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SOCIOECONOMIC PROFILE OF WEST AFRICA

Situation in 2019, estimates for 2020 and outlook for 2021

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Acronyms and abbreviations

AfCFTA	African Continental Free Trade Area
AfDB	African Development Bank
AMU	Arab Maghreb Union
ARII	Africa Regional Integration Index
CET	Common External Tariff
EAC	East African Community
ECA	Economic Commission for Africa
ECA-SR0-WA	Sub-regional Office for West Africa for the ECA
ECCAS	Economic Community of Central African States
ECOWAS	Economic Community of West African States
EU	European Union
FDI	Foreign Direct Investment
GDI	Gender Development Index
GDP	Gross Domestic Product
GII	Gender Inequality Index
HDI	Human Development Index
HDR	Human Development Report
HIPC	Highly Indebted Poor Countries
IGAD	Intergovernmental Authority on Development
ILO	International Labour Organization
IMF	International Monetary Fund
ODA	Official Development Assistance
REC	Regional Economic Community
SADC	South African Development Community
SDGs	Sustainable Development Goals
UNDESA	United Nations Department of Economic and Social Affairs
UNDP	United Nations Development Programme
UNECA	United Nations Economic Commission for Africa
UNESCO	United Nations Education, Scientific and Cultural Organization
WAEMU	West African Economic and Monetary Union
WAMZ	West African Monetary Zone

Introduction

The global growth outlook has weakened amid the outbreak of COVID-19 in China at the beginning of 2020, and its subsequent spread across the world. This led the World Health Organization (WHO) to declare it as a global pandemic during the first half of March 2020.

As of 1 November 2020, 46,500,057 confirmed cases of COVID-19 and 1,200,310 deaths have been globally recorded with 1,795,781 cases and 43,175 deaths reported in Africa. West Africa recorded 190,680 cases (10.6 per cent of African cases) with 2,771 deaths.[1] The average case fatality rate (CFR) for West Africa as of 1 November 2020 stands at 1.5 per cent compared to 2.4 per cent for the Africa region and 2.6 per cent globally. [2]

As a result of the pandemic, the global economy is projected to contract sharply by 3.2 per cent in 2020,[3] which is much more severe than during the 2008–09 financial crisis. At the regional level, Africa's average GDP growth for 2020 will decrease from 3.2 per cent estimated before the pandemic to 1.8 per cent. At the sub-regional level, the West African economy is expected to contract by 4.6 percentage points in 2020 from its 2019 level, to a negative –1.3 per cent.[4] This is largely due to the region's strong economic ties with external markets, notably through its raw materials and services sector activities. Overall, the pandemic is set to seriously impede the growth prospects of West Africa, as well as the continent as a whole.

This report analyses the socioeconomic situation of the West African sub-region in 2019, the forecast for 2020 and outlook for 2021, with a view to inform Member States' immediate and longer-term actions. In so doing, it analyses the impact of the pandemic on the socioeconomic sectors of the sub-region as well as long-lasting structural issues. These include the potentialities for high rates of mortality, poverty and inequality; high rates of unemployment and impact on vulnerable jobs; low rates of access to education and health services; undiversified economic structures; and the risk of a debt crisis and insecurity issues. The report also defines the appropriate mix of measures and actions to respond to the pandemic, at national and sub-regional levels as well as short, medium and long-term policy measures to mitigate the challenges and enhance sustainable economic development in West Africa.

This study adopts a methodological approach pertaining to the West Africa context, drawing on stylized factual analysis from data collected at country and sub-regional level platforms. The rest of the report is in three parts: (1) Global economic overview and its implications for Africa; (2) Economic and social situation and the outlook in West Africa; and (3) Policy framework and recommendations for the sub-region

[1] https://ncov2019.live/data/africa.

[2] AfDB (2020), Weekly Data Flash on Covid-19 in Africa, as of November 1, 2020.

[3] IMF (2020a), *Regional Economic Outlook: June Update—Sub-Saharan Africa: A Cautious Reopening*.

[4] Ibid.

Chapter 1: Global economic overview and its implications for Africa

1.1 Global context

1. The negative impact of COVID-19 has reinforced slowing trends of trade, world industrial production and global manufacturing activity. Indeed, global growth slowed to an estimated 10-year low of 2.6 per cent in 2019. The growth of gross domestic product (GDP) in 2019 declined in nearly two thirds of the countries in the world when compared to 2018. In terms of the developed countries, the growth momentum has substantially decelerated since mid-2018 (1.7 per cent in 2019 compared to 2.2 per cent in 2018). A contraction in GDP growth was also observed across developing countries (3.4 per cent in 2019 against 4.2 per cent in 2018) and transition economies (1.9 per cent in 2019 against 2.7 per cent in 2018).[5] This growth deceleration was underpinned by a slowdown in industrial production, weaker international trade partly reflecting trade disputes between the United States of America and China, and a deterioration of economic sentiment and business confidence indicators amid a high degree of uncertainty in the international policy environment. At the regional level, sustained growth in 2019 was supported by moderate increases in commodity prices, particularly oil prices, sustained investment in infrastructure and strong private consumption.

2. The COVID-19 pandemic has further impeded global economic growth, which is estimated to decrease sharply to –3.2 per cent in 2020 (Figure 1). It is then projected to recover to 4.2 per cent in 2021, well above trend, reflecting the normalisation of economic activity from very low levels (baseline scenario).[6] This scenario assumes that ongoing policy measures will slow the spread of the disease before the end of the second quarter and successfully restore global demand, leading to a pick-up in global economic activities from the third quarter onwards. A more optimistic scenario assumes a complete relaxation of restrictions before the end of the second quarter, leading to a recovery in global demand in the second half of 2020. This would lead to a lower contraction of -1.4 per cent in world output in 2020 and a more robust rebound of 6.1 per cent in 2021. In a worst-case scenario, the major economies would face a second wave of the pandemic, leading to the extension of lockdowns and the enforcement of restrictions until early 2021. Under these assumptions, global economic would plunge sharply by 4.9 per cent in 2020, followed by a slight 0.5 per cent growth in 2021.

3. The pandemic is disrupting global supply chains and international trade. The exponential spread of the virus and the subsequent uncertainties concerning its overall economic impact as well as the effectiveness of policy responses, have shaken global financial markets. This has resulted in high financial market volatility surpassing the peak of the 2008–09 global financial crisis. It has

[5] UNDESA (2020). *Update of the World Economic Situation and Prospects 2020*.

[6] This paragraph is based on statistics from UNDESA (2020), op. cit.

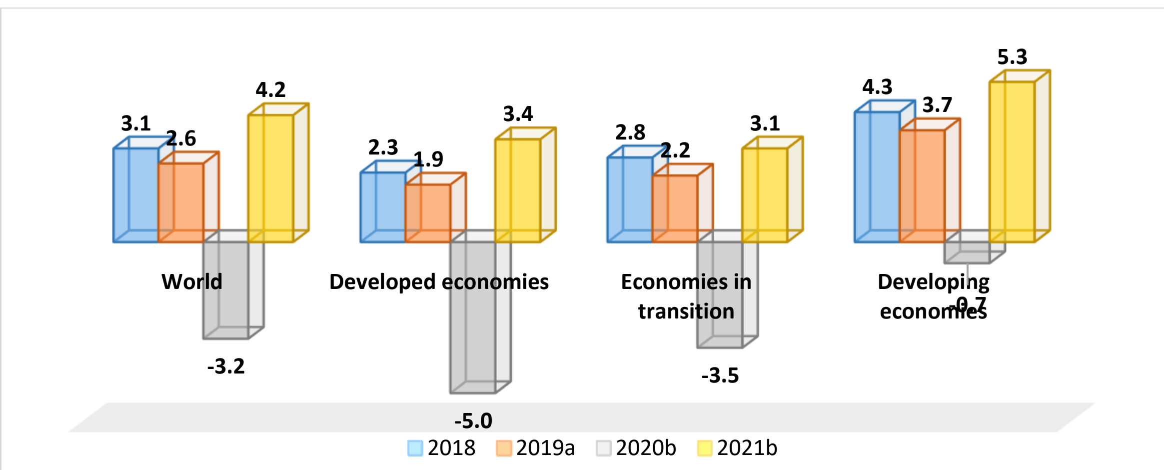
also led to asset and oil prices falling to their lowest levels in years.

4. Financial market turmoil is affecting the overall economy principally through investment and credit channels. Falling stock prices increase overleveraged companies' debt-to-equity ratios, reducing their likelihood of accessing new finance while increasing the probability of default and bankruptcy. Intensified deleveraging pressures due to credit strain exacerbate the slowdown in economic activities and worsen credit and financial conditions still further. In addition, the increasing default rates of consumer credit and corporate loans would lead to deterioration in bank balance sheets, further exacerbating the credit conditions and increasing the fragility of banking systems.

5. The services sectors – e.g. leisure, transportation and aviation, as well as retail trade – are particularly hard-hit hard by restrictions on the movement of people and by border closures. This is likely to lead to a significant rise in unemployment that will transform the supply-side shock to a wider demand-side shock of the global economy.

6. Growth is projected at -5 per cent in 2020 across developed countries, which are most severely impacted by lockdowns and restrictions on mobility.[7] However, because of the policy support measures, growth is projected to rebound to 3.4 per cent in 2021 for developed nations. For the group of economies in transition, growth is projected to contract by 3.5 per cent in 2020 before rebounding to a positive 3.1 per cent in 2021. Across the developing countries, a plunge in growth is also expected in 2020 (-0.7 per cent) before a recovery in 2021 which is forecast at 5.3 per cent (Figure 1).

Figure 1: Recent economic global growth trends and forecasts (%)



Source: UNDESA (2020).
Note: a Partly estimated; b Forecast.

[7] Data in this paragraph are from UNDESA (2020) op. cit.

1.2 Recent developments and prospects in Africa

7. Africa registered GDP growth of 2.9 per cent in 2019 compared to 2.7 per cent in 2018. However, the decade ended with an average GDP per capita growth of only 0.5 per cent, which is well below the average growth of the previous decade and only marginally higher than in the 1980s and 1990s.[8] The continent therefore faces difficulties in embarking on a robust and sustained growth trajectory.

8. East Africa remains the fastest-growing sub-region, underpinned by vigorous domestic demand and public investments in infrastructure. However, growth in this sub-region is estimated to have slightly decreased in 2019, from 6.3 to 6.0 per cent.[9] Domestic demand also underpinned GDP growth in West Africa, estimated at 3.5 per cent in 2019 against 3.3 per cent in 2018. GDP growth in North Africa was stronger in 2019; estimated at 3.4 per cent compared to 2.6 per cent in 2018. The economic situation in Central Africa is challenging, as the recovery from the collapse of oil prices in 2014/15 remains fragile amid security instability in some countries. GDP growth in Central Africa stood at 1.6 per cent in 2018 and is estimated at 2.7 per cent for 2019, supported by increased oil production in several economies. The economic situation in Southern Africa is expected to deteriorate to 0.3 per cent in 2019, from 0.9 per cent in 2018, with several economies stagnant or in recession amid weak investment, energy shortages, high unemployment and catastrophic weather patterns.

9. The COVID-19 outbreak poses a serious risk to the macroeconomic landscape of African countries. A recent ECA study estimated that in a best-case scenario, Africa's average GDP growth for 2020 will decrease by 1.4 percentage points, from 3.2 per cent estimated before the pandemic to 1.8 per cent (Figure 2).[10] This is equivalent to a loss in GDP growth of US$ 29 billion in 2020. In a worst-case scenario, Africa's economy could contract by up to 2.6 per cent in 2020 – equivalent

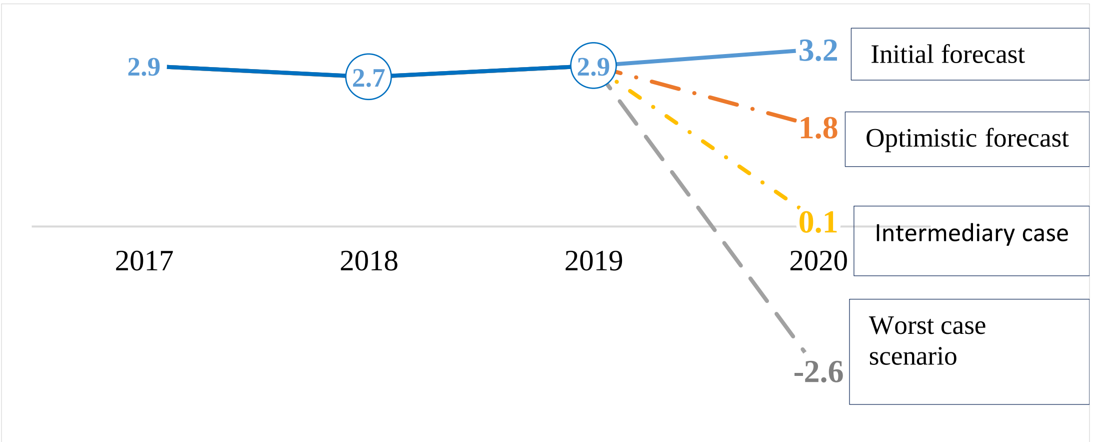
[8] Ibid.

[9] Data in this paragraph from UNDESA (2020). *Update of the World Economic Situation and Prospects 2020.*

[10] Data in this paragraph are from UNECA (2020a).

to a loss in GDP growth of US$ 120 billion.

Figure 2: Recent economic growth trends in Africa (%)



Source: ECA estimates, 2020.

10. COVID-19 poses significant headwinds for growth in Africa, principally through three channels. On the domestic front, the health shock will negatively impact economic activity. In addition to the rising humanitarian costs, the national lockdowns and workplace closure policies will likely lead to disruptions in supply chains and production and have devastating effects on vulnerable households that have limited access to social safety nets. ECA estimated that a one-month full lockdown across Africa would cost the continent about 2.5 per cent of its annual GDP (or US$ 65 billion per year).[11]

11. The region also faces external shocks, including trade and financial crises. On trade, a sharp growth slowdown among key trading partners reduces external demand, while any disruption to supply chains lowers the availability of imported goods. Around 51 per cent of Africa's exports go to countries that are highly impacted by COVID-19, while 53 per cent of its imports originate from these countries. In addition, the plunge in commodity prices will lead to a drop in export revenues, with major fiscal and exchange rate implications for many African economies, weighing on their growth. The price of crude oil, which accounted for 7.4 per cent of Africa's GDP from 2016–18, is about 50 per cent lower today than the WTI average price during that period. This puts pressure on foreign exchange, government revenues and domestic demand. In addition, the plunge in the global financial market reduces investment flows to the continent.

