BANQUE D'INVESTISSEMENT ET DE DEVELOPPEMENT DE LA CEDEAO
ECOWAS BANK FOR INVESTMENT AND DEVELOPMENT
BANCO DE INVESTIMENTO E DE DESENVOLVIMENTO DA CEDEAO

WEST AFRICAN DEVELOPMENT OUTLOOK

Building Resilience to Recurring Shocks

June 2024

The West African Development Outlook (WADO) is an annual publication by the staff of the ECOWAS Bank for Investment and Development (EBID). The views, projections, and policy recommendations expressed in the WADO are not necessarily those of EBID, its Board of Directors, its Board of Governors, or the countries they represent. These opinions are exclusively those of the Bank's staff.

ECOWAS Bank for Investment and Development

128, Boulevard du 13 janvier

BP 2704, Lomé - Togo

Tel: (+228) 22 21 68 64

Fax: (+228) 22 21 86 84

www.bidc-ebid.org

ABBREVIATIONS

EAC	East African Community, excluding South Sudan
ECOWAS	Economic Community of West African States
EBID	ECOWAS Bank for Investment and Development
FAO	Food and Agriculture Organisation of the United Nations
GDP	Gross Domestic Product
IMF	International Monetary Fund
ILO	International Labour Organisation
RFAF	Regional Fund for Agriculture and Food
RoE	Rest of ECOWAS
SACU	Southern African Customs Union
SADC	Southern African Development Community
SSA	Sub-Saharan Africa
WADO	West African Development Outlook
WAEMU	West African Economic and Monetary Union
WAICSA	West African Initiative for Climate Smart Agriculture
WAMZ	West African Monetary Zone
WAMZ+	WAMZ plus Cabo Verde
WEO	World Economic Outlook

FOREWORD

We live in an uncertain socio-economic environment, and if the events of the last four years are anything to go by, then it is about time we prepared ourselves for recurring shocks –global, regional and country-specific. The global economy is on the edge of a precipice, one shrouded in uncertainty as defining wars engulf Europe and the Middle East, with detrimental threats of escalation. Thus, the theme for the 2024 West African Development Outlook is **"Building Resilience to Recurring Shocks"**. This theme recognises the never-ending cycle of shocks which have derailed macroeconomic stability in many countries in the sub-region and the need to prepare for future ones should such occur.

Crude oil price movements in 2023 and 2024 have been influenced by the wars in various places, among other factors, with damaging effects on many West African economies. While inflation has declined markedly in various parts of the world, policy rates have not responded in equal measure, leaving an elevated interest rate regime. The countries that bear the brunt are the already heavily indebted ones that need funding to address critical infrastructure gaps and advance economic development.

A high debt burden has meant that West African countries have had to use a significant share of domestic revenue to service debt. Debt contracted around 2021 and beyond will present an even more challenging debt service scenario, given the high cost of funds during the period. Some countries have been priced out of the international capital markets and have had to freeze bilateral loans, stalling ongoing infrastructure projects, which will make them even more expensive to complete.

The growth in economic activity in 2024 faces an electricity supply headwind, as in-country and cross-border supplies have faced significant shortfalls involving many countries: Ghana, Togo, Benin, Nigeria, Mali and Niger. The new export cap placed by Nigeria's electricity regulator for an initial period of six months will serve to further worsen the power supply shortfalls in the countries that depend on them for electricity. Further, insecurity will squeeze the growth in economic activity, particularly in food-producing regions, if not addressed.

Inflation in the first quarter eased generally, supported by declining food prices and relatively stable energy prices. However, increasing crude oil prices and weakening domestic currencies outside of the

WAEMU and Cabo Verde threaten to reverse this trend. If these trends persist, they could suppress economic growth in the sub-region, exacerbating the increased poverty rates in recent times.

Finally, the threat of fiscal slippages remains as some countries embark on elections in 2024, prices surge, insecurity persists, and domestic currencies lose ground to major trading currencies. The cost of governance will increase in nominal terms, with limited financing options meaning that governments will have to compete with the private sector for resources, with crowding-out effects.

These are the challenges the sub-region will face in 2024 and in the near term, for which solutions should be found and resilience built in time to protect lives and livelihoods.

George Agyekum Donkor, PhD, DBA
President and Chairman of the Board of Directors

CONTENTS

FIGURES

BOX

HIGHLIGHTS

Performance

Growth in economic activity in the Economic Community of West African States (ECOWAS) region softened to 3.5 per cent in 2023, down from 4.0 per cent in 2022. This performance reflected the growth in the sub-region's two zones, which also experienced a declining growth. The West African Economic and Monetary Union (WAEMU) grew by 5.0 per cent in 2023, down from 5.7 per cent in 2022, driven by strong growth in most Member States, with four countries registering a minimum of 5 per cent growth. The West African Monetary Zone (WAMZ) plus Cabo Verde (WAMZ+) grew by 3.0 per cent in 2023, compared to 3.4 per cent in 2022.

Inflation in the sub-region experienced a general decline, with nine Member States recording a lower end-period inflation in 2023 than in 2022. However, there was an uptick in average inflation in nine out of the 15 Member States, with the ECOWAS-wide average inflation ending the year at 20.6 per cent in 2023, compared to 16.9 per cent in 2022. The WAEMU experienced a steep decline in average inflation, which ended 2023 at 3.8 per cent, down from 7.0 per cent in 2022, with the WAMZ+ inflation climbing up to 26.0 per cent from 20.3 per cent in 2022.

Many Member States remained on a fiscal consolidation path, with the sub-region attaining a fiscal balance of -4.5 per cent of GDP, up from -6.3 per cent in 2022. This was made possible by the fact that none of the 15 Member States succeeded in further narrowing fiscal deficit in the year under review, with revenue growth outpacing the growth in expenditure in 11 Member States. In the WAEMU, fiscal balance ended the year at -5.3 per cent of GDP, against -6.8 per cent of GDP in 2022, while the WAMZ+ improved fiscal balance to -4.2 per cent of GDP in 2023, from -6.1 per cent of GDP in 2022. The debt-to-GDP ratio in ECOWAS stood at 55.2 per cent at the end of 2023, up from 49.9 per cent in 2022. In the WAEMU, the ratio stood at 60.6 per cent in 2023, up from 58.8 per cent in 2022, while it stood at 53.0 per cent in the WAMZ+, from 47.1 per cent in 2022. The current account balance worsened in ECOWAS (-3.0% of GDP) and WAMZ+ (-0.7% of GDP) while improving in the WAEMU (-8.4% of GDP) in 2023.

Outlook

We expect a slow recovery in economic growth in ECOWAS in 2024 and 2025 at 4.0 per cent and 4.1 per cent, respectively. The WAEMU is projected to grow at 6.0 per cent in 2024, rising further to 6.5 per cent in 2025. In the WAMZ+, the growth in economic activity is forecast at 3.4 per cent in 2024, the same in 2025. Inflationary pressures are projected to ease, leading to a decline in end-period and average inflation in 2024 and 2025. Average inflation in ECOWAS is projected to end 2024 at 20.0 per cent and 16.4 per cent in 2025. In the WAEMU, average inflation is projected to decline to 3.1 per cent in 2024 and further to 2.5 per cent in 2025, bolstered by a stable currency and an expected decline in food prices. For the WAMZ+, inflation is also projected to improve to 25.6 per cent in 2024, declining further to 21.2 per cent in 2025.

ECOWAS fiscal balance is projected to stabilise at -4.5 per cent of GDP in 2024, the same as in 2023, before declining to -3.9 per cent of GDP in 2025, supported by a modest widening in the WAMZ+ and a reasonably decent improvement in the WAEMU. The fiscal balance in the WAMZ+ is forecast to end 2024 at -4.6 per cent of GDP before narrowing further to -4.1 per cent of GDP in 2025. On the contrary, the WAEMU is projected to record a consistent narrowing in its fiscal balance. The zone's fiscal balance is projected to end 2024 at -4.3 per cent of GDP and 2025 at -3.3 per cent of GDP. The debt-to-GDP ratio is projected to decline consistently in ECOWAS in 2024 and 2025 to 53.1 per cent and 52.4 per cent, respectively. The debt-to-GDP ratio is projected to end 2024 at 59.8 per cent in the WAEMU, declining further to 58.5 per cent in 2025. In the WAMZ+, it is projected to decline marginally to 51.1 per cent in 2024 and further to 50.7 per cent in 2025. ECOWAS is projected to record a back-to-back improvement in current account balance, with 2024 recording -2.0 per cent of GDP and 2025 recording -1.5 per cent of GDP. In the WAEMU, the current account balance is projected to improve to -6.1 per cent of GDP in 2024 and further to -4.3 per cent of GDP in 2025, while the WAMZ+ is projected to experience a flat current account balance, ending at -0.7 per cent of GDP in 2024 and 2025.

Upside Potential

There are quite a number of factors which can provide tailwinds to the projections. The 2024 West African Development Outlook focuses on two such factors, as follows:

- Windfall commodity revenues; and
- Rate pauses and possible decreases and their impact on financing costs.

Downside Risks

The projections in the 2024 West African Development Outlook are subject to a number of headwinds, both internal and external, which are summarised below:

- An escalation of the Middle East conflict;
- Inadequate electricity supplies;
- Exchange rate pressures;
- Crude oil price increases;
- The threat of insecurity; and
- Adverse weather events.

Building Resilience

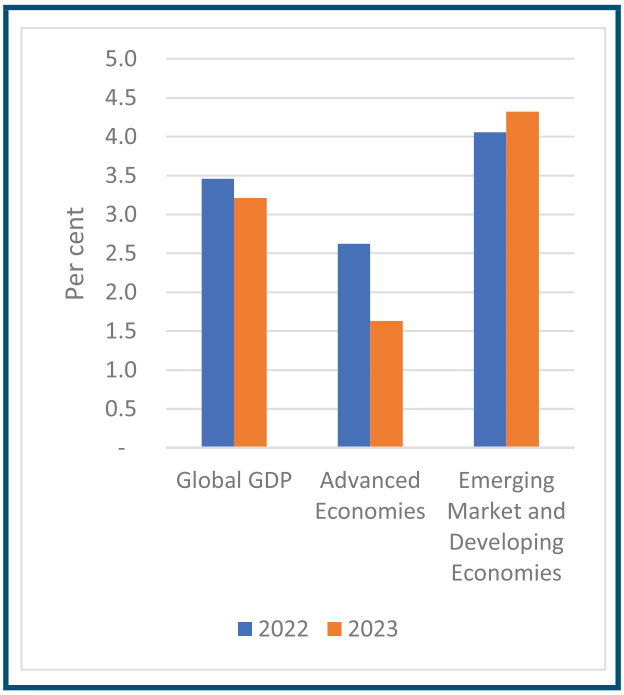
The 2024 West African Development Outlook acknowledges the constancy of socio-economic shocks, be they expected or unexpected, large-scale or limited, external or internal. In that regard, there is a need to prepare for these shocks by addressing the factors that trigger or amplify them. Proposals for building resilience include taking steps to secure agriculture production through the cultivation of drought-resistant crops, crop diversification and index insurance, which are critical for addressing food insecurity. Furthermore, ensuring that exports move from raw materials to processed commodities will help not only agriculture but also the services sector. This will ensure that Member States position themselves at the most valuable sections of the value chain. It will also afford them the opportunity to negotiate better with trade partners since perishable commodities would have been given extended shelf lives through processing, taking away the urgency to sell quickly.

DECLINING INFLATION, DECLINING GROWTH

Tepid regional and sub-regional growth

Global GDP growth in 2023 fell short of that of 2022 as Advanced Economies struggled to keep up with the 2022 performance. Global growth ended the year at 3.2 per cent, against 3.5 per cent in 2022. Advanced Economies grew by approximately one percentage point less in 2023 than in 2022, growing at 1.6 per cent in 2023, compared with 2.6 per cent in 2022. Emerging Market and Developing Economies, on the other hand, performed slightly better in 2023, growing at 4.3 per cent, compared to 4.1 per cent in 2022 (Figure 1).

Figure 1: Global GDP Growth

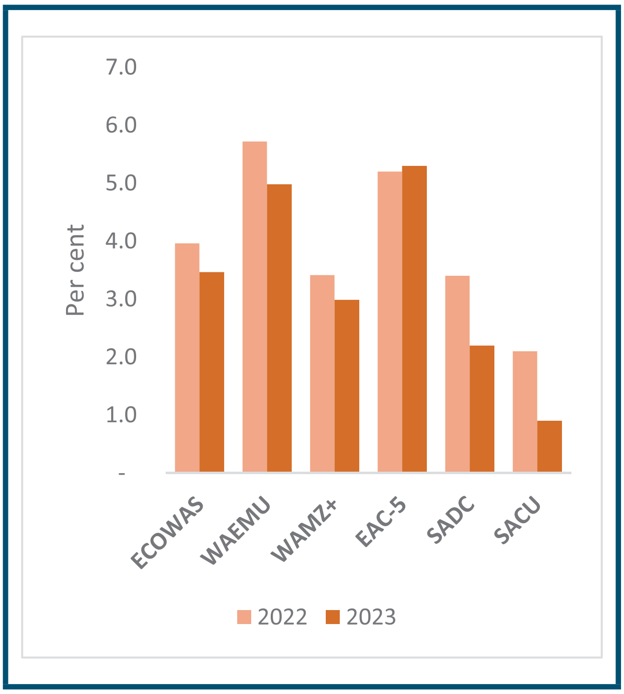


Source: IMF's World Economic Outlook database

Sub-Saharan Africa's (SSA) GDP growth declined from 4.0 per cent in 2022 to 3.4 per cent in 2023, which was in line with the declining growth in various parts of the world. The story was no different for all the economic blocs in SSA, with the Economic Community of West African States (ECOWAS), for example, recording a declining growth of 3.5 per cent from 4.0 per cent in 2022. GDP growth in the West African Economic and Monetary Union (WAEMU) was 5.0 per cent in 2023, compared to 5.7 per cent in 2022, while the West African Monetary Zone (WAMZ) plus Cabo Verde (WAMZ+) grew by 3.0 per cent in 2023, compared to 3.4 per cent in 2022.

Economic activity in the Southern African Development Community (SADC) grew by 2.2 per cent, compared to 3.4 per cent in 2022, with the Southern African Customs Union (SACU) also growing by 0.9 per cent in 2023, compared to 2.1 per cent in 2022 (Figure 2).

Figure 2: SSA Sub-regional Growth



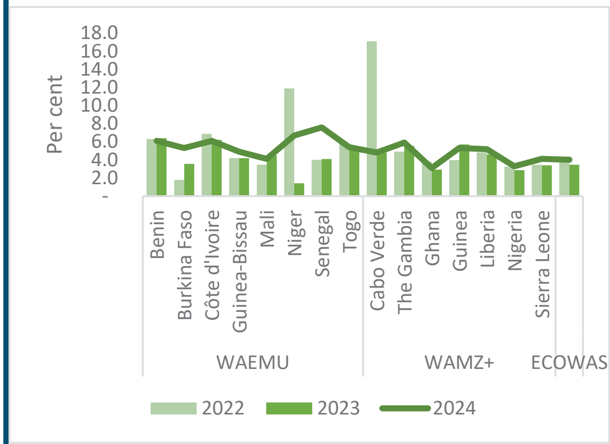
Source: EBID staff calculations, based on IMF's World Economic Outlook and country data

Boisterous country-level but weak overall growth

As already indicated, ECOWAS GDP growth softened in 2023 compared to 2022. This is reflective of the declining growth recorded by nine out of the 15 Member States due to high prices, weak domestic demand, and the effects of the economic and financial sanctions imposed by the Authority of Heads of State and Government of ECOWAS on a Member State.

Cabo Verde and Niger recorded steep declines in their respective GDP growth rates mainly on account of statistical base effects and the biting ramifications of the economic and financial sanctions. While Cabo Verde's economy grew by 17.1 per cent in 2022, its rate of growth declined to 4.8 per cent in 2023, with Niger's economy growing by 1.4 per cent from 11.9 per cent in 2022 (Figure 3). For Niger, the economic and financial sanctions imposed by the Authority of Heads of State and Government following the military take-over hurt the growth in economic activity.

Figure 3: ECOWAS Growth



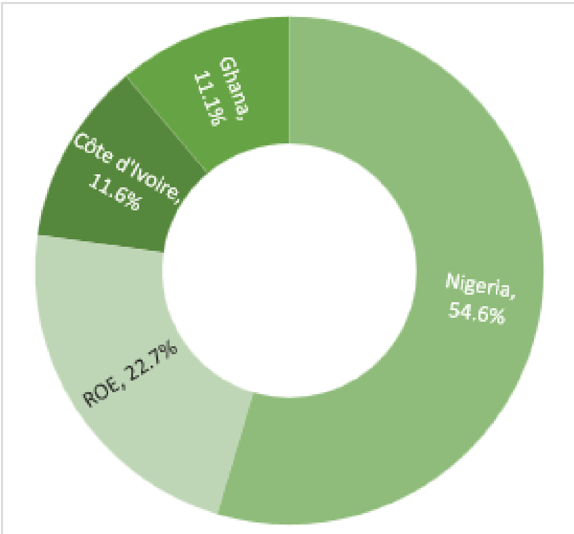
Source: West African Development Outlook database

Benin, which recorded the highest GDP growth in the sub-region, had a steady growth of 6.4 per cent in 2023, from 6.3 per cent in 2022. In all, five Member States recorded a growth rate of 5 per cent or more, with a further five recording between 4 and 5 per cent. Quite unsurprisingly, Niger recorded the lowest growth rate, with Ghana following at 2.3 per cent.

A significant shift in regional GDP shares was recorded in 2023, as Côte d'Ivoire became the second largest economy in the sub-region in nominal GDP terms, overtaking Ghana in the process. This was achieved on the back of consistent robust growth and a stable currency, compared with Ghana's recent stuttering growth and stupendous currency depreciation.

That said, Nigeria's currency instability challenges resulted in it ceding a significant portion of its sub-regional GDP share, recording a share of 54.6 per cent, compared to 62.7 per cent in 2022 (Figure 4). The country lost as much as 8.1 percentage points to the benefit of the Rest of ECOWAS (ROE, 4.3 percentage points), Côte d'Ivoire (2.2 percentage points) and Ghana (1.6 percentage points).

