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A current challenge to regional integration in West Africa

On 28 January 2024, Burkina Faso, Mali, and Niger notified the Commission of the Economic Community of West African States (ECOWAS) of their intention to withdraw from ECOWAS.[1] According to Article 91 of the revised ECOWAS Treaty,[2] unless the notices are retracted, Burkina Faso, Mali and Niger will officially lose their ECOWAS membership after one year on 29 January 2025. The withdrawal from the regional organization implies the loss of economic and social linkages with ECOWAS countries under a series of treaties and agreements. Among others, ECOWAS Protocol on Free Movement[3] assures free movements of ECOWAS residents and businesses within the region with ECOWAS common passports. ECOWAS Trade Liberalization Scheme (ETLS) allows for the duty-free access of unprocessed goods, traditional handicrafts and industrial products of ECOWAS origins. It may also result in a loss of access to large-scale regional infrastructure projects such as ECOWAS Regional Electricity Market.

Following military coups, ECOWAS membership had already been suspended for Mali (May 2021), Guinea (September 2021), Burkina Faso (January 2022) and Niger (August 2023).[4] ECOWAS, adhering to its principle of zero tolerance for unconstitutional changes in government, imposed economic and financial sanctions on those countries after the military coups. While memberships were suspended, main sanctions measures on Burkina Faso and Mali were lifted in July 2022, and sanctions measures on Guinea and Niger were lifted on 24 February 2024. Sanctions on Niger, which included the closure of land and air borders with ECOWAS Member States reportedly stalled cross-border trade, particularly between Nigeria and Niger since August 2023.

ECOWAS, together with other regional stakeholders such as the African Union (AU), has been engaged in dialogue to restore constitutional order in Burkina Faso, Guinea, Mali, and Niger. On 8 February 2024, the Special Representative of the Secretary-General and Head of the United Nations Office for West Africa and the Sahel (UNOWAS) stressed the importance of maintaining dialogue to address the current challenges.[5]

KEY MESSAGES

- Regional integration in West African economies faces further challenges as Burkina Faso, Mali, and Niger announced the intention to withdraw from the Economic Community of West African States (ECOWAS).
- Given West Africa's structural vulnerabilities, including a low share of manufacturing in GDP and weak export performance, regional integration can bring significant economic benefits, particularly for the region's least developed countries.
- Intraregional transit trade has become an important economic activity in several West African economies. Lowering the cost of transit trade through regional integration would particularly benefit the region's landlocked countries, notably Burkina Faso, Mali, and Niger.

West African countries are already facing a challenging economic situation, exacerbated by frequent extreme weather events and a deteriorating security situation in the Sahel. The short-lived spikes in international commodity prices at the onset of the war in Ukraine failed to translate into a sustainable stimulus for economic growth by increasing export revenues. A case in point is Nigeria, the largest economy in the region, where the windfall gains from crude oil exports were utilized to subsidize high import prices of fuel products as the country lacked domestic refining facilities. The spike in cotton prices did not help the region's cotton producers, the largest in Africa, as they suffered from bad weather and pests in the 2022/23 season. External demand from China and the European economies, the region's major export destinations, remains subdued. Tight financing conditions in international capital markets limit access to external financing and refinancing opportunities. The region's GDP is projected to grow at 3.8 per cent in 2024.[6] The projection is above the 2016–2023 average of 2.6 per cent, but it is still insufficient to reduce the region's poverty given high population growth. On

1 ECOWAS of the People, Peace and Prosperity for All.

2 ECOWAS Revised Treaty – 1993.

3 Aderanti Adepoju, Alistair Boulton and Mariah Levin (2010), Promoting integration through mobility: Free movement under ECOWAS. United Nations High Commissioner for Refugees.

4 Burkina Faso, Guinea, Mali, and Niger have also been suspended from the African Union by the decisions of its Peace and Security Council.

5 UNOWAS (2024), In Abuja, SRSG Simao reaffirms un support to the Cameroon-Nigeria mixed commission, and calls for dialogue between ECOWAS and Burkina Faso, Mali, and Niger.