12. FDI flows to the continent are forecast to contract between 25 and 40 per cent based on GDP growth projections as well as a range of investment-specific factors.[12] Remittance flows may also decrease as global growth slows, reducing disposable incomes and adding to external pressures.

[11] UNECA (2020b). "COVID-19: Lockdown exit strategies for Africa".

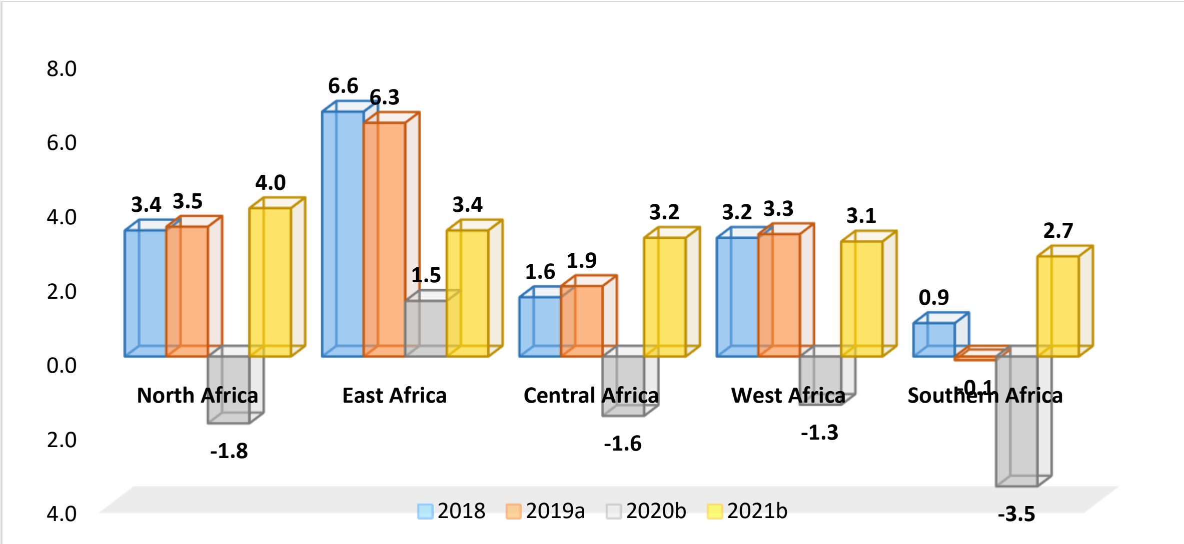
[12] UNCTAD (2020a). *World Investment Report 2020: International Production beyond the Pandemic* (UNCTAD/WIR/2020).

An ECA study projected that remittance flows to Africa will decline by 21 per cent in 2020. That could mean a reduction of US$ 110 billion going to people who rely on that money.[13] The decline in foreign direct investment (FDI) inflows as well as official development assistance (ODA) could lead to a depreciation of the domestic currencies in African countries, forcing monetary authorities to raise their rates, further weighing on credit access and domestic private investments. Meanwhile, decreasing oil prices and growth rates are expected to ease inflationary pressures, creating room to loosen monetary policy to support economic activity.

13. At the sub-regional level, Southern Africa is expected to register the sharpest drop in its growth in 2020, estimated at -3.5 per cent in comparison to less than a 2 per cent deficit for the other sub-regions (-1.8, -1.6 and -1.3 per cent for North Africa, Central Africa and West Africa, respectively). East Africa is expected to register a positive growth rate in 2020 at 1.5 per cent. North Africa is expected to register the largest change in its GDP growth with a 5.3 point decrease in 2020. It is followed by East Africa, West Africa, Central Africa and Southern Africa with respectively declines of 4.8, 4.6, 3.5 and 3.4 percentage points in GDP growth in 2020. Assuming that the global policy support measures have a positive impact, leading to a recovery of global growth, African countries should resume growth in 2021 across all sub-regions (projected at 4.0, 3.4, 3.2, 3.1 and 2.7 per cent for North Africa, East Africa, Central Africa, West Africa and Southern Africa respectively) (Figure 3).

[13] UNECA (2020c) "COVID-19 Remittances: Protecting an Economic Lifeline".

Figure 3: Recent performance and future forecasts of GDP growth in African sub-regions (%)



Source: UNDESA (2020).
Note: [a] Partly estimated; [b] Forecasts.

Chapter 2: Socioeconomic situation and outlook in West Africa

2.1 Economic performance

14. This chapter analyses the main economic indicators of West Africa's performance, namely economic growth, inflation, public finance, the external sector, and progress towards regional integration.

2.1.1 Economic growth

15. In 2019, ECOWAS accounted for approximately one quarter of Africa's GDP. Economic growth in the West African sub-region was estimated at 3.6 per cent in 2019 compared to 3.4 per cent in 2018.[14] This growth was fuelled by rising oil prices and production in Nigeria, vigorous private consumption and buoyant government expenditure in Ghana, and by the dynamism of the West African Economic and Monetary Union countries (WAEMU).

16. Nigeria accounts for nearly 70 per cent of the sub-region's GDP. Growth in Nigeria is estimated to have risen to 2.2 per cent in 2019 from 1.9 per cent in 2018 as oil production trended upwards and private sector confidence improved. While Ghana's economic growth is estimated to have slowed somewhat in 2019, it remains strong, estimated at 6.1 per cent (compared to 6.3 per cent in 2018),[15] sustained by the agriculture and services sectors, private consumption and public investment. In Côte d'Ivoire, GDP growth is estimated to remain robust at 6.9 per cent in 2019, from 6.8 per cent in 2018, owing to lower external demand and the negative impact of volatile commodity prices on industrial production. Growth for the year 2019 is also estimated at more than 6 per cent in Benin and Gambia and about 5 per cent or more in Burkina Faso, Cabo Verde, Guinea, Mali, Niger, Senegal and Sierra Leone. Liberia is expected to register negative growth in 2019 at -2.5 per cent. The country remains challenged in restoring almost all of its sectors to pre-Ebola status, when the economy grew at an estimated 8.1 per cent and inflation averaged 7.6 per cent[16] (Figure 4).

17. Because of the falling price of raw materials which constitute the sub-region's main commodities, a significant decrease in the value of exports is expected. Nigeria will be severely affected by the significant decrease in the global oil price, as fuels represent 94 per cent of the country's total exports. COVID-19 could reduce Nigeria's total exports of crude oil in 2020 by between US$ 14

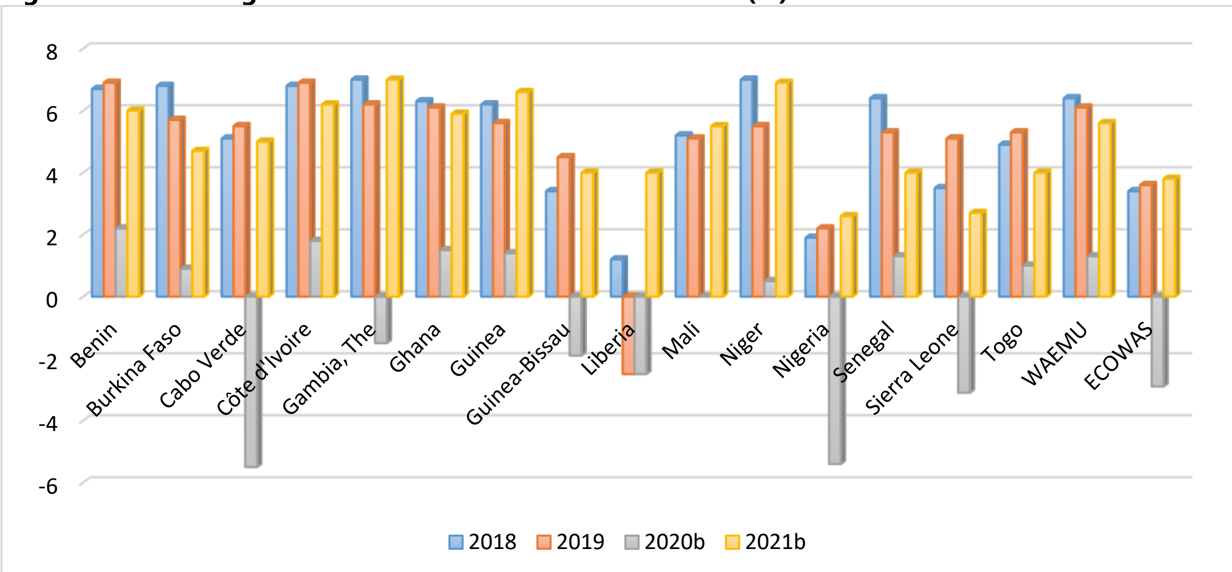
[14]I IMF (2020c), op. cit.

[15] Ibid.

[16] Ibid.

billion and US$ 19 billion (compared to estimated exports without COVID-19).[17]

Figure 4: Real GDP growth rate of ECOWAS Member States (%)



Source: IMF (2020a).
Note: [b] Forecast.

18. The Coronavirus pandemic is likely to create negative externalities that will weigh on the sub-regional productive sectors (extractive, manufacturing, tourism and transport industries), external sectors (trade, FDI, ODA, remittances, etc.), monetary sectors and public finance. The sub-region will also be impacted by decreased domestic demand, a declining jobs market and hence increased poverty.

19. ODA and FDI are two important sources of external financing for development in West Africa. It was the second most attractive sub-region in 2017 behind North Africa for ODA and FDI inflows. These external financing sources reached a cumulative amount of about US$ 23.5 billion in 2017, comprising US$ 12.9 billion and US$ 10.6 billion respectively for ODA and FDI.[18] Therefore, a slowdown in FDI flows into West Africa, particularly Chinese FDI, could significantly affect the technology, textile and mining sectors in the sub-region. Moreover, if nothing is done to mitigate the shocks, jobs will also be threatened, with resulting serious tax shortfalls.

20. The tourism sector in West Africa has expanded significantly in terms of international tourist arrivals, receipts and export revenues. In 2019 the sub-region registered approximately 4.44 million tourists, representing US$ 4 billion in revenues, 4.9 per cent of GDP and 4.5 per cent of regional total employment.[19] Global restrictions on the movement of people, travel bans, and

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[17] IMF (2020c), op. cit.
[18] ECA-SRO WA (2020), "West Africa and Coronavirus Disease 2019 (COVID-19): Potential socioeconomic impacts and responses."
[19] World Tourism Organisation, (2019).

border closures will thus lead to significant losses in tourism and transport in West Africa, particularly in Gambia, Senegal and Cabo Verde.[20]

21. The combined effects of these adverse events are expected to lead to a decrease in ECOWAS's average GDP growth rate, from 3.6 per cent in 2019 to -2.9 per cent in 2020.[21] This represents a decrease of about 6.5 points in one year. Five countries out of the fifteen are projected to record negative growth

22. in 2020 (Cabo Verde, Guinea Bissau, Liberia, Nigeria and Sierra Leone). Nigeria will be the most severely impacted with GDP expected to contract by 5.4 per cent, mainly reflecting the large drop in oil prices and the impact of containment and mitigation measures on economic activity. Liberia is expected to be the least impacted by the pandemic with an unchanged growth rate in 2020, followed by Benin with growth expected to decrease to 4.5 per cent (from 6.4 per cent in 2019). In 2021, it is assumed that the different policy support measures will have a positive impact on the ECOWAS's average GDP growth, which is projected to rebound at 3.8 per cent in 2021.[22]

23. The medium-term outlook is clouded by severe infrastructure deficiencies and a weak macroeconomic policy environment, including high inflation and low non-oil revenues. In addition, climatic variations (likely to adversely affect agricultural production and the price of food items), civil unrest and security threats, particularly in the Sahel region, are major events that could impede economic activity in the short and medium term.

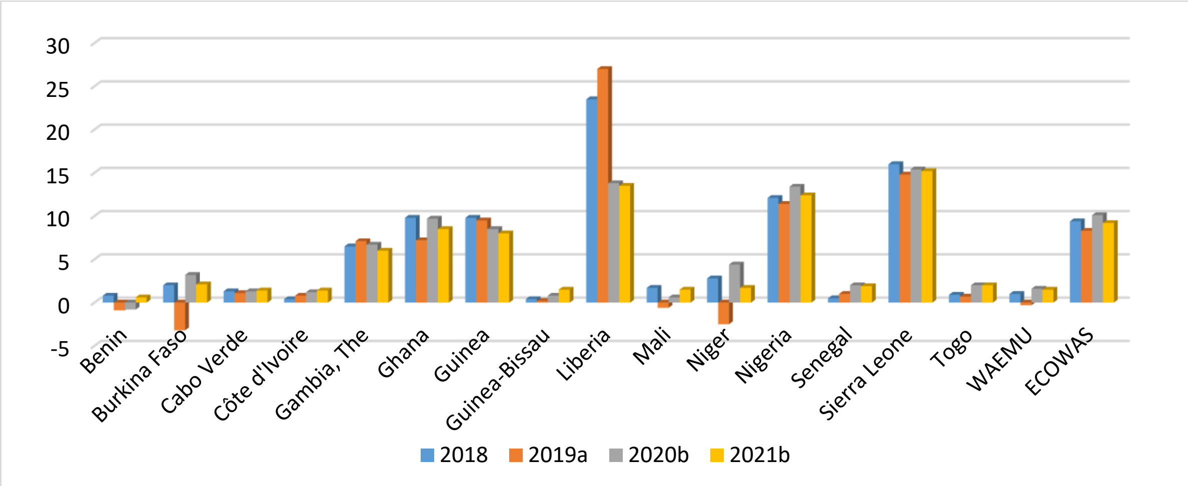
2.1.2 Inflation

24. Core consumer price inflation was particularly high in the West African sub-region in 2019, although slightly lower than in 2018 (8.3 per cent in 2019 compared to 9.4 per cent in 2018). This was due to inflationary pressures in Liberia, Sierra Leone and Nigeria, which registered double-digit inflation rates at 27.0, 14.8 and 11.4 per cent, respectively.[23] Higher food prices following droughts compounded by ae rise in the price of imported goods and production costs due to the

[20] ECA-SROWA (2020), op. cit..
[21] IMF (2020a), op. cit.
[22] Ibid.
[23] Ibid.

upsurge in oil prices were factors that kept the level of prices relatively high (Fig. 5).

