WEST AFRICAN MONETARY AGENCY (WAMA)

IMPACT OF THE INTERNATIONAL FINANCIAL CRISIS ON ECOWAS MACROECONOMIC CONVERGENCE CRITERIA

Freetown, June 2009

Introduction

The international economy has been affected during the last two years by a succession of crises. The spiral has started with a food crisis which was mainly caused by the increasing use of cereals for the production of biofuel combined with a series of bad weather which affected certain production sites. This situation resulted in a considerable rise in the prices of staple food commodities. The drastic rise of the price of energy commodities which occurred during the first semester of 2008 worsened the inflationary pressures which mainly affected the low and middle income countries.

While economic policies were being envisaged so as to curb the effects of this double crisis, another crisis broke out: a financial one with more severe effects. The signs of this new crisis started in August 2007 with the burst of the real estate bubble in the USA. It results from the combination of several factors some of which are related to the preceding crises. Similarly to the past financial disturbances, the period preceding the crisis was characterized by a rocketing of the prices of assets which finally proved unsustainable ; a very long period of credit expansion and consequently an accumulation of debt; the emergence of new types of financial instruments ; the inability of the regulation bodies to follow the trend. Among the new factors, we will point out the quick expansion of the securitization which has negatively impacted on the incentives for credit suppliers and weakened the credit allocation criteria.

The international economic crisis has put the world economy in a deep downturn. According to the January 2009 Global economic prospects; the world economic growth should fall down from nearly 3.5 % in 2008 to 0.5 % in 2009. The developed countries are enduring the worst recession period since World War II, their production receding to more than 1.67% in 2009. An economic growth decline is also forecasted in China, India, Brazil, and in the other emerging economies from 6.25% in 2008 to about 3.25% in 2009, because of the fall in exports and the decrease in capital inflows and the fall in raw materials terms of trade.

In this difficult international business environment, it is advisable to ponder over the impact of all these disturbances on the economies of ECOWAS countries in general and over the process of macro economic convergence in particular. As a matter of fact, it goes without saying that the international economic crisis adds to the difficulties of the countries relatively to the achievement and reinforcement of the macroeconomic performance necessary to sustain the objectives of ECOWAS Monetary cooperation Programme (EMCP). It is relevant to note that the EMCP's ultimate objective is the creation of a single currency. Thus, its priority is the achievement of a rigorous programme of macroeconomic convergence, mainly through the stabilization of prices, the restoration of fiscal discipline**,** the control of the monetary financing of budget deficit and the maintenance of appropriate levels of gross external reserves. This study is structured into three parts. The first part analyzes the impact of these successive crises on the different economic sectors. The second part examines the effects of these different crises on the accomplishment of the macroeconomic convergence. As for the third part, it proposes some economic policy measures aimed at reducing the effects of these crises on macroeconomic stability and the performances achieved towards the objectives of ECOWAS Monetary Cooperation Programme.

I. **Analysis of the impact of the financial crisis on the different Economic sectors**

ECOWAS economies have made remarkable performances during the past eight years in the field of economic growth and stability. The economic growth has reached an average of more than 5 % during these years, the inflation had fallen to single digit before the sudden rise in the prices of fuels and foodstuffs terms of trade in 2008, and reserves have been consolidated. These positive evolutions were due to sound economic policies, a favourable external situation resulting mainly from the rise of foodstuffs exchange rate, the reduction of the debt and the assistance granted by the international community. These economic performances, resulting from so much effort, may now be threatened for; the community is undergoing the effects of the global crisis in the same way as the rest of the world.

Real sector

The impact of the global crisis on the real sector can be assessed here through the analysis of the evolution of economic growth and inflation.

1.1 Economic growth

On the whole, the food and energy crises noticed between the end of 2007 and the beginning of 2008 did not have significant consequences on the level of the economic growth in the ECOWAS countries.

Therefore, out of the eight WAEMU countries, only Togo and Senegal have recorded in 2008 a slight drop in economic growth compared to 2007. The fall of economic growth in Togo could be explained essentially by the resurgence of power shortage, the July 2008 floods, the persistence of the difficulties of the phosphate production and the slight resumption of the production of cotton grains. In Senegal, the fall of the growth from 4.8% in 2007 to 3.9% in 2008 would be linked to a 19.4 % drop of extractive activities, together with the degradation of the production unit of the Chemical Industries of the country and the contraction of activities in Building and Construction. Apart from these two countries, all the other countries of the zone have sometimes recorded a noticeable rise in economic growth.

Within the WAMZ, economic activity has become more dynamic in Guinea after the normal resumption of activities following the social unrests of 2006 and 2007. It has somewhat weakened in the Gambia and in Sierra Leone.