6 United Nations (2024), *World Economic Situation and Prospects 2024*, New York.

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Table 1

Key indicators of West African economies (2022)

	Population		GDP in current prices		GDP per capita in current prices	Average real GDP growth, 2016-2023
	Million	Share percentage	Billions of United States dollars	Share percentage	United States dollars	Percentage
Nigeria	218.5	50.9	475.1	62.6	2,174	1.4
Ghana	33.5	7.8	73.8	9.7	2,204	4.5
Côte d'Ivoire[a]	28.2	6.6	70	9.2	2,486	6.3
Niger[a]	26.2	6.1	15.4	2	588	5.5
Burkina Faso[a]	22.7	5.3	19.2	2.5	846	4.9
Mali[a]	22.6	5.3	18.8	2.5	833	3.7
Senegal[a]	17.3	4	27.8	3.7	1,604	5.4
Guinea	13.9	3.2	20.8	2.7	1,504	6.4
Benin[a]	13.4	3.1	17.4	2.3	1,303	5.7
Togo[a]	8.8	2.1	8.1	1.1	914	4.7
Sierra Leone	8.6	2	3.5	0.5	495	3.5
Liberia	5.3	1.2	3.3	0.4	616	1.5
Gambia	2.7	0.6	2.2	0.3	825	4.3
Guinea Bissau[a]	2.1	0.5	1.6	0.2	748	4.5
Cabo Verde	0.6	0.1	2.3	0.3	3,903	3.3

Sources: UN DESA, World Population Prospects 2022; UN DESA, National Accounts - Analysis of Main Aggregates (AMA); UN DESA, the World Economic Forecasting Model database.

a Member States of the West African Monetary Union (WAMU)

average over the period 2016–2023, per capita GDP growth registered zero growth, and the forecast for 2024 is 1.3 per cent. Inflation is expected to remain high in 2024, particularly in Ghana, Nigeria and Sierra Leone, pushing up the regional average to 19.2 per cent. While the situation surrounding the ECOWAS membership of Burkina Faso, Mali, and Niger is still fluid, and the economic impact is uncertain, this Monthly Briefing highlights the challenges West African countries face in promoting economic development through regional integration.

ECOWAS and West African countries

ECOWAS was established in 1975 with a mandate of promoting economic integration in all fields of activity of the constituting countries in West Africa. It is one of the major Regional Economic Communities of the AU,[7] and considered an essential regional platform for the economic integration in Africa. It also plays a crucial role in peace and security within West Africa, supporting institutional development to cope with challenging peace and security situations.[8] ECOWAS promotes democracy, good governance, gender mainstreaming, and human rights within its Member States. In December 2021, the ECOWAS Authority of Heads of State and Government adopted Vision 2050,[9] further integrating the Sustainable Development Goals into its development roadmap for the next 30 years.

ECOWAS has 15 Member States whose economies vary in size (table 1). The three most populous countries – Nigeria, Ghana, and Côte d'Ivoire – constituted about 65 per cent of the region's total population of 429 million in 2022. Nigeria accounted for 63 per cent of the total regional GDP, whereas the five smallest members – Cabo Verde, the Gambia, Guinea Bissau, Liberia, and Sierra Leone – combined made up only 1.7 per cent. In terms of annual GDP per capita, Benin, Cabo Verde, Côte d'Ivoire, Ghana, Guinea, Nigeria, and Senegal have passed the $1,000 mark, while Sierra Leone ($495), Niger ($588) and Liberia ($616) have the lowest levels. All West African countries except for Cabo Verde, Côte d'Ivoire, Ghana, and Nigeria are classified as least developed countries (LDCs). Landlocked countries in the region – Burkina Faso, Mali, and Niger – constitute 16 per cent of the total West African population and 7 per cent of the total West African GDP.