Figure 5: Inflation rates of ECOWAS Member States, 2018–2021



Note: [a]Estimation, [b] Forecast.
Source: IMF (2020a)

25. In the WAEMU region, inflation slid further below the central bank target of 3 per cent, at an average of -0.3 per cent in 2019.[24] It also remained well below 3 per cent across many countries. Only half of the eight countries in the Union recorded positive inflation rates in 2019 (Côte d'Ivoire, Guinea Bissau, Senegal and Togo). The WAEMU region's inflation rate is projected to increase to 1.6 per cent in 2020, compared to -0.3 per cent in 2019.[25]

26. In 2020, inflation rates are projected to remain relatively stable. Nevertheless, spill-over effects from the global fallout of COVID-19 will exert an inflationary pressure on the sub-region. The slump in the crude oil price, triggered by a price war between Saudi Arabia and Russia, combined with a decrease in oil demand following the outbreak of the pandemic, will impact the sub-region through Nigeria principally (Figure 6).

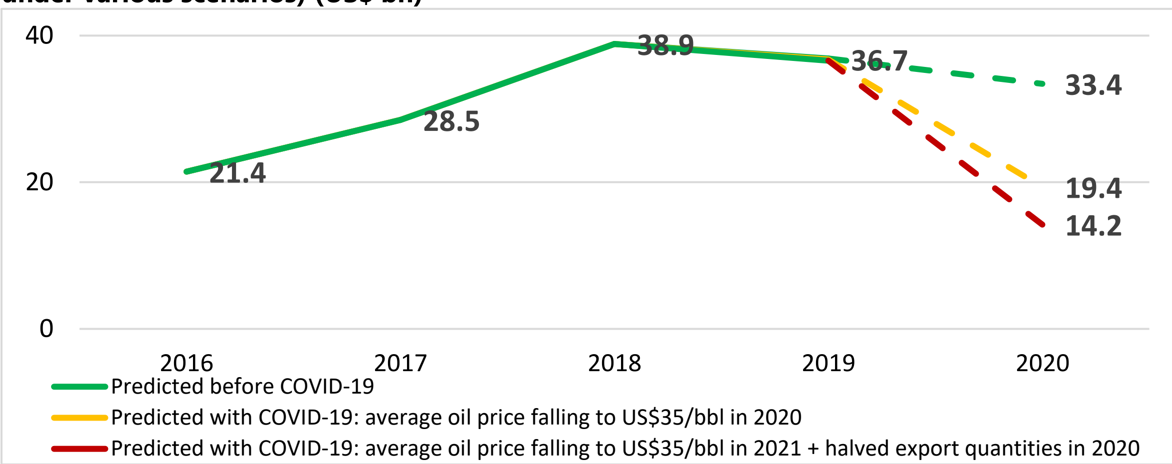
27. The fall in oil prices is expected to hamper the Nigerian economy and adversely impact the exchange rate, with ramifications for inflation. It is projected that the inflation level will increase above the maximum 10 per cent standard allowed for the ECOWAS macroeconomic convergence (13.4 per cent).[26] Due to the closing of its borders, Nigeria had already recorded an increase in its inflation in January 2020, at 0.15 percentage points higher than the previous month. Conjugated with Covid, the country inflation rose by 13.22 in August 2020, making it the highest in 28 months.[27] The rise of inflation in Nigeria will have a negative impact on the sub-regional inflation

[24] Ibid.
[25] Ibid.
[26] IMF (2020a), op. cit.
[27] Nigeria's National Bureau of Statistics (NBS), Sept 2020.

rate, which is estimated at 10.1 per cent in 2020.[28]

28. It is not just Nigeria that is affected. Increases in core consumer price inflation are also expected in many ECOWAS countries. In Burkina Faso, the inflation rate is projected to peak at 3.2 per cent in 2020 from -3.2 per cent in 2019. Inflation rates in 2020 are also projected to increase in Ghana to 9.7 per cent (from 7.2 per cent in 2019), in Sierra Leone to 15.4 per cent (from 14.8 per cent in 2019), in Senegal to 2.0 per cent (from 1.0 per cent in 2019) and in Togo to 2 per cent (from 0.7 per cent in 2019). Inflation is however projected to decrease in Liberia and Gambia.29

Figure 6: Evolution of crude oil exports from Nigeria, 2016–19 (observed) and 2020 (predicted under various scenarios) (US$ bn)



Source: ECA based on Central Bank of Nigeria (observed; prices and quantities) and Trading Economics (predicted; quantities) as well as EIA and WTI (predicted prices), April 2020.
Note: Observed export values here are for strictly crude oil when based on fuels (i.e. mineral fuels and lubricant as per STIC 3 nomenclature).

2.1.3 Public finance

29. In West Africa, total resources mobilisation is relatively low, estimated at around 10.8 per cent of GDP in 2019 (compared to around 17.0 per cent for Sub-Saharan Africa as a whole and 18.0 per cent for the WAEMU region). Burkina Faso and Cabo Verde have government revenue ratios above 20 per cent (at 21 and 29 per cent respectively) while The Gambia, Guinea, Guinea-Bissau, Liberia and Nigeria record ratios below 15 per cent. Nigeria is the country with the lowest fiscal resource mobilisation ratio (7.6 per cent in 2019).[30]

30. Tax revenue mobilisation levels also appear to be relatively low in the sub-region, at less than 10 per cent of GDP, compared to about 18 per cent of GDP for the whole of Africa. Tax revenue

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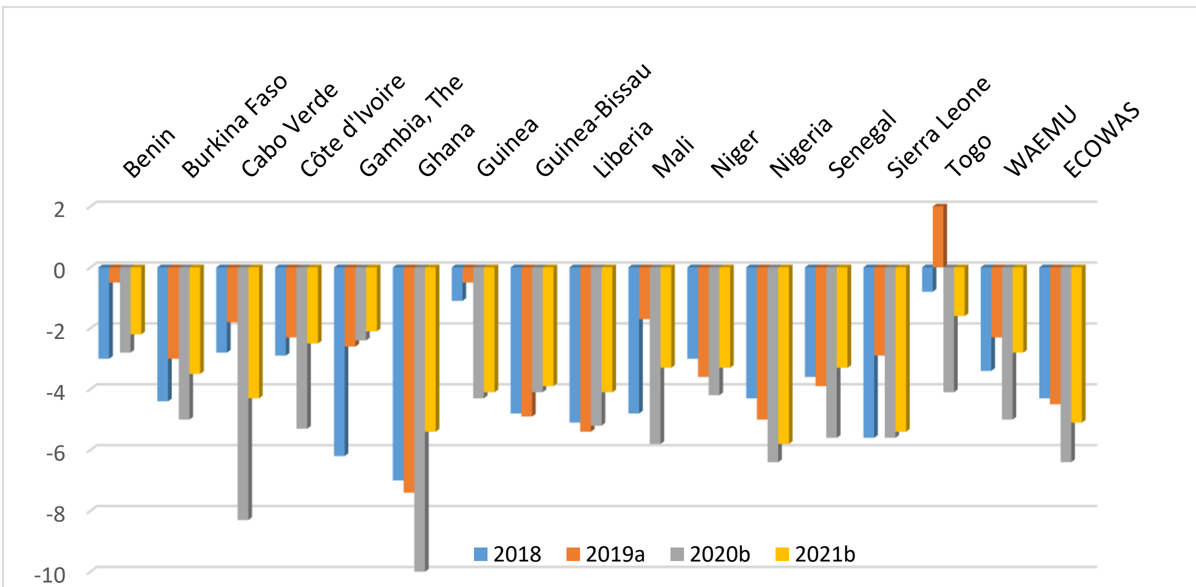
[28] IMF (2020a), op. cit.
[29] Ibid.
[30] IMF (2020c), *Regional Economic Outlook: June Update—Sub-Saharan Africa: A Cautious Reopening*. June 2020.

collection in Nigeria equates to around 6 per cent of GDP.[31] West Africa's poor performance in revenue mobilisation is due mainly to the low tax base, inefficient tax administrations, and a large and active informal sector that remains outside official tax channels. In regard to non-tax revenue collection, in West Africa this averages around 2 per cent, with a notable upward trend in recent years.

31. Among regional economic groups, ECOWAS has one of the highest cost-to-revenue mobilisation ratios (1.4 per cent), superseded only by the Southern African Development Community (SADC) and the East African Community (EAC), which both record 1.9 per cent.[32]

32. Despite fiscal consideration measures undertaken by several countries in the sub-region, the West African budget deficit increased slightly, from 4.3 to 4.5 per cent of GDP between 2018 and 2019.[33] This rate above the standard 3 per cent of GDP recommended under the ECOWAS convergence criteria testifies to the relatively unsustainable public finances of West African countries (Figure 7).

Figure 7: Fiscal balances in West Africa (% of GDP)



Source: ECA based on IMF (2020c).
Note: [a]Estimation, [b] Forecast.

33. Seven out of the 15 ECOWAS countries registered decreases in their overall fiscal deficits between 2018 and 2019, while only six countries (Ghana, Guinea Bissau, Liberia, Niger, Nigeria and Senegal) registered rates above the recommended 3 per cent of GDP. The countries with the highest budget deficit ratios in 2019 were Ghana (7.4 per cent) and Liberia (5.4 per cent), while Nigeria posted a fiscal deficit of 5.0 per cent in 2019. Togo registered a positive balance account, at 2.1

[31] Ibid.
[32] ATAF (2018). African Tax Outlook, Second Edition 2018. Pretoria, South Africa: African Tax Administration Forum.
[33] IMF (2020a), op. cit.

per cent in 2020.[34]

34. The increase in the fiscal deficit was largely due to both domestic and external shocks such as domestic structural issues, a slowdown in global growth which had adverse effects for commodity exporters, as well as climate change issues. The COVID-19 pandemic is likely to further hamper fiscal consolidation efforts as governments increase spending on healthcare, with limited resources. In particular, high-deficit countries will have limited fiscal space to prevent the spread of the virus. On average, the fiscal deficit of the sub-region is projected to increase by more than 40 per cent in 2020, reaching 6.4 per cent.[35]

35. Fiscal deficits in 2020 are projected to be the highest in Cabo Verde and Togo, with increases of more than 6 per cent between 2019 and 2020 (from –1.8 to –8.3 per cent in Cabo Verde and from 2.1 to –4.1 per cent in Togo). Cabo Verde is highly dependent on tourism, which accounts for more than 44 per cent of its GDP, about 75 per cent of the FDI inflows, and nearly 40 per cent of job creation in the country.[36] In addition, compared to the other Member States, the country has adopted bold policy support measures. Mali and Guinea are projected to register variations in their fiscal balances of more than 3 per cent in 2020 (4.1 and 3.8 per cent, respectively).[37]

36. These increases in the fiscal deficits of the ECOWAS countries are driven mainly by increases in expenditures, reflecting greater health spending and discretionary stimuli in some cases. Several countries have proactively announced fiscal packages, including Côte d'Ivoire (4.7 per cent of GDP), Niger (7.4 per cent of GDP) and Senegal (5.1 per cent of GDP). Specifically, revenue measures include temporary tax reduction (Senegal), acceleration of tax refunds (Cabo Verde), extension of tax payment deadlines (Cabo Verde and Senegal), and exemption or deferral of social contribution (Cabo Verde). On the expenditure side, the announced measures include utility subsidies and in-kind transfers (Senegal). Other measures include loan guarantees (Cabo Verde).[38]

37. ECOWAS community members seem to have fallen back into indebtedness since reaching completion point for the highly indebted poor countries (HIPC) initiative.[39] The ECOWAS public debt-to-GDP ratio increased by nearly 40 per cent over the four years 2015–2019, from 26.9 per cent to 36.8 per cent. The external debt increased by more than 67 per cent, from 12.9 per cent in 2015 to 21.7 per cent in 2019.[40] Although well below the maximum threshold of 70 per cent adopted under the macroeconomic convergence framework, the pace of growth of the sub-region as a whole has raised the risk of debt distress in some countries.

38. Public debt levels of the countries in the sub-region range from 29.4 per cent in Nigeria to 121.2

[34] IMF (2020c), op cit.
[35] Ibid.
[36] World Tourism Organisation, 2019.
[37] IMF (2020c), op. cit.
[38] Ibid.
[39]Thirteen Member States in the sub-region were eligible for the HIPC in 2012. Cabo Verde and Nigeria did not benefit from the HIPC Initiative.
[40] IMF (2020c), op. cit.

per cent in Cabo Verde. In addition to Cabo Verde, the following countries have debt levels exceeding 60 per cent: The Gambia (82.5 per cent), Togo (70.9 per cent), Guinea Bissau (69.8 per cent), Sierra Leone (67.2 per cent), Senegal (64.2 per cent) and Ghana (63.2 per cent).[41].

39. Given the possibility of an increase in fiscal deficits due to both domestic and external effects of the COVID-19 pandemic, the debt could breach the 60 per cent debt-to-GDP threshold in many ECOWAS countries. However, this will depend on a number of factors that are difficult to predict. Additional fiscal stimulus, realisation of contingent liabilities, lower than expected growth, and currency depreciation caused by external pressures can all affect debt dynamics significantly.

40. Current baseline projection suggests that, on (simple) average, debt levels are projected to increase from 36.8 per cent in 2019 to 42.1 per cent in 2020 and further to 42.5 per cent in 2021.[42] (Figure 8). Guinea is projected to register the highest increase in its debt, by more than 26 per cent, from 34.5 per cent in 2019 to 43.8 per cent in 2020. It is followed by Nigeria, which is expected to see its debt ratio increase from 29.4 in 2019 to 35.3 per cent in 2020, which is a rise of about 20 per cent. The WAEMU region is expected to register an increased debt ratio, from 44.5 per cent in 2019 to 48.0 per cent in 2020. This increase is mainly driven by Côte d'Ivoire, Niger and Mali, which are projected to register more than a 10 per cent increase in their debt ratios in 2020, at 42.1, 47.1 and 44.7 per cent, respectively. Togo is expected to register a slight improvement in its indebtedness from 2019 to 2020, from to 70.9 to 69.1 per cent. Liberia's debt ratio is expected to increase from 55.4 to 62.8 per cent. Therefore, 8 countries compared to 7 in 2019 are projected to have debt levels exceeding the 60 per cent debt-to-GDP threshold in 2020[43] (Figure 8).