Figure 4: Distribution of ECOWAS GDP



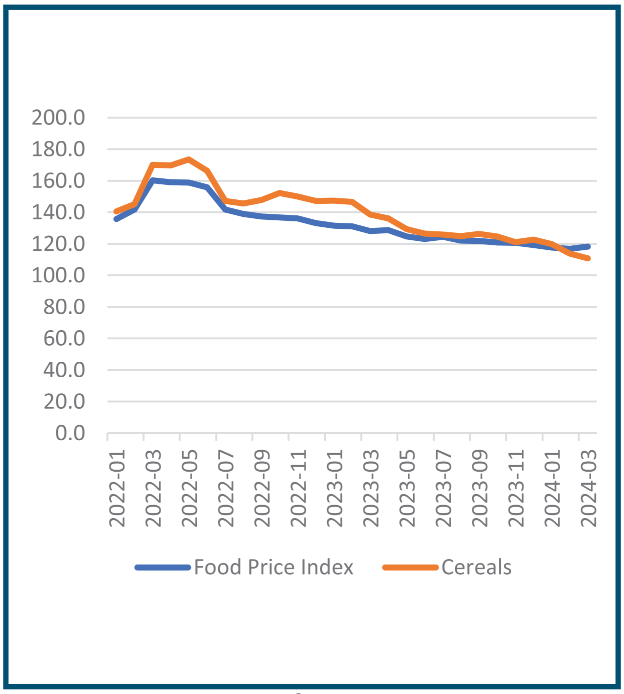
Source: West African Development Outlook database

Declining but still elevated inflation

Global inflation tumbled in 2023, with both end-period and average inflation ending the year at 6.2 per cent and 6.8 per cent, respectively. Advanced Economies recorded an end-period inflation of 3.1 per cent, from 7.3 per cent in 2022, with average inflation ending the year at 4.6 per cent, down from 7.3 per cent in 2022. Emerging Market and Developing Economies recorded marginal improvements in end-period and average inflation. Average inflation ended the year at 8.3 per cent, from 9.8 per cent in 2022, while end-period inflation stood at 8.4 per cent, from 10.1 per cent in 2022. The downward inflationary trends were on account of improved food and energy supplies, quite a massive departure from what prevailed in 2022 when Russia invaded Ukraine.

The FAO's Food Price Index recorded a consistent decline from its peak in March 2022, ending 2023 at 119.2 (Figure 5). This fed into general price levels, leading to the deceleration of inflation in various parts of the world. The trend continued in the first two months of 2024. However, the index increased by 1.1 per cent to 118.3 in March 2024 on account of increases in the meat, dairy and oils indices.

Figure 5: Food Price Index



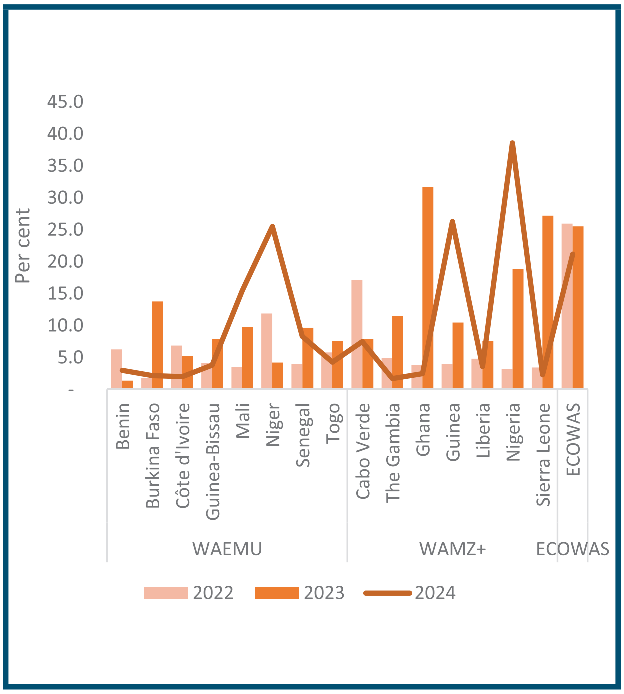
Source: Food and Agriculture Organisation

The ECOWAS region experienced an uptick in average inflation in 2023, even though nine Member States recorded lower end-period inflation than in 2022. Six out of the 15 countries experienced lower average inflation than in 2022. Among the countries that bucked the trend of lower end-period inflation relative to 2022 were Sierra Leone, Nigeria, Niger, and The Gambia. While Niger's price escalation can be attributed mainly to the effects of the economic and financial sanctions referred to earlier, the others' resulted mainly from the exchange rate pressures that their currencies were subjected to during the year (Box 1).

Average inflation in the WAEMU was 3.8 per cent, with Guinea-Bissau (7.2%), Senegal (5.9%), Togo (5.1%), Niger (3.7%), and Côte d'Ivoire (4.4%) exceeding the 3 per cent convergence threshold of the zone. That said, Benin was the only WAEMU Member State with a higher average inflation in 2023 (2.8%) compared to 2022 (1.4%). The relatively high inflation rate in Benin was caused by price increases in the transportation, housing and utilities (including fuel) sectors, with food prices moderating the effects of these price increases on overall inflation.

In the WAMZ+, average inflation remained typically high at 26.0 per cent, surpassing that of the WAEMU. All WAMZ+ countries, except for Guinea, recorded higher average inflation in 2023 compared to 2022 (Figure 6). Ghana was the only WAMZ Member State which recorded lower end-period inflation in 2023 than in 2022, with Sierra Leone recording the highest end-period inflation of 52.2 per cent.

Figure 6: ECOWAS Average Inflation

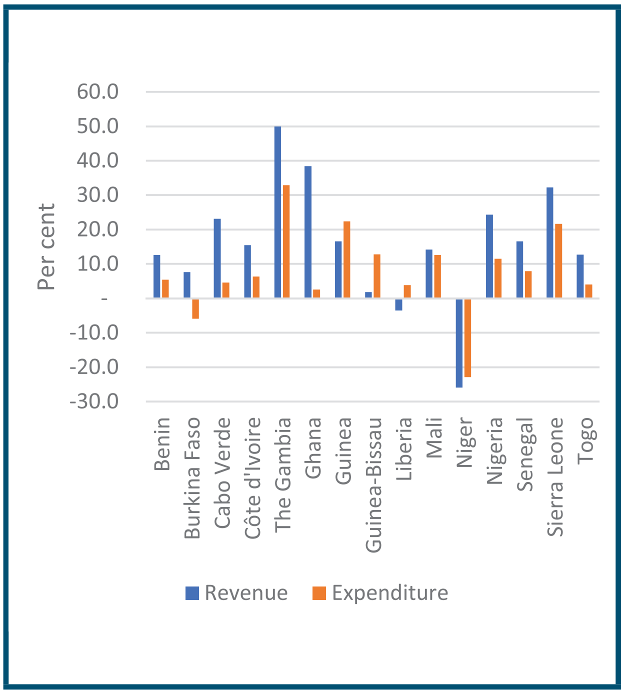


Source: West African Development Outlook database

Fiscal consolidation on track

Fiscal balance improved markedly overall and in some particular countries in 2023. At the end of the year, fiscal balance stood at -4.5 per cent of GDP, up from -6.3 per cent of GDP in 2022. This was made possible by the fact that only four – Guinea, Guinea-Bissau, Liberia and Togo – out of the 15 Member States experienced a worsening of the fiscal balance over the year, marking successful consolidation efforts. Revenue growth outpaced the growth in expenditure in all Member States except in Guinea, Guinea-Bissau and Liberia, three of the four Member States which experienced a deterioration in their fiscal balances (Figure 7). Even though Togo's revenue growth outpaced the growth in expenditure, the relative sizes of the 2022 revenue and expenditure, which weighed heavily in favour of expenditure, made it impossible for 2023 to outperform 2022.

Figure 7: Growth in Revenue and Expenditure

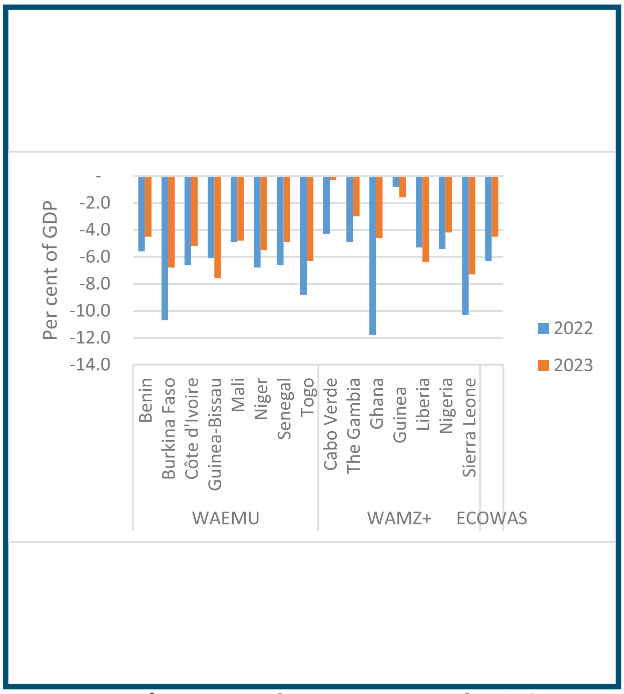


Source: EBID staff calculations, based on World Economic Outlook

Both the WAEMU and the WAMZ+ experienced improved fiscal balances, spurred by strong individual performances. In the WAEMU, fiscal balance ended the year at -5.3 per cent of GDP, against -6.8 per cent of GDP in 2022. Likewise, the WAMZ+ improved fiscal balance to -4.2 per cent of GDP in 2023 from -6.1 per cent in 2022.

Ghana recorded the largest improvement in fiscal balance, ending the year at -4.6 per cent of GDP, from -11.8 per cent of GDP in 2022, with notable performances by Cabo Verde (a 4 percentage point improvement) and Sierra Leone (a 3 percentage point improvement). In the WAEMU, Burkina Faso recorded the largest improvement with a fiscal balance-to-GDP ratio of -7.4 per cent, from -10.4 per cent in 2022 (Figure 8).

Figure 8: Fiscal Balance



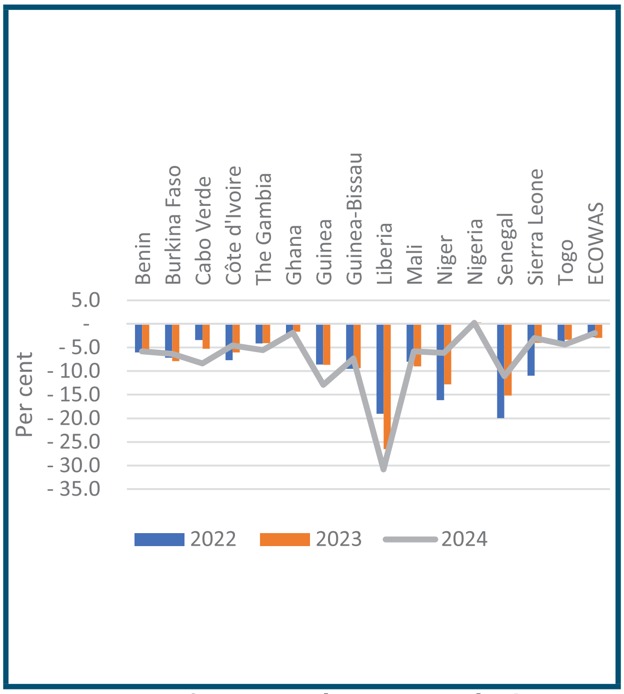
Source: IMF's Regional Economic Outlook for SSA database

Current account balance deteriorates

The sub-regional current account balance worsened from its 2022 position, ending the year at -3.0 per cent of GDP, up from -2.8 per cent of GDP in 2022. This end-year result masked the improved individual performances, with nine Member States narrowing their respective current account deficits. The sub-regional ratio was pulled into deep negative territory in spite of Nigeria recording a back-to-back current account surplus (Figure 9).

Sierra Leone narrowed its current account balance from approximately -11.0 per cent of GDP in 2022 to -4.0 per cent in 2023, the largest move in the sub-region. Senegal (-15.1% in 2023, compared to -19.9% in 2022) and Niger (-12.8% in 2023, compared to -16.2% in 2022) were the other Member States which recorded impressive movements in the year. Conversely, Liberia's current account deficit worsened to 26.5 per cent of GDP from 19.0 per cent in 2022, the largest move into negative territory.

Figure 9: Current Account Balance

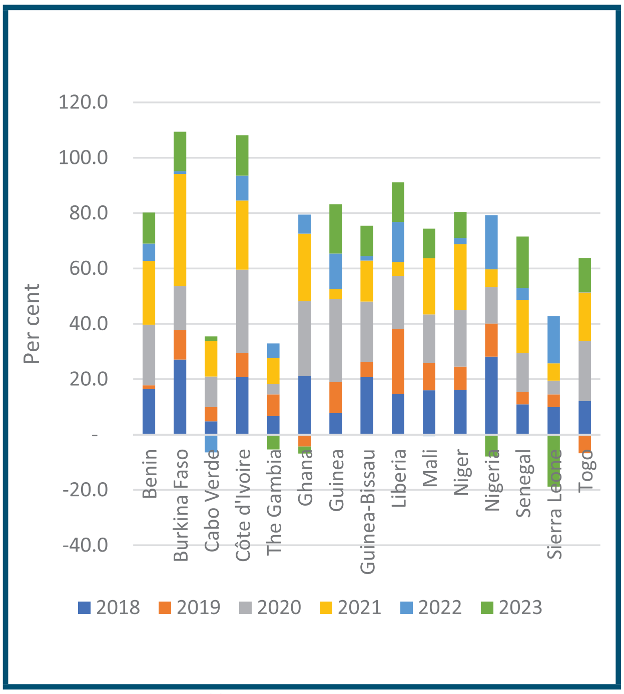


Source: West African Development Outlook database

Mounting debt

Debt levels continued to increase in many Member States, as debt accumulation increased in 11 of the 15 countries over the period. Sierra Leone recorded the largest decline in its nominal debt level of approximately 18.9 per cent, with Nigeria (7.9%), The Gambia (5.4%) and Ghana (2.6%) also recording a decline in the debt stock (Figure 10).

Figure 10: Growth in Gross Debt



Source: EBID staff calculations, based on WEO

Box 1: Exchange Rate Pressures in the WAMZ

One of the critical challenges the six-member WAMZ countries have grappled with for years on end is currency depreciation. The floating and managed floating exchange rate regimes the monetary authorities practice are scarcely supported by the weak exports, and by extension, the gaping trade deficits many of their members run with the rest of the world. The weak currencies reflect the fundamental challenges macroeconomic management has encountered in the sub-region over the years, particularly in the past five years.

Ghana, Nigeria and Sierra Leone were the countries that experienced the most currency depreciation in the WAMZ in 2022 and 2023.

In Ghana, what started out as a huge financing gap in the 2022 budget due to scepticism with regard to revenue mobilisation triggered a bout of bond sell-offs leading to a general investor risk aversion and a run on the cedi. This, in addition to the fact that the US dollar had strengthened, led to a currency depreciation which had never been witnessed in decades, the lingering effects of which persist to this day (Figure 1.1).

Figure 1.1 USD-Cedis exchange rate

Source: Bloomberg

For Nigeria, the wide 2022 fiscal deficit, the introduction of new naira notes, forex controls, and a strengthening dollar (even though the current account recorded a surplus), among others, conspired to undermine the strength of the naira. The change in the closing exchange rate methodology in February 2024, in a bid to stem the decline of the currency, was interpreted as a de facto devaluation of the naira. The depreciation of the currency persisted overall from the first day of February until the middle of March, when it started appreciating consistently. The naira made significant gains in the third week of April 2024, when the central bank intervened with increased dollar supplies, clearing a backlog of overdue dollar purchase agreements. The naira's rally coincided with a 5.6 per cent decline in the national liquid reserves, raising unsustainability fears. On the flip side, high crude oil prices provide a level of comfort that the reserves will not get depleted that quickly.

Figure 1.2 USD-Naira exchange rate

Source: Bloomberg

While the leone has attained a semblance of stability recently, it had a sharp appreciation in June 2023. An almost immediate depreciation of the currency was a source of worry to market watchers (Figure 3.3).

Figure 1.3 USD-Leone exchange rate

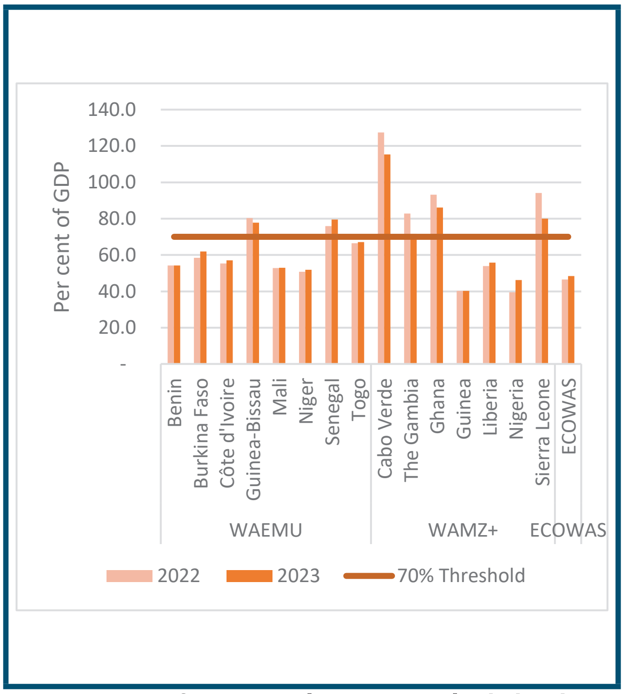
Source : Bloomberg

The challenge with currency management has been the lack of a robust underlying real economy, which fosters high-value exports. Exports are primarily composed of raw commodities, whose prices are market driven, while imports are mostly composed of high value products whose prices are fixed. With floating/managed floating regimes, currency depreciation is bound to occur, if imports outweigh exports.

In addition to changes in nominal debt, currency movements and the level of increase in nominal GDP are factors that influence the debt-to-GDP ratio. The data show that five Member States recorded improvements in their debt-to-GDP ratios. Cabo Verde, The Gambia, Ghana, Guinea-Bissau, and Sierra Leone reduced their debt-to-GDP ratios by between 2.6 and 14.1 percentage points.

To date, six countries have breached the 70 per cent debt-to-GDP threshold in the convergence criteria set by ECOWAS. While there have been no changes in the composition of this group, it is instructive to note that The Gambia reduced its debt-to-GDP ratio from 82.9 per cent in 2022 to 71.2 per cent in 2023, which could lead it to exit this group if it sustains the effort. On the other hand, Togo has moved closer to breaching the threshold by adding 1.1 percentage points to its ratio of 2022 to 67.2 per cent (Figure 11).

Figure 11: Public Debt in ECOWAS



Source: West African Development Outlook database

A cursory look at the debt statistics reveals an upward trajectory for many Member States, partly offset by a decent growth in economic activity (particularly in the WAEMU). The trend portends a breach of the 70 per cent debt-to-GDP threshold by many more Member States in the next five to 10 years if governments do not take adequate steps to rein in incessant fiscal gaps.