The Gambia has been somewhat affected by the appreciation of the national currency but also by the effects of the international crisis whereas Sierra Leone has suffered from the decline of the production of diamond due to a fall in the. Ghana and Nigeria have practically managed to maintain their level of growth. As for Nigeria, diversification of the economy has allowed to compensate the fall of activities in the oil sector because of the instability in the Niger Delta together with the fall in the demand by the end of the year. As far as Ghana is concerned, it has recorded a growth rate higher than 6% thanks to the performances of its agriculture and industrial sectors.

Concerning the other ECOWAS countries (Cape Verde and Liberia) they have undergone a reduction in economic growth. However, the level of the economic growth remained appreciably high in these two countries, more than 6%. On the whole, the ECOWAS countries have well resisted the shocks of food and energy crises, mainly because of the implementation of appropriate monetary and fiscal policies. The growth rate of the area even went up slightly to 5.8% in 2008 compared to 5.7% in 2007.

Table1: Real GDP growth rates of ECOWAS member States

	2002	2003	2004	2005	2006	2007	2008*	2009**
CEDEAO	**3.7**	**6.8**	**5.1**	**5.7**	**5.4**	**5.7**	**5.8**	**5,8**
UEMOA	**1.3**	**3.1**	**2.8**	**4.2**	**3.0**	**3.3**	**3.9**	**4,9**
BENIN	4.4	3.9	3.1	2.9	3.7	4.6	5.3	6,1
BURKINA FASO	4.6	8.0	4.6	7.1	5.5	3.6	4.5	5,5
COTE D'IVOIRE	-1.6	-1.7	1.6	1.8	1.2	1.5	2.9	4,3
GUINEE BISSAU	-7.1	0.6	3.2	3.5	2.0	2.7	3.1	3,2
MALI	4.3	7.6	2.3	6.1	5.3	4.3	4.7	5,1
NIGER	5.8	3.8	-0.8	8.4	5.8	3.3	5.9	4,5
SENEGAL	1.2	6.7	5.6	5.6	2.3	4.8	3.9	5,2
TOGO	-0.2	4.8	2.5	1.2	3.9	1.9	0.8	3,3
WAMZ	**4.6**	**8.8**	**6.3**	**6.4**	**6.0**	**6.4**	**6.4**	**6,0**
GAMBIA	1.3	7.4	6.6	6.9	7.7	6.9	6.1	6,0
GHANA	4.5	5.2	5.6	5.9	6.2	6.3	6.2	5,8
GUINEA	4.2	1.2	2.3	3.0	2.4	1.8	4.9	3,9
NIGERIA	4.6	9.6	6.6	6.5	6.0	6.5	6.4	6,1
SIERRA LEONE	6.5	10.7	9.6	7.6	7.2	6.4	5.6	5,9
OTHERS	**6.1**	**2.4**	**1.9**	**4.2**	**8.1**	**7.7**	**6.3**	**8,6**
CAPE VERDE	5.3	4.7	4.3	5.6	8.2	6.7	5.9	6,5
LIBERIA	7.8	-1.9	-2.8	1.4	7.8	9.5	7.1	12,7

Source: Central Banks, UEMOA, WAMI, WAMA

If food and energy crises have apparently had limited impacts on the economic activity within ECOWAS, the world recession which has started with the financial crisis in the developed countries will surely quickly extend to the developing countries, including African countries. In fact, studies carried out by IMF reveal that a drop of 1 percentage point in the global economic growth results in a drop of ½ percentage point of the growth in sub-Saharan Africa[1]. All the indicators seem to suggest that the impact of the financial crisis might be

[1] IMF and WB Report on the Financial crisis, December 2008

more important. In fact, the increasing scarcity of credits at international level which should affect trade and the flows of capitals might further reduce economic activities.

Therefore, the crisis has darkened Africa's economic prospects and there is uncertainty about how long the crisis well last. The impact of the financial crisis already results obviously in growth projection of 3.3% in 2008, that is about half less than the past decade average.

In spite of the ambitious projections of the ECOWAS countries, an important fall of economic growth is expected in 2009. The countries strongly depending on oil and mining products exports may be more affected. This situation may affect the significant performances achieved by the countries of the zone during the last decade and may exacerbate as well the impact of spectacular increases of foodstuff prices and the volatility of the oil terms of trade, which have fuelled the inflation and have reduced the economic growth prospects.

1.2 Inflation

The ECOWAS countries have strongly felt the tensions on the international foodstuffs and energy market. In fact, the countries of the area have had to face important inflationary pressures. The large dependence of these countries on imported foodstuffs as against local production has exacerbated the situation. At the end of 2008, all the ECOWAS countries except Senegal recorded high inflation rates.