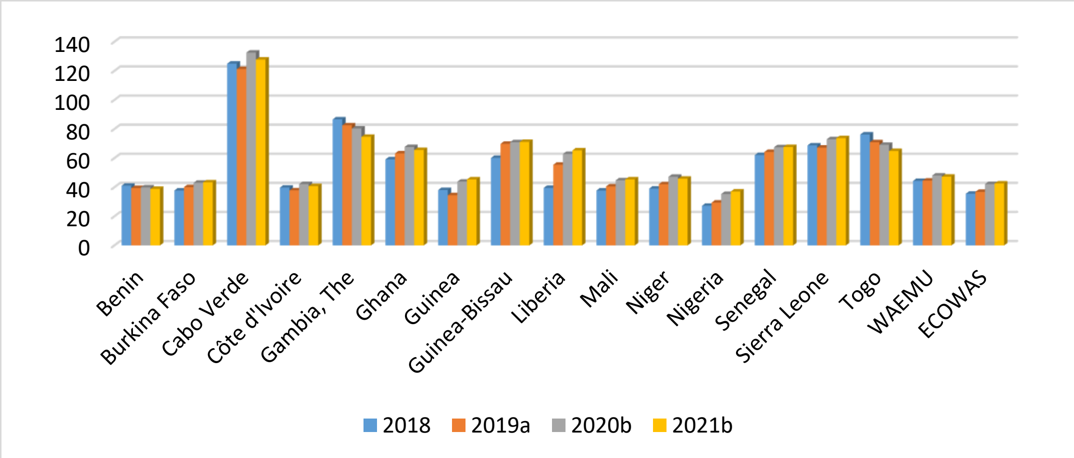
41. In the absence of corresponding declines in import demand by African countries, a decline in Africa's exports resulting from a slowdown in the global economy could increase the debt burden and further reduce the fiscal space of the ECOWAS countries. Ghana, Sierra Leone, Guinea-Bissau, The Gambia, Togo and Cabo Verde are especially vulnerable to fiscal shocks from the impact of the pandemic, since in 2019 they had debt-to-GDP ratios above 61 per cent of GDP, with fiscal deficits above 4.0 per cent of GDP.

[41] Ibid.

[42] Compared with a projected decline to 56 per cent. IMF (2019a). *Regional Economic Outlook for Sub-Saharan Africa*.

[43] IMF (2020c), op. cit.

Figure 8: Public debt ratios (% of GDP)



Source: Based on IMF (2020c).
Note: [a] Estimation; [b] projection.

2.1.4 External accounts

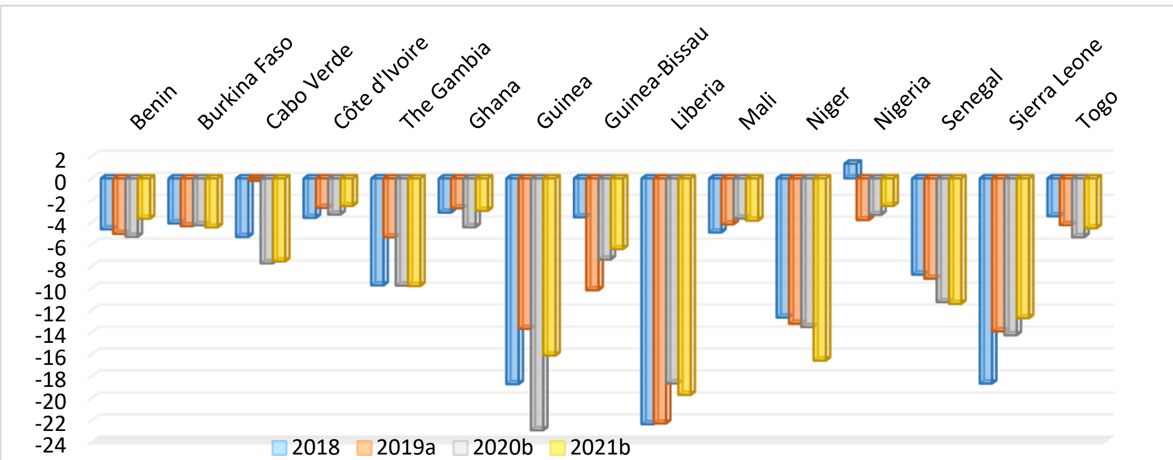
42. The average external account balance is structurally in deficit in almost all countries in the region, widening at the community level from –1.4 per cent in 2018 to –4.4 per cent of GDP in 2019. Excluding grants, the current account deficit of the ECOWAS sub-region will deteriorate from –4.3 per cent in 2018 to –4.5 per cent of GDP in 2019. Over this period, the external account deficit of eight ECOWAS countries (Benin, Burkina Faso, Ghana, Guinea, Mali, Niger, Nigeria and Togo) will deteriorate further.[44] The worsening of the external account deficit in the region in 2019 was partly due to lower oil prices, the contraction of the mining sector and the market for some agricultural products.

43. In 2020, the current and external deficits are expected to widen further, owing to the COVID-19 outbreak. These larger deficits could pose mounting challenges to countries that rely heavily on external financing. These countries face the risk of turmoil in financial markets, tighter credit market conditions, problems rolling over domestic debt, significant current account adjustment through domestic demand compression, and important reserve losses.

[44] IMF (2020a), op. cit.

44. The current account deficit of the sub-region is projected to deepen further in 2020, to –4.4 per cent of GDP (from -4.6 per cent). Twelve countries are projected to register a decline in their current account balance in 2020. Guinea is projected to record the largest decrease (from –13.7 to –22.9 per cent) followed by Cabo Verde (-0.2 to –7.7 per cent), The Gambia (from –5.4 to –9.8 per cent), and Ghana (from –2.7 to –4.5 per cent). Surprisingly, three countries, including Guinea Bissau (from –10.2 to –7.4 per cent), Burkina Faso (from –4.4 to –4.3 per cent) and even more surprisingly Nigeria (from –3.8 to –3.6 per cent) are expected to record slight decreases in their current deficits in 2020[45].

Figure 9: Current account deficits (% of GDP)



Source: ECA based on IMF (2020a).

Note: [a] Estimation, [b] Forecast.

2.1.5 Regional and trade integration

45. Regional integration has been shown to maximise the benefits of globalisation while countering its negative effects. It can stimulate development in least-developed countries by improving productive capacity and encouraging investments in those areas of infrastructure that hold the greatest economic potential. Nevertheless, the record of regional integration in Africa to date has been a sobering one.

46. With an average regional integration score of 0.327, according to the Africa Regional Integration Index (ARII) of 2019, African countries as a whole are not well integrated. The high score of 0.625 (of a maximum of 1), reached by South Africa, suggests that there is a possibility for all Africa's countries to integrate more deeply[46] (Figure 10).

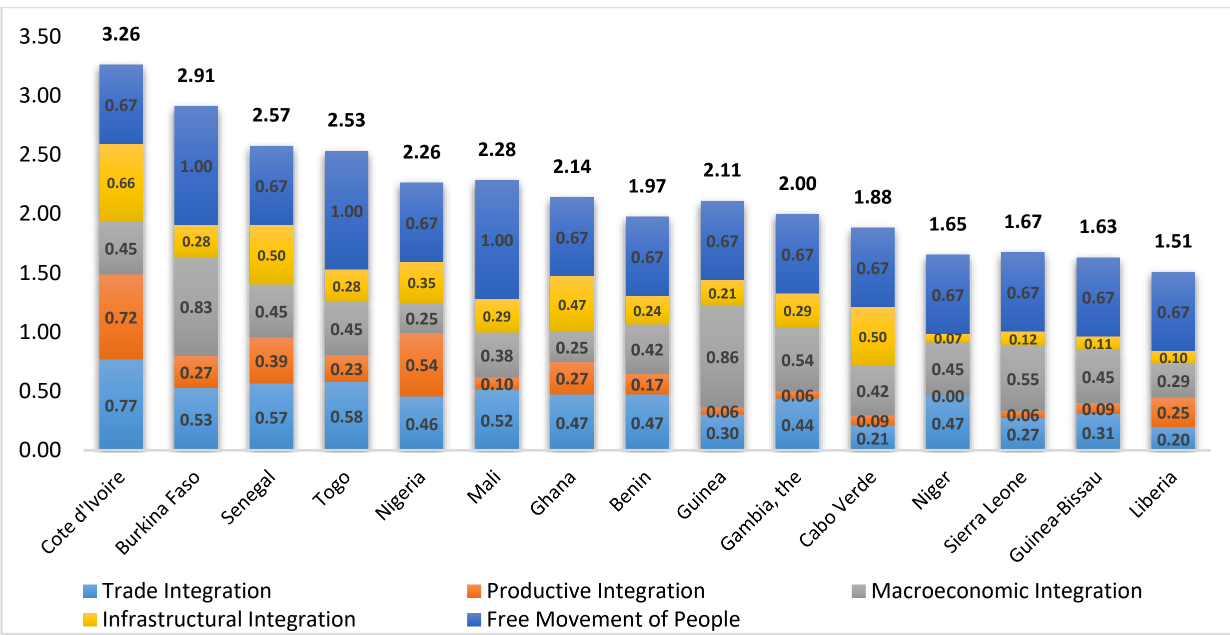
[45] IMF (2020a), op. cit.

[46] The 2019 Africa Regional Integration Index (ARII) assesses the regional integration status and efforts of African countries. It compares countries within regional economic communities as well as to the countries of Africa as a whole.

47. On regional integration overall, of the eight regional economic communities (RECs) in Africa, ECOWAS comes fifth behind, respectively, EAC, AMU, ECCAS and IGAD.[47] While ECOWAS has the highest scores across the Dimensions of "Free movement of people", its average is pulled down by the near-total lack of productive integration by seven of ECOWAS's 15 members (Mali, Cabo Verde, Guinea-Bissau, Sierra Leone, Gambia, Guinea and Niger). Côte d'Ivoire is the strongest performer in productive integration, scoring 0.718. It is followed by Nigeria and Senegal which scored only 0.540 and 0.388 respectively in the 2019 Index. Investments toward complementary productive capacities could help build significant improvements in productive integration.

48. Overall, Côte d'Ivoire, Burkina Faso and Senegal are ECOWAS's most integrated countries. Liberia, Guinea-Bissau and Sierra Leone are the weakest. One solution for improving the sub-regional integration may lie in increasing both the export and import of intermediate goods. Indeed, the top performer of the sub-region, namely Côte d'Ivoire, does well in this area, as does Nigeria, while The Gambia and Sierra Leone are among the lowest achievers.

Figure 10: Regional Integration Dimension breakdown by country



Source: Regional Integration Index 2019.

49. The aim of boosting cross-border trade and economic development prompted calls for a single currency for West Africa, namely the "Eco", which was initially scheduled to be introduced in 2020. To be part of the monetary union, each Member State must achieve three primary and three

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It measures integration in each country and each REC along 5 dimensions (trade integration, productive integration, macroeconomic integration, infrastructural integration and the free movement of people).

[47] East African Community (EAC); Arab Maghreb Union (AMU); Economic Community of Central African States (ECCAS); Intergovernmental Authority on Development (IGAD).

secondary convergence criteria (Table 1), aimed at reinforcing the homogeneity and stability of the main macroeconomic indicators of the countries, to allow them to better absorb the idiosyncratic economic shocks after the adoption of the single currency regime.

50. So far, ECOWAS countries are struggling to meet these criteria. For example, only five countries – Cabo Verde, Côte d'Ivoire, Guinea, Senegal and Togo – met both requirements on inflation and budget deficits in 2019.

Table 1: Number of countries within ECOWAS that have met the convergence criteria

Criteria	ECOWAS standard	2017	2018	2019
Primary rank				
Ratio of budget deficit, including grants to nominal GDP	≤ 3 %	7	6	10
Annual average inflation rate	< 10 %	11	12	12
Central Bank financing of budget deficit/previous year's tax earnings	≤ 10 %	12	14	n.a
Gross external reserve	≥ 3	14	15	n.a
Second rank				
Ratio of total public debt to nominal GDP	≤ 70 %	12	12	12
Nominal exchange rate variation	±10	12	13	n.a

Sources: ECOWAS (2018a) and IMF (2020a).

51. Despite the elimination of tariff- and non-tariff barriers to trade driven by ECOWAS and WAEMU, the value of intra-community exchange is struggling to pass 10 per cent of the West Africa's commercial transactions (10.4 per cent in 2019). It has increased only marginally over nearly 20 years, by about 3 per cent compared to 1996 when it accounted for 7.7 per cent of the community's total foreign trade.[48] These intracontinental trade shortcomings emphasise the important losses in revenue and development opportunities for African countries.

52. The countries most active in trade include Nigeria, which alone accounts for approximately 76 per cent of the sub-regional total trade, followed by Ghana (9.2 per cent) and Côte d'Ivoire (8.6 per cent). Together with Senegal, they represent 87 per cent of the sub-regional trade, 79 per cent of the sub-regional imports (US$ 55,520 million per year) and 94 per cent of exports and re-exports (US$ 77,792 million per year).[49]

53. The total ECOWAS trade is dominated by mining commodities (oil resources, iron, bauxite, manganese, gold, etc.) and agriculture (coffee, cocoa, cotton, rubber, fruits and vegetables) and other products marketed within the region (dry cereals, roots, livestock products etc.). The poor development of industries, especially the manufacturing sector in most economies, and the deficit and poor quality of infrastructure (energy, transport, telecommunications, water & sanitation etc.) partly explain why intra-Community trade is not robust.

54. The signature of the agreement establishing the African Continental Free Trade Area (AfCFTA) on

[48] ECOWAS (2018a). "Report on the macroeconomic convergence for the first semester of 2018."

[49] Ibid.

March 2018 in Kigali and its official launch in July 2019 in Niamey have reopened the debate on the issues surrounding cross-border trade in Africa and in regional economic communities. The successful implementation of the AfCFTA has the potential to provide new impetus and dynamism to economic integration in Africa and to enhance intra-regional and Community trade (see Box 1 in the Annex).

2.2. Social performance

55. The West African sub-region continues to make relatively little progress at the social development level. Poverty rates remain high in many countries (Sustainable Development Goals (SDGs) 1 and 2) and many people continue to have limited access to quality basic social services. Health indicators (SDG 3) remain alarming in some countries. Also, despite increased access to education (SDG 4), many children drop out of school early, having failed to acquire even minimum skills. This partially explains the high rates of unemployment, underemployment and/or vulnerable employment in the sub-region (SDG 8). Inequality is also high in the sub-region (SDGs 5 and 10). This situation could hamper the region's ability to adequately harness its demographic dividend, thereby undermining its sustainable development.