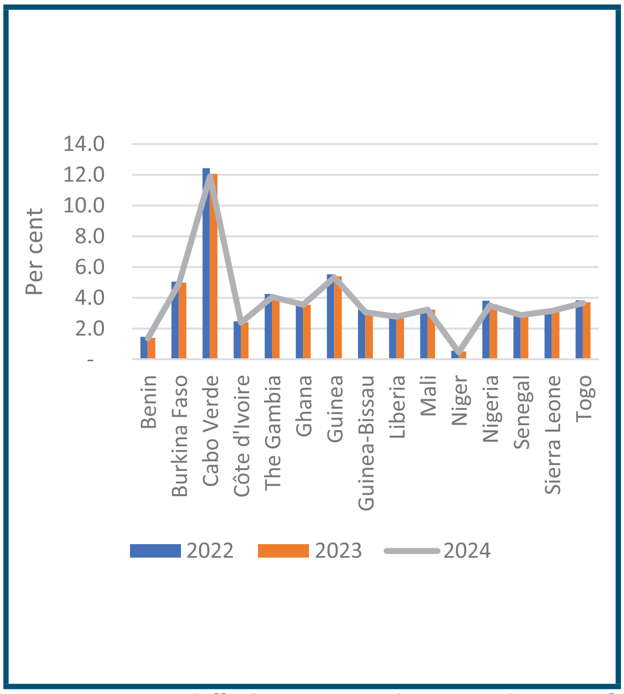
The debt-to-GDP ratio increased substantially to 55.2 per cent (up from 49.9% in 2022) for ECOWAS, with the WAEMU recording 60.6 per cent (compared to 58.8% in 2022) and the WAMZ+ recording 53.0 per cent (up from 47.1% in 2022).

Worsening poverty indices

The global liquidity squeeze, high funding costs, macroeconomic instability, insecurity, climate change and political instability, among others, depict the harsh realities that many West African states have faced over the past couple of years. These have had an adverse impact on the fight against poverty, with many countries experiencing a worsening of their poverty indices. Worst still, given the narrow fiscal space that exists in many Member States, responsiveness to internal and external shocks remains, at best, rather subdued, with limited social safety nets to mitigate against the hardships of the old and new poor. The recent hardships have made many of the working population vulnerable, moving many to near poverty, moderate poverty and extreme, while unemployment numbers improved in 2023.

In 2023, the unemployment rate improved in all but two Member States: Ghana and Mali. Average unemployment for the sub-region stood at 3.8 per cent, down from 3.9 per cent in 2022. Niger maintained its position as the Member State with the lowest unemployment rate in the sub-region with a rate of 0.5 per cent, a 0.1 percentage points improvement over that of 2022. On the other hand, Cabo Verde retained the highest unemployment rate of 12.1 per cent, even though it improved by 0.3 percentage points over that of 2022 (Figure 12).

Figure 12: Unemployment Rate in ECOWAS (15+ years)

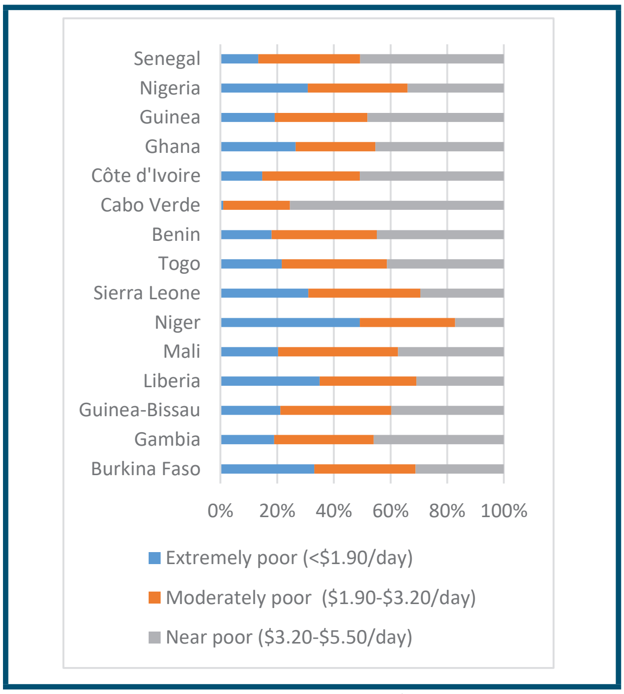


Source: ILO Modelled Estimates (Accessed 20 April 2024)

The year 2023 witnessed a worsening of the working poverty statistics in the sub-region, with approximately 148.7 million persons being classified as working poor, a 3.3 per cent (i.e. 4.8 million) increase over 2022. Nine out of 15 Member States recorded an increase in the extreme poverty category, underlining the challenging economic conditions they have faced over the past couple of years. Liberia recorded the biggest improvement in 2023, reducing the size of persons living in extreme poverty (i.e. persons living on less than US$1.90 per day) by almost 15 percentage points. Sierra Leone also improved its extreme poverty rate by approximately 12 percentage points. On the other hand, the macroeconomic challenges in Ghana led to a worsening of poverty indices, with the percentage of persons living in extreme poverty increasing by approximately 18 points to 26.5 per cent, while the rate of persons living in near poverty reduced significantly by approximately 24 percentage points in favour of the other two indices. Cabo Verde maintained its position as the Member State with the lowest proportion of working poverty in the sub-region, ending the year with 1.01 per cent of extreme poverty and as much as 75 per cent of the working population in the near poor category (i.e. persons living between US$3.20 and US$2.20 per day).

Overall, Niger recorded the highest working poverty in the sub-region, with approximately 49 per cent of the working poor population falling within this category, displacing Liberia, which occupied the position in 2022 (Figure 13). Given the adverse impact of the economic and financial sanctions and the electricity supply gap the country had to grapple with in 2023, this was to be expected.

Figure 13: Disaggregation of the Working Poor



Source: ILO Modelled Estimates (Accessed 19 April 2024

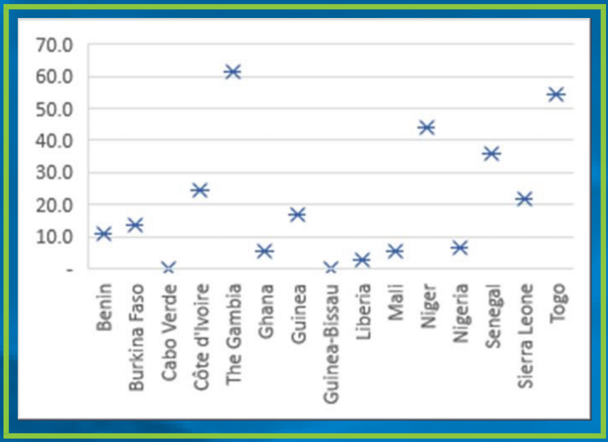
Box 2: Building resilience: addressing the low intra-ECOWAS trade

The ECOWAS region is a free trade area. FTAs are meant to promote intra-regional trade by making goods and services produced within a geographical area cheaper than those produced outside of the area. After decades of constituting itself into an FTA, the ECOWAS region still struggles to boost intra-regional trade, with intra-ECOWAS trade at less than 12 per cent.

This poses a great challenge for economic integration and, more so, for the full realisation of the benefits of monetary unification, which has remained an objective for the Community right from its creation. The whole essence of monetary unification is to save transaction costs (Asenso, 2011), which arise from currency conversion in order to trade. With trade hovering around 12 per cent, the possibility of making significant gains from the use of a single currency is quite remote, except when one considers ex-post trade enhancement. That said, the experience of the WAEMU, which has been a monetary union for over five decades, bears testament that the use of a single currency alone does not necessarily engender trade enhancement ex-post.

Exports within the sub-region are dominated by reexports, led by The Gambia, whose export to ECOWAS constitutes 61.5 per cent of its global exports. Togo follows with 54.3 per cent of its global exports being made to ECOWAS Member States (Figure 2.1). Mali alone accounts for 44.7 per cent of all The Gambia's exports, followed by Senegal (10.9%) and Guinea-Bissau (4.5%). Burkina Faso (12.5%) is Togo's largest export destination in ECOWAS, followed by Benin (9.4%) and Côte d'Ivoire (8.4%). Eleven Member States export less than 30 per cent of their goods to other Member States, with The Gambia, Niger, Senegal and Togo bucking the trend.

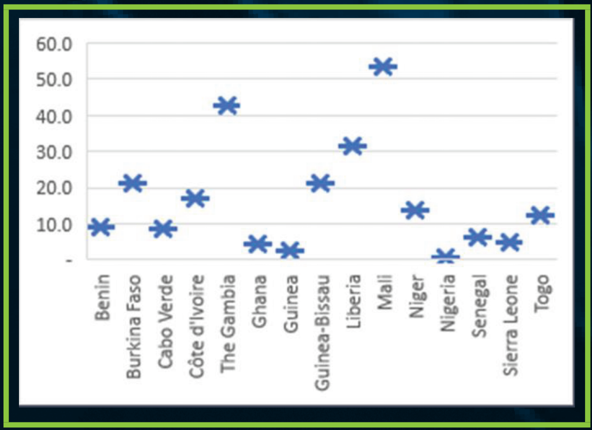
Figure 2.1 Country Exports to other ECOWAS Member States



Source: EBID staff calculations, based on Trade Map data

Mali, on the other hand, has the highest share of imports from within the sub-region, relative to its total imports. The country sources approximately 53.5 per cent of its import needs from within the sub-region. This is followed by The Gambia, which imports 42.6 per cent of its products from ECOWAS (Figure 2.2). Mali imports mainly from Senegal (23.8%), Côte d'Ivoire (18.9%) and Guinea (3.1%). The Gambia also imports from Togo (25.4%), Côte d'Ivoire (12.4%) and Senegal (4.4%).

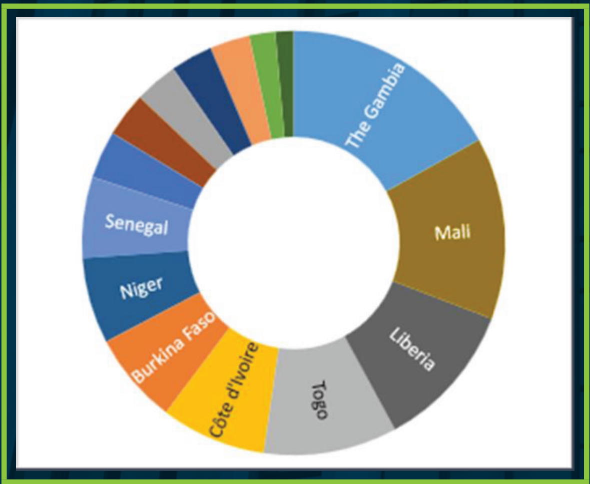
Figure 2.2: Country Imports from other ECOWAS Member States



Source: EBID staff calculations, based on Trade Map data

Trade within the sub-region centred around "Mineral fuels, mineral oils and products of their distillation; bituminous substances; mineral" and "Salt; sulphur; earths and stone; plastering materials, lime and cement". Out of its total trade, The Gambia's trade with other ECOWAS Member States was around 43.3 per cent in 2022.

Figure 2.3: Member States' share of intra-ECOWAS Trade



Source: EBID staff calculations, based on Trade Map data

Seven Member States recorded a total trade of less than 10 per cent with ECOWAS in 2022. Five of them belong to the WAMZ+ - Nigeria (3.6%), Ghana (5.1%), Sierra Leone (7.7%), Guinea (8.3%) and Cabo Verde (8.4%) – with Guinea-Bissau (8.7%) and Benin (9.3%) completing the list (Figure 2.3). This underlines the challenge of low intra-ECOWAS trade, given the size of some of the Member States which have less than 10 per cent trade with sub-regional partners.

While trade within the sub-region is low, there are interdependencies for some critical goods and services that will be quite difficult to replace, particularly so for landlocked countries whose imports of fuels and oils come through coastal countries and for coastal countries whose vegetable and meat needs are sourced from such landlocked countries.

There is an opportunity to prop up intra-regional trade through fuel and fertiliser trade, given the increased crude oil refinery and fertiliser manufacturing capacities within the sub-region. Countries can create more inter-dependencies with rich trade finance lines to back them up, in case open accounts do not work for vendors.

Box 3: A Case to Diversify Rice Sources and Boost Local Production

Rice is a staple in West Africa. The sub-region imports approximately US$4 billion worth of rice every year to meet its consumption needs. Even though some governments have taken steps to boost local production capacities, there remains a significant supply shortfall, which has necessitated a huge rice import bill. However, rice imports cannot be relied upon in perpetuity. Extreme weather events have adversely affected rice production and supplies over the past couple of years. This has led major rice-exporting countries to take measures to protect their populations from supply shortages and high prices while making the most of the global price hikes.

For example, in a bid to conserve water and mitigate the impact of projected rainfall decline, Thailand, the second largest rice exporter, recently urged its farmers to limit rice cultivation. India announced on Thursday, July 20, 2023, that it was prohibiting the export of non-basmati white and parboiled rice to curb rising domestic prices by ensuring adequate supply. This move initially sent the markets into jitters since India accounts for about 40 per cent of global rice exports. The FAO All Rice Price Index rose 2.8 per cent month-on-month and nearly 20 per cent year-on-year in July 2023, the highest level in nearly 12 years, as a boisterous demand for rice and the export curb in India took a toll. This played a role in triggering an increase in the FAO Food Price Index to a two-year high, with the index ending 2023 at 141.1, an approximately 19 per cent year-on-year growth.

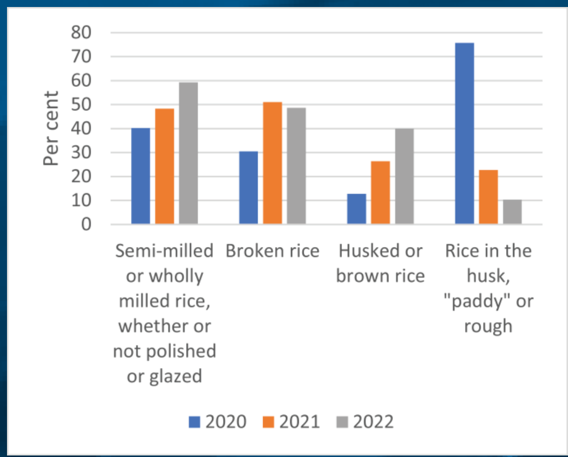
Even though the price of rice has trended downward in the first quarter of 2024, it remains elevated, with the FAO All Rice Price Index being approximately 14 per cent higher in March 2024 than in March 2023.

The export restrictions in India led to the United Arab Emirates, which is a significant re-exporter of Indian rice, taking steps to curb supplies to other countries.

Following this, Thai and Vietnamese exporters (the third largest rice exporter) sought to capitalise on the high prices by pushing to renegotiate the prices on sales contracts for around half a million tons for August shipments.

This situation has implications for the West African sub-region. The sub-region sourced about 59 per cent of its semi-milled or wholly milled rice and 49 per cent of its broken rice supplies from India in 2022 (Figure 3.1).

Figure 3.1: India's share of ECOWAS rice imports



Source: EBID staff construct, based on International Trade Centre (Trade Map) data

Togo, for example, satisfied its rice needs in 2022 by importing about 98 per cent of its total husked or brown rice and 86 per cent of its broken rice from India. Furthermore, Senegal sourced 62 per cent of its broken rice imports from India in 2022. Cote d'Ivoire also sourced 50 per cent of its "Semi-milled or wholly milled rice, whether or not polished or glazed" rice needs from India in 2022.

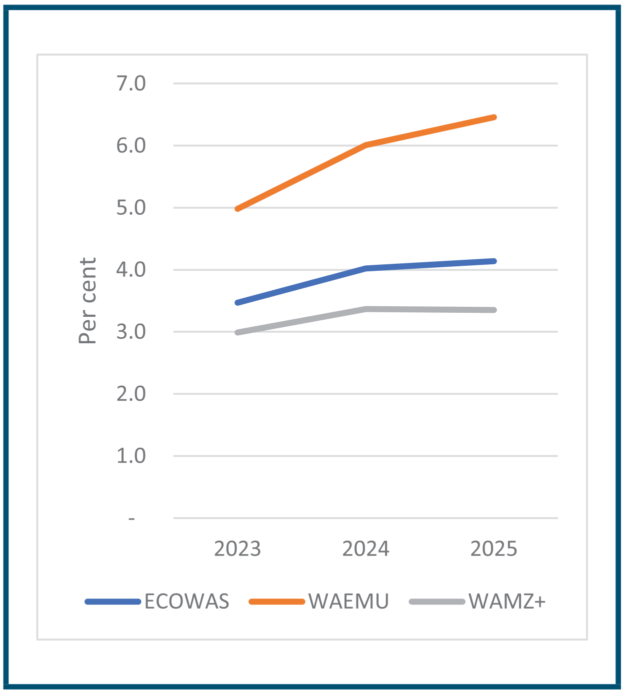
The sub-region's exposure to rice imports, which puts it at the mercy of supplying markets, poses an important risk to food security. It is imperative for the sub-region to diversify its rice sources in the short term while working to boost local production in the medium to long term in a bid to safeguard food security.

A slow recovery

Economic activity in the sub-region is projected to rebound, albeit weakly, from the declining growth in 2023. Growth for the sub-region is projected at 4.0 per cent in 2024, rising marginally to 4.1 per cent in 2025. This is on account of relatively strong growth in the WAEMU and a modest growth in the WAMZ+, with a dovish monetary policy stance providing tailwinds as prices decline. The WAEMU is projected to record a growth of 6.0 per cent in 2024, rising further to 6.5 per cent in 2025. These projections will be supported by a bullish growth outlook in Senegal, Côte d'Ivoire and Benin.

In the WAMZ+, the growth in economic activity is forecast at 3.4 per cent in 2024, remaining flat in 2025 (Figure 14). The weak growth, relative to the WAEMU, is attributable mainly to the slow recovery in Ghana and the below 4.0 per cent growth in Nigeria (Annex 1).

