing CAS outcomes; and
- Use the review for promoting increased collaboration between the regional integration unit, country teams, and regional and national partners.

Approach

The first step will be to examine the Regional Integration Assistance Study (RIAS) for West Africa which was completed in 2001 and reviewed by the Board. The consultant will review its conceptual framework and determine the extent to which it needs to be modified in light of subsequent events and experience. The practical experience with its implementation will also be studied, in order to draw lessons as to what worked and what did not, and how we might do better in the future. Particular attention will be given to the degree of buy-in from the CTs. The consultant will refer to the concept note on the RIAS progress report in this regard.

The next step will be to review the new regional Poverty Reduction Strategy Paper (PRSP) prepared by UEMOA and ECOWAS, as well as the Regional Economic Program developed by UEMOA. The consultant will examine the priorities elaborated in these two documents, and compare them with those of the RIAs, identifying where major differences exist and attempting to explain any such differences. Attention will be paid to the comparative advantage of the World Bank. The on-going programs of other donors will be taken into account to the extent that information is available. The ECOWAS annual donor meeting report will be particularly helpful.

Then, it will be necessary to review the Country Assistance Strategies and Business Plans of the ECOWAS member countries, in order to determine the regional integration priorities identified by the Bank's CTs. These will be compared and contrasted with those found in the previous two steps, and discrepancies noted.

Next, the consultant will examine the Work Program Agreement of the Regional Integration Unit (CD16) for West Africa as an indication of where Bank staff has found opportunities for useful intervention by the Bank. Once again, the results of this analysis will be compared and contrasted with the results of the previous exercises. The on-going Portfolio Performance Review will provide useful input at this stage.

Throughout the process, consultation with Country Directors and Managers will be critical, as well as country economists, and task managers involved in regional integration programs or projects. A visit to the UEMOA and ECOWAS secretariats will also be important to validate and revise the draft findings.

Annex 2: ECOVWAS: Basic Indicators 2003

	pop (million)	density p/sq km	rate %	pop 2015 (million)	area sq km	gnp \$ billion	per cap \$	gdp \$ million
Benin	6,70	61	2,7	9	112 622	3,00	440	3 476
Burkina	12,10	44	2,4	15,6	274 000	3,60	300	4 182
Cape V	0,47	19		0,6	4 033	0,68	1440	800
Cote d' I	16,80	53	2,7	20,2	322 463	11,20	660	13 734
Gambia	1,40	142	3,3	1,8	11 295	0,40	310	395
Ghana	20,40	90	2,3	25,8	238 533	6,60	320	7 624
Guinea	7,90	32	2,4	9,8	245 857	3,40	430	3 630
Guinea B	1,50	53	2,9	2	36 125	0,20	140	239
Liberia	3,40	35	2,5	4,4	111 369	0,40	130	442
Mali	11,70	10	2,6	15,6	1 240 192	3,40	290	4 326
Niger	11,80	9	3,3	16,3	1 267 000	2,40	200	2 731
Nigeria	135,60	149	2,7	173,8	923 768	43,00	320	58 390
Senegal	10,00	52	2,6	13	196 722	5,60	550	6 496
Sierra L	5,30	75	2,2	6,7	71 740	0,80	150	793
Togo	4,90	89	2,6	6,2	56 785	1,50	310	1 759
ECOWAS	249,97			320,8	5 112 504	86,18	344	109 017

Source: World Bank Atlas and World Bank Indicators

Annex 3: ECOWAS, Selected Economic Indicators

Table 1: Real GDP growth (in percent)