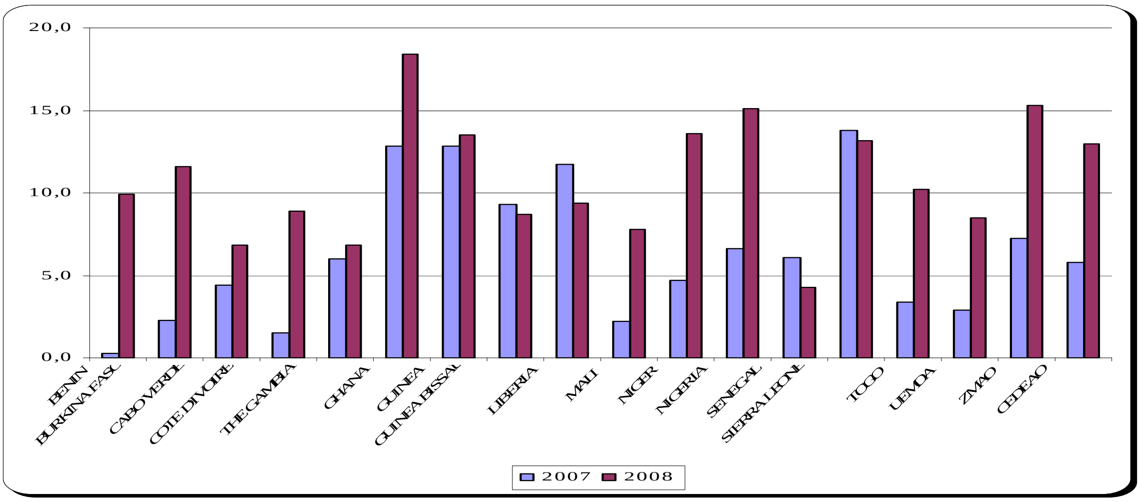
End of period inflation rate in the area moved from 5.8% in 2007 to 13.0% in 2008. Within the ECOWAS area, the inflation stood at 8.5% versus 2.9% in 2007. The most affected ECOWAS countries are Niger, Burkina, Benin and Togo. As for the WAMZ countries, the inflation rates have more than doubled to reach 15.3% in 2008. Within the WAMZ, all the countries have been deeply affected with the exception of The Gambia.

The impact of the increase of food and energy prices in the countries of this area could have been more important if no targeted measure had been carried out in all the states. The measures include in general:

- The exemption of import duties on basic foodstuffs (rice, milk, sugar, vegetable oils).
- The suppression of the VAT over foodstuffs produced in the area ;
- The distribution of foodstuffs at highly subsidized prices in favour of the most vulnerable groups ;
- The maintenance of fuel prices over a certain period by decreasing the taxes levied by the states or even certain states subsidy;
- The distribution of seeds to producers:
- The creation of cereal banks etc…

In addition to these short-term measures, the countries have committed themselves to vast programmes aimed at ensuring food security.

Graph 1 : Evolution of inflation in annual basis (in %)



Source : Central Banks, UEMOA, WAMI, WAMA

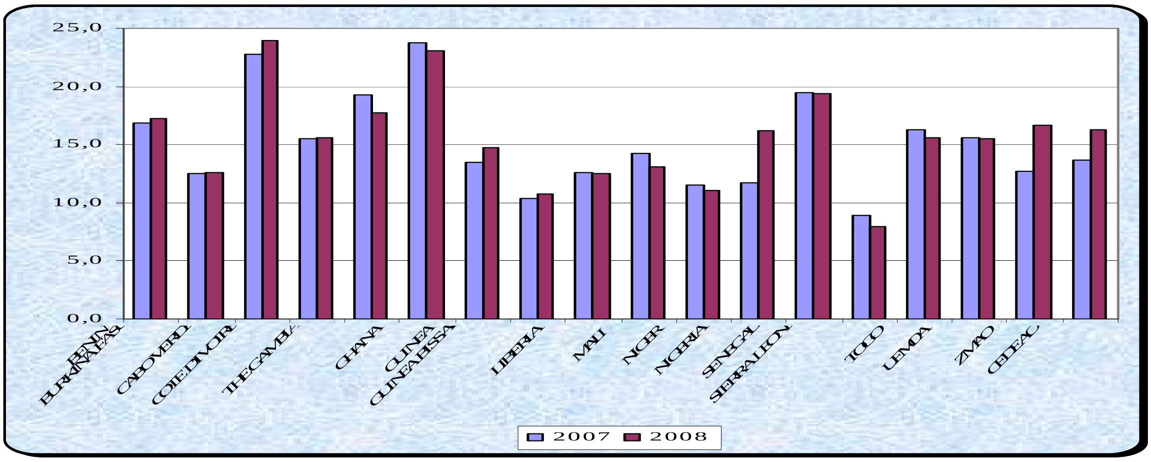
Yet, despite the financial crisis and reduction of economic activities mainly in the developed countries, the prices of foodstuffs and energy have undergone an important decrease. A disinflation movement has been noticed in many countries throughout the world. This situation has been deeply felt at the level of the ECOWAS countries. What leads to think that for 2009, the inflationary pressures should be moderate?