Figure 14: ECOWAS GDP Growth

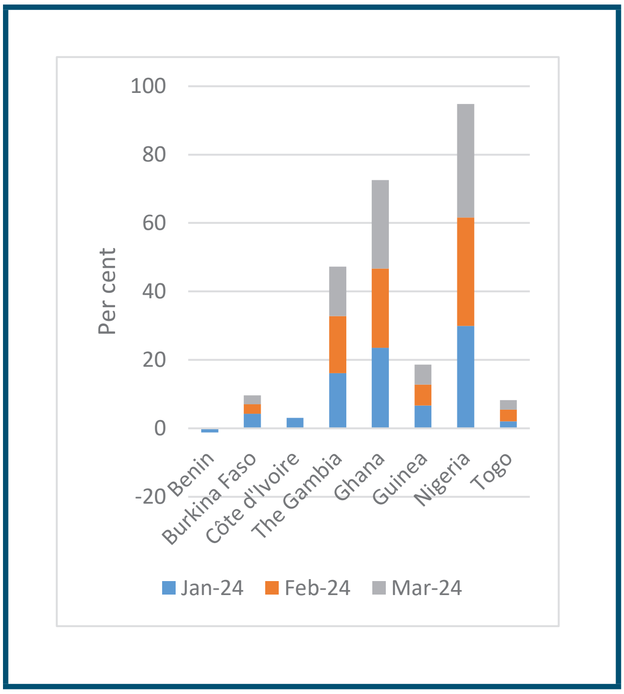


Source: West African Development Outlook database

Declining country-level inflation but a worrying energy price outlook

For most Member States, inflation continued to decline after peaking in 2022 as inflationary pressures dissipated on the back of lower energy prices, declining food prices and lower interest rates. However, for others, the last quarter of 2023 witnessed some sporadic increases in general price levels, even though prices declined generally throughout the year. Inflation data for the first quarter of 2024 indicate a general decline in prices, with most Member States recording at least two months of price deceleration, with the exception of Nigeria, which experienced a consistent price increase triggered mostly by the depreciating naira and still elevated food prices (Figure 15).

Figure 15: Inflation in the First Quarter of 2024



Source: Country data

Average inflation in ECOWAS is projected to decline marginally to 20.0 per cent in 2024 before declining markedly to 16.4 per cent in 2025. Inflation in the WAEMU is projected to head towards the policy convergence level of not more than 3 per cent, with average inflation expected to decline to 3.1 per cent in 2024 and further to 2.5 per cent in 2025, bolstered by a stable currency and an expected decline in food prices. For the WAMZ+, inflation is also projected to improve to 25.6 per cent in 2024, declining further to 21.2 per cent in 2025 (Annex 1). This average inflation masks turbulent exchange rate pressures-induced inflation in the first half of 2024, particularly in Nigeria, Ghana and Sierra Leone (Box 1). While average inflation is projected to decline in the latter two Member States, it is expected to rise in Nigeria due to looming exchange rate pressures and the continued impact of the partial removal of fuel price subsidies.

Subdued pace of fiscal consolidation

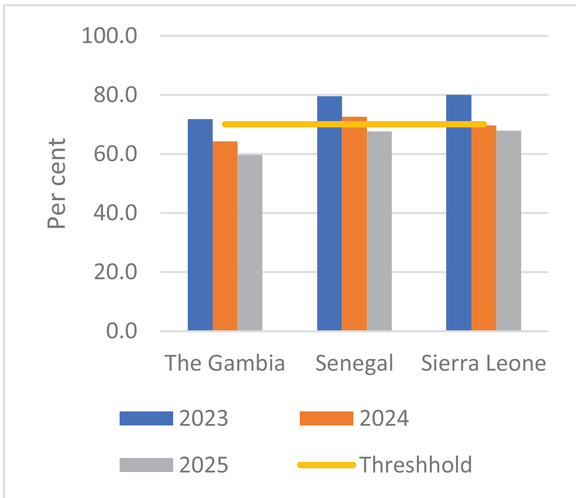
Fiscal balance is projected to stabilise at 4.5 per cent of GDP in 2024, the same as in 2023, before declining to -3.9 per cent of GDP in 2025 (Annex 2). This is on account of a modest widening in the WAMZ+ and a fairly decent improvement in the WAEMU. Fiscal balances in Ghana and Nigeria are projected to deteriorate, leading to a widening of the fiscal deficit in the WAMZ+. For Nigeria, the currency depreciation will come with increased costs for central government operations, while election-related expenditure is expected to drive the ratio up in Ghana. Fiscal balance in the WAMZ+ is forecast to end 2024 at -4.6 per cent of GDP, before shrinking further to -4.1 per cent of GDP in 2025. On the contrary, the WAEMU is projected to record a consistent narrowing in its fiscal balance, recording one percentage point improvements annually in 2024 (-4.3% of GDP) and 2025 (-3.3% of GDP), buoyed by an approximate one percentage point or more narrowing in most Member States in the zone.

Easing debt ratios, but unsustainability lingers

The debt-to-GDP ratio is projected to decline consistently in ECOWAS in 2024 and 2025 to 53.1 per cent and 52.4 per cent, respectively (Annex 2). This is on the back of similar trends in the WAMZ+ and the WAEMU, underpinned by projected ratio declines in Cabo Verde, The Gambia, Ghana and Sierra Leone in the WAMZ+ as well as in Benin, Guinea-Bissau and Senegal in the WAEMU. The debt-to-GDP ratio is projected to end 2024 at 59.8 per cent in the WAEMU, declining further to 58.5 per cent in 2025. In the WAMZ+, it is projected to decline marginally to 51.1 per cent in 2024 and further to 50.7 per cent in 2025.

It is instructive to note that, all other factors held constant, three Member States will have their ratios decline below the 70 per cent of GDP convergence threshold over the forecast horizon. The Gambia and Sierra Leone are projected to achieve this feat in 2024, while Senegal is expected to reach this level in 2025 (Figure 16). This will leave three countries – Cabo Verde (108%), Ghana (80.9%) and Guinea-Bissau (74%) – above the 70% level at the end of 2025.

Figure 16: Projected Debt-to-GDP ratio



Source: West African Development Outlook database

Sustained narrowing of the current account deficit

The projected deterioration in some local currencies in the WAMZ is expected to weigh heavily against the import bill, helping to improve the trade balance in many Member States. Furthermore, the operationalisation of the Dangote refinery plant holds a lot of promise both for Nigeria and the sub-region. While Nigeria will experience almost all of the positive impact in 2024 due to the fact that the plant is not at nameplate capacity, the expected ramp-up in 2025 will benefit the entire sub-region, cutting ex-pump fuel costs, particularly shipping costs across the spectrum. Having commissioned its almost 2,000km crude oil pipeline to Benin, Niger commenced crude oil exports, helping it to improve its trade balance and easing current account pressures. Just like in 2022 and 2023, Nigeria is the only Member State which is projected to record a current account surplus, with many of the remaining Member States experiencing a narrowing of the deficit.

In the WAEMU, the current account balance is projected to improve to -6.1 per cent of GDP in 2024 and further to -4.3 per cent of GDP in 2025. The WAMZ+ is projected to experience a flat current account balance, ending at -0.7 per cent of GDP in 2024 and 2025. ECOWAS is projected to record a back-to-back improvement in current account balance, with 2024 recording -2.0 per cent of GDP and 2025 recording -1.5 per cent of GDP (Annex 3).

UPSIDE POTENTIAL

There are tailwinds that could propel Member States to outperform the projections, as discussed below.

Windfall commodity revenues

Commodity prices were generally bullish from February 2024 through to April, supported by the fallouts from the tensions in the Middle East and supply concerns about certain commodities. Crude oil prices have increased as have cocoa, precious and base metal prices. The price of cocoa reached a record USD11,878 per tonne on April 19, an all-time record, due to supply concerns following poor harvest in Cote d'Ivoire and Ghana, which between them account for about 60 per cent of the global export market. Gold price also reached a peak of USD2,391.93 on April 19.

These commodity price hikes will lead to windfall revenues for many Member States which export them. However, the reality is that some of them sold their commodities forward in 2023 and will not be able to take advantage of these high prices. With prices still elevated, they have the opportunity of pricing it into 2025 forward prices. In effect, countries that can take advantage of the high prices in 2024 will have the advantage of improving the growth in economic activity, fiscal balance, current account balance, and debt levels. Improved forex supplies will also help ease the pressure on their local currencies, which should help contain inflationary pressures.

Rate pauses, possible decreases

With inflation declining in most economies, we have experienced rate pauses in Europe and the United States, for example, with possibilities of rate reductions sometime in 2024. This could help ease the funding squeeze the global financial architecture has experienced over the past two years, making the cost of credit more affordable for countries which are already debt burdened, spending significant amounts of revenues to service these debts. Some local central banks have reduced their policy rates in line with the declining inflation. This accommodative monetary stance will support the growth in economic activity while reducing the size of debt service in the short to medium term.

DOWNSIDE RISKS

The prospects for 2024 look better for many Member States than it did for 2023. However, for some, growth is expected to slow, given the base effect of their 2023 growth rates. Risks to individual and overall GDP growth loom large, however, given the broad uncertainties which remain internally and externally, particularly on the geopolitical front.

Escalation of the Middle East conflict

The protracted war between Israel and Hamas in Gaza, which has drawn in the Houthis of Yemen and Hezbollah of Lebanon, continues to pose risks to the global economy. The risk of this war escalating into a region-wide war persists, given the fluidity of events and the stalling of ceasefire talks between the parties. The Houthi group stepped up commercial vessel attacks in the Red Sea in response to what they consider to be the unjustified support of the West for Israel in their war with Hamas. Given that the Red Sea is a vital waterway for international trade, these incessant attacks have constrained commodity supplies to Asia and certain parts of Europe. This restriction in transportation, which is expected to last as long as the war, can lead to price escalation over time.

The risk of escalation was further heightened when Israel attacked the Iranian Consulate in Damascus, Syria, with retaliatory strikes (though largely intercepted) by Iran on Israeli territory in April 2024. Israel also launched a few projectiles at Iran (causing less damage) against the advice of many around the globe, further increasing the tension in the Middle East.

Crude oil prices rose in the first four months of the year as supply concerns persisted. These concerns stem from tensions in the Middle East and Ukraine's attacks on some of Russia's oil refineries. This is a testament to how an escalation in the war in Gaza will affect crude oil prices and adversely impact the growth prospects of West African economies. With crude oil prices breaching the US$90 per barrel mark momentarily and returning to the 80s, the cost of production will trigger inflationary pressures again.

Inadequate electricity supplies

The year started with many Member States experiencing incessant power outages, with Ghana, Guinea, Nigeria, Mali, Niger, and Togo, among others, having challenges with electricity supplies in the first quarter of 2024. Nigeria's decision to cut electricity supplies to Niger, in solidarity with the ECOWAS's decision to impose economic and financial sanctions on the country following the military takeover, contributed to undermining the growth in economic activity in the seven months the former withheld power export to the latter. Even though the sanctions have been lifted, Nigeria's supply challenges do not portend a stable supply to Niger or any of its international customers. The electricity regulator of Nigeria, in an attempt to boost domestic electricity supply, has imposed a cap on export to Niger, Benin and Togo for an initial period of six months. The export cap is set at six per cent of power generation.

The challenges in the energy sector are multifaceted. In these countries, the sector is riddled with debt, owing to years of political reluctance to impose cost-reflective tariffs on the citizenry and governments' failure to make up for the tariff shortfall in revenue collections. This has resulted in severe under-recoveries, which have crystallised into mounting debts. Furthermore, inefficiencies have resulted in transmission and distribution losses, which have exacerbated sector indebtedness.

Given the multiplier effect of electricity on economic activity growth, the persistence of power outages will only serve to derail efforts to boost economic growth.

Exchange rate pressures

Exchange rate pressures remain the Achilles heel of a number of countries in the sub-region, particularly in the WAMZ. Ghana, Nigeria and Sierra Leone, in particular, suffered under acute exchange rate pressures in 2023 (Box 1), leading to inflationary pressures and increased hard currency-denominated debt burden. These pressures remain in 2024 and could undermine economic performance.

The naira depreciated by as much as 68.4 per cent year-on-year between March 22, 2023, and March 22, 2024, underlining the macroeconomic vulnerabilities the economy is exposed to. While the naira appreciated by 7.9 per cent between March 22, 2024, and April 29, 2024, the undercurrents for depreciation remain. With the general decline in crude oil production, Nigeria is faced with a significant threat to its external reserves position in the medium-to-long-term, and by extension, a threat to exchange rate stability. There is an urgent need to take decisive action to fill the gap the lower crude oil exports will create in the medium term.

Economic activity will be constrained by an incessant deterioration of the naira, through the suppression of value addition in various sectors as overheads increase.

Crude oil price increases

OPEC+ announced an extension to voluntary crude oil output cuts in March 2024 to the second quarter, ending hopes of producers unwinding output restrictions any time soon. With an upper US$80 per barrel price, market watchers were of the view that the oil cartel would ease output cuts. However, lower oil demand has put a downward pressure on prices. The impact of the approximately two million barrels per day cuts will begin to hurt when demand redounds. This has not been helped by tensions in the Middle East or the loss of Russian refinery capacity due to Ukrainian attacks. This will have an adverse impact on West African economies, manifesting itself through inflation, increased fiscal deficit and currency depreciation.

The threat of insecurity

The sub-region has a checkered history of insecurity, and recent events on the political front accentuate this fact. The violence in the Sahel Region has been heightened by the seeming lack of coordination in the sub-region, allowing the perpetrators to gain a foothold over large tracts of land. Farming activities have been adversely affected by safety concerns, low seed and input supplies, plundering of farm produce by militants and virtually non-existent markets in affected areas. This is expected to detract from the growth in economic activity across the regions where insecurity is rife, particularly in the Sahel Region and Northern Nigeria.

Adverse weather events

Agriculture in the sub-region is predominantly rain-fed. In effect, favourable weather bodes well for harvests, while the reverse has the opposite effect. Given the obvious altering of climatic patterns as a result of climate change, it is difficult to accurately predict the weather pattern. The occurrence of droughts, flash floods and acid rains will decimate farms and incomes.

BUILDING RESILIENCE

The global socio-economic architecture has been beset by one shock after the other over the past four years. The multisectoral nature, scale and length of these shocks have meant that no one could escape their impacts, even though some countries were less affected than others. From the COVID-19 pandemic and the Russia-Ukraine war to the war in Gaza, the global economy has had no respite since 2020.

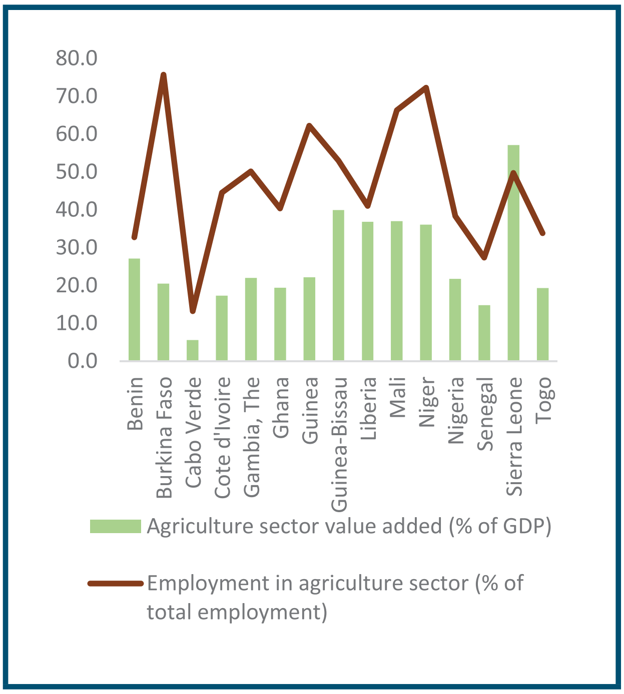
In West Africa, insecurity, political instability and the vagaries of the weather, on the back of climate change, have undermined the socio-economic well-being of the population. The last four years have taught us that building resilience in socio-economic management is non-negotiable. It is important to build sturdy buffers to address both expected and unexpected occurrences.

Building resilience in agriculture for food security

A growing evidence base links climate-related risks to the persistence of rural poverty (Hansen et al., 2019). Climate shocks are also seen as a cause of political violence and terrorism (Salehyan and Hendrix, 2014). In SSA, farmers' frequent exposure to climate shocks is one of the leading causes of low agricultural productivity (Gichangi & Gatheru, 2018; Abraham & Fonta, 2018), sluggish economic growth and persistent poverty (Birthal and Hazrana, 2019; Carter et al., 2014). The sub-region is faced with an uncertain rainfall pattern and explosive population growth, which could exacerbate food insecurity. The combined effect of inadequate rainfall, land surface temperature and solar radiation explain approximately 40% of the variation in cropland productivity in West Africa (Mechiche-Alami & Abdi, 2020).

The agricultural sector employs, on average, more than 50 per cent of the workforce in seven ECOWAS Member States: Burkina Faso (76%), Niger (72%), Mali (66%), Guinea (62%), Guinea-Bissau (53%), The Gambia (50%) and Sierra Leone (50%). However, the share of the agricultural sector in ECOWAS Member States' GDP is not commensurate with its share of employment (Figure 17). Sierra Leone has the largest share of agriculture in GDP, with a 10-year average value of 57 per cent.

Figure 17: Agricultural Sector's Share of Employment and GDP



Source: EBID staff, based on World Development Indicators database

There is a need to build resilience to address climate-related challenges. Farming system resilience ensures system operation under shocks through its robustness, adaptation and transformation capabilities (Meuwissen et al., 2019). More specifically, the resilience strategy will ultimately depend on the scale of the shock to the farming system (Meuwissen et al., 2019). Farmers are using input readjustments as a short-term measure to mitigate the effects of extreme heat on production. Others use crop diversification as an adaptation strategy (Box 3). According to Birthal and Hazrana (2019), in terms of adaptation, the benefits of crop diversification are more prominent. Thus, diversified production systems stabilise production and farm income and reduce the negative impacts of climate-related risks in certain circumstances (Hansen et al., 2019). Following the same logic, Makate et al. (2019) point out that the simultaneous adoption of conservation agriculture and the use of drought-resistant legume and maize varieties positively influence farmers' productivity and income much more than when used individually.

Hansen et al. (2019) argue that institutional interventions such as index insurance are complementary in managing climate shocks. Stoeffler et al. (2016) find that index insurance has substantially impacted several activities and assets, such as field investments, sesame production and livestock. Another crop insurance scheme based on the weather index has been introduced as an innovative way to mitigate downside risks, particularly for smallholder farmers in Kenya (Wairimu et al., 2016). They show that the education level of the head of the farm household positively influences the adoption of this insurance, while agricultural experience and the age of the head of the household negatively influence this adoption. According to Isaboke et al. (2016), the adoption of weather-indexed insurance positively impacts smallholders' food security.

Burnham and Ma (2017) point out that human capital, information, technology, material resources, infrastructure, financial assets and institutions impact the self-adaptive strategies adopted by smallholder farmers.

Agriculture-centric interventions like the Regional Fund for Agriculture and Food (RFAF) and the West African Initiative for Climate Smart Agriculture (WAICSA) are critical to building resilience to the challenges that confront the agriculture sector (Box 4). It is imperative that stakeholders devote a lot of effort and resources to ensure their success.

Box 4: The Regional Fund for Agriculture and Food (RFAF) as an essential tool for resilience to climate shocks in the agricultural sector

The RFAF is a fund set up in 2011 by the Sixty-sixth (66th) Session of the ECOWAS Council of Ministers, domiciled at EBID. The Fund's management framework is governed by an agreement between the ECOWAS Commission and EBID in 2019. The Fund is set to become operational in 2024, with the primary mission of financing the regional investment programme of the ECOWAS agricultural policy. The Fund has two objectives as follows:

- channel in the long term, most of the internal and external resources mobilised to finance the regional dimensions of ECOWAS agricultural policy; and
- be complementary to the national funding mechanisms established by the ECOWAS Member States to ensure the funding of National Programmes for Agricultural Investment, Food Security and Nutrition (PNIASAN).