	1997-2001	2001	2002	2003	2004	2005
Benin	5.1	5.0	6.0	4.8	3.0	3.9
Burkina Faso	5.8	6.7	5.2	8.0	4.8	3.5
Cape Verde	8.3	6.1	5.0	5.3	4.0	6.3
Côte d'Ivoire	1.6	0.1	-1.5	-1.6	-0.9	1.0
The Gambia	5.8	5.8	-3.2	6.7	7.7	4.7
Ghana	4.2	4.2	4.5	5.2	5.5	5.8
Guinea	4.1	4.0	4.2	1.2	2.5	3.0
Guinea-Bissau	-1.1	0.2	-7.2	0.6	4.3	2.3
Mali	5.1	12.1	4.3	7.4	2.2	6.4
Niger	3.7	7.1	3.0	5.3	0.9	4.2
Nigeria	2.7	3.1	1.5	10.7	3.5	3.9
Senegal	4.3	4.7	1.1	6.5	6.0	5.7
Sierra Leone	-0.9	18.1	27.5	8.6	7.4	7.5
Togo	0.8	0.6	4.5	4.4	2.9	3.0
UEMOA	3.6	4.4	2.1	4.2	2.5	3.7
Sub-Saharan Africa	3.1	3.8	3.5	4.1	5.0	4.6

Source: IMF: Regional Economic Outlook; Sub-Saharan Africa; October 2005

Table 2: Consumer prices (annual average percent change)

	1997-2001	2001	2002	2003	2004	2005
Benin	3.4	4.0	2.4	1.5	2.6	2.5
Burkina Faso	2.2	4.9	2.3	2.0	-0.4	4.0
Cape Verde	3.6	3.8	1.8	1.2	-1.9	0.7
Côte d'Ivoire	3.3	4.4	3.1	3.3	1.5	3.0
The Gambia	2.6	4.5	8.6	17.0	14.6	5.0
Ghana	22.6	32.9	14.8	26.7	12.6	14.3
Guinea	4.7	5.4	3.0	12.9	17.5	26.3
Guinea-Bissau	13.4	3.3	3.3	3.0	3.0	2.0
Mali	1.3	5.2	2.4	-1.3	-3.1	3.8
Niger	2.4	4.0	2.7	-1.8	0.4	2.4
Nigeria	10.0	18.0	13.7	14	15.1	15.9
Senegal	1.5	3.0	2.3	-	0.5	1.5
Sierra Leone	17.3	2.6	-3.7	8.2	13.7	8.5
Togo	2.4	3.9	3.1	-0.9	1.2	1.7
UEMOA	2.6	4.2	2.7	0.9	0.4	2.8
Sub-Saharan Africa	14.6	15.7	12.5	13.7	9.2	9.9

Table 3: Investment rate (in percent of GDP)

	1997-2001	2001	2002	2003	2004	2005
Benin	18.2	19.2	17.8	18.2	17.6	20.3
Burkina Faso	20.2	18.5	17.5	17.0	18.6	17.9
Cape Verde	20.8	18.2	21.2	18.0	17.4	22.5
Côte d'Ivoire	13.8	12.2	11.7	6.3	6.7	8.8
The Gambia	18.4	17.4	21.6	20.0	24.6	24.4
Ghana	24.0	26.6	19.7	22.9	26.5	29.6
Guinea	19.0	15.3	13.1	9.9	10.7	11.4
Guinea-Bissau	15.11	14.4	9.4	12.4	12.4	21.2
Mali	21.9	27.0	18.6	25.6	18.9	20.3
Niger	11.4	12.1	14.2	14.2	15.9	15.9
Nigeria	22.9	22.7	26.0	23.1	20.0	22.5
Senegal	18.5	19.2	16.7	20.7	22.4	23.9
Sierra Leone	4.8	7.6	10.1	14.2	19.6	20.6
Togo	21.2	21.8	21.3	27.0	27.1	28.1
UEMOA	16.8	17.0	15.3	14.9	15.0	16.7
Sub-Saharan Africa	18.5	17.6	16.3	18.1	18.4	18.7

Table 4: Overall fiscal balance, excluding grants (in percent of GDP)