2.2.1 Poverty, human development and sustainable development in ECOWAS

56. Poverty continues to hinder sustainable development in West Africa despite the sustained positive economic growth over the last two decades. Ten countries out of the 15 that are Member States of ECOWAS have more than 30 per cent of their population living on less than US$ 1.90 a day.[50] This dire situation has not substantially changed over the last two decades. The average Human Development Index (HDI) of the sub-region is the lowest on the continent, registering just 0.51 in 2018.[51]

57. Only Cabo Verde, Ghana, Côte d'Ivoire and Nigeria rank above Least Developed Country status, with the former two plus Senegal ranking as countries of medium human development. However, Cabo Verde, which registers above the threshold of extreme poverty, is the only Member State currently classified as Lower Middle Income. Liberia, Sierra Leone, Guinea-Bissau and Niger are the lowest performers for human development in the sub-region.[52]

58. West Africa is thus stagnating in its progress towards achieving the Sustainable Development Goals (SDGs). The 2019 SDG index shows that the majority of countries are off-track on most of the 17 goals. The sub-region is seeing moderate improvement towards SDG 2 (Zero hunger), SDG 8 (Decent work and economic growth), SDG 14 (Life below water), SDG 15 (Life on land) and SDG

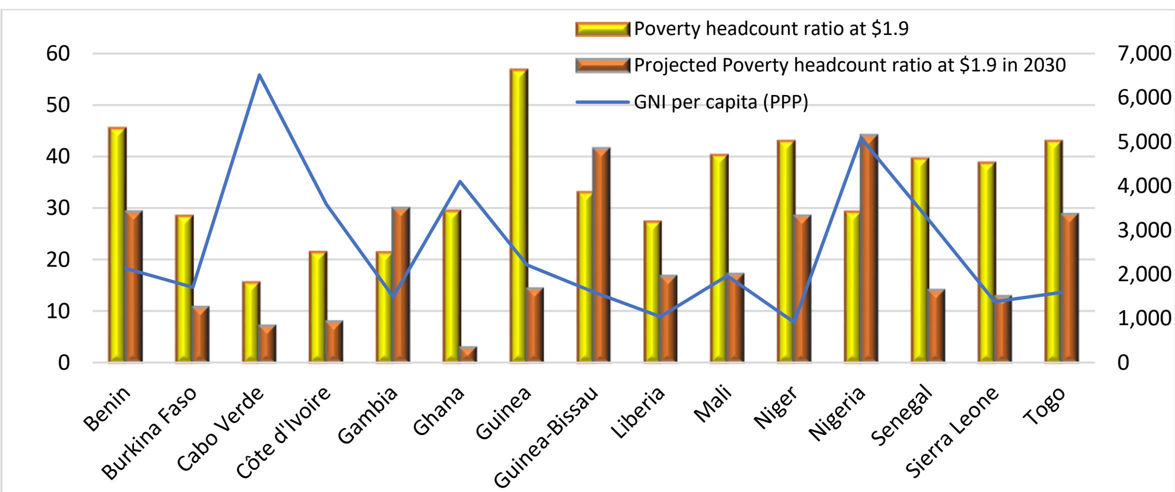
[50] World Bank, *World Development Indicators 2019*.
[51] UNDP (2019), *Human Development Report 2019*.
[52] Ibid.

17 (Partnership for the goals).[53] The SDGs that face the greatest challenges in West Africa are SDG 3 (Health) and SDG 9 (Infrastructure), with 100 per cent and 93 per cent of the countries scoring red respectively, indicating an increasing distance from achievement. SDG 4 (Education), SDG 6 (Clean water and sanitation) and SDG 11 (Responsible consumption and production) present major challenges as well, with 80 per cent of countries in West Africa scoring red. At the country level, Cabo Verde and Ghana are the best performers, ranking 5th and 9th in the Human Development Index 2019.

59. This disappointing situation is unlikely to change significantly over the next two decades. Headline growth is also highly likely to be moderated by continued strong demographic growth, especially in the poorest countries.

60. ECA estimates that between 5 million and 29 million people in Africa will be pushed below the extreme poverty line of US$1.90 per day owing to the impact of COVID-19, compared to the baseline 2020 African growth scenario. Vulnerable households affected by COVID-19 face an increased probability (17.1 per cent) of moving into transient poverty, a 4.2 per cent increased probability of staying in poverty for a decade or longer, and a decreasing probability (–5.9 per cent) of moving out of poverty. Increased poverty levels will also exacerbate existing income inequalities. For low-income households, such as those in West Africa that already spend an average of 36 per cent of their income on healthcare-related expenses, access to healthcare will become increasingly unaffordable in the wake of COVID-19, leading to an increase in the number of households falling below the poverty line.[54]

Figure 11: Poverty status of West African countries



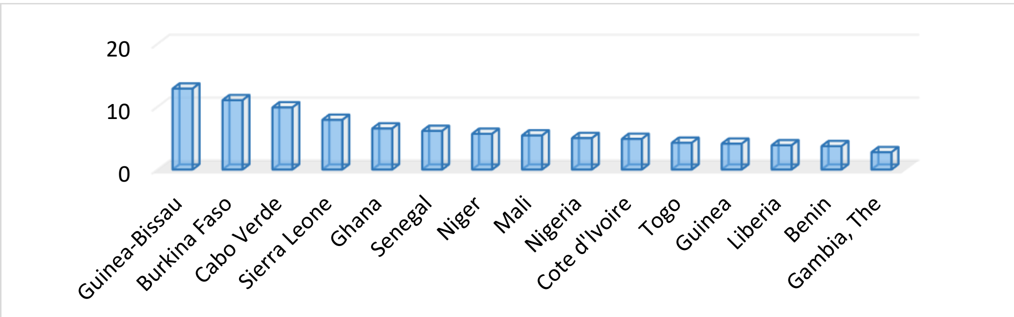
Source: ECA, based on data from the HDR (2019)
Note: Data refer to the most recent year available.

[53]The *SDG Index and Dashboards Report* is the first worldwide study to assess where each country stands with regard to achieving the Sustainable Development Goals (SDGs).
[54] UNECA (2020a).

2.2.1.1. Health

61. West Africa is characterised by poor and very low-quality health systems with a lack of infrastructure, a lack of healthcare services access and of health personnel. Most of health indicators in the sub-region are very low. This is partially explained by low levels of public investment in the health systems (Figure 12).

Figure 12: Government health expenditure (% of general expenditure)



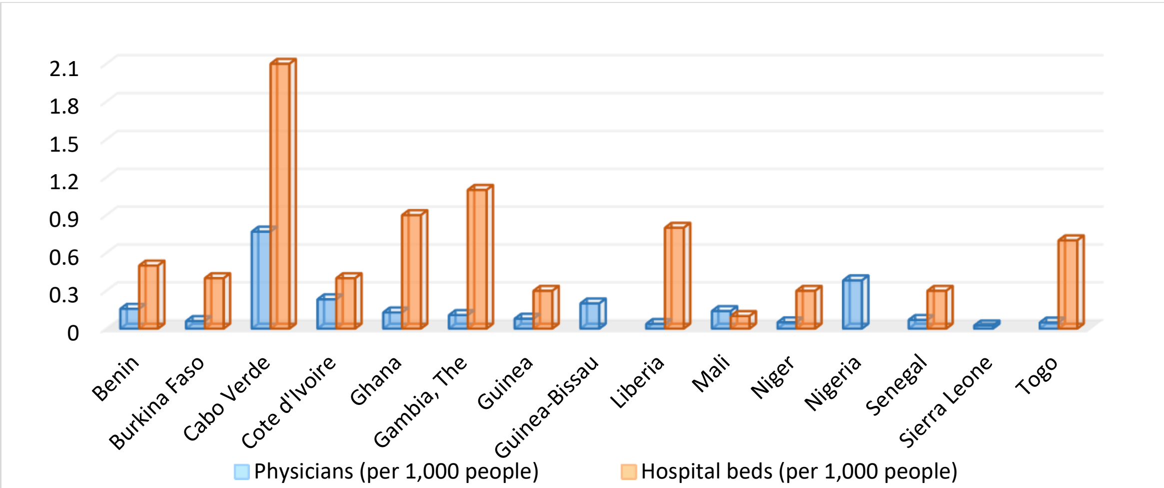
Source: ECA based on the WHO Global Health Expenditure database, 2019.
Note: Data refer to the most recent year available.

62. West Africa is characterised by high premature and maternal mortality, malnutrition and low life expectancy. Four of the 10 countries in the world with the highest under-5 mortality rates are located in the West African sub-region. However, slight disparities exist among Member States. The under-5 mortality rate varies from 17.4 (Cabo Verde) to 110 deaths (Sierra Leone) per 1,000 live births. Nigeria (100.2) and Mali (106) also have high under-5 mortality rates. In the 14 countries with available data, of the children under 5 years of age, 16.5 per cent (Senegal) to 46 per cent (Niger) suffer from moderate or severe malnutrition. Maternal mortality is very high in the sub-region with ratios ranging from 58 (Cabo Verde) to 1,120 (Sierra Leone) deaths per 100,000 live births. Life expectancy at birth varies from 54.3 (Sierra Leone and Nigeria) to 72.8 (Cabo Verde) years. Five of the countries have a life expectancy of less than 60 years (Nigeria, Sierra Leone, Mali, Guinea-Bissau and Côte d'Ivoire).[55]

63. In terms of the distribution of personnel, there is very poor quality of health care delivery and coverage, as evidenced by the extremely high number of patients covered per physician (Figure 13). The number of this personnel ranges from 0.03 in Niger to 0.77 in Cabo Verde. For Cabo Verde, which represents the best performer in the West African sub-region, this means that 7.7 health professionals have to take care of 10,000 people.

[55]United Nations Population Division, World Population Prospect 2019

Figure 13: Number of physicians and hospital beds in West Africa (per 1,000 people)



Source: ECA based on the WHO's Global Health Workforce, 2019.
Note: Data refer to the most recent year available.

64. The ability of countries in the sub-region to cope with the COVID-19 pandemic at its apogee has to be considered against the deficiencies in national health systems and in societies at large. Constraints include: low rates of hospital beds and health professionals; gaps in the detection of the disease; the low availability of basic healthcare; inadequate systems for testing for COVID-19 and for the tracing of contacts; preparedness outside the health sector; high dependency on imports for medicinal and pharmaceutical products; limited legal identity (ID) systems for administering social safety nets. The speed and spread of the virus has surprised the most highly developed countries which have found themselves ill-prepared. Consequently, the much poorer and less well-resourced West African countries, in terms of both funding and manpower, have a challenge to cope with the pandemic.

2.2.1.2. Education

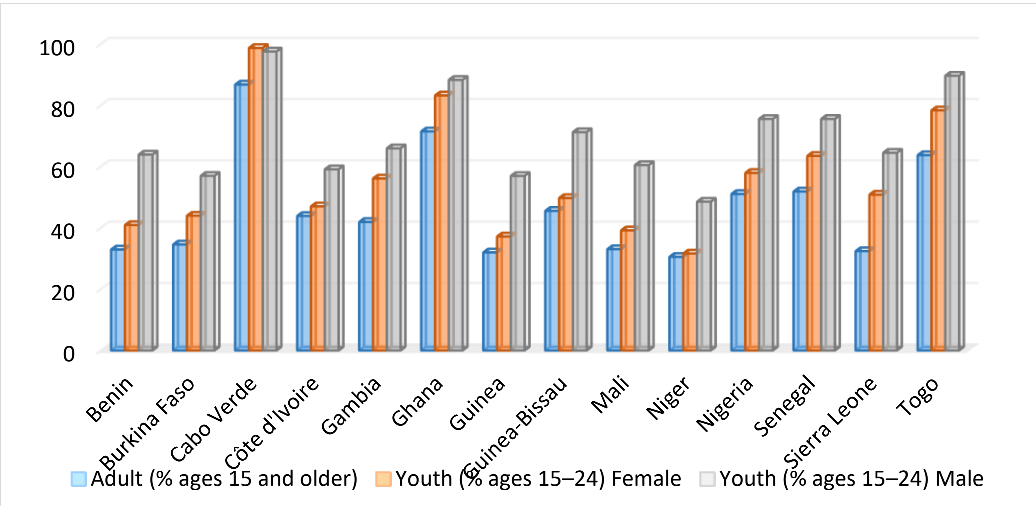
65. One of the major challenges facing ECOWAS is education. Significant improvement has been made in terms of access, as measured by primary school enrolment. The sub-regional average gross enrolment in primary schools increased from 70 per cent in 1998 to 101 per cent in 2018. However, it remains relatively low in many countries and declining in others (Figure 14). Dropout rates are also high. The proportion of out-of-school children in ECOWAS was about 24.6 per cent between 2010 and 2018. In Nigeria, this value was as high as 34 per cent. Many other countries in the sub-region have over 20 per cent of children of primary school age out of school (Burkina Faso, Liberia, Mali, Niger and Senegal).

66. The average number of years of schooling is also low. It is on average around 3 years in the sub-region and higher than 4 years in only six countries (Cabo Verde, Côte d'Ivoire, Ghana, Liberia,

Nigeria and Togo).[56] Students hardly receive quality training and often leave school without acquiring the minimum skills required. In the 9 countries where data are available, only 3 (Ghana, Senegal and Burkina Faso) register more than 50 per cent of students achieving minimum proficiency levels in both reading and mathematics by the end of primary education.[57]

67. Adult literacy rate is also low, below 50 per cent in almost all West African countries, except Cabo Verde (86.8 per cent), Ghana (71.5 per cent), Togo (63.7 per cent), Senegal (51.9 per cent) and Nigeria (51.1 per cent).[58] These low levels of literacy are partially explained by the low shares of public expenditure allocated to education in the sub-region.

Figure 14: Literacy rates in West Africa (%)



Source: UNESCO Institute for Statistics (2019).
Note: Data refer to the most recent year available.

68. As a result of increasing insecurity in the sub-region, this situation is getting worse. Constant attacks by terrorist groups, including directly against students, teachers and schools in Burkina Faso, Mali and Niger forced the closure of nearly 3,300 schools between 2017 and 2019 (Burkina Faso alone accounted for more than 2,000 schools closed) and resulted in more than 8 million children being out of school.[59]

69. The closure of schools exposes the children to a greater risk of exploitation, child marriage and early pregnancy. Girls face an elevated risk of gender-based violence and are often forced into child marriage, with ensuing early pregnancies and childbirth that threaten their lives and health. Both boys and girls also become easier targets for traffickers or recruitment into armed groups.