The RFAF is structured around five operational windows, one of which is specifically dedicated to the West African Climate-Smart Agriculture Initiative.

The Fund is designed around four operational areas: improving the agricultural business climate in the ECOWAS region, aggregation and processing of agricultural products, emergency intervention and response to climate change.

Under the fourth operational area, the Fund is committed to addressing the challenges of climate change, focusing on the West African Initiative for Climate Smart Agriculture (WAICSA). The Fund will extend its efforts to support other initiatives to tackle climate change in the agricultural sector.

WAICSA is a blended finance facility designed to strengthen the adoption of climate-smart agricultural practices among smallholder farmer organisations and agribusinesses. It operates two modes of intervention: financing facilities and technical assistance facilities.

- **Financing facility**

This segment accounts for 80% of WAICSA's resources and is based on financial products such as:

- loans;
- guarantees; and
- equity investments.

- **Technical assistance facility**

This segment exclusively includes a performance-based subsidy. The subsidy is intended for:

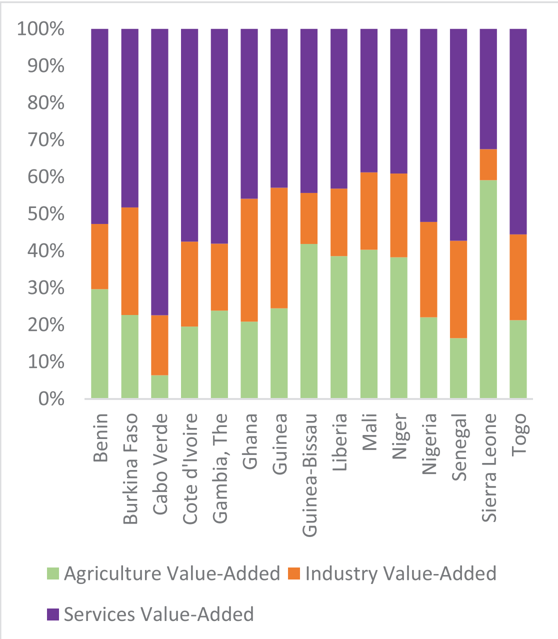
- smallholder farmers' organisations to build their members' capacity in climate-smart farming practices;
- banks and microfinance institutions to strengthen their capacity to integrate technical assistance facilities into their lending procedures for small-scale farmers; and
- research institutions contributing to the definition of climate-smart agricultural practices adapted to the West African context.

In light of the above-mentioned operational priorities, the operationalisation of the RFAF will be timely. First, it will provide the elements needed to restructure the agricultural system from a technical and financial point of view. Second, it will provide financing solutions to deal with climate change, enabling agricultural sector stakeholders to adopt climate-smart farming practices.

Industrialisation for resilience in agriculture and services

Most Western economies (especially in Europe) transitioned from agrarian to industrial-based economies before the services sector attained the largest share of GDP (Mensah et al., 2016). The transformation in Asia has also been bolstered by a burgeoning manufacturing sector (Mensah et al., 2016). The story is different in Africa, where the decline in agriculture has not resulted in industrialisation but with the services sector leapfrogging both the agriculture and industry sectors (Figure 18). It is worth noting that the countries with relatively high industrial sector shares of GDP are not necessarily big on manufacturing. These countries' industrial share of GDP has been bolstered by a sizeable natural resource sub-sector, whose extraction is considered as an industrial activity.

Figure 18: ECOWAS Sectoral Shares of GDP



Source: EBID staff, based on World Development Indicators database

It is also noteworthy that the services sector in West Africa is based more on commodity exports, slightly processed products and re-exports (Box 2). This makes the sector vulnerable to external shocks, particularly those that affect sectors which are reliant on West African commodity exports or policy tweaks which aim to limit exports. Again, policy tweaks which aim to limit exports from Member States in importing countries make West African economies vulnerable. Hence, there is a need to develop strategies that can make the sector resilient to shocks.

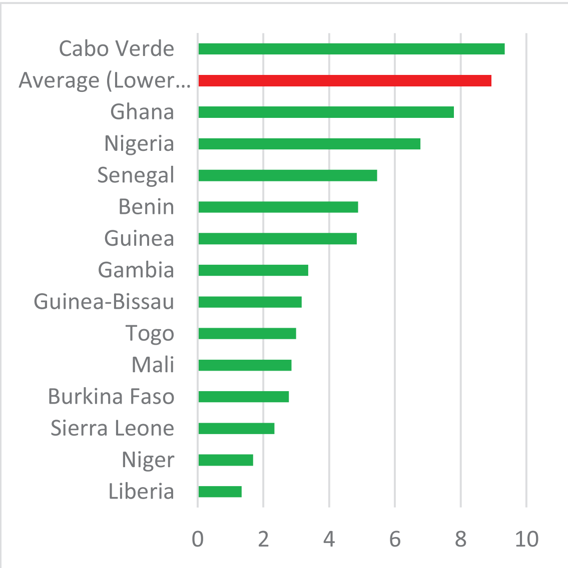
Building a system that feeds agricultural output to industry and/or transforms raw materials into finished or semi-finished articles will help drive agricultural output, safeguard farmer incomes and ensure that countries play at the high end of the value chain. This will make agricultural output resilient to post-harvest losses while ensuring that the services sector builds resilience to the short shelf life of exported commodities and is able to dictate prices to destination markets. This will make the services sector less vulnerable to external shocks.

This approach will lead to the creation of an industrial base, which will ensure that the industry sector does not decline any further than it has over the years while creating jobs and contributing taxes to the national coffers. The increased value of exports will also help increase the reserves of countries and bring more stability to local currencies.

Building resilience through human capital development

The sub-region continues to grapple with low labour productivity, with most Member States falling below the average lower middle income level (Figure 19). Human capital development is critical in raising the output per person. Recall that the willingness of farmers to take any form of climate insurance is positively linked to their level of education. Human capital development is also critical for the industry and services sectors as well.

Figure 19: GDP per hour worked (GDP constant 2017 international $ at PPP)



Source: ILO modelled estimates, Nov. 2023

Skills training in all areas of economic activity is the foundation of wealth creation and sustainable development. Given that services can be provided in all areas of activity, training should focus on the different types of services that can connect each area of activity. Particular emphasis should be placed on services based on agro-industry and the transformation of raw materials at the local level. Farmers also need to be trained to make the most of available resources to facilitate an effective linkage with the industry and services sectors. This will lead to increased sectoral contributions to GDP and the creation of sustainable jobs.

REFERENCES

- Abraham, T. W., & Fonta, W. M. (2018). Climate change and financing adaptation by farmers in northern Nigeria. *Financial Innovation*, 4(1), 11.

- Asenso, J. K. (2011). An Interim Arrangement towards Monetary Unification in the West African Monetary Zone. *Margin: The Journal of Applied Economic Research*, 5(4), 451-475.

- Birthal, P. S., & Hazrana, J. (2019). Crop diversification and resilience of agriculture to climatic shocks: Evidence from India. *Agricultural Systems*, 173, 345-354.

- Burnham, M., & Ma, Z. (2017). Climate change adaptation: factors influencing Chinese smallholder farmers' perceived self-efficacy and adaptation intent. *Regional environmental change*, 17(1), 171-186.

- Carter, M., De Janvry, A., Sadoulet, E., Sarris, A. (2014). Index-based weather insurance for developing countries: A review of evidence and a set of propositions for up-scaling. In: Background Document for the Workshop "Microfinance Products for Weather Risk Management in Developing Countries: State of the Arts and Perspectives", Paris, June 25 2014.

- ECOWAS Bank for Investment and Development (EBID, 2021). The Regional Fund for Agriculture and Food in Brief.

- Gichangi , E., & Gatheru, M. (2018). Farmers' awareness and perception of climate change and the various adaptation measures they employ in the semi-arid eastern Kenya. *Climate Change*, 4(14), 112-122.

- Hansen, J., Hellin, J., Rosenstock, T., Fisher, E., Cairns, J., Stirling, C., et al. (2019). Climate risk management and rural poverty reduction. *Agricultural Systems*, pp. 172, 28–46.

- International Monetary Fund. (2024). *Regional Economic Outlook for Sub-Saharan Africa: A Tepid and Pricey Recovery.* Washington, DC: IMF.

- International Monetary Fund. (2024). *World Economic Outlook: Steady but Slow: Resilience amid Divergence*. Washington, DC: IMF.

- Isaboke, H. N., Zhang, Q., & Nyarindo, W. N. (2016). The effect of weather index based micro-insurance on food security status of smallholders. *Agricultural and Resource Economics: International Scientific E-Journal*, 2(3), 5-21.

- Makate, C., Makate, M., Mango, N., & Siziba, S. (2019). Increasing resilience of smallholder farmers to climate change through multiple adoptions of proven climate-smart agriculture innovations. Lessons from Southern Africa. *Journal of Environmental Management*, 231, 858-868.

- Mechiche-Alami, A., & Abdi, A. M. (2020). Agricultural productivity in relation to climate and cropland management in West Africa. *Scientific reports*, 10(1), 1–10.

- Mensah, J. T., Adu, G., Amoah, A., Abrokwa, K. K., & Adu, J. (2016). What drives structural transformation in sub-Saharan Africa? *African Development Review*, 28(2), 157-169.

- Meuwissen, M. P., Feindt, P. H., Spiegel, A., Termeer, C. J., Mathijs, E., Mey, Y. D., Finger, R., Balmann, A., Wauters, E., Urquhart, J., Vigani, M., Zawalińska, K., Herrera, H., Nicholas-Davies, P., Hansson, H., Paas, W., Slijper, T., Coopmans, I., Vroege, W., . . . Reidsma, P. (2019). A framework to assess the resilience of farming systems. *Agricultural Systems*, 176, 102656. https://doi.org/10.1016/j.agsy.2019.102656

- Salehyan, I., & Hendrix, C. S. (2014). Climate shocks and political violence. *Global Environmental Change*, 28, 239-250. https://doi.org/10.1016/j.gloenvcha.2014.07.007

- Stoeffler, Q., Gelade, W., Guirkinger, C., & Carter, M. (2016). indirect protection: the impact of cotton insurance on farmers' income portfolio in Burkina Faso. (No. 333-2016-14899, p. 1).

- Wairimu, E., Obare, G., & Odendo, M. (2016). Factors affecting weather index-based crop insurance in Laikipia County, Kenya. *Journal of agricultural extension and rural development*, 8(7), 111-121.

COUNTRY BRIEFS

BENIN

MACROECONOMIC PERFORMANCE

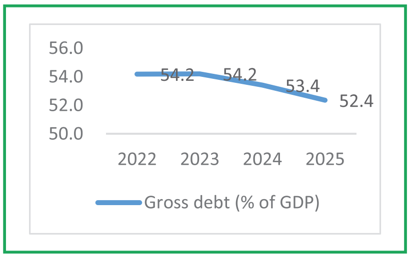
The Beninese economy exhibited robustness in 2023 in the face of myriad shocks, including the impact of constrained trade with Niger on the back of the financial and economic sanctions imposed by ECOWAS, which required it to close its borders with the country. Moreover, the macroeconomic challenges in Nigeria, particularly the depreciation of the naira, adversely affected trade between the two countries. In spite of this, the Beninese economy grew by 6.4 per cent in 2023, underpinned by strong growth in agriculture, industry and services. After being one of the few countries to experience lower inflation in 2022, relative to 2021, average inflation doubled to 2.8 per cent in 2023, mainly as a result of higher fuel prices, as the removal of fuel subsidies in Nigeria spilt over into the economy. The fiscal consolidation efforts of the government continued to yield fruits, with fiscal balance tightening further to -4.5 per cent of GDP, from -5.6 per cent in 2022, while the debt-to-GDP ratio held steady at 54.2 per cent in 2023, just as in 2022. The current account balance improved to -5.6 per cent of GDP in 2023 from -6.0 per cent of GDP in 2022.

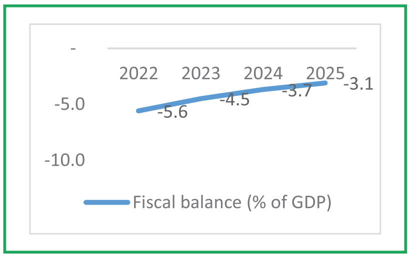
OUTLOOK

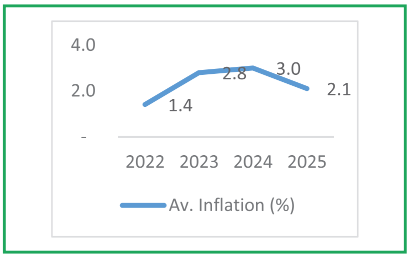
The Beninese economy is projected to slow to a growth of 6.1 per cent and 6.0 per cent in 2023 and 2024, respectively, on the back of subdued electricity supplies from Nigeria and high fuel prices, a continued border reopening stand-off with Niger, among other factors. The high energy prices are projected to drive average inflation up to 3.0 per cent in 2024 before tapering to 2.1 per cent in 2025. Fiscal balance is projected to continue on a path of consolidation, ending at -3.7 per cent of GDP and -3.1 per cent of GDP for 2024 and 2025, respectively. This effort will be driven by projected revenue increases. The debt-to-GDP ratio is projected to climb marginally to 53.4 per cent of GDP in 2024 before declining to 52.4 per cent in 2025. Benin's current account balance is projected to widen to -5.8 per cent of GDP in 2024, declining to -5.3 per cent of GDP in 2025.

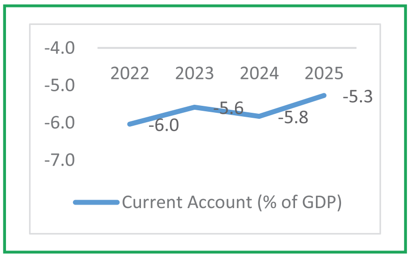
PROBABLE HEADWINDS

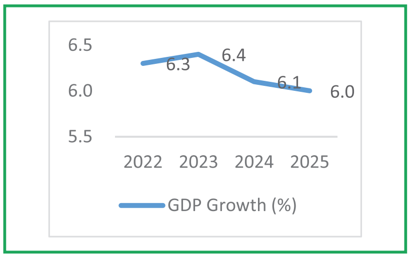
The threat by Burkina Faso, Mali and Niger to leave ECOWAS, if actioned, could adversely affect revenue generation in Benin through a possible reduction in transit trade with the aforementioned countries. The country is also exposed to a potential spillover of terrorist attacks in its northern regions from Burkina Faso and Mali. This would affect agricultural output and lead to displaced populations in the northern regions. Furthermore, a worsening of the erratic electricity supply from Nigeria could hamper the growth in economic activity.











BURKINA FASO

MACROECONOMIC PERFORMANCE

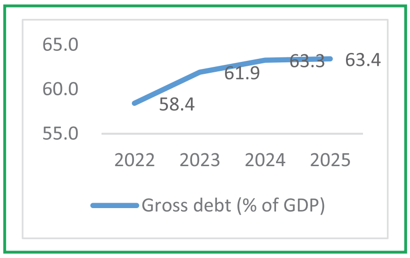
Burkina Faso recorded an improved GDP growth of 3.6 per cent in 2023, up from 1.8 per cent in 2022, supported by services sector growth. Agriculture and mining activities suffered from the impacts of insecurity, leading to subdued contributions to GDP. Average inflation declined markedly to 0.9 per cent in 2023, from 13.8 per cent in 2022, as food, non-alcoholic beverages and alcoholic drinks prices declined. Fiscal balance narrowed to -6.8 per cent of GDP in 2023 from -10.7 per cent in 2022 on the back of increased revenue growth and a decline in expenditure. The debt-to-GDP ratio, however, increased to 61.9 per cent in 2023 from 58.4 per cent in 2022, while the current account balance worsened to -7.9 per cent of GDP in 2023 from -7.2 per cent of GDP in 2022.

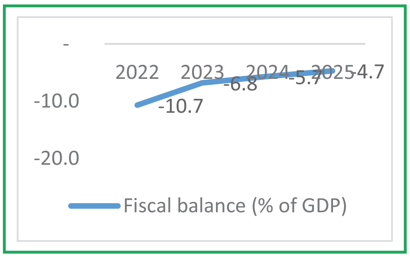
OUTLOOK

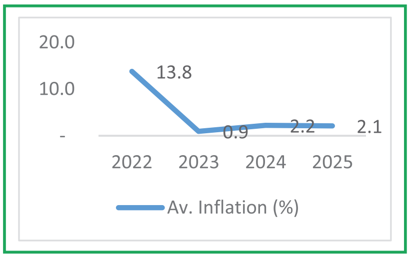
The economy is projected to record significant growth in 2024 and 2025, ending at 5.3 per cent and 5.5 per cent, respectively, supported by favourable commodity prices, particularly gold. Average inflation is projected to increase substantially to 2.2 per cent in 2024, driven mainly by increased food, energy and utilities prices, declining marginally to 2.1 per cent in 2025. Fiscal consolidation is projected to continue, leading to a further decline in the fiscal balance to -5.7 per cent of GDP in 2024 and -4.7 per cent of GDP in 2025. The debt-to-GDP ratio is projected to remain on an upward trajectory, ending 2024 at 63.6 per cent in 2024 and 63.4 per cent in 2025. The country is expected to achieve a narrowing of the current account balance to -6.3 per cent of GDP in 2024 and further to -4.6 per cent of GDP in 2025.

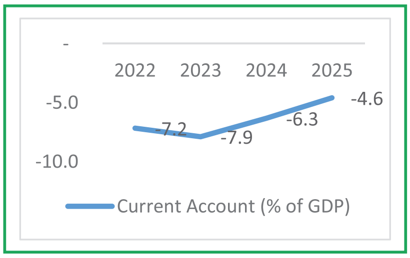
PROBABLE HEADWINDS

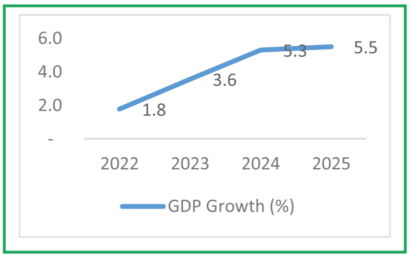
Burkina Faso will be faced with subdued trade relations with ECOWAS if it proceeds to exit the Community as planned. This will adversely affect prices, plunging many in the population into poverty. The growth in economic activity will be adversely affected as a result of this and its approximately 18 per cent trade with the rest of the countries in the sub-region, which could be subject to tariff and non-tariff barriers. Furthermore, insecurity still ranks high on the country's risk profile, given that the insurgency in the northern part of the country has not been surmounted. The threat of insecurity, together with an unstable rainfall pattern, are key risks to agricultural output.