	1997-2001	2001	2002	2003	2004	2005
Benin	-2.9	-4.2	-3.5	-4.6	-5.5	-5.3
Burkina Faso	-10.0	-11.0	-10.0	-8.2	-9.3	-9.3
Cape Verde	-19.2	-10.4	-10.8	-8.5	-8.5	-8.1
Côte d'Ivoire	-2.3	0.4	-2.2	-3.1	-1.5	-0.7
The Gambia	-7.3	-16	-9.1	-7.2	-8.0	-7.4
Ghana	-11.3	-14.6	-8.1	-8.2	-8.5	-7.3
Guinea	-5.6	-7.5	-6.2	-7.9	-4.0	-1.7
Guinea-Bissau	-22.2	-26.2	-17.7	-21.5	-18.2	-28.2

Mali	-7.6	-7.8	-8.0	-6.6	-8.7	-9.8
Niger	-8.3	-7.9	-7.7	-7.5	-7.6	-7.3
Nigeria	-2.8	-4.9	-4.2	-1.5	8.2	10.0
Senegal	-2.9	-4.3	-1.9	-3.5	-4.4	-5.3
Sierra Leone	-13.4	-14.7	-16.5	-20.3	-17.1	-13.4
Togo	-3.8	-0,9	-0,8	1.9	0,9	0,6
UEMOA	-4.5	-3.9	-4.3	-4.5	-4.8	-4.7
Sub-Saharan Africa	-4.2	-3.9	-3.9	-3.5	-2.0	-0.8

Table 5: Imports of goods and services (in percent of GDP)

	1997-2001	2001	2002	2003	2004	2005
Benin	28.2	27.7	26.9	26.8	26.0	26.9
Burkina Faso	24.5	22.8	21.4	20.4	21.8	21.8
Cape Verde	59.5	60.9	64.3	62.1	61.5	61.6
Côte d'Ivoire	36.2	36.5	36.7	32.8	33.2	38.5
The Gambia	53.0	44.4	54.4	56.6	57.3	63.9
Ghana	56.3	64.8	54.9	52.7	58.5	55.2
Guinea	26.3	27.9	28.4	24.6	25.1	27.1
Guinea-Bissau	46.3	62.9	51.4	44.7	49.2	62.6
Mali	33.8	38.3	32.0	32.1	32.6	33.3
Niger	24.9	24.6	24.7	25.0	26.0	26.2
Nigeria	36.9	34.0	40.9	41.6	35.1	45.3
Senegal	37.6	40.4	41.7	41.5	40.0	41.4
Sierra Leone	27.2	34.3	35.9	41.3	43.5	43.2
Togo	43.9	50.4	49.7	63.1	65.0	66.6
UEMOA	34.0	35.1	34.2	33.1	33.4	35.8
Sub-Saharan Africa	32.3	33.3	33.4	33.7	33.9	36.6

Table 6: Export of goods and services (in percent of GDP)

	1997-2001	2001	2002	2003	2004	2005
Benin	15.9	15.0	13.8	14.1	13.7	13.9
Burkina Faso	9.9	9.1	9.0	8.9	9.9	9.5
Cape Verde	25.4	29.0	29.7	29.7	30.5	31.9
Côte d'Ivoire	44.6	45.1	54.4	45.5	45.1	48.2
The Gambia	45.1	39.0	46.1	47.5	47.7	48.1
Ghana	38.5	45.2	42.5	40.7	39.7	34.8
Guinea	22.5	26.6	24.5	22.0	21.3	25.6
Guinea-Bissau	24.1	28.6	29.9	31.3	32.1	38.0
Mali	24.2	29.0	31.9	26.6	27.7	25.0
Niger	17.0	16.9	15.9	15.5	16.5	17.1
Nigeria	43.0	43.3	40.8	49.2	52.1	64.2
Senegal	30.1	30.7	30.6	28.5	27.6	27.5
Sierra Leone	15.4	16.0	16.4	19.9	22.2	24.9
Togo	30.4	33.7	35.2	45.1	47.8	48.1
UEMOA	30.8	31.2	34.5	30.9	30.8	31.3
Sub-Saharan Africa	31.9	33.8	32.8	33.8	35.3	38.5

Table 7: External current account excluding grants (in percent of GDP)