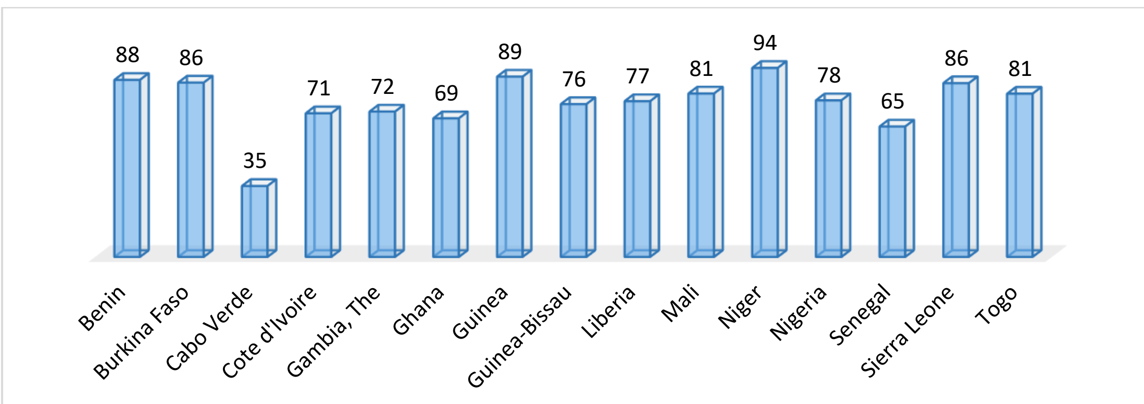
[56] Ibid.
[57] Based on UNESCO Institute for Statistics, 2019 (most recent data available between 2005 and 2015).
[58] UNDP (2019), *Human Development Report, 2019*.
[59] Data cited in this paragraph and the next are sourced from UNICEF (2019).

2.2.1.3. Employment

70. Unemployment rates are low in all countries of the sub-region, averaging around 6.23 per cent in 2019. However, the majority of the population are self-employed (81.2 per cent in 2019) and mainly work in the informal sector or in vulnerable jobs. Many workers are unable to provide for themselves and their families and are at high risk of facing financial difficulties. In 2019, about 31.7 per cent of working-age individuals employed in the sub-region ranked as extremely poor (living on less than US$ 1.90 per day) and 64.2 per cent were considered poor (living on less than US$ 3.10 per day). The primary and tertiary sectors employ the highest proportion of people in the sub-region, representing 51.1 per cent and 45.3 per cent respectively in 2019.

71. The proportion of vulnerable jobs ranged from 35.2 per cent in Cabo Verde to 93.7 per cent in Niger in 2019. Twelve out of the 15 countries in ECOWAS registered vulnerable employment rates above 70 per cent. Besides Cabo Verde, only Senegal and Ghana registered vulnerable employment rates below 70 per cent (64.6 and 68.7 per cent respectively). Around 78 per cent of workers in Nigeria and 71 per cent in Côte d'Ivoire are engaged in vulnerable jobs (Figure 15).

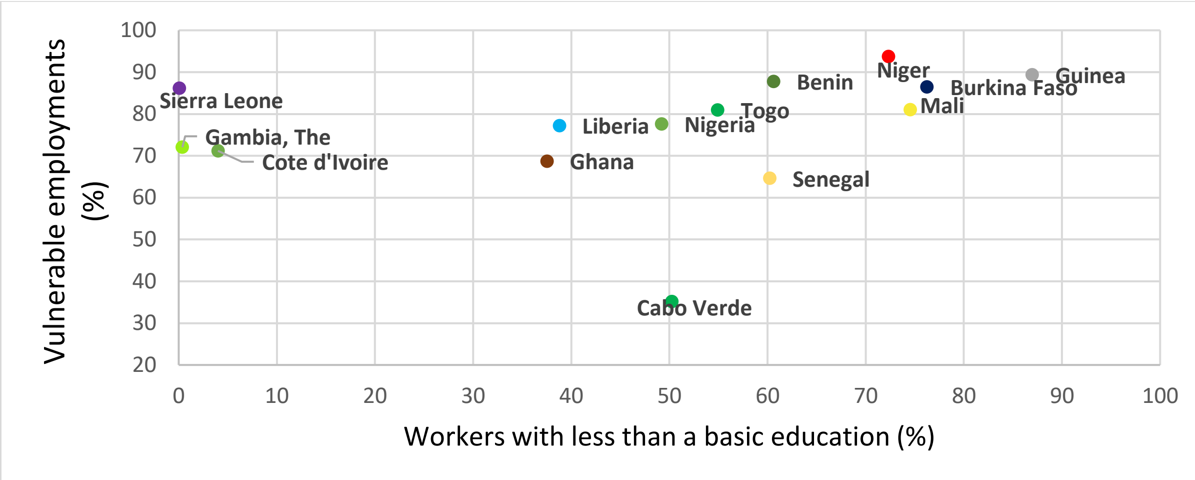
Figure 15: Proportion of vulnerable employment in ECOWAS Member States (%)



Source: ECA, based on ILO data (2020).
Note: Data refer to the most recent year available.

72. Vulnerable employment levels in the economies of the sub-region are closely linked with the low level of education of the labour force. Many people enter the labour market without the minimum qualifications required. For example, 88 per cent of workers in Guinea (which has the highest rate of vulnerable employment in the sub-region) failed to complete primary education compared to 4.4 per cent in Cabo Verde (which has the lowest vulnerable employment rate).

Figure 16: Correlation between the rate of vulnerable employment in ECOWAS countries and the proportion of workers whose level of education is below primary level



Source: ECA, based on data from UNDP (2019) and ILO (2019)
Note: Data refer to the most recent year available. Data not available for Guinea-Bissau

73. It is expected that the COVID-19 pandemic will lead to an increase in informal and vulnerable employment and an increase in out-of-pocket expenditure by poor and vulnerable households. The 2008 financial crisis increased vulnerable employment by 10 per cent. The more systemic shock of COVID-19 is expected to increase vulnerable employment considerably, with an anticipated 19 million job losses in Africa as workers face full or partial workplace closures. Annual formal job creation (currently 3.7 million) is forecast to drop by 1.4–5.8 per cent, compared with the baseline 2020 African growth scenario.

2.2.1.4. Inequalities

74. In West Africa the incomes of the bottom 40 per cent of the population grew 25 percentage points more than the average. The wealthiest 1 per cent of West Africans own more than the rest of the populations in the sub-region combined. This, however, hides a wide diversity of trajectories. Wealth inequality rose in Benin, with the incomes of the bottom 40 per cent growing 30 percentage points less than the average. Also in Côte d'Ivoire, Ghana and Guinea-Bissau, the incomes of the bottom 40 per cent grew 20 percentage points less than the average.[60] The wealthiest 10 per cent of Ghanaians account for 32 per cent of the country's total consumption, which is more than the consumption of the bottom 60 per cent of the population. A few people have become very-rich, while nearly one million have fallen below the poverty line, and thousands of those who were already poor sank even deeper.[61] In Nigeria, the incomes of the bottom 40 per

[60] UNDP (2019), *Human Development Report 2019*.
[61] Oxfam International (2020).

cent grew 19 percentage points more than the average. The wealth of the five richest Nigerian men combined stands at US$ 29.9 billion, which is more than the country's entire budget in 2017.[62]

75. Nevertheless, wealth inequality declined elsewhere in the sub-region. In Senegal the improvement was mild (the incomes of the bottom 40 per cent grew only 2 percentage points more than the average). The largest inequality declines were in Burkina Faso, where the incomes of the bottom 40 per cent grew 93 percentage points more than the average, and in Sierra Leone, where they grew 117 percentage points more than the average.[63] In addition to inequalities of wealth and income, there are two additional forms of inequality that are particularly relevant for West Africa: gender inequality and spatial inequality.

76. Gender inequality still persists in West Africa, despite progress made by most countries in terms of women's participation in the economic and social sectors. The countries in West Africa all sit at the bottom of the Gender Inequality Index (GII)[64] rankings, between 125th (Senegal) and 154th (Niger) position of the 154 ranked countries.[65] In addition, except for three countries (Cabo Verde, Ghana and Senegal), all the countries in West Africa fall into the lowest possible category on the Gender Development Index (GDI).[66] There are very high levels of inequality between men and women in the sub-region in terms of healthcare, education and living standards. Similarly, gender inequalities are high in political representation, especially in parliament, with performances ranking from 25 per cent in Cabo Verde to as low as 4.5 per cent of elected representatives in the Nigerian parliament. Senegal, with 42.7 per cent of women in politics, is the only country that has a female representation above the continent's 24 per cent average and is ranked 11th in the world.[67]

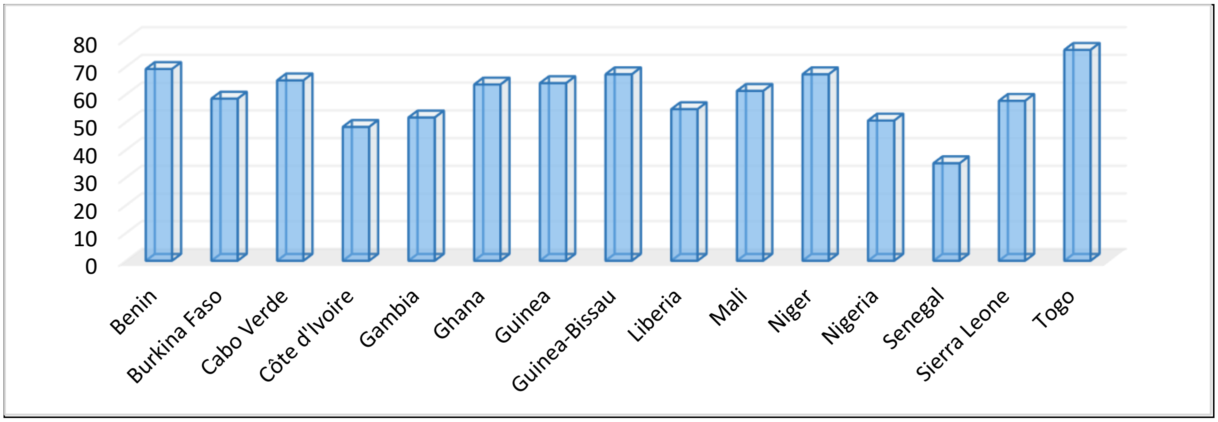
77. In education, gender gaps in school enrolment rates have been reduced everywhere. Cabo Verde, Senegal, The Gambia and Sierra Leone show gender parity in favour of girls, for some educational cycles. At the higher education level, Cabo Verde is the only country in the sub-region that has been able to completely eliminate inequalities between boys and girls in terms of access to training. At the secondary level, Senegal has made the greatest progress in reducing gender inequality. At the primary level, Senegal, The Gambia and Sierra Leone are the only three countries in the sub-region to have achieved this goal.

78. The labour market is also dominated by men and displays large pay gaps between men and women in the few places where data are available for West Africa. Senegal has the least labour

[62] UNDP (2019), op. cit.
[63] Ibid.
[64] 2019 UNDP Gender Inequality Index. Gender inequality is measured based on maternal mortality ratio, fertility rate of women between 15 and 19 years old, percentage of seats in parliament reserved for women, access to secondary education and the labour force participation rate of women.
[65] Cabo Verde, Nigeria, Guinea Bissau and Guinea were not ranked in 2019.
[66] The GDI measures gender gaps in human development achievements by accounting for disparities between women and men across 3 basic dimensions of human development – health, knowledge and living standards – using the same component indicators as in the HDI.
[67] Inter-Parliamentary Union (IPU). (2020).

market participation of women compared to men, in the sub-region.

Figure 17: Score of women's participation in the labour market in ECOWAS



Source: ECA based on ILO data (2019).
Note: Data refer to the most recent year available.

79. Spatial inequalities are also high in West Africa. The levels of inequality, poverty and poor human development outcomes are higher in rural areas compared with urban centres across all countries. In addition, rural communities also have the least access to all forms of public services (i.e., from education to healthcare).

2.2.2. Population dynamics and sustainable development

80. The population of West Africa was estimated at 386.9 million in 2019, or 5 per cent of the world's population and is set to represent 8 per cent by 2050. It represented 29.6 per cent of Africa's population in 2019 and this will increase to 31.6 per cent by 2050. Nigeria accounts for half the sub-region's population (204.8 million in 2019).[68.]

81. The population of the sub-region is extremely young, 44 per cent under 15 years of age – a proportion that rises to almost 60 per cent for those under 25 years of age. The demographic dependency ratio is projected at 85 per cent in 2020 (comprising 80 children and 5 over-65s).[69] A ratio of 85 dependants per 100 people aged 15–64 years means that 1.2 persons within the working age have to support each dependant person. The situation has changed little since the beginning of the 2000s, when it was estimated at 88.7 per cent, reflecting a slow demographic transition, tied to fertility rates that are still high in most countries.

82. The total fertility rate is more than 5 children on average per woman in five countries of the community (Burkina Faso, The Gambia, Nigeria, Mali and Niger) and more than 4 children per woman in seven other countries (Benin, Guinea, Côte d'Ivoire, Senegal, Guinea Bissau, Togo,

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[68] UNFPA, (2020). *State of World Population. 2019*.
[69] Ibid

Liberia and Sierra Leone).[70] Niger is the country with the highest fertility rate in the world (6.9 children per woman on average).[71] Only two countries, Ghana and Cabo Verde, have made progress in fertility reduction while the process has stalled in virtually all the other countries.

83. Even if the fertility rate were to fall in the future, current and past high fertility produces a momentum for future population growth in the sub-region, as the large numbers of people aged less than 15 years move into the childbearing ages.

84. A large proportion of the youth can be a starting point for countries to create and harness demographic dividends. However, if human capital development is low and the youth do not have access to decent employment, the dividends can remain a mirage. Rather, the large proportion of the jobless youths can become an impediment to development. In addition, it can weaken social cohesion, threaten peace and security, and create social and political instability.

85. Demographic dynamics can significantly impact many areas of sustainable development. Population growth can make it harder for governments in the poorest countries to eradicate poverty, combat hunger and malnutrition (SDGs 1 & 2), and inequality (SDG 10), and to enhance growth and the creation of decent jobs (SDG 8). It can also impede other elements of the sustainable development agenda including the provision of education and health services (SDGs 3 & 4).