However, there is a certain risk to witness a leap in prices. In fact, the fall of export incomes in relation to the fall of raw material prices and the demand combined with the decrease of public and private transfers result in a tension on the exchange market and consequently a depreciation of certain national currencies. This situation might have an impact on the evolution of the inflation in 2009. The risk is all the more important as some Central Banks might be in a situation in which it is impossible to stabilize the national currency.

1.2. Public Financial Sector

In view of inflationary tensions resulting from food and energy crises, the public finance of ECOWAS countries has undergone real pressures in 2008. Thus, many countries have dropped the taxes on foodstuffs. This renunciation has obviously generated heavy losses in expected income. The income losses on tax revenues is about 27.9 billion for Benin, 4.6 billion FCFA for Burkina, 3.7 billion FCFA for Bissau Guinea, and 500 million Dalasi for the Gambia. All the countries have endured huge sacrifices. To compensate the losses, some countries have resorted to strategies aimed at the enlargement of the tax base. Thus on the whole, the tax revenue/GDP ratio has not been fundamentally affected. As indicated in the chart below, countries such as Benin, Cape Verde, Guinea have even improved their tax revenue/GDP rates. To the contrary, the situation has become worse for countries such as the Gambia, Mali and Togo.

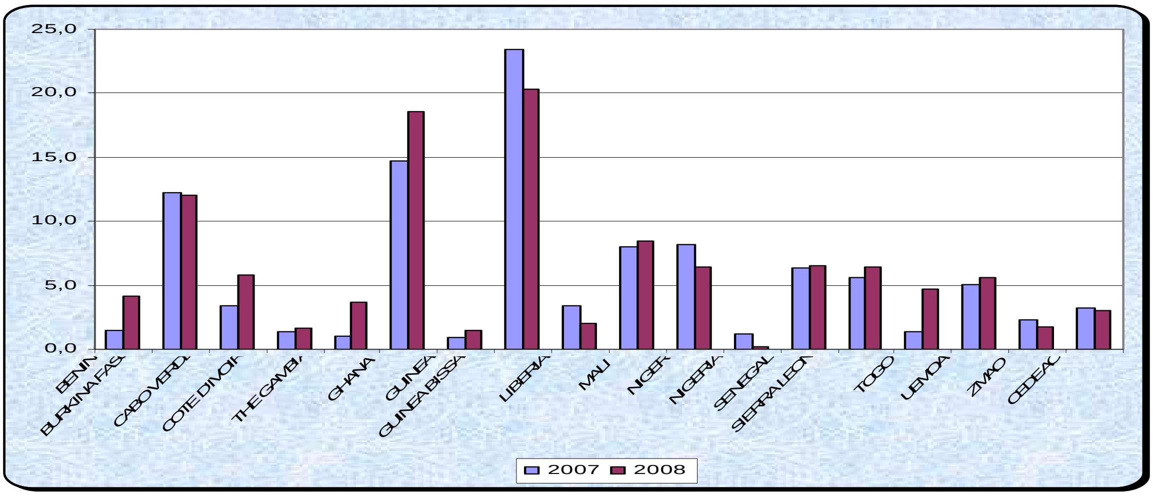
<u>Graph</u> 2 : Evolution of Tax revenue /GDP (in %)



<u>Source</u> : Central Banks, UEMOA, WAMI, WAMA

In addition to loss of potential earnings on some revenue items, the overall budget situation of ECOWAS countries has been affected by the level of subsidies, mainly in the framework of the protection of the populations' purchasing power. Therefore, for the majority of the countries in the region, overall budget deficits deteriorated as shown in the graph below.

Graph 3: Overall budget deficit



<u>Source</u>: Central Banks, UEMOA, WAMI? WAMA

Public finance situation may get worse with the financial crisis which has turned into a global economic crisis. In fact, many countries that draw most of their budget revenue from one or two basic products are likely to be affected by the deterioration in terms of trade on raw materials. In addition there is the possibility of an effective decline in official development assistance (ODA) and other external financing.