CABO VERDE

MACROECONOMIC PERFORMANCE

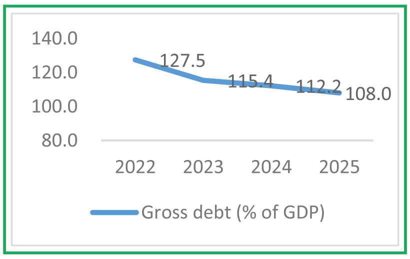
Economic growth in Cabo Verde eased to 4.8 per cent in 2023, down from 17.1 per cent in 2022. Average inflation decelerated to 3.1 per cent in 2023, down from 7.9 per cent in 2022, while fiscal balance eased to -0.3 per cent from -4.3 per cent in 2022. Public debt declined markedly to 115.4 per cent of GDP in 2023 from 127.5 per cent of GDP in 2022, while the current account balance worsened to -5.3 per cent of GDP in 2023 from -3.4 per cent of GDP in 2022.

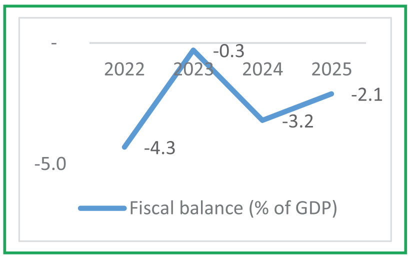
OUTLOOK

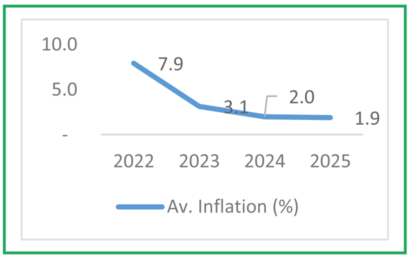
GDP growth in Cabo Verde is projected to stabilise at 4.8 per cent in 2024, increasing to 5.1 per cent in 2025 as the tourism sector consolidates at pre-pandemic levels. Average inflation is projected at 2.0 per cent in 2024, decelerating further to 1.9 per cent in 2025 on the back of expected disinflation in food prices. Fiscal balance is projected to accelerate to -3.2 per cent of GDP in 2024, easing to -2.1 per cent of GDP in 2025. The debt-to-GDP ratio is projected to continue on a declining trend to 112.2 per cent in 2024 and further to 108.0 per cent in 2025. The current account balance is projected to widen to -8.4 per cent of GDP in 2024 and stabilising around that rate in 2025.

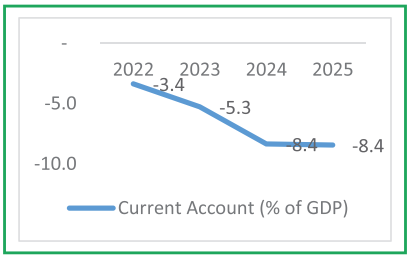
PROBABLE HEADWINDS

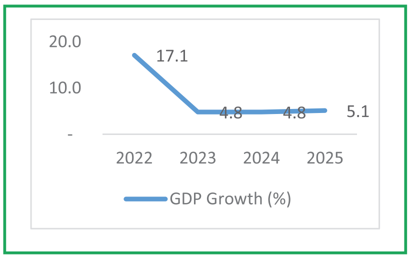
The Cabo Verdean economy is heavily reliant on tourism. Unforeseen challenges in tourist feeder countries could adversely impact the growth in tourism value addition. Climate change has resulted in the underperformance of the agriculture sector in the recent past.











CÔTE D'IVOIRE

MACROECONOMIC PERFORMANCE

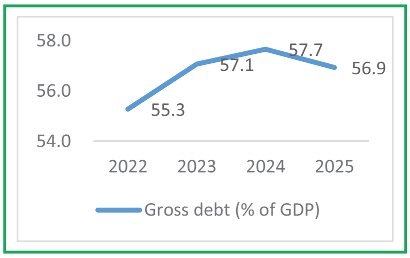
Côte d'Ivoire's economy remained robust, even though it moderated to a growth of 6.2 per cent in 2023, compared to 6.9 per cent in 2022, supported mainly by increased public spending in line with the country's hosting of the African Cup of Nations football tournament. The decline in output from the cocoa sector, due mainly to poor weather conditions, detracted from the growth of the agriculture sector. Average inflation eased from a high of 5.2 per cent in 2022 to 4.4 per cent in 2023 on the back of a combination of declining food prices and increasing energy and transportation prices. Fiscal balance improved to -5.2 per cent of GDP in 2023, from -6.6 per cent in 2022, with revenue growth surpassing expenditure growth, while public debt continued on an upward trend, rising to 57.1 per cent of GDP in 2023 from 55.3 per cent of GDP in 2022. The current account balance also improved to -6.0 per cent of GDP over the period from -7.7 per cent of GDP in 2022.

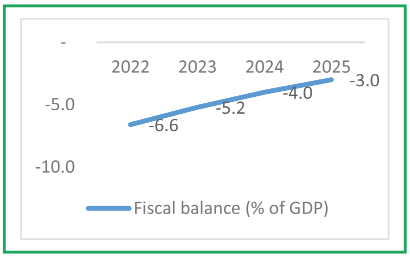
OUTLOOK

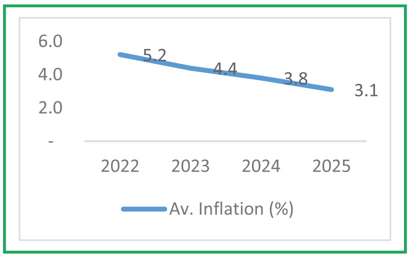
The Ivorian economy is projected to maintain a high momentum growth of 6.1 per cent in 2024, rising further to 6.4 per cent in 2025, supported mainly by public sector infrastructure investments and increased crude oil exports from new fields. Average inflation is projected to decline further in 2024 (3.8%) and 2025 (3.1%) as food prices continue on a downward trend. Fiscal balance will improve to -4.0 per cent of GDP in 2024 and further to -3.0 per cent of GDP in 2025, in line with the fiscal consolidation efforts of the government post the hosting of the African Cup of Nations. The debt-to-GDP ratio is projected to rise slightly to 57.7 per cent in 2024, declining to 56.9 per cent in 2025. Current account balance is projected to improve to -4.5 per cent of GDP in 2024 and further to -3.0 per cent of GDP in 2025, on the back of improved exports (particularly crude oil), market-reflective forward contracts for cocoa in 2024 for 2025 and reduced imports.

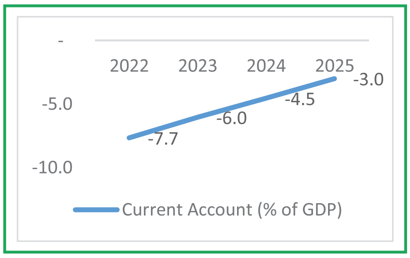
PROBABLE HEADWINDS

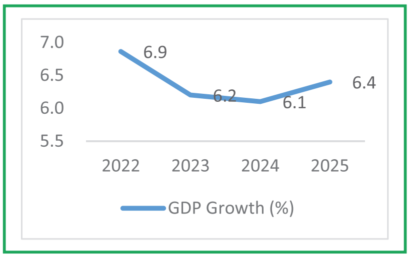
Cocoa output will be further threatened by poor rainfall patterns, which could derail improvements in the current account and fiscal balances as well as overall GDP growth. Insecurity also remains a key risk, particularly resulting from insurgent attacks from the country's northern neighbours in the Sahel Region. The materialisation of the security risk will invoke increased security spending, throwing the fiscal consolidation efforts out of gear and also lead to low agriculture output in the north.











THE GAMBIA

MACROECONOMIC PERFORMANCE

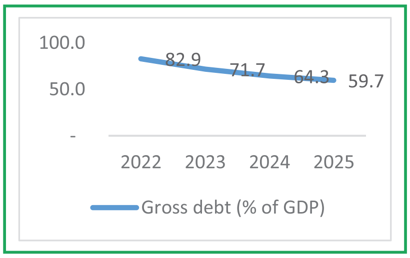
The Gambia recorded a GDP growth of 5.6 per cent in 2023, up from 4.9 per cent in 2022, on the back of improved growth in agricultural output, supported by favourable rainfall patterns, a rebounding tourism sector and improved remittances. Average inflation increased to 17.0 per cent in 2023 from 11.5 per cent in 2022, spurred by price increases in education (an average of 56% year-on-year), fuel, utilities and food prices. Fiscal balance improved to -3.0 per cent of GDP in 2023, from -4.9 per cent of GDP in 2022, with public debt also easing to 71.7 per cent of GDP over the period, compared to 82.9 per cent of GDP in 2022. Current account balance also improved to -4.1 per cent of GDP in 2023, from -4.2 per cent of GDP in 2022.

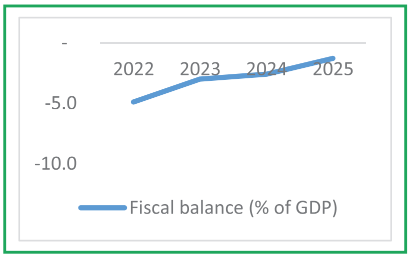
OUTLOOK

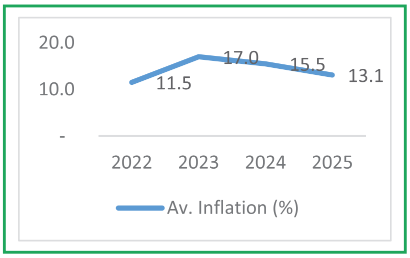
Economic activity is projected to grow by 5.9 per cent in 2024, stabilising around that figure in 2025. This is on the back of a continuous recovery of the tourism sector, an improvement in agriculture output and remittance-fuelled private sector demand. Average inflation is projected to remain elevated, even though decelerating to 15.5 per cent in 2024 and further to 13.1 per cent in 2025. Fiscal balance is projected to decline consistently from -2.6 per cent of GDP to -1.3 per cent of GDP in 2024 and 2025, respectively, with the debt-to-GDP ratio falling below the 70 per cent convergence threshold for the first time in a long while. Public debt is projected to end 2024 at 64.3 per cent of GDP, declining further to 59.7 per cent of GDP in 2025. Current account balance is projected to experience an uptick to -5.5 per cent of GDP in 2024 and decline to -4.0 per cent in 2025.

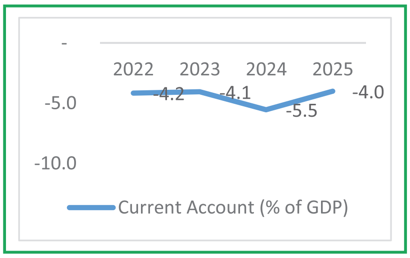
PROBABLE HEADWINDS

Given that tourism and remittances are key elements of The Gambian economy, any glitches in feeder economies could have catastrophic consequences for the economy. Climate change remains a constant threat to agricultural output. If any of these risks should crystalise, The Gambia's economy could face serious challenges. Furthermore, The Gambia could suffer from Mali's decision to exit the Community, given its level of exports to Mali.









GHANA

MACROECONOMIC PERFORMANCE

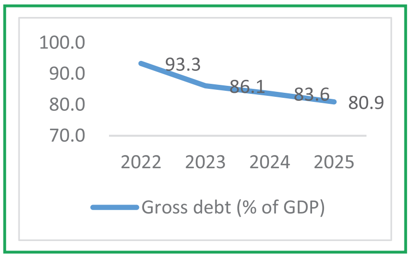
Ghana's economic growth in 2023 surpassed expectations, growing by 2.9 per cent, compared to 3.8 per cent in 2022. This growth performance was facilitated by decent outputs in the agriculture and services sectors, while the industry sector capped overall growth with lower energy sector production. Average inflation accelerated to 37.5 per cent due to high energy and food prices and the impacts of a depreciating local currency. Fiscal consolidation remained broadly on course, as fiscal balance improved to -4.6 per cent of GDP in 2023 from -11.8 per cent of GDP in 2022. Public debt declined markedly from 93.3 per cent of GDP to 86.1 per cent of GDP as the authorities concluded the Domestic Debt Exchange Programme, which saw some holders of local government bonds accept a 'haircut' to ease the public debt burden. Current account balance also improved to -1.7 per cent of GDP in 2023 from -2.1 per cent of GDP in 2022.

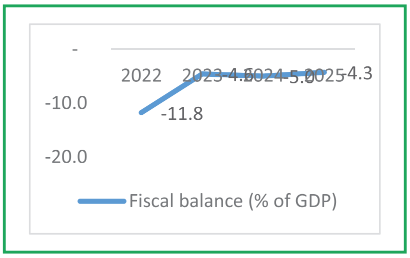
OUTLOOK

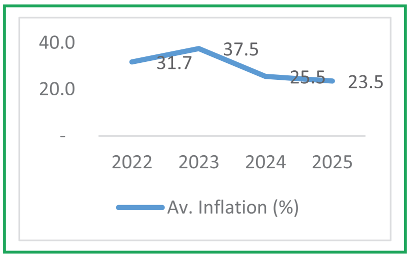
The economy is projected to grow by 3.1 per cent in 2024 and 3.5 per cent in 2025 as the economy continues on a path to recovery. The growth projections have been capped by the effects of the cedi depreciation, high energy prices and the epileptic electricity supply the country has experienced in 2024. Average inflation is projected to decline to 25.5 per cent in 2024 and further to 23.5 per cent in 2025. Fiscal balance is projected to worsen to -5.0 per cent of GDP, predicated on a possible miss of the revenue target, given the suspension of the VAT on electricity sales. Furthermore, given that it is an election year, which is expected to be keenly contested, expenditure controls are not likely to be very effective in 2024. Fiscal balance will improve to -4.3 per cent of GDP in 2025. The debt-to-GDP ratio is projected to decline to 83.6 per cent of GDP under the assumption that the government will reach an agreement with its external creditors on the treatment of bilateral debt. Public debt is projected to decline further to 80.9 per cent of GDP in 2025. The current account balance is projected to increase slightly to -1.9 per cent of GDP in 2024 on account of election-related imports while increasing further to -2.1 per cent of GDP in 2025.

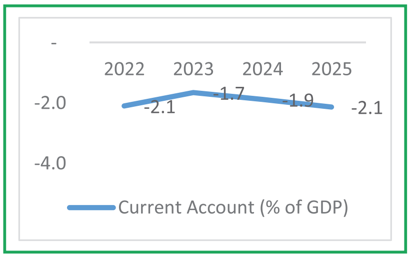
PROBABLE HEADWINDS

Ghana's economy is still exposed to exchange rate and inflationary pressures. The elections of 2024 pose severe risks to fiscal consolidation, while the electricity supply shortfalls could cap economic growth. Agriculture output, including the cocoa sector, could suffer from insufficient rainfall, which will have implications for food security and export proceeds.









GUINEA

MACROECONOMIC PERFORMANCE

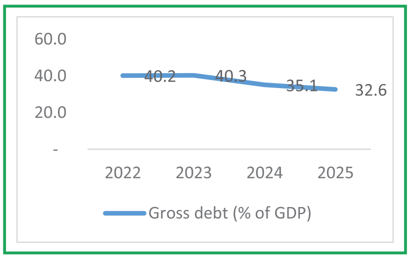
The Guinean economy recorded a 5.7 per cent growth in 2023, up from 4.0 per cent in 2022, spurred by increased mining investments and production, particularly in the bauxite sector. Average inflation decelerated to 7.8 per cent in 2023 from 10.5 per cent in 2022. Fiscal balance worsened in 2023, doubling to -1.6 per cent of GDP from -0.8 per cent of GDP in 2022, as expenditure growth outstripped the growth in revenue, while public debt increased slightly to 40.3 per cent of GDP from 40.2 per cent in 2022. The current account balance worsened marginally to -8.7 per cent of GDP from -8.6 per cent of GDP in 2022.

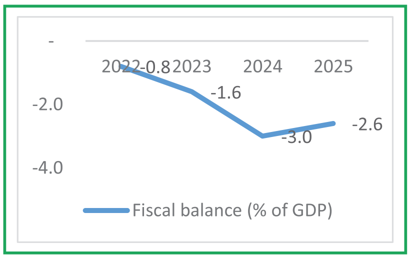
OUTLOOK

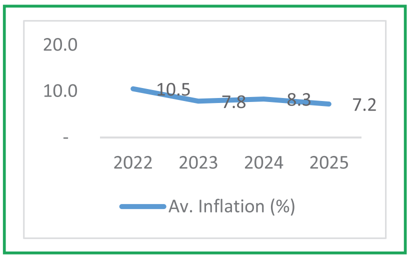
Economic growth in 2024 is pegged at 5.3 per cent, rising to 5.4 per cent in 2025, spurred by strong mining sector output. Average inflation is projected to end 2024 at 8.3 per cent, declining to 7.2 per cent in 2025. Fiscal deficit is projected to almost double to -3.0 per cent in 2024 before declining to -2.6 per cent in 2025. This will be on the back of increased infrastructure investment over the period. Public debt is projected to decline to 35.1 per cent of GDP in 2024 and further to 32.6 per cent in 2025. The current account balance is projected to worsen to -12.9 per cent of GDP, declining to -11.9 per cent in 2025.

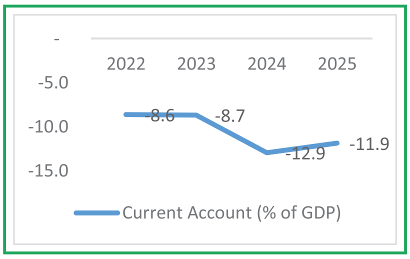
PROBABLE HEADWINDS

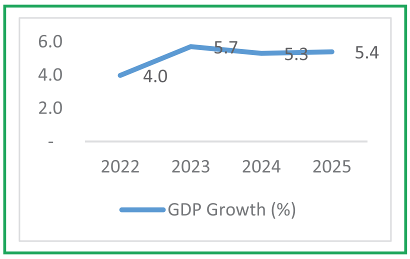
The unfortunate fuel depot explosion in December 2023 and the subsequent rationing of fuel could have adverse impacts on the growth in economic activity if not fixed quickly and effectively. Electricity supply shortages could upend the growth in economic activity. Political risks remain in the country, particularly given that civilian rule has not been restored. An extension of the stay of the military rulers in power could spark protests and subsequent political instability.