Eight francophone countries in the region, namely Benin, Burkina Faso, Côte d'Ivoire, Guinea Bissau, Mali, Niger, Senegal, and Togo, are also members of the West African Economic and Monetary Union (WAEMU). They share a regional central bank, the Central Bank of West

7 African Union (2024), Regional Economic Communities.

8 Amanda Lucey (2016), How ECOWAS has got peacebuilding right. ISS Today, Institute for Security Studies.

9 ECOWAS (2021), ECOWAS Vision 2050.

Figure 1

Share of the manufacturing sector in GDP

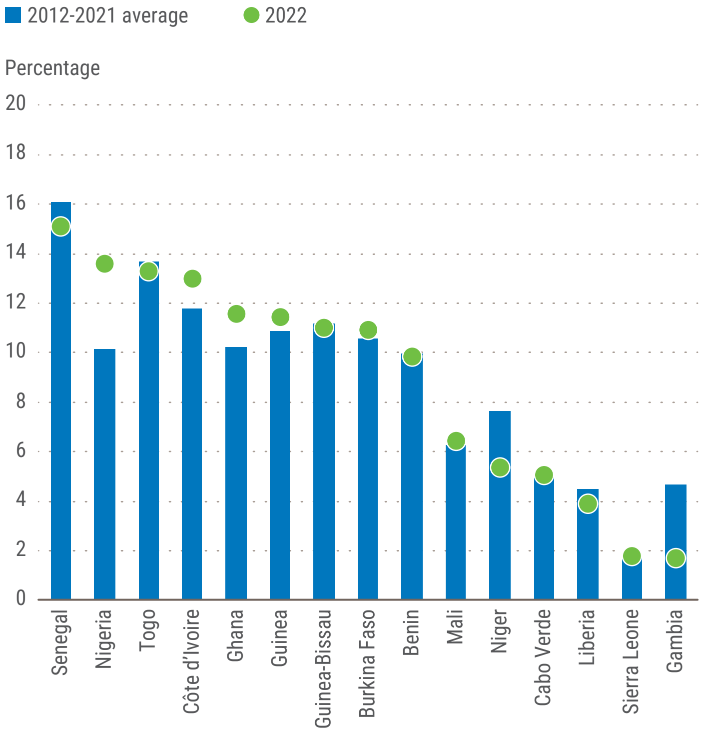
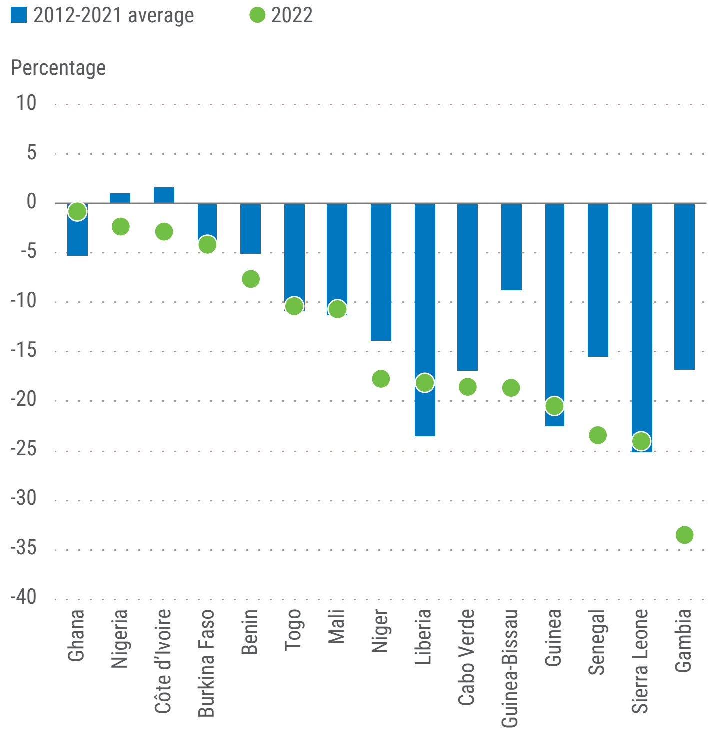


Figure 2

Net exports of goods and services as a share of GDP



Source: UN DESA, based on data from the United Nations Statistics Division, National Accounts - Analysis of Main Aggregates Database, and the World Bank, World Development Indicators.