On the whole, the prospects reveal that budget balance will be very instable for the whole continent. From a global budget surplus of 2.8% of GNP in 2008, the expected deficit for the continent is 5.4% of GNP in 2009.

1.3 Monetary and Financial Sector

1.3.1 ECOWAS' Banks and Financial Institutions

Contrary to what occurred in the developed countries, there is not yet systemic banking crisis within the community. On the whole, the commercial banks and the other financial institutions have remained healthy and stable. The transactional bonds between banking structures are limited to the minimum; exposure to the complex financial products is very limited and the financial systems are not well integrated into the global financial markets. However, if the global crisis continues, the risks could increase because of the following reasons:

I) A prolonged downturn of the economy increases credit risk. For example, the domestic financial sector is vulnerable to a strong reduction in the incomes of the customers or her capacity to ensure the service of its debt, mainly if the growth of the credit has been, up to that point, particularly strong. The banks can also encounter losses regarding other types of financial credits (such as deposits at the corresponding banks which are in difficulty).

II) The concentration of the banking portfolio becomes also a source of vulnerability in several African countries. Because of the strong contraction of the world request and decline in the prices of most of the raw materials, the large sectors, such as wood and cotton, are deeply affected, and their problems can quickly impact on the banking environment.

III) In certain countries, the banking structure could more and more be exposed to the volatility of the market. The countries where the existence of high profit shares had encouraged the investors to borrow money to place at the stock exchange (for example Nigeria) face the greatest risk.

IV) The banks' head offices might withdraw their funds from the subsidiaries or the local banks. The risks of contamination of subsidiaries within the community facing difficulties could be related to the fact that a foreign parent bank;

- withdraws her capital from the African subsidiaries,
- requires of her African subsidiaries to refund loans granted to them,
- does not invest the local benefits in the subsidiaries any more

Therefore it is advisable to supervise closely the financial sector, in particular the banks, to reduce the factors of vulnerability to the minimum and to reduce the risks.

1.3.2 Financial Markets

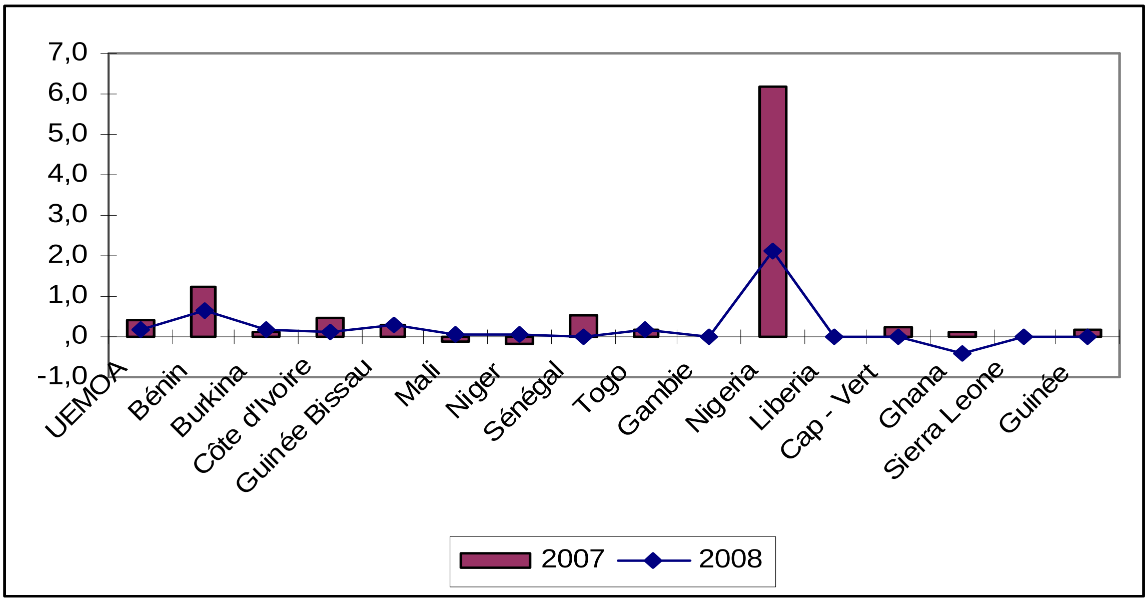
The stock exchange markets of the community have not escaped from the global financial crisis. Because of their financial bonds with other financial institutions throughout the world, Nigeria and Ghana were the first affected countries, through the decline in share prices and the resulting capital outflows affected their exchange rates. Ghana had to postpone the expected loans, whereas, in Nigeria the external financing has become difficult to obtain (by the companies and the banks).