	1997-2001	2001	2002	2003	2004	2005
Benin	-9.8	-10.2	-11.1	-10.7	-10.2	-11.4
Burkina Faso	-13.3	-13.3	-11.8	-11.0	-11.4	-13.3
Cape Verde	-17.6	-13.6	-16.3	-14.4	-13.5	-12.4
Côte d'Ivoire	-2.7	-1.5	6.7	3.5	2.7	2.1
The Gambia	-10.4	-10.1	-13.4	-13.3	-14.0	-18.8
Ghana	-12.2	-10.3	-3.1	-3.5	-4.8	-9.8
Guinea	-12.2	-10.3	-3.1	-3.5	-4.8	-3.2
Guinea-Bissau	-24.9	-36.4	-18.7	-9.8	-15.0	-18.4
Mali	-10.4	-12.6	-4.4	-7.1	-6.5	-9.8
Niger	-8.8	-7.7	-9.4	-9.3	-9.0	-8.2
Nigeria	0.4	3.1	-10.9	-3.7	2.7	11.0
Senegal	-7.0	-6.1	-7.9	-8.5	-8.0	-9.0
Sierra Leone	-13.1	-20.5	-12.1	-14.1	-15.6	-14.2
Togo	-13.7	-14.5	-10.4	-14.0	-13.5	-14.7
UEMOA	-7.2	-7.1	-3.2	-4.6	-4.9	-6.2
Sub-Saharan Africa	-3.7	-3.3	-4.6	-3.6	-2.7	-1.8

Table 8: External debt to official creditors (in percent of GDP)

	1997-2001	2001	2002	2003	2004	2005
Benin	75.5	75.8	69.3	55.8	50.2	35.9
Burkina Faso	51.9	48.9	51.2	41.4	35.7	33.6
Cape Verde	52.5	59.7	58.0	48.3	45.4	46.6
Côte d'Ivoire	79.5	88.4	79.9	57.9	50.8	48.4
The Gambia	107.8	113.5	134.6	145.8	126.7	122.1
Ghana	03.4	125.8	117.9	97.3	84.5	73.2
Guinea	97.3	105.6	94.9	92.7	85.3	87.7
Guinea-Bissau	382.0	411.2	410.4	360.6	321.3	282.3
Mali	99.1	88.7	90.2	72.6	70.2	60.5
Niger	85.7	91.6	80.7	57.4	52.6	50.6
Nigeria	64.8	55.3	61.6	53.5	42.7	32.4
Senegal	70.6	65.3	69.7	57.9	43.7	41.8
Sierra Leone	112.5	32	37.5	41.3	48.5	103.5
Togo	83.7	96.6	104.9	114.7	107.8	93.2
UEMOA	79.5	82.0	78.7	62.0	54.5	49.4
Sub-Saharan Africa	44.0	41.9	36.9	31.7	26.4	29.6

Annex 4: Intra-regional trade

Table 1: Intra ECOWAS trade in 2004 (in US\$ million)

	BN	BF	CV	CI	GA	GH	GU	GB	LI	MA	NR	NA	SE	SL	TO	Total
BN		0,1		102,3	0,2	63,6	0,0		0,1		2,7	21,5	44,8	0,5	54,6	290,4
BF	1,9			155,3		13,3		0,0	0,0	4,0	2,0		40,6		94,8	311,9
CV				5,5									2,1			7,6
CI	0,8	1,7			0,1	12,5	6,6	0,2	1,8	0,1	3,3	573,8	68,1	0,0	2,6	671,4
GA				21,9		1,6	0,0	0,2	0,3	0,0	0,0		57,4		0,1	81,6
GH	23,5	18,4		171,3	0,3		0,1		0,9	0,0	5,3	631,0	4,7	0,0	87,7	943,3
GU	0,0		0,0	52,6	0,0	0,2		1,4	0,0	0,0	0,0		39,5		0,1	93,9
GB		0,1		1,1	0,5		0,4						31,1		0,0	33,2
LI				25,8		0,2	3,6						10,3		0,2	40,0
MA	0,1	6,4		134,9	0,1	0,0	1,8				0,3	5,0	148,0		44,4	340,9
NR	17,7	13,4		77,7	0,0	9,9			0,0	0,3		50,1	3,7		19,6	192,5
NA	15,5	1,0		213,6		27,7	29,3	0,2	0,9	0,8	67,3		2,3	0,5	7,7	366,8
SE	8,2	0,1	0,0	117,8	0,0	17,1	0,9		4,4	0,0	0,0	359,0		0,1	2,2	509,8
SL				54,1	0,1	0,3	2,0		3,8				4,3		0,0	64,4
TO	12,1	6,8		101,2	0,0	17,0	0,0	0,0	0,1	0,2	1,0	6,4	15,0			159,8
Total	79,8	47,8	0,0	1 235,1	1,4	163,3	44,7	1,9	12,3	5,5	81,9	1 646,8	471,8	1,2	314,1	4 107,6