African States (BCEAO), a common monetary policy, and a common currency, the CFA franc, which is pegged to the euro. Non-WAEMU member countries in the region retain their own national currencies, monetary policies, and foreign reserves management. However, a more comprehensive monetary union for West Africa has been on the agenda since the creation of the West Africa Monetary Zone (WAMZ) in 2000. In 2001, the West Africa Monetary Institute was established as a specialized agency of the ECOWAS[10] to develop institutional arrangements, envisaging the eventual merger of the WAEMU and the WAMZ to form a single monetary zone in West Africa. In June 2021, the Heads of State of ECOWAS adopted a roadmap to launch the single currency "Eco" in 2027.[11]

Structural vulnerabilities of West African economies

The low share of the manufacturing sector in GDP and the absence of a steadily growing export sector are symptomatic of the principal structural vulnerabilities of West African economies. The share of manufacturing value added in terms of GDP ranged from 1.7 per cent in The Gambia to 15 per cent in Senegal in 2022 (figure 1). The share of the manufacturing sector is low compared to Asian LDCs, such as Cambodia (19 per cent), Bangladesh (22 per cent) and Myanmar (26 per cent). The absence of a dynamic export-oriented manufacturing sector has resulted in a weak export performance. Over the past ten years, the net exports – the difference between the value of exports and imports – remained negative in all West African economies, except for Côte d'Ivoire and Nigeria, which registered small positive margins of net exports. This weakness is expected to persist, although net exports are forecast to improve in the coming years in Niger due to an increase in crude oil exports through the new Niger-Benin oil pipeline and in Senegal due to an increase in natural gas exports from the Greater Tortue Ahmeyim (GTA) project.

Given these structural vulnerabilities, the economic growth of West African countries is heavily dependent on external factors such as international commodity prices, inflow of workers' remittances, foreign direct investments, and foreign aid flows. Dealing with external financing constraints has become the primary policy challenge as all West African economies are, to varying

10 The Gambia, Ghana, Guinea, Liberia, Nigeria, and Sierra Leone are members of the West African Monetary Zone (WAMZ).

11 For an assessment of the aspiration and challenges for the introduction of the single currency in West Africa, see Eswar Prasad and Vera Songwe (2021), Monetary Meld - A currency union encompassing all of West Africa promises benefits but faces a multitude of obstacles, Finance and Development, International Monetary Fund.

extents, facing debt distress. Ghana defaulted on most of its external debt in December 2022. Most recently, in February 2024, Niger missed a debt payment of 13.4 billion CFA francs ($22 million), bringing the country's total debt default to about $519 million.[12]

ECOWAS aims to promote regional integration among West African economies to overcome structural vulnerabilities and boost economic development. The potential economic benefits of regional integration are particularly significant for smaller and more vulnerable West African LDCs. Regional integration can help alleviate the external constraints on domestic demand growth faced by many West African economies, allowing regional actors, who have better knowledge of, as well as more responsiveness to local concerns, a more prominent role in economic activity. If integration is successful in pooling financial resources regionally, West African LDCs may benefit from higher financial transfers, enhancing the role of the ECOWAS Bank for Investment and Development (EBID) and West African Development Bank (BOAD). Regional integration can support the growth of West African LDCs, allowing them to catch up with the region's higher-income countries, namely Côte d'Ivoire, Ghana, and Nigeria.

Intraregional trade among West African economies

The generally low share of intra-African trade is often cited as evidence of a lack of effective regional integration in Africa. African businesses have not been tapped the potential benefits of larger market size both through horizontal integration (expansion of market share of existing businesses) and vertical integration (expansion of production lines along supply-chains, particularly downstream). If Nigeria had more refining capacity, the country could utilize the gain in crude oil exports more, supplying fuel and chemical products not only domestically but also to regional trading partners. Cotton exporting countries in the region such as Benin, Burkina Faso, Côte d'Ivoire, and Mali have the potential to become regional textile producers, taking advantage of their cotton production and larger regional market of textile products. Yet, this potential has not been utilized.

In the first ten months of 2023, intra-African trade accounted for only 18 per cent of Africa's total exports and 15 per cent of African total imports.[13] During the same period, East Asia's intraregional trade made up 36 per cent of the region's total exports and 39 per cent of total imports. The share of intraregional trade, however, varies significantly among Africa's regions and countries. For West Africa, the share of intra-African trade stood at 21 per cent of total exports and 15 per cent of total imports. Within West Africa, the intraregional trade share stood at 14 per cent in terms of exports and 12 per cent in terms of imports. The average share of intraregional trade has not changed much over the last 20 years even as West Africa's overall trade patterns shifted (figure 3). Among the major trade partners, the share of Asian economies increased both in terms of exports and imports over the past two decades. Europe remains one of West Africa's major export destinations, but its share on the import side has declined. The substantial decline in the share of North America as an export destination reflects a plunge in Nigerian crude oil exports to the United States.