Tableau 2 : Variation des investissements en portefeuilles – CEDEAO (en % du PIB)

Pays ou zone	2006	2007	2008	2009**
UEMOA	,1	,4	,2	-,2
Bénin	*,1*	*1,2*	*,7*	*,6*
Burkina	*,0*	*,1*	*,2*	*,2*
Côte d'Ivoire	*,1*	*,5*	*,1*	*-,8*
Guinée Bissau	*,4*	*,3*	*,3*	*,2*
Mali	*-,1*	*-,1*	*,1*	*,1*
Niger	*-,1*	*-,1*	*,1*	*,1*
Sénégal	*-,1*	*,5*	*,0*	*,1*
Togo	*2,6*	*,2*	*,2*	*-,1*
Gambie	-	-	-	-
Nigeria	2,9	6,2	2,1	nd
Liberia	-	-	-	-
Cap - Vert	,0	,3	,0	nd
Ghana	,0	,1	-,4	nd
Sierra Leone	-	-	-	-
Guinée	,0	,2*	,0	nd

Source : Central Banks, UEMOA, WAMI , WAMA ; * debt obligation of 8.1 Billion of dollars

Graph 4 : Evolution of portfolio investments between 2007 and 2008 of ECOWAS member countries (in % of GDP)



Sources : WAMA, ECOWAS Central Banks

At the UEMOA Regional Stock Exchange (BRVM) established in Abidjan, only 14% of the quoted shares are held by foreign investors. That indicates its embryonic character and the very low level of connection with the global market. In addition, it should be noted that throughout the zone, the gross total investment didn't exceed 106.8 billion FCFA in 2007 and 46 billion in 2008. According to BCEAO authorities, the BRVM composite index registered a decline of 26.4% and 18,3% during the last three months of 2008. This reduction is also noted in portfolio investment with a drop of 56.6% between 2007 and 2008 within the WAEMU. Among other reasons, this situation is caused by the depreciation of the assets of the companies dealing in the sectors mostly vulnerable to the current turbulences in global economy (sectors of agro industry, textile and tourism).

Regarding the stock exchange market of Cape Verde, despite its considerable development since its creation in 2005, the capitalization of the stock exchange and obligations didn't exceed 16.6 billion CVE by the end of September 2007 (14% of the GDP).

1.4 External Sector

The deceleration in global economy, at the end of 2008, involved a fall in the prices of raw materials, impacting consequently on exports revenues, current business transactions, etc. Raw material exporters faced deterioration in their terms of trade. However, it should be stressed that in 2008, the price of most raw materials exported by the Member States of the Union was characterized by

a rise at international level. The prices of coffee, cocoa, groundnut oil and palm oil rose particularly. It was the same regarding gold, oil and uranium.
The effect of the financial crisis on the countries is primarily indirect and it impacts mainly on the fields of economy where the countries interact with international community: tourism, transfers from migrants, FDI and certain exports.

1.4.1 Trade Balance

a) Evolution of imports and exports

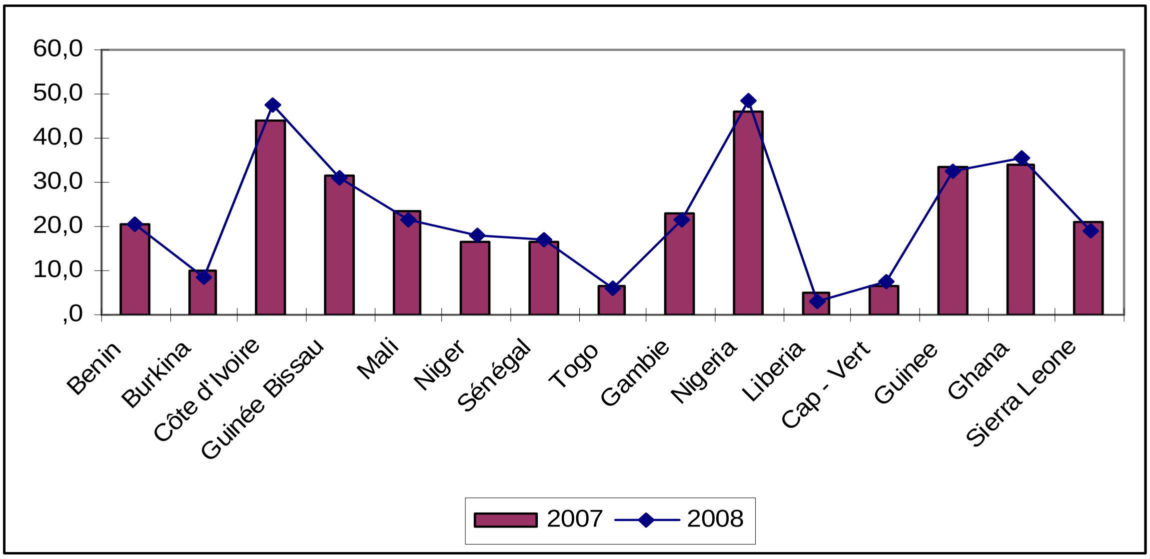
The economies of the Community may be affected in 2009, by the fall in the prices of raw materials.