86. Rapid population growth hinders poverty reduction by affecting the fiscal balance of governments. Indeed, unsustainable population growth can limit the government's ability to productively invest. Furthermore, a rapid and large increase in the size of the working-age population limits job opportunities and can cause wages to fall by increasing the supply of labour available, thereby further limiting people's chances of escaping poverty. High fertility rates and rapid population growth can reduce the resources that households have but they also increase the number of dependants that those reduced resources must support.

87. Demographic dynamics are also related to SDG 2 because population growth hinders the fight against hunger, and efforts to improve nutrition and food security. Population growth also impacts SDG 3, owing to its connection to improved child and maternal health and healthy lives for all, and to SDG 4 as reduced fertility increases investment in education per child.[72] Where rapid population growth far outpaces economic development, countries have a difficult time investing in the human capital needed to secure the well-being of its people and to stimulate further economic growth.

88. Countries with high fertility typically face challenges in providing education for children, health care for all and employment opportunities for young workers. A scarcity of jobs in rural areas can

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[70] United Nations Population Division, World Population Prospect 2019.

[71] UNFPA (2020), op. cit.

[72] United Nations (2017), op. cit., chapter III; for further discussion of demographic change on development, see: Herrmann, ed. (2015) "Consequential omissions: How demography shapes development – lessons from the MDGs for the SDGs" and World Bank/ IMF (2016) *Global Monitoring Report 2015-16: Development in an Era of Demographic Change*.

drive many young people to migrate to cities that already lack job possibilities. Countries with fertility rates of four or higher are expected to see their urban populations grow rapidly in the years ahead.[73]

2.3. Security, governance and the upcoming elections In West Africa

89. The West African sub-region has experienced frequent incidents of violent conflict which continue to prevent many countries from achieving their social and economic targets. The causes of state fragility and political instability in the region are deeply rooted and structural in nature, but large-scale violence and instability have been also sparked by elections or election-related processes.

90. According to the 2018 Ibrahim Index of African Governance (IIAG), the overall governance in West Africa has improved. It is the second best-performing African sub-region (scoring 54.3 out of 100.0), after Southern Africa and has recorded the largest increase in its average score for overall governance (+0.44 since 2013) in 2018 (Table A1). However, despite improvements in almost all West African countries, several countries fall below the African average (score 50) including Togo, Nigeria, Guinea and Guinea-Bissau. In addition, while Cabo Verde recorded the best governance performance in the region with a score of 71.1, ranking third in Africa, the country – as well as Sierra Leone, Mali and Benin – has recorded deteriorations in governance over the past decade. Côte d'Ivoire, Guinea, Senegal, Niger and Togo are among the greatest improvers at the overall governance level. Despite these hopeful signs over the last decades, recent developments in the sub-region, including COVID-19 as well as the upcoming elections in many countries, inhibit the progress made in improving the quality of governance and democracy in the sub-region.

91. In addition to the usual woes of West Africa's democracies and governance, emerging threats include terrorist attacks and growing political insecurity. Terrorist groups continue to destabilise the Sahel, fuel intercommunal violence and increasingly threaten coastal West African countries. Terrorist attacks can destabilise governments, undermine civil society and human rights, jeopardise peace and security, and threaten social and economic development.

92. Presidential elections in the sub-region, several of which may be contentious and risk causing political violence, are also planned this year. In West Africa, five presidential elections (in Côte d'Ivoire, Ghana, Guinea, Burkina Faso and the 1st round in Niger) are scheduled to take place in the last quarter of 2020 and two in the first quarter of 2021 (Benin and The Gambia). Election time is often associated with surges in protests in several countries. Protests over elections results or procedures were among the main protest motives reported from 2013 to 2015.[74]

93. In far too many cases, electoral periods in Africa have been stained by human rights violations undermining the holding of credible and peaceful elections. Over the last few months, terrorist activity has increasingly targeted civilians and security forces, including peacekeepers. Given the

[73] UNDESA (2015) *World Urbanization Prospects: The 2015 Revision*.
[74] AfDB, OECD, UNDP (2016). *African Economic Outlook 2016: Sustainable Cities and Structural Transformation*. Paris: OECD Publishing,

circumstances, the process of organising nationwide elections presents a challenge in many countries in the sub-region.

94. The Covid-19 pandemic poses an additional challenge to electoral processes in Africa and raises concerns for the holding of free, fair, transparent and peaceful elections, while ensuring the safety of citizens. With the omnipresent threat of the pandemic, States are now being forced to evaluate whether they are in a position to hold credible elections, which represent an essential component of democratic governance, and of peace, security and development.

Chapter 3: Policy framework and recommendations for the sub-region

3.1 Confronting the negative effects of the pandemic

95. Prior to the outbreak of the COVID-19 pandemic, the West Africa sub-region was projected to expand by 3.8 per cent in 2020. As the unprecedented nature of the COVID-19 crisis continues to unfold, a multitude of variables at the country, regional and global levels remain unknown or subject to change. Accordingly, predicting accurately the impacts of COVID-19 on countries in West Africa across all sectors is highly problematic. Nevertheless, given the widely anticipated global recession, already evident in the form of concurrent supply and demand shocks, it is reasonable to project that the pandemic will have an important impact on these economies. Thus, the economy is now projected to contract to a negative -1.3 per cent in 2020, 6.5 percentage points below the projected growth rate prior to the pandemic.

96. Growth in the sub-region will be negatively affected through a combination of channels, including a decline in commodity prices, low financial flows, reduced tourism earnings and heightened volatility in financial markets. Deceleration in output growth will be reflected in negative growth in per capita income of 5.4 per cent with the associated social consequences.

97. The sharp decline in commodity prices will widen fiscal and external account imbalances, fuelling public debt increases. Countries that depend on oil for foreign exchange and fiscal revenues (e.g., Ghana and Nigeria) will face limited fiscal space. Net oil-importing countries could benefit from lower oil prices, but the sub-regional average fiscal balance will widen to around –6.4 per cent of GDP. The pandemic is also likely to worsen external imbalances across the region. Overall current account deficit for the West Africa sub-region is forecast at 4.4 per cent of GDP in 2020.

98. With intra-regional trade significantly low, at about 10 per cent of total trade, the West African sub-region is highly exposed to external shocks, including the negative effects of the pandemic on the global supply chains. The fall in total production due to the generalised lockdown and restrictions, rising food prices due to disruption in trade logistics and exchange rate depreciation in major economies will amplify inflationary effects of looser monetary and fiscal policies in West Africa. Average inflation is projected to increase by about 1.8 percentage points to 10.1 per cent in 2020. (See also section 2.1.2 of this report.)

99. It is projected that West African economies will resume their growth globally in 2021, at 3.1 per cent. This assumes that the ongoing policy measures will slow the spread of the disease before the end of 2020 and successfully restore global demand and the pick-up in the global economic activities. However, the medium-term outlook could be undermined by severe infrastructure deficiencies, a weak macroeconomic policy environment, bad climatic conditions, civil unrest and security threats, particularly in the Sahel region.

100. The COVID-19 pandemic is thus adding to the structural fragility of the sub-region. The impacts

of the COVID-19 outbreak, should the sub-region's resilience capacity fail, could lead to increased morbidity and mortality rates. Moreover, the negative impact of the pandemic on education, health and employment could stall attempts to harness the demographic dividend in the medium to long term, if savings need to be channelled into Coronavirus mitigation efforts instead of investments for sustainable growth.

3.2 Recommended policy measures

101. It is clear that short, medium and long term policy measures are needed to mitigate these challenges and ensure that the progress achieved by many countries of the sub-region to enhance sustainable economic development is not lost. Five sets of proposed emergency measures are discussed below: (i) Emergency economic stimulus measures; (ii) Internal resource mobilisation; (iii) Economic diversification; (iv) Human capital leveraging; and (v) Peace, security and governance improvements.

3.2.1 Emergency economic stimulus measures

102. In the short term, given the fiscal situation in West Africa, substantial support will be needed for the sub-region's health and social safety-net response and emergency economic stimulus. Rapid disbursement of budget support can be accelerated through fast disbursement facilities, including the Crisis Response Window, the Global Pandemic Window and reprogramming of regular programmes at the World Bank Group, as well as similar measures from the European Union and the G-20 members. West African countries in return should work to build and strengthen systems to fight corruption and enhance predictability, transparency and accountability of flows so that governments can plan effectively, and civil society stakeholders can help to track fund flows to ensure they reach those most in need.

3.2.2 Internal resource mobilisation

103. In the long term, efforts should be stepped up to mobilise tax revenues, rationalise expenditures and consolidate public finances in order to reduce budget deficits and better control debt. To broaden the tax base, West African countries need to include more diverse payments in the tax net (e.g., payroll and workforce taxes and property taxes). In addition, governments should formulate policies to bring the informal economy and agriculture into the tax system, while taking care to avoid harming low-income workers.

104. Furthermore, the West African countries need to review their VAT regulations (e.g., excessive use of exemptions and zero or reduced rates, etc.) to reduce the policy gaps. In addition, West African governments should leverage information and communications technology to improve revenue generation. Improving governance, by combating corruption and bolstering accountability,

should also reduce inefficiencies in tax collection.

105. Non tax revenue collection should also be improved. This includes royalties, fees for mining rights, dividends on government investments in state-owned enterprises and in stock portfolios, sovereign wealth funds, and government shares in joint ventures with private operators. Fees for trade licences for commercial establishments, construction permits and for registering or issuing birth, marriage and death certificates are potential additional revenue sources.

106. West African countries also need to harness innovative and efficient financing mechanisms. These would include public–private partnerships to increase resource mobilisation and investment in priority areas, while keeping fiscal policy within debt sustainability limits.

3.2.3 Economic diversification

107. Measures should be implemented to strengthen the resilience of the sub-regional economy to commodity price shocks through the implementation of economic diversification policies. Diversifying away from resource-intensive sectors into more medium- and high-tech sectors will strengthen the manufacturing sector in terms of value addition. It will also increase employment and thereby boost inclusiveness through a strengthened middle class employed in the manufacturing sector. The African Continental Free Trade Area (AfCFTA) presents an opportunity for such diversification (see Box 1 in the Annexes).

3.2.4 Human capital leveraging

108. Investments in human capital should also be improved in order to reduce exclusion and increase productivity. The provision of quality healthcare and education, decent jobs and skillsets development will enable the West African countries to harness the window of opportunity created by the demographic dividend and so accelerate progress towards achieving the Sustainable Development Goals (SDGs) and the Agenda 2063. In addition, there is a need to increase efforts towards gender equality, especially women's empowerment and education, in order to better control demographic dynamics and create the conditions to fully capture the demographic dividend.

109. In addition, efforts should be stepped up to promote national multi-sectoral efforts from a single health approach, to lessen COVID-19's impact. This includes measures to ensure the availability of essential medical supplies, including laboratory and hospital equipment, and personal protection equipment for healthcare workers, ambulance drivers and key workers in the sub-region. Efforts are also needed to step up and implement track-and-trace systems to monitor the progress of the disease and advise those people who test positive for the disease (a percentage of whom will be asymptomatic) to self-isolate for a set period of time and to trace others with whom they may have been in contact. Most African countries are now testing large numbers of

their populations.

3.2.5 Peace, security and governance improvement

110. Despite best intentions embodied in the ECOWAS Protocol on Democracy and Good Governance, and the Conflict Prevention Framework, violence is still commonplace during elections in the region. Strengthening conflict early warning and response is seen as a critical conflict mitigation priority by West African governments prior to key elections in the sub-region. Such measures help to improve stability and reduce the potential for civil unrest.

111. International organisations should work with local governments to ensure free, fair, inclusive, transparent and credible elections through control, monitoring and oversight activities. This includes targeted voter registration sensitisation and motivation campaigns and activities, as well as civic education to enhance the participation of youth and women. African civil society organisations and the media should also be encouraged to participate in the election process.

112. Reducing the risk of civil unrest will also improve the business environment and render the sub-region more attractive for long-term investments as well as tourism.

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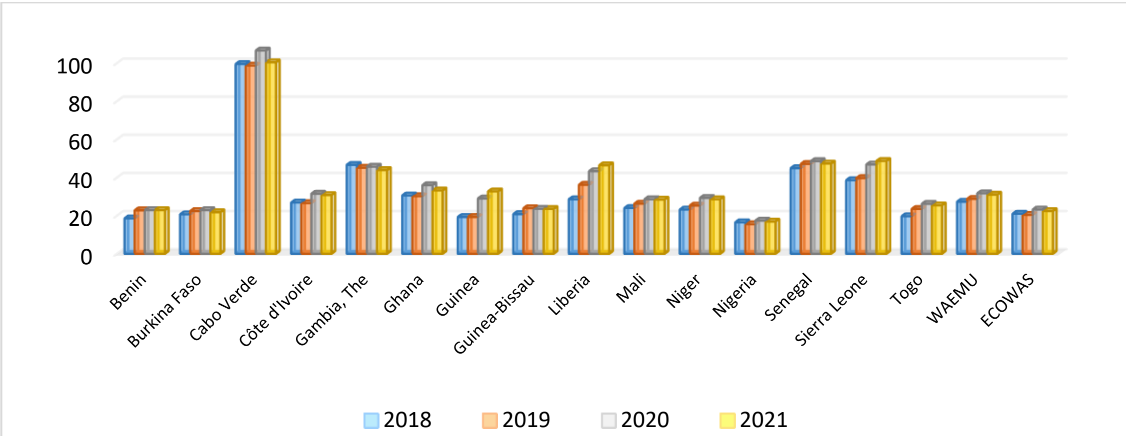
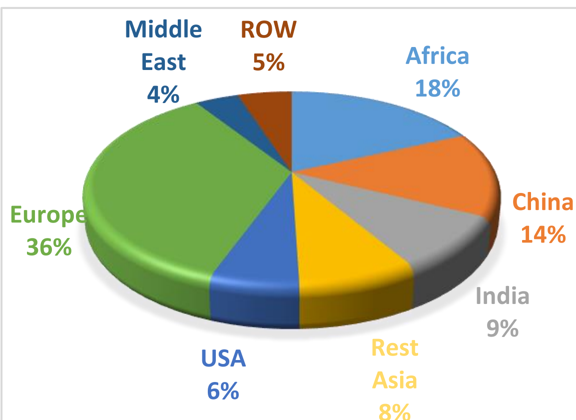
Annexes

Figure A1: Government external debt of West African countries (% of GDP)



Source: ECA based on IMF (2020a).
Note: Percentage for 2020 (estimated) and 2021 (projected)