At the national level, the trade patterns within West Africa show greater diversity. The regional aggregate mostly reflects the trade values of larger economies, particularly Nigeria, where the share of intraregional trade stood at a meagre 4.6 per cent in terms of exports and 5.2 per cent in terms of imports. Yet, Nigeria is the major export destination for Niger, Togo, and Côte d'Ivoire. For several smaller West African economies, intraregional trade is an essential economic activity.

Among West African economies, the share of intraregional trade is higher in The Gambia, Guinea-Bissau, Mali, Niger, Senegal, and Togo. In part, this can be attributed to transit trade to the region's landlocked countries, namely Burkina Faso, Mali, and Niger (figure 4). Togo's high intraregional export share (70 per cent) reflects the activities in the port of Lomé, the major transshipment centre in West Africa. The high intraregional export share of Niger (53 per cent) partly reflects transit trade activities (to Burkina Faso and Mali) but also exports of agricultural goods to Nigeria. Mali is the destination of many transit trade activities in West Africa, from Togo, Côte d'Ivoire, and Senegal.[14]

While the share of intraregional trade is generally higher among the WAEMU countries, only Guinea-Bissau has a share above 30 per cent on both the export and import side. West African countries are crucial export destinations for Niger, Senegal, and Togo, whereas those countries' main import origins are Asia and Europe. While Mali's main import partners are neighbouring West African countries, the country's major export destinations are Southern Africa and Europe.

The pattern of West African intraregional trade suggests that lowering the cost of transit trade can benefit businesses and consumers, especially in landlocked West

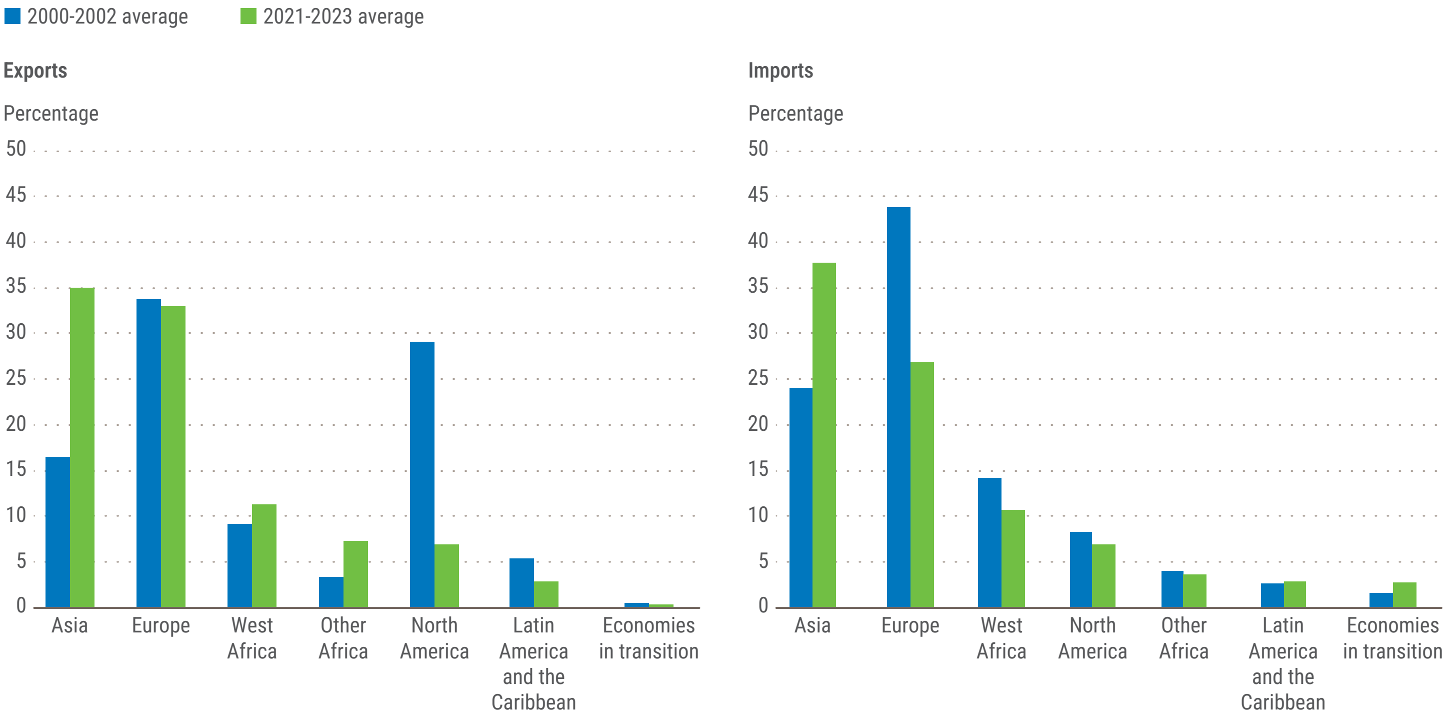
12 UMOA-Titres (2024), Market announcement No.05-2024, 06-2024, 07-2024, 08-2024 – Settlement of Niger's Financial Commitments on the MTP (in French).