Table 2: Intra-UEMOA trade in 2004 (in US\$ million)

	BN	BF	CI	GB	MA	NR	SE	TO	Total	
BN			0,07	102,30			2,71	44,80	54,62	204,50
BF	1,94			155,34	0,01	4,01	1,96	40,65	94,75	298,66
CI	0,82	1,68			0,18	0,07	3,28	68,07	2,59	76,69
GB			0,05	1,10				31,12	0,02	32,29
MA	0,10	6,39	134,89			0,29	148,00	44,43		334,10
NR	17,67	13,42	77,66			0,34		3,70	19,63	132,42
SE	8,2	0,05	117,81			0,02	0,02		2,21	128,31
TO	12,1	6,78	101,17	0,01	0,21	1,01		15		136,28
Total	40,83	28,37	587,97	0,2	4,65	6,56	306,54	163,63		1138,75

The columns show exports by countries and the lines, imports by countries. The data were extracted from the Direction of Trade Statistics, an IMF publication. Data had to be adjusted, so that exports from country A to country B equal imports by country B from country A. Empty cells indicate no trade at all. When they show "0.0", it denotes some recorded trade, but which is less than US\$100,000.

Table 3: Intra-regional trade as percent of total trade (the first two columns apply to ECOWAS; the last two columns, to UEMOA)

	Exports from	Imports by	Exports from	Imports by
Benin	20.5	14.8	11.0	10.0
Burkina Faso	12.0	31.2	7.3	29.5
Cape Verde	0.0	2.0		
Côte d'Ivoire	20.1	21.0	9.4	2.1
The Gambia	3.6	14.9		
Ghana	6.7	19.0		
Guinea	4.6	9.0		
Guinea-Bissau	2.8	2.4	0.3	39.4
Liberia	1.5	0.8		
Mali	1.6	19.0	1.5	17.8
Niger	28.8	29.1	2.3	18.7
Nigeria	4.3	2.2		
Senegal	34.0	16.8	22.1	4.1
Sierra Leone	0.7	11.4		
Togo	55.0	18.2	29.8	24.4

Annex 5: Doing business in ECOWAS countries

In 2004, the IFC initiated a publication showing how countries fare in making easier or more difficult for business to operate. The 2006 report covers 155 countries and includes 39 indicators in the following areas: starting a business, dealing with licenses hiring and firing employees, registering property, getting credit, protecting investors, paying taxes, trading across borders, enforcing contracts and closing a business. Table 1 below shows the overall ranking of the ECOWAS countries covered by the survey and how they fare concerning the number of procedures and time required for starting a business, registering property and enforcing contracts.

ECOWAS countries are at the bottom of the scale, showing a particularly poor business environment. The difficulty in starting a business or getting legal protection is a major factor in the large share of activities in the informal sector.