GUINEA-BISSAU

MACROECONOMIC PERFORMANCE

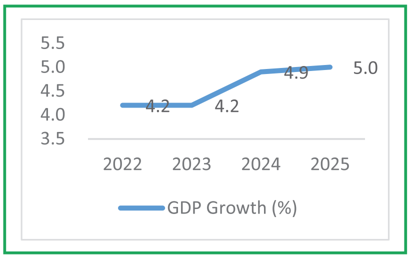
Guinea-Bissau's economy grew by 4.2 per cent in 2023, the same as in 2022, with the agriculture sector and industry sector (particularly public sector construction) driving the growth in economic activity. The country experienced weak cashew exports. However, there was a marginal improvement of the current account balance from -9.5 per cent of GDP in 2022 to -9.4 per cent in 2023. Average inflation declined to 7.2 per cent, still considered extremely high in the WAEMU zone, from 7.9 per cent in 2022. A 12.8 per cent growth in expenditure, compared to a 1.8 per cent growth in revenue, contributed to a widening of the fiscal balance to -7.6 per cent of GDP in 2023, compared to -6.1 per cent in 2022. The debt-to-GDP ratio declined to 77.8 per cent in 2023 from 80.4 per cent in 2022.

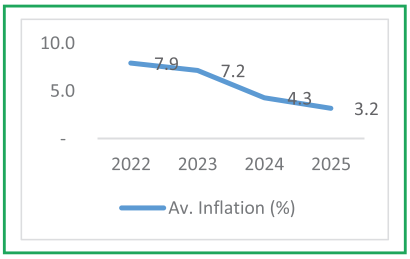
OUTLOOK

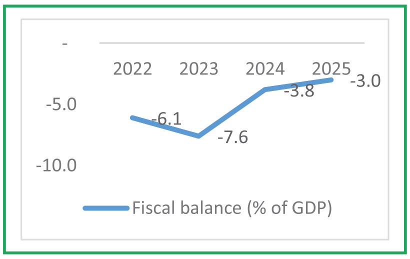
The growth in economic activity is projected to rebound to 4.9 per cent in 2024, increasing marginally to 5.0 per cent in 2025, while inflation eases to 4.3 per cent and 3.2 per cent in 2024 and 2025, respectively. Falling inflation will support the growth in economic activity through strong private sector demand. Fiscal balance is expected to improve to -3.8 per cent of GDP in 2024 and further to -3.0 per cent in 2025, with the debt-to-GDP ratio declining to 76.5 per cent of GDP and 74.0 per cent in 2024 and 2025, respectively. Likewise, the current account balance is projected to improve to -7.3 per cent of GDP in 2024 and -6.0 per cent in 2025. This is on the back of steps taken to boost cashew exports, including the opening of additional land borders to facilitate exports, reducing smuggling in the process.

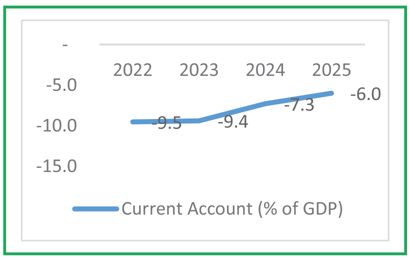
PROBABLE HEADWINDS

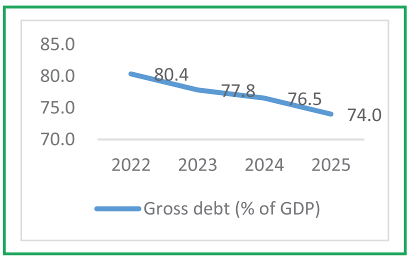
Guinea-Bissau suffered from weak cashew demand in 2023, leading to low export receipts. A repeat of this episode in 2024 will worsen the current account balance and demoralise farmers, who already suffer under the effects of climate change. The country has a history of political instability. In effect, there is a constant threat that needs to be contained. Increasing international prices of crude oil could feed into the economy and derail fiscal consolidation efforts, while putting an upward pressure on prices.











LIBERIA

MACROECONOMIC PERFORMANCE

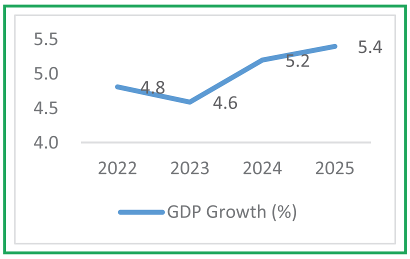
Liberia's economy slowed to a growth of 4.6 per cent in 2023 from 4.8 per cent in 2022, with high inflation scuttling private consumption, even though gold production supported growth. Average inflation inched up to 10.1 per cent in 2023 from 7.6 per cent in 2022 due to rising food and transportation costs and a depreciating currency. Revenue decline and a marginal uptick in expenditure resulted in a worsening of the fiscal balance to -6.4 per cent of GDP in 2023 from -5.3 per cent in 2022, with the debt-to-GDP ratio increasing to 55.7 per cent of GDP in 2023 from 53.9 per cent in 2022. The current account balance widened to -26.5 per cent in 2023 from -19.0 per cent in 2022 on the back of a worsening of the trade deficit.

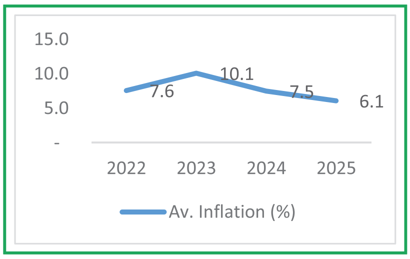
OUTLOOK

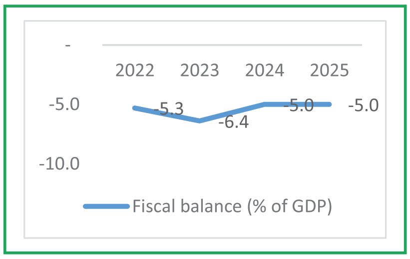
The Liberian economy is projected to grow by 5.2 per cent in 2024 and 5.4 per cent in 2025, bolstered by a recovery in agriculture and services sector growth. Mining sector growth and private consumption (supported by declining inflation) will also contribute to the growth of the overall economy. Average inflation is projected to decline to 7.5 per cent in 2024 and further to 6.1 per cent in 2025. Fiscal balance is projected to improve to -5.0 per cent of GDP in 2024 and stabilise around that ratio in 2025 as the new government seeks to ensure fiscal prudence. The debt-to-GDP ratio is projected to inch up marginally to 56.5 per cent of GDP in 2024 and further to 57.7 per cent in 2025, while the current account balance is projected to worsen to -30.8 per cent of GDP in 2024 before improving slightly to -30.5 per cent in 2025.

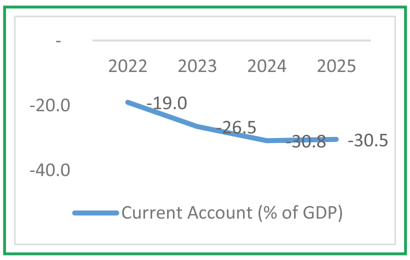
PROBABLE HEADWINDS

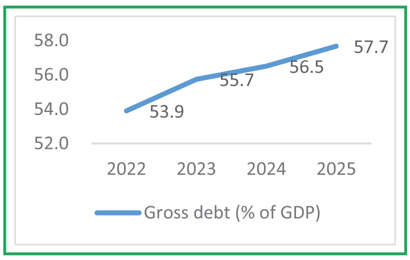
An unfavourable rainfall pattern could derail the projected growth in agriculture, leading to food shortages and an inflation spike. A vigorous depreciation of the local currency will further worsen inflation and constrain the growth in economic activity. In a bid to fulfil campaign promises, the new government could embark on expansionary fiscal policies, which could derail fiscal consolidation efforts and increase the debt stock.











MALI

MACROECONOMIC PERFORMANCE

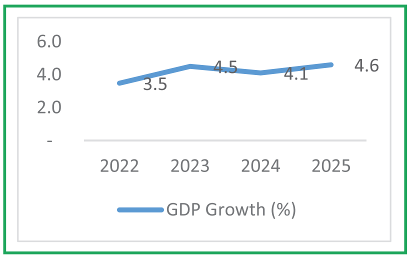
Mali's economy accelerated to a growth of 4.5 per cent in 2023 from 3.5 per cent in 2022, driven mostly by private consumption as inflationary pressures eased. It is worth noting that growth was constrained by the power supply shortages that occurred during the third quarter of the year. Average inflation declined markedly to 2.1 per cent in 2023 from 9.7 per cent in 2022, bolstered by declining food and energy prices. Fiscal balance eased marginally to -4.8 per cent of GDP in 2023 from -4.9 per cent of GDP in 2022, while public debt inched up marginally to 53.0 per cent of GDP from 52.9 per cent in 2022. The current account balance worsened to -9.0 per cent of GDP in 2023 from -8.0 per cent in 2022.

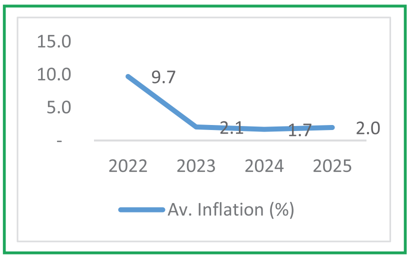
OUTLOOK

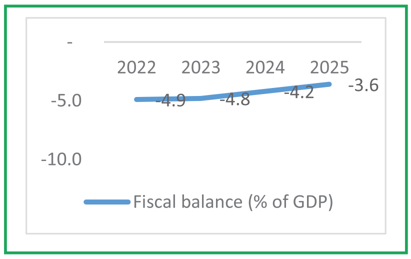
Economic activity in the country is projected to slow to a growth of 4.1 per cent in 2024, given the persistence of the electricity supply challenges. Growth is projected to increase slightly to 4.6 per cent in 2025 under the assumption that the country reneges on its decision to exit ECOWAS. Inflation will continue to decline in 2024 (1.7%) before rising to 2.0 per cent in 2025. The debt-to-GDP ratio will increase consistently to 55.1 per cent of GDP in 2024 and further to 55.7 per cent in 2025. The slow growth in the debt-to-GDP ratio is partly a result of a projected narrowing of the fiscal balance from -4.2 per cent of GDP in 2024 to -3.6 per cent in 2025. The current account balance is projected to improve to -5.8 per cent of GDP in 2024 and further to -4.7 per cent in 2025.

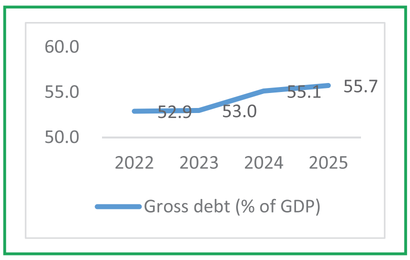
PROBABLE HEADWINDS

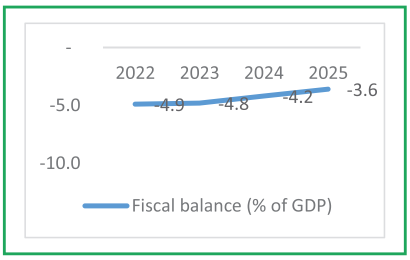
Climate change poses a significant downside risk to the growth in agriculture just as much as the insecurity in the country, given that insurgents still control large swathes of land in the country. Political risks remain, given the ruling military junta's decision to ban all political party activities in a move which is seen as the leadership perpetuating their stay in power. Electricity supply challenges remain a significant threat to industrial and services sector activities, while the decision to leave ECOWAS, if actioned, will have devastating impacts on the growth in economic activity and poverty eradication.



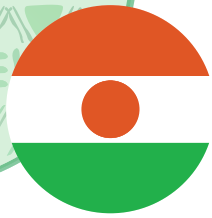








NIGER



MACROECONOMIC PERFORMANCE

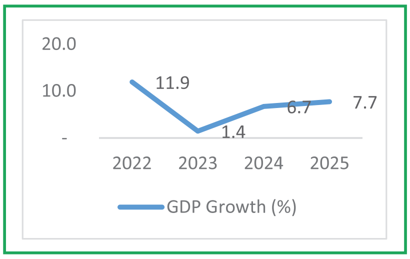
Sanctions lowered economic growth in Niger to 1.4 per cent in 2023. The sanctions adversely affected the supply of electricity, particularly from Nigeria, and affected transit trade with its neighbours in the sub-region while making the regional capital market inaccessible to the country. The latter affected government expenditure, with reported cases of delayed public sector salary payments. Government revenues and expenditure both declined by more than 20 per cent as a result. Average inflation reduced to 3.7 per cent in 2023 from 4.2 per cent in 2022, as both public and private consumption fell drastically. Fiscal deficit declined markedly to -5.5 per cent of GDP in 2023, while public debt increased to 51.8 per cent of GDP in 2023 from 50.7 per cent of GDP in 2022. Current account balance improved to -12.8 per cent of GDP in 2023 from -16.2 per cent of GDP in 2022.

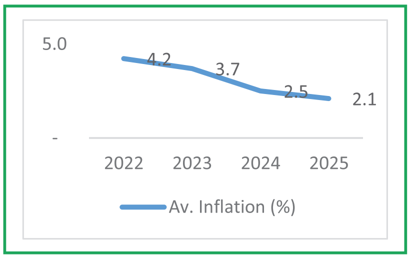
OUTLOOK

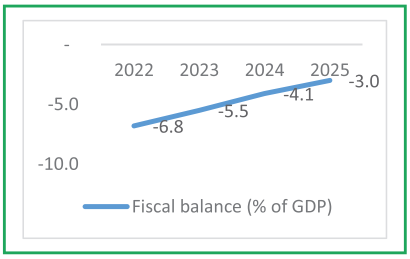
Niger's economy will be supported by the commencement of the export of pipeline crude oil through Benin in 2024 and beyond. However, intermittent power outages will cap economic growth in the near term, relative to prior projections. Economic growth is projected to accelerate to 6.7 per cent in 2024 and further to 7.7 per cent, primarily due to the impact of crude oil exports. Average inflation is projected to decline to 2.5 per cent and 2.1 per cent in 2024 and 2025, respectively, as the inflationary pressures associated with the economic and financial sanctions ease. Fiscal balance is projected to continue on a downward trajectory, narrowing to -4.1 per cent of GDP in 2024 and further to -3.0 per cent in 2025. The debt-to-GDP ratio is projected to decline consistently to 48.9 per cent of GDP in 2024 and further to 47.4 per cent in 2025. The current account balance is projected to ease to -6.1 per cent of GDP in 2024 and further to -5.1 per cent in 2025 as crude oil production ramps up and associated export proceeds increase.

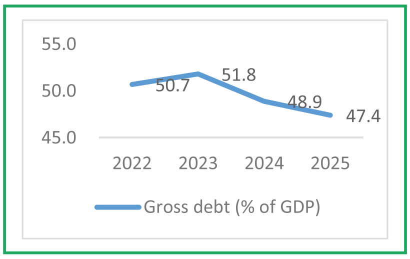
PROBABLE HEADWINDS

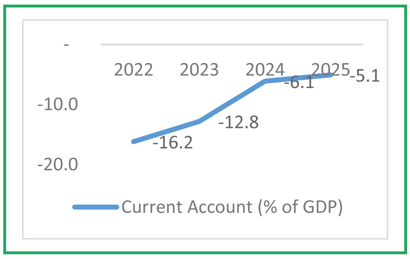
A fragile political situation weighs heavily on the projections, compounded by the persistent insecurity in the country. Climate change also threatens agricultural output. More importantly, the decision to leave ECOWAS will adversely affect the country and its population since more than 40 per cent of its exports are to the ECOWAS Community. A strict adherence to the ECOWAS Free Trade Agreement would mean that the country may face additional costs if it should continue to trade with the bloc after having exited.











NIGERIA

MACROECONOMIC PERFORMANCE

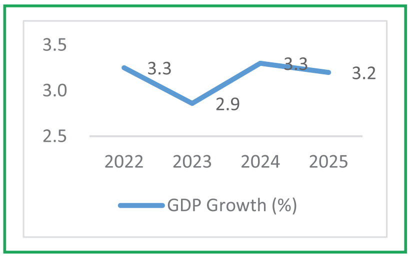
The Nigerian economy slowed to a growth of 2.9 per cent in 2023, from 3.3 per cent in 2022, with high prices and a declining agriculture sector growth constraining growth. Average inflation increased to 24.7 per cent in 2023, from 18.8 per cent in 2022, owing to a confluence of factors, including the depreciation of the naira as well as high food and energy (from the partial removal of fuel subsidies) prices. Fiscal balance improved to -4.2 per cent of GDP in 2023, as revenue growth outstripped the growth in expenditure, with the debt-to-GDP ratio increasing to 46.3 per cent of GDP in 2023, from 39.4 per cent in 2022. Current account balance remained in the surplus of 0.3 per cent of GDP in 2023 from 0.2 per cent in 2022 as a result of lower imports compared to the prior year.

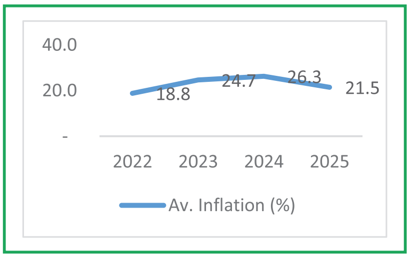
OUTLOOK

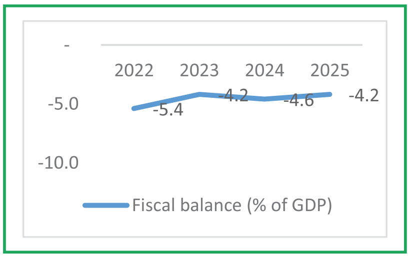
Nigeria's economy is projected to grow by 3.3 per cent in 2024 before declining marginally to 3.2 per cent in 2025. This growth in economic activity will be supported by increased private demand and petroleum sector growth, spurred by higher crude oil prices and increased domestic refinery. Apart from the impact of the ramp-up phase of the Dangote oil refinery, the government is set to commission three gas processing infrastructures, which will add approximately 500 million standard cubic feet of gas per day to the domestic market. This will boost the growth in economic activity in the near term. Average inflation is projected to initially inch up in 2024 to 26.3 per cent, moderating to 21.5 per cent in 2025, as the devaluation and subsequent depreciation of the naira and high food and energy prices trigger an increase in the cost of goods and services. Fiscal balance is projected to worsen to -4.6 per cent of GDP in 2024 as the government absorbs the impact of the remaining fuel subsidies, improving to -4.2 per cent in 2025. The improved domestic crude oil refinery and oil price increases will sustain the gains in the current account balance, stabilising at 0.3 per cent of GDP in 2024 before declining marginally to 0.2 per cent in 2025, as the naira stabilisation encourages increased imports. The debt-to-GDP ratio will increase consistently to 46.6 per cent of GDP in 2024 and to 46.8 per cent in 2025.