Figure A2: Africa's merchandise export share and by destination



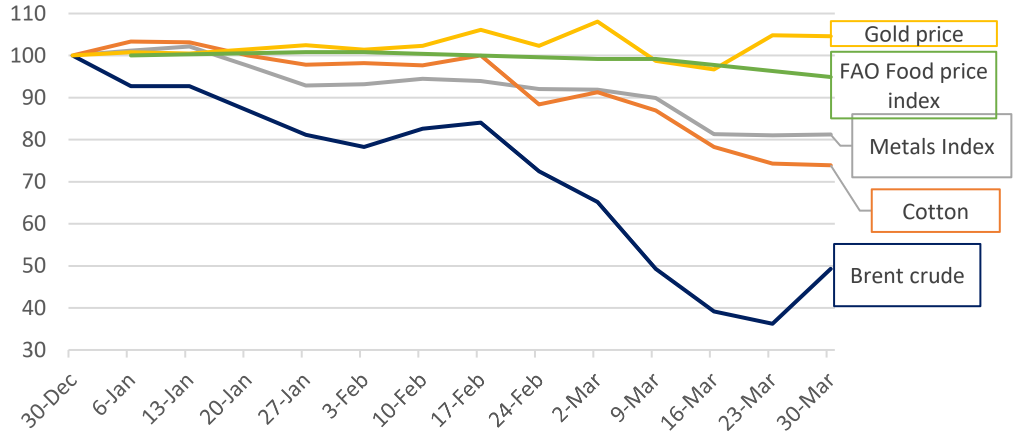
Source: ECA, based on IMF, Trade Statistics, 2018

Table A1: ECOWAS' trade flows (in US$ 000ss and %)

	2017	2018	2019
ECOWAS' exports to ECOWAS	10,028,718 (11.6%)	9,268,839 (8.8%)	10,034,835 (10.4%)
ECOWAS' exports to Africa	15,423,585 (18%)	17,047,822 (16%)	15,969,999 (16%)
ECOWAS' total exports	86,088,768	105,146,326	96,820,763
ECOWAS' imports to ECOWAS	7,076,653 (8.8%)	8,590,672 (7.8%)	10,310,387 (8.5%)
ECOWAS' imports to Africa	10,546,352 (13.1%)	12,762,660 (11.6%)	14,869,644 (12.2%)
ECOWAS' total imports	80,656,186	110,143,064	121,515,911

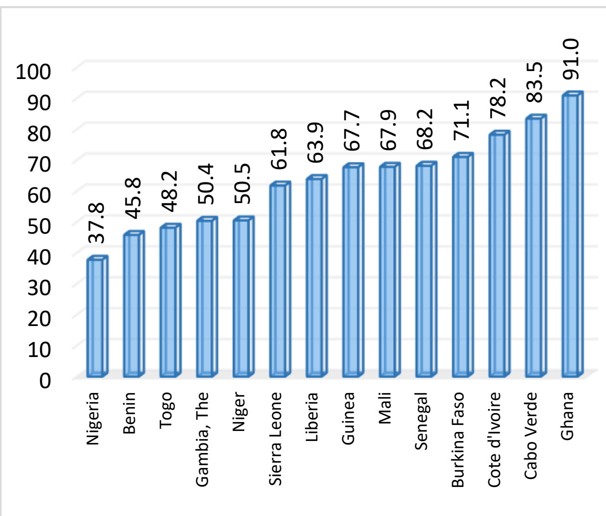
Source: Calculations based on data from ITC TradeMap, 2020.

Figure A3: Commodity prices and indexes for key African exports, 31 December 2019 to 30 March 2020



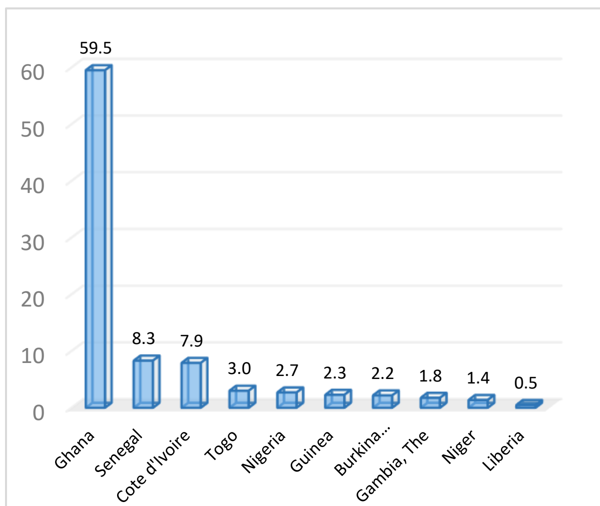
Source: FAO and Trading Economics, April 2020.
Note: All prices are weekly average, Metals index = LME Index

Figure A4: Progress towards achieving the "Ending Poverty" goal (SDG1) by 2030



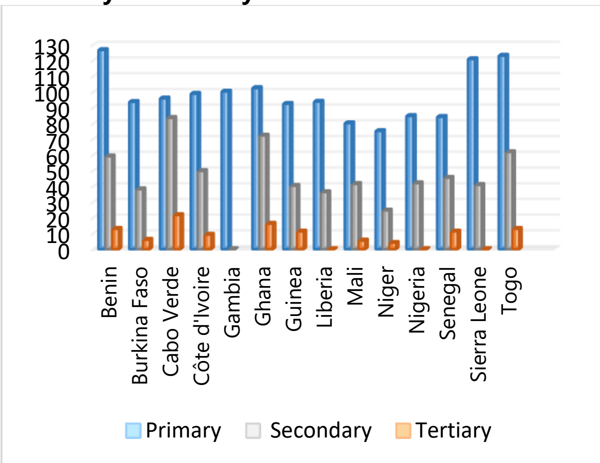
Source: ECA, based on data from UNDP, *Human Development Report, 2019.*

Figure A5: Coverage of social insurance programmes (% of population)



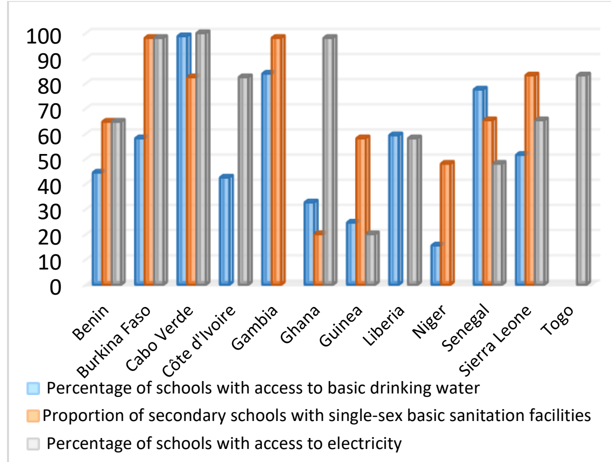
Source: ECA based on the WHO's Global Health Workforce, database 2019.
Note: Data refer to the most recent year available.

Figure A6: Gross enrolment ratios for primary, secondary and tertiary education



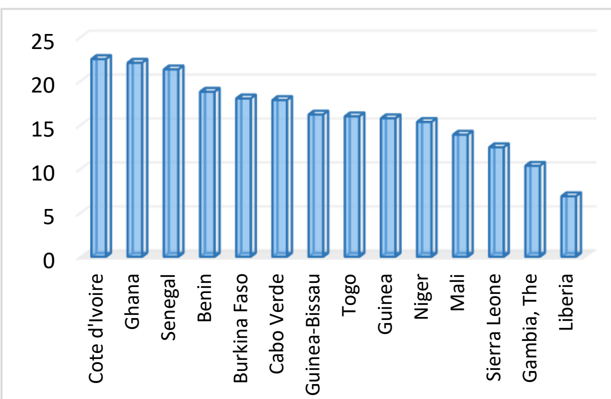
Source: UNESCO Institute for Statistics (2019).
Note: Data refer to the most recent year available for each country.

Figure A7: Education basic infrastructure status



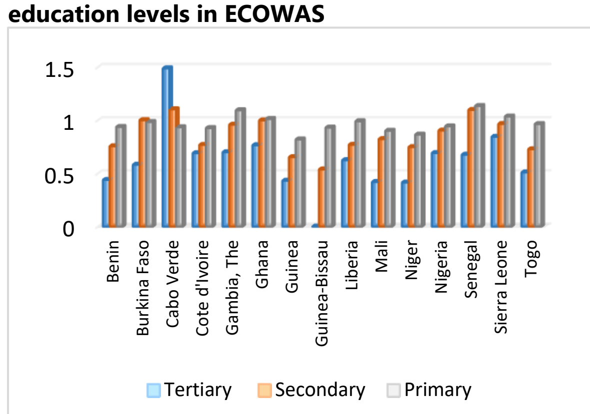
Source: ECA based on the WHO's Global Health Workforce, database 2019
Note: Data refer to the most recent year available for each country.

Figure A8: Government expenditure on education, (% of total govt. expenditure)



Source: ECA based on WDI data, 2020.
Note: the most recent data was used for each country.

Figure A9: Gender parity indices of gross enrolment at primary, secondary and tertiary education levels in ECOWAS



Source: ECA, based on World Bank data (WDI, 2019)
Note: the most recent data was used for each country.

Table A2: Mo Ibrahim Index of Governance 2018

Country	Overall score/100	Rank in Africa/54	Progress
Cabo Verde	71.1	3	-0.8
Ghana	68.1	6	+0.9
Senegal	63.3	10	+5.9
Benin	58.7	13	-0.1
Burkina Faso	57.1	16	+4.8
Gambia, The	54.9	21	+3.0
Côte d'Ivoire	54.5	22	+12.7
Liberia	51.6	23	+4.8
Niger	51.2	24	+5.6
Sierra Leone	50.9	26	+0.5
Mali	50.1	28	-4.0
Togo	49.1	30	+5.2
Nigeria	47.9	33	+2.8
Guinea	45.9	37	+6.1
Guinea-Bissau	40.2	42	+0.9
ECOWAS	54.3	n.a	+0.48

Source: Mo Ibrahim Foundation, *Mo Ibrahim Index, 2018.*

Table A3: Overall competitive index of ECOWAS economies in 2019

Country	Overall score/100	Rank /140	Progress (2018-2019)
Ghana	51	111	-5
Cabo Verde	50	112	-1
Senegal	49	114	-1
Nigeria	48	116	-1
Côte d'Ivoire	48	118	-4
Guinea	46	122	+4
Gambia, The	45	124	-5
Benin	45	125	-2
Mali	43	129	-4
Burkina Faso	43	130	-6

Source: World Economic Forum, *The Global Competitiveness Report 2019*.
Note: Liberia and Sierra Leone, Niger, Guinea-Bissau, and Togo are not covered in 2019.

Table A4: Gender Inequality Index (GII) 2018

Country	Value	Rank/189
Cabo Verde	0.372	126
Ghana	0.541	142
Benin	0.613	163
Côte d'Ivoire	0.657	165
Senegal	0.523	166
Togo	0.566	167
Gambia, The	0.62	174
Liberia	0.651	176
Sierra Leone	0.644	181
Burkina Faso	0.612	182
Mali	0.676	184

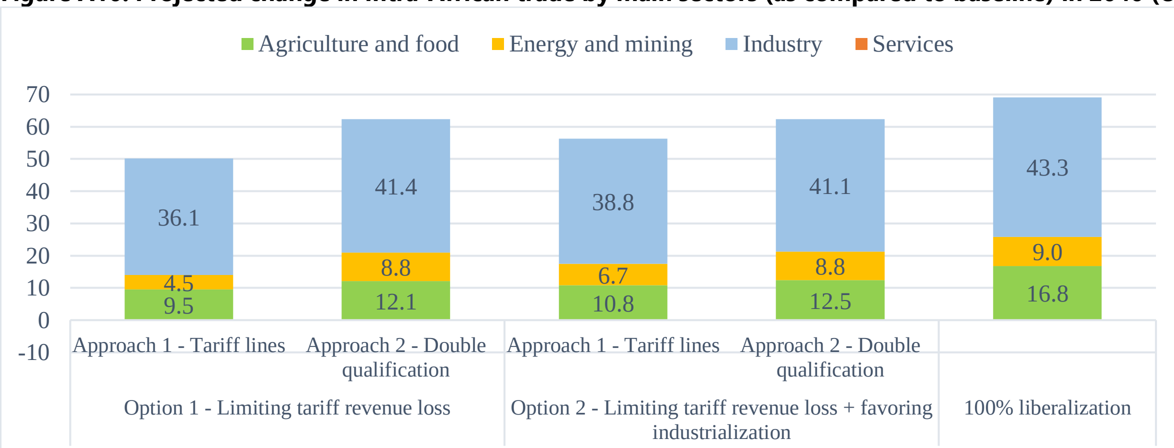
Source: UNDP *The Gender Equality Index 2018*.[75]
Note: No data for Guinea, Guinea-Bissau and Nigeria.

[75]http://hdr.undp.org/en/composite/GII

Box 1: African Continental Free Trade Area (AfCFTA)

The AfCFTA raises hopes of increasing trade in goods and services within the continent, supporting the continent's industrialisation and structural transformation agenda. Intra-African trade is projected to increase between 16.5% and 22.8%. The more ambitious the liberalisation, the higher the trade creation within Africa. Benefits of intra-African trade in industry range from +22.9% to +27.5%. The largest increases are found in textile, wood & paper, vehicle & transport equipment, other manufacture and wearing apparel (all increasing by over 40%, whatever the scenario envisioned).

Figure A10: Projected change in Intra-African trade by main sectors (as compared to baseline) in 2040 (US$ bn)



Source: UNECA (2018).

The implementation of AfCFTA can create economies of scale, boost competitiveness, create regional value chains, enhance manufacturing exports and generate employment opportunities for the growing Africa's youth population and establish opportunities for nurturing Africa's businesses and entrepreneurs. However, to reap the potential benefits of the AfCFTA the continent must create the fiscal space needed to foster public investment, while ensuring fiscal sustainability and macroeconomic stability to attract increased private investment.

The benefits of the AfCFTA will be further enhanced by taking advantage of the growing labour-force as Africa becomes the youngest and most populous continent in the next few decades. This population growth and the associated urbanisation process are conducive for agglomeration economies, providing major opportunities for industrialisation through rising demand and shifting patterns of consumption. With the AfCFTA, the growing consumer class can be leveraged to stimulate industrial development as it thrives to meet the rising demand domestically and regionally leading to broader integration through value chains.

Source: Adapted from *World Economic Situation and Prospects* 2019 (WESP 2019)