The profile of the current foreign trade of the Community countries is likely to deteriorate. Nigeria that registered a surplus of current transactions during the past years, due to positive evolution of the market, is expected to record deficits in 2009 due to the risks of persistence and accentuation of the drop in the prices.

Table 4: Evolution of exports and imports (in % of GDP)

	EXPORTATIONS				IMPORTATIONS			
	2005	2006	2007	2008	2 005	2 006	2 007	2008*
Bénin	14,3	16,7	20,4	20,5	21,3	23,8	31,2	31,3
Burkina	9,2	10,7	9,9	8,6	20,0	19,6	19,4	19,6
Côte d'Ivoire	49,6	49,2	43,8	47,6	33,9	31,1	30,8	31,9
Guinée Bissau	31,0	24,0	31,3	30,9	36,6	41,1	49,1	48,4
Mali	22,1	28,0	23,3	21,7	25,0	26,7	27,6	27,9
Niger	16,5	15,1	16,7	18,1	26,5	22,3	23,0	27,2
Sénégal	19,7	18,2	16,6	17,1	36,0	36,4	41,2	40,3
Togo	34,0	8,6	6,7	6,0	60,4	13,9	10,6	9,9
Gambie	24,3	29,1	23,0	21,6	51,9	61,6	47,5	41,4
Nigeria	75,4	60,3	45,8	48,3	35,5	31,8	22,5	23,0
Liberia	6,3	5,2	5,2	2,8	14,5	14,7	13,2	8,2
Cap - Vert	9,6	9,4	6,3	7,5	47,3	54,8	57,5	53,3
Guinée	21,6	31,8	33,5	32,3	19,2	29,4	37,8	32,9
Ghana	31,6	34,8	33,9	35,6	60,4	63,1	65,6	69,4
Sierra Leone	17,3	21,6	21,2	18,9	34,0	30,3	29,8	27,5

Graph 5: Variation of exports between 2007-2008 (in % og GDP)



Sources: WAMA, ECOWAS Central Banks

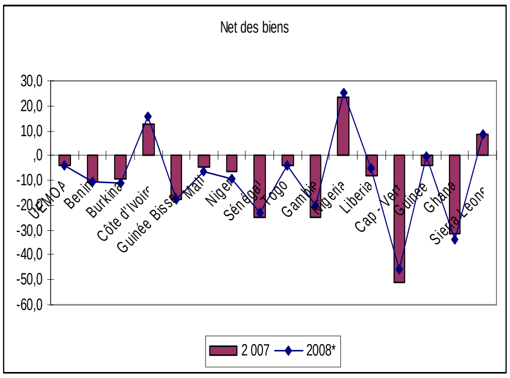
In 2008, the evolution of exports and imports of the community showed that external trade had not yet been affected by the international crisis. However, the downturn of world demand, combined with the reduction of the prices of staple commodity, could slow down the sale of commodities within the community space in 2009. In some countries of the community, in particular in Cape-Verde and The Gambia, tourism is one of the main income and employment generating activities in the service sector. The net balance represents 8 to 15% of GDP of these countries. However, the decrease in household income in industrialised countries seems to cause a slowdown, or even a reduction of tourist flows which may lead to a degradation of the balance of services, and consequently the current account balance.

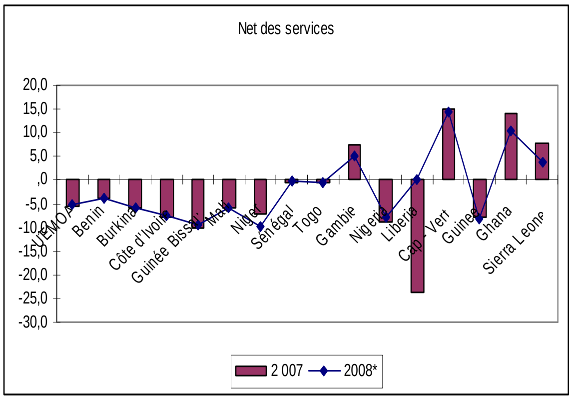
In other countries, the export oriented sectors are the main engines of economic growth and are an important share of budget revenues. The commodities exchanged are mainly the products from extractive mining industries, agricultural and forestry products. Thus, crude oil accounted for 98.2% of exports in Nigeria in 2007, cotton 65 .2% in Burkina, gold 72% in Mali, Cocoa more than 20% in Côte d'Ivoire, Uranium 30.0% in Niger, Bauxite and gold respectively 39.2% and 31.7% in Guinea. Imports mainly relate to food commodities, oil products, intermediate and capital goods.