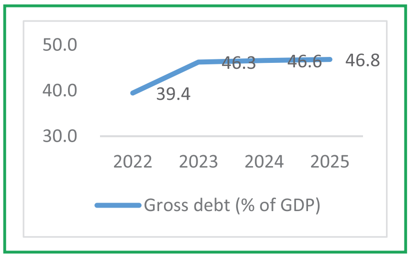
PROBABLE HEADWINDS

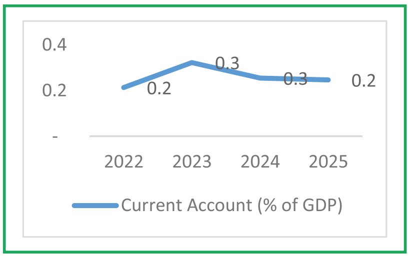
Risks to the projections include insecurity from the insurgents in the northern part of Nigeria, which will affect agriculture output. Furthermore, the continuous depreciation of the naira will feed into inflation, which will, in turn, suppress the growth in economic activity. Fiscal slippages arising from increased petroleum subsidies and general revenue underperformance will pose serious risks to the consolidation of debt.











SENEGAL

MACROECONOMIC PERFORMANCE

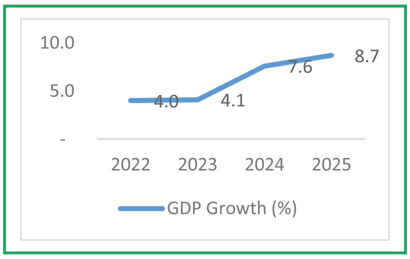
The Senegalese economy grew by 4.1 per cent in 2023, up from 4.0 per cent in 2022. The slow growth, compared to projections, was as a result of the political tensions and social unrests which marred the growth in economic activity. Average inflation declined to 5.9 per cent in 2023 from a peak of 9.7 per cent in 2022 as food and energy prices declined. Fiscal balance eased to -4.9 per cent of GDP in 2023, from -6.6 per cent in 2022, as revenue growth outstripped the growth in expenditure. Public debt increased to 79.6 per cent of GDP from 76.0 per cent in 2022, with the current account balance easing to -15.1 per cent of GDP in 2023 from -19.9 per cent in 2022.

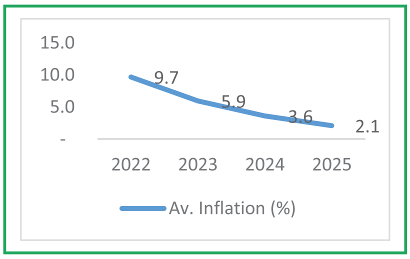
OUTLOOK

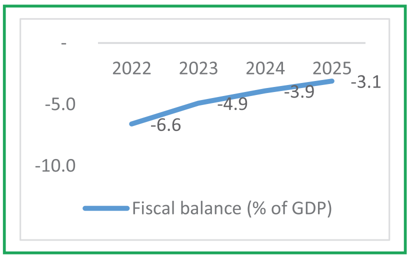
GDP growth is projected to increase substantially to 7.6 per cent in 2024, increasing further to 8.7 per cent in 2025, bolstered by increased activity in the petroleum sector, with the coming onstream of new producing wells, as well as new gold and phosphate production. Average inflation is projected to remain on a downward trajectory, declining to 3.6 per cent in 2024 and further to 2.1 per cent in 2025, as food prices continue to decline. Fiscal balance is projected to improve to -3.9 per cent of GDP in 2024, and further to -3.1 per cent in 2025 as the petroleum sector improves the fiscal space through the onboarding of new resource rents. Debt-to-GDP is projected to decline to 72.5 per cent in 2024 and further to 67.6 per cent in 2025. The current account balance is expected to continue to improve to -11.1 per cent of GDP in 2024 and further to -6.0 per cent in 2025 as new resource exports commence and ramp up.

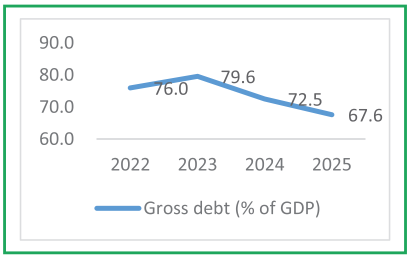
PROBABLE HEADWINDS

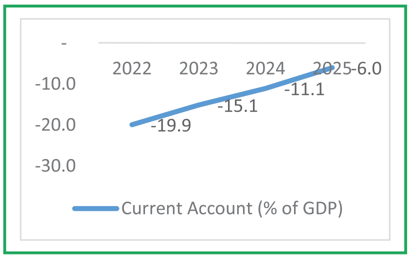
Risks to the projections include exports to the Sahelian region if Burkina Faso, Mali and Niger should action their intention to leave the Community. A further delay in petroleum production from the new fields will lead to a significant cut in growth prospects. A persistent increase in crude oil prices, though positive in revenue terms, will pose serious threats to the real sector of the economy.











SIERRA LEONE

MACROECONOMIC PERFORMANCE

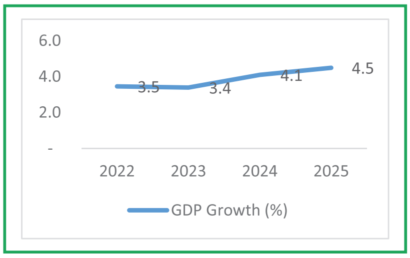
Sierra Leone's economy slowed to a growth of 3.4 per cent in 2023 from 3.5 per cent in 2022, as private consumption was suppressed by an exceedingly high average inflation, which ended the year at 47.7 per cent from 27.2 per cent in 2022, fuelled by increased food and energy prices. Fiscal balance narrowed to -7.3 per cent of GDP from -10.3 per cent in 2022 as revenue growth outpaced the growth in expenditure. The debt-to-GDP ratio improved to 80.0 per cent of GDP from 94.1 per cent in 2022, with the current account balance experiencing a remarkable improvement to -4.0 per cent of GDP from -11.0 per cent in 2022 as increased iron ore exports helped to increase export proceeds.

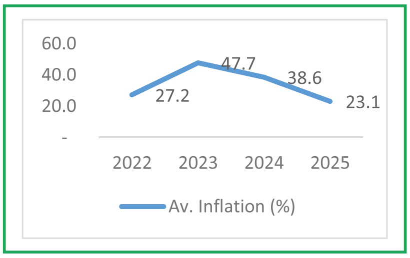
OUTLOOK

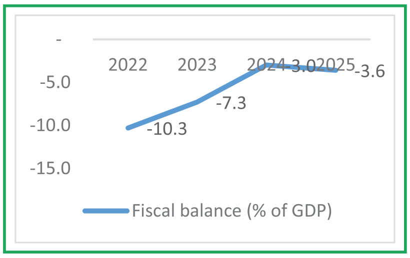
The Sierra Leonean economy is projected to rebound to a growth of 4.1 per cent in 2024, and further to 4.5 per cent in 2025 as the projected decline in inflation spurs private consumption. Average inflation is projected to decline to 38.6 per cent in 2024 and further to 23.1 per cent in 2025 on the back of declining food and energy prices, while the fiscal balance tightens to -3.0 per cent of GDP in 2024 before inching up marginally to -3.6 per cent in 2025. The debt-to-GDP ratio is projected to decline markedly to 69.7 per cent of GDP in 2024, rising marginally to 69.8 per cent in 2025, below the 70 per cent convergence threshold. The current account balance is projected to continue to tighten to -3.0 per cent of GDP in 2024, supported by iron ore export proceeds, before climbing to -4.0 per cent in 2025.

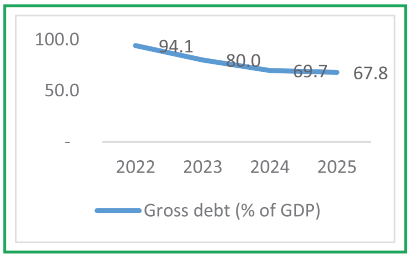
PROBABLE HEADWINDS

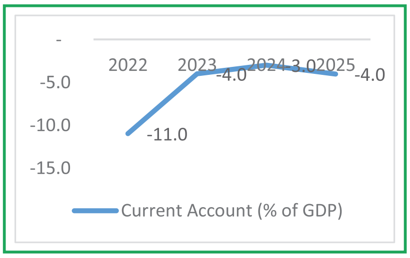
Currency depreciation poses a vital risk for economic growth and macroeconomic stability. The Leone has lost a lot of ground recently to the US dollar, fuelling inflation. If this should continue, GDP growth will continue to be constrained. A suspected coup attempt in 2023 was averted. A recurrence of this incident will suppress foreign direct investment while threatening fiscal stability since resources will be dedicated to contain it. A recurrence of high food and energy prices will continue to fuel inflation and suppress GDP growth.











TOGO

MACROECONOMIC PERFORMANCE

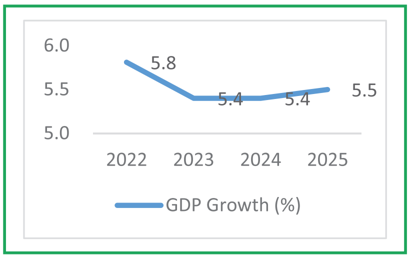
Despite a 0.4 percentage point fall in growth, Togo's economy remained robust, growing by 5.4 per cent in 2023, down from 5.8 per cent in 2022, partly affected by the impact of the sanctions on Niger, which restricted transit trade between the two countries. Average inflation eased to 5.1 per cent in 2023 from 7.6 per cent in 2022, as food and energy prices declined. Fiscal balance improved to -6.6 per cent of GDP in 2023 as revenue growth outperformed the growth in expenditure, while public debt inched up to 67.2 per cent of GDP from 66.5 per cent in 2022. The current account balance improved to -3.4 per cent of GDP in 2023, down from -4.2 per cent in 2022.

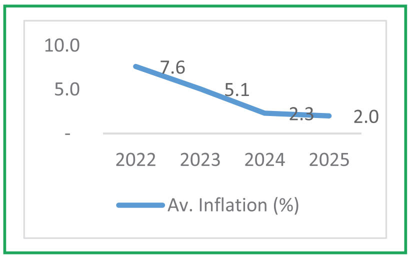
OUTLOOK

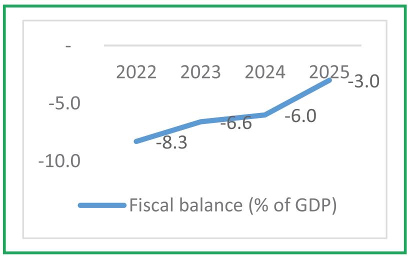
Togo's economy is projected to stabilise at a growth of 5.4 per cent in 2024, strengthening to 5.5 per cent in 2025. The growth in economic activity will be supported by increased private consumption, with the projected decline in inflation. Average inflation will decline to 2.3 per cent in 2024 and further to 2.0 per cent in 2025 on the back of food and energy price declines. Fiscal balance is projected to decline to -6.0 per cent of GDP in 2024 and further to -3.0 per cent in 2025 due to a combination of increased revenue measures and lower petroleum subsidies as a result of the expected lower crude oil prices. The debt-to-GDP ratio is projected to increase to 68.3 per cent of GDP in 2024, declining to 66.5 per cent in 2025. The current account balance is projected to widen to -4.4 per cent of GDP in 2024, as low inflation spurs imports, declining to -4.0 per cent in 2025.

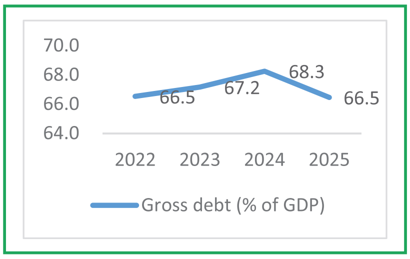
PROBABLE HEADWINDS

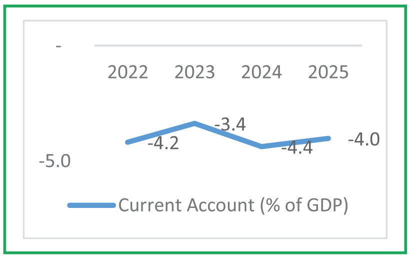
Togo remains exposed to possible attacks from the Sahelian region, even though that risk is quite muted. Climate change, high food and energy prices and fiscal slippages are risks that could derail the projections.











ANNEXURES

ECOWAS Groupings

West African Monetary Zone (WAMZ)	West African Economic and Monetary Union (WAEMU)	WAMZ+
The Gambia	Benin	WAMZ Member States
Ghana	Burkina Faso	Cabo Verde
Guinea	Côte d'Ivoire	
Liberia	Guinea-Bissau	
Nigeria	Mali	
Sierra Leone	Niger	
	Senegal	
	Togo	

Annex 1: Real GDP Growth and Average Inflation

Country	Real GDP Growth (%) 2021	2022	2023	2024	2025	Average Inflation (%) 2021	2022	2023	2024	2025
Benin	7.2	6.3	6.4	6.1	6.0	1.7	1.4	2.8	3.0	2.1
Burkina Faso	6.9	1.8	3.6	5.3	5.5	3.9	13.8	0.9	2.2	2.1
Cabo Verde	5.6	17.1	4.8	4.8	5.1	1.9	7.9	3.1	2.0	1.9
Côte d'Ivoire	7.1	6.9	6.2	6.1	6.4	4.2	5.2	4.4	3.8	3.1
The Gambia	5.3	4.9	5.6	5.9	5.9	7.4	11.5	17.0	15.5	13.1
Ghana	5.1	3.8	2.9	3.1	3.5	10.0	31.7	37.5	25.5	23.5
Guinea	5.6	4.0	5.7	5.3	5.4	12.6	10.5	7.8	8.3	7.2
Guinea-Bissau	6.4	4.2	4.2	4.9	5.0	3.3	7.9	7.2	4.3	3.2
Liberia	5.0	4.8	4.6	5.2	5.4	7.8	7.6	10.1	7.5	6.1
Mali	3.1	3.5	4.5	4.1	4.6	3.8	9.7	2.1	1.7	2.0
Niger	1.4	11.9	1.4	6.7	7.7	3.8	4.2	3.7	2.5	2.1
Nigeria	3.6	3.3	2.9	3.3	3.2	17.0	18.8	24.7	26.3	21.5
Senegal	6.5	4.0	4.1	7.6	8.7	2.2	9.7	5.9	3.6	2.1
Sierra Leone	4.1	3.5	3.4	4.1	4.5	11.9	27.2	47.7	38.6	23.1
Togo	6.0	5.8	5.4	5.4	5.5	4.5	7.6	5.1	2.3	2.0
ECOWAS	4.4	4.0	3.5	4.0	4.1	10.2	16.9	20.6	20.0	16.4
WAEMU	6.0	5.7	5.0	6.0	6.5	3.5	7.0	3.8	3.1	2.5
WAMZ+	3.9	3.4	3.0	3.4	3.4	15.7	20.3	26.0	25.6	21.2

Annex 2: Fiscal Balance and Public Debt

	2021	2022	2023	2024	2025	2021	2022	2023	2024	2025
Country	**Fiscal Balance (% of GDP)**					**Public Debt (% of GDP)**				
Benin	-5.7	-5.6	-4.5	-3.7	-3.1	50.3	54.2	54.2	53.4	52.4
Burkina Faso	-7.5	-10.7	-6.8	-5.7	-4.7	55.6	58.4	61.9	63.3	63.4
Cabo Verde	-7.7	-4.3	-0.3	-3.2	-2.1	153.1	127.5	115.4	112.2	108.0
Côte d'Ivoire	-4.8	-6.6	-5.2	-4.0	-3.0	50.2	55.3	57.1	57.7	56.9
The Gambia	-4.8	-4.9	-3.0	-2.6	-1.3	83.1	82.9	71.7	64.3	59.7
Ghana	-12.0	-11.8	-4.6	-5.0	-4.3	79.2	93.3	86.1	83.6	80.9
Guinea	-1.7	-0.8	-1.6	-3.0	-2.6	42.7	40.2	40.3	35.1	32.6
Guinea-Bissau	-5.9	-6.1	-7.6	-3.8	-3.0	788	80.4	77.8	76.5	74.0
Liberia	-2.5	-5.3	-6.4	-5.0	-5.0	53.3	53.9	55.7	56.5	57.7
Mali	-4.8	-4.9	-4.8	-4.2	-3.6	50.3	52.9	53.0	55.1	55.7
Niger	-5.9	-6.8	-5.5	-4.1	-3.0	51.3	50.7	51.8	48.9	47.4
Nigeria	-5.5	-5.4	-4.2	-4.6	-4.2	35.7	39.4	46.3	46.6	46.8
Senegal	-6.3	-6.6	-4.9	-3.9	-3.1	73.3	76.0	79.6	72.5	67.8
Sierra Leone	-7.3	-10.3	-7.3	-3.0	-3.6	79.4	94.1	80.0	69.7	66.5
Togo	-4.7	-8.3	-6.6	-6.0	-3.0	64.9	66.5	67.2	68.3	52.4
ECOWAS	-6.1	-6.3	-4.5	-4.5	-3.9	46.2	49.9	55.2	53.1	58.5
WAEMU	-5.5	-6.8	-5.3	-4.3	-3.3	55.3	58.8	60.6	59.8	50.7
WAMZ+	-6.3	-6.1	-4.2	-4.6	-4.1	43.2	47.1	53.0	51.1	

Annex 3: Current Account Balance

Country	2021	2022	2023	2024	2025
	Current Account (% of GDP)				
Benin	-4.2	-6.0	-5.6	-5.8	-5.3
Burkina Faso	0.4	-7.2	-7.9	-6.3	-4.6
Cabo Verde	-12.2	-3.4	-5.3	-8.4	-8.4
Côte d'Ivoire	-3.9	-7.7	-6.0	-4.5	-3.0
The Gambia	-4.3	-4.2	-4.1	-5.5	-4.0
Ghana	-2.7	-2.1	-1.7	-1.9	-2.1
Guinea	-2.5	-8.6	-8.7	-12.9	-11.9
Guinea-Bissau	-0.8	-9.5	-9.4	-7.3	-6.0
Liberia	-17.8	-19.0	-26.5	-30.8	-30.5
Mali	-7.4	-8.0	-9.0	-5.8	-4.7
Niger	-14.1	-16.2	-12.8	-6.1	-5.1
Nigeria	-0.7	0.2	0.3	0.3	0.2
Senegal	-12.1	-19.9	-15.1	-11.1	-6.0
Sierra Leone	-9.5	-11.0	-4.0	-3.0	-4.0
Togo	-2.2	-4.2	-3.4	-4.4	-4.0
ECOWAS	-2.4	-2.8	-3.0	-2.0	-1.5
WAEMU	-5.8	-10.0	-8.4	-6.1	-4.3
WAMZ+	-1.3	-0.6	-0.7	-0.7	-0.7

WADO
2024

ECOWAS Bank for Investment and Development (EBID)
128, Boulevard du 13 Janvier. B.P. 2704 Lomé – Togo

+228 22 21 68 64 +228 22 21 86 84
bidc@bidc-ebid.org www.bidc-ebid.org