13 The trade figures in this section were calculated by UN DESA, based on IMF Direction of Trade Statistics database (accessed on 12 February 2024).

14 Mali is Senegal's largest trading partner in exports, with a 16 per cent share.

Figure 3

Share of West Africa's exports and imports, by partner region



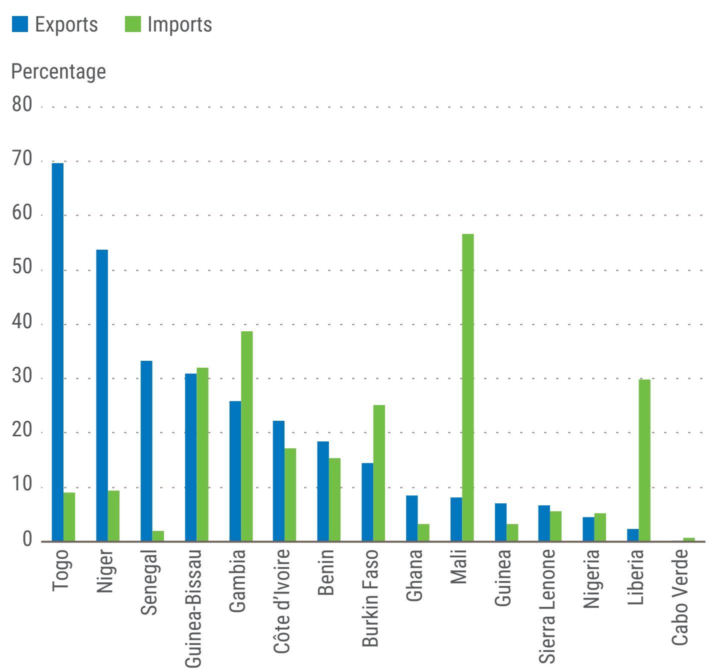
Source: UN DESA, based on IMF Direction of Trade Statistics.

African economies, namely Burkina Faso, Mali and Niger, for their larger dependency on intraregional trade. Since ECOWAS Common External Tariff (CET) became effective in 2015, imports from non-ECOWAS countries are levied the common tariff scheme at the first port of entry in the region, which positively impacted by streamlining transit trade to the landlocked West African countries. Moreover, other regional policy efforts through the ECOWAS Trade Liberalization Scheme (ETLS) and the African Continental Free Trade Area (AfCFTA) can drive regional integration to support such economic benefits. Still, the current turbulent situation in West Africa may raise the cost of transit trade, adversely impacting especially those countries where intraregional trade is an essential economic activity.

The economic landscape of West Africa stands at a critical juncture. Regional integration in West Africa is a crucial economic strategy to enhance resilience, promote sustainable development, and mitigate the adverse effects of global economic volatility. The potential benefits of such integration are immense, particularly for LDCs within the region, including Burkina Faso, Mali and Niger. As West Africa navigates the current turmoil, the role of regional and international partners, including the wider international community, becomes increasingly significant.

Figure 4

West African countries' intraregional trade as a share of total trade in 2023



Source: UN DESA, based on IMF Direction of Trade Statistics.