Table 1: Number of procedures (steps) and days required for starting a business, registering property and enforcing contracts

	Rank	Start business		Reg. property		Contract Enf.	
		Steps	Days	Steps	Days	Steps	Days
Benin	129	8	32	3	50	49	570
Burkina	154	13	135	8	107	41	458
Côte d'Ivoire	145	11	58	7	340	34	525
Ghana	82	12	85	7	382	23	200
Guinea	144	13	49	6	104	44	306
Mali	146	13	42	5	44	28	340
Niger	150	11	27	5	49	33	330
Nigeria	94	10	44	21	274	23	730
Senegal	132	9	57	6	114	36	485
Sierra Leone	136	9	26	8	58	58	305
Togo	149	13	53	6	212	37	535
Best perf.		2	2	1	1	11	27

The best performer concerning the first indicators (starting a business) is Australia. The best performer concerning the second indicator (registering property) is Norway. The best performers concerning the third indicator (enforcing a contract) are Australia (11 procedures) and Tunisia (27 days).

Table 2 below shows how the same countries fare concerning trading across borders. By far the best performer is Senegal. The three landlocked countries, which badly need to improve their external trade, are among the worst performers. Nigeria is also among the worst performers. Besides informal barriers to trade, most countries in West Africa make it unnecessarily difficult for business to engage in cross border trade.

Table 2: Number of documents, signatures and days for cross border trade

	Rank	Export			Import		
		Doc.	Sign.	Days	Doc.	Sign.	Days
Benin	104	8	10	36	11	14	49
Burkina	136	9	19	71	13	37	66
Côte d'Ivoire	110	7	11	21	16	21	48
Ghana	108	6	11	47	13	13	55
Guinea	118	7	11	43	12	23	56
Mali	148	10	33	67	16	60	61
Niger	154	--	--	--	19	52	89
Nigeria	139	11	39	41	13	71	53
Senegal	46	6	8	23	10	12	26
Sierra Leone	85	7	8	36	7	22	39
Togo	99	8	8	34	11	14	43
Denmark	1	3	2	5	3	1	5

Annex 6: CD16: FY06-08 work program for West Africa

Amounts in US\$ 000

Lending		Supervision (including ICR)	
Air Transport	60	Emergency Locust	600
Senegal River Basin	170	HIV/AIDS, Abidjan/Lagos	280
Niger River Basin	152	Gas pipeline	100
WAPP phase 2 APL 1	150	WAPP 1 & 2	600
WAPP APL 2	150	BCEAO, payments systems	60
WAPP APL 3	312	UEMOA capital markets	300
Agric. Productivity	265	HIV/AIDS Treatment	300
Road Transport	205	Air Transport	335
Total	1,464	Senegal River	375
		Niger Basin	270
AAA		Agric. Productivity	225
Regional Core	100	Road Transport	225
ECOWAS Fin. Market	90	ECOWAS/NEPAD (IDF)	15
Higher Education	60	OHADA (IDF)	30
Agric. Productivity	15	UEMOA Procurement (IDF)	60
Total	265	Senegal River (GEF)	30
		Niger River (GEF)	45
		Total	3,950
Grand Total	5,679		

The total amount of resources devoted to regional integration by the Africa Region in FY06-08 is US\$ 15.9 million, of which US\$ 2,694,000 for the cost of CD16. The budget allocated to the Western sub-region represents about 36 percent of the total (without CD16 cost).

Annex 7: Regional integration projects in West Africa

	Amount (US\$ million)	Board	Effect	Closing	Countries
BCEAO payments	9.43	10/00	02/01	07/05	UEMOA
Lake Chad (GEF)	2.90	01/03	01/04	01/08	NIR, NIA
Senegal River (GEF)	5.26	10/03	04/04	07/08	GUI, MAL, SEN
HIV/AIDS Abidjan/Lagos	16.60	11/03	02/04	07/07	BEN, GHA NIA, CDI, TOG
UEMOA Capital Markets	96.39	02/04	07/05	09/09	UEMOA
Niger River (GEF)	6.00	05/04	04/05	08/09	BEN, BF, CDI, GUI, MAL, NIR, NIA
HIV/AIDS Treatment	60.00	06/04	11/04	09/07	BF, GHA

Emergency Locust	59.50	12/04	05/05	06/09	BF, MAL, NIR, SEN, GAM
WAPP Phase1 APL 1	40.00	06/05	11/05	12/09	CDI, GHA, BEN, TOG, NIA