Table 5: Net balance of goods and services of ECOWAS Countries (in % of GDP)

	BIENS				SERVICES			
	2 005	2 006	2 007	2008*	2 005	2 006	2 007	2008*
UEMOA	-1,6	,1	-3,8	-3,7	-5,5	-5,5	-5,4	-5,3
Bénin	-7,1	-7,1	-10,8	-10,8	-2,1	-3,1	-3,9	-3,7
Burkina	-10,9	-8,9	-9,5	-11,0	-5,7	-5,8	-5,8	-5,8
Côte d'Ivoire	15,8	18,0	13,0	15,7	-8,3	-8,1	-7,8	-7,6
Guinée Bissau	-5,6	-17,1	-17,8	-17,6	-12,7	-11,7	-10,2	-9,4
Mali	-2,9	1,4	-4,3	-6,2	-6,3	-6,5	-6,0	-5,7
Niger	-10,1	-7,2	-6,3	-9,2	-6,6	-7,1	-7,2	-9,8
Sénégal	-16,3	-18,3	-24,6	-23,2	-,4	-,4	-,4	-,3
Togo	-26,4	-5,3	-3,9	-3,9	-5,2	-,9	-,7	-,7
Gambie	-27,6	-32,5	-24,6	-19,8	8,2	8,8	7,3	5,1
Nigeria	39,9	28,5	23,3	25,3	-4,5	-5,0	-9,0	-7,9
Liberia	-8,3	-9,6	-8,0	-5,4	-30,5	-31,3	-23,8	-
Cap - Vert	-37,7	-45,4	-51,2	-45,8	6,6	12,9	15,2	14,5
Guinée	2,4	2,4	-4,3	-,5	-5,0	-6,7	-7,8	-8,1
Ghana	-28,7	-28,3	-31,7	-33,8	16,3	18,5	14,2	10,5
Sierra Leone	16,7	8,7	8,6	8,6	4,8	3,4	7,9	3,8

Graph 6 : Variation of net balance of goods and services between 2007-2008 (in % of GDP)





Sources: WAMA, ECOWAS Central Banks

b) Evolution of prices of staple commodities in 2008.

Two trends were observed: an increasing trend up to December 2008 followed by a decrease. During the first phase, the situation of international markets of raw materials was characterized by an increase of the prices of almost all the exported products by member countries of the Union. Coffee, cocoa, peanut and palm oil particularly progressed. The same goes for gold, oil and uranium. However, at the end of 2008, most of these prices were on the decrease as indicated by the table below.

Variation of prices of staple commodities between end of July and December 2008

Products	Variation	Prices as of 2 December 2008
Crude oil (WTI)	-60,60%	49,32 dollars US/barrel
Copper (London)	-57,3%	3.530 dollars US/ton
Aluminium (London)	-43,9%	1.642 dollars US/ton
Coffee (London)	19,1%	1.982 dollars US/ton
Wood (Chicago)	-27,2%	184,30 dollars US/BDFT
Cotton (New York)	-37,4%	44,80 cents/lb
Cobalt *	-30,5%	26,47 dollars US/lb
Diamond	-44,9%	17,7 dollars US/carat

Source: « Les Echos »

On the whole, even though in 2008, the crisis did not yet affect foreign exchanges of ECOWAS member countries, all the hypotheses seem to suggest a decrease of exports and a degradation of trade balance and services in 2009. Moreover, world credit contraction has led to a hardening of international loan terms to banks and the withdrawal of foreign investment from national security market. The decrease of oil exports revenues combined with the increase of costs and the shortening of the maturity period of commercial loans will affect the foreign exchange market and create liquidity problems for some banks. Foreign sales to UEMOA recorded a slowdown in 2009, with an expected progression of about 9.5% in 2008. States, with vulnerable political and social situation such as Guinea Bissau and Liberia, depend on concessional funds that could be disturbed by the international crisis.

1.4.2 Financial flows with the rest of the world

Public and private transfers contribute to the reduction of external imbalances and strengthen foreign exchanges. On the other hand, a liquidity constraint and a decrease of revenues could translate into a slowdown of capital inflows in the countries of the community. Such a situation would be a source of risk on their external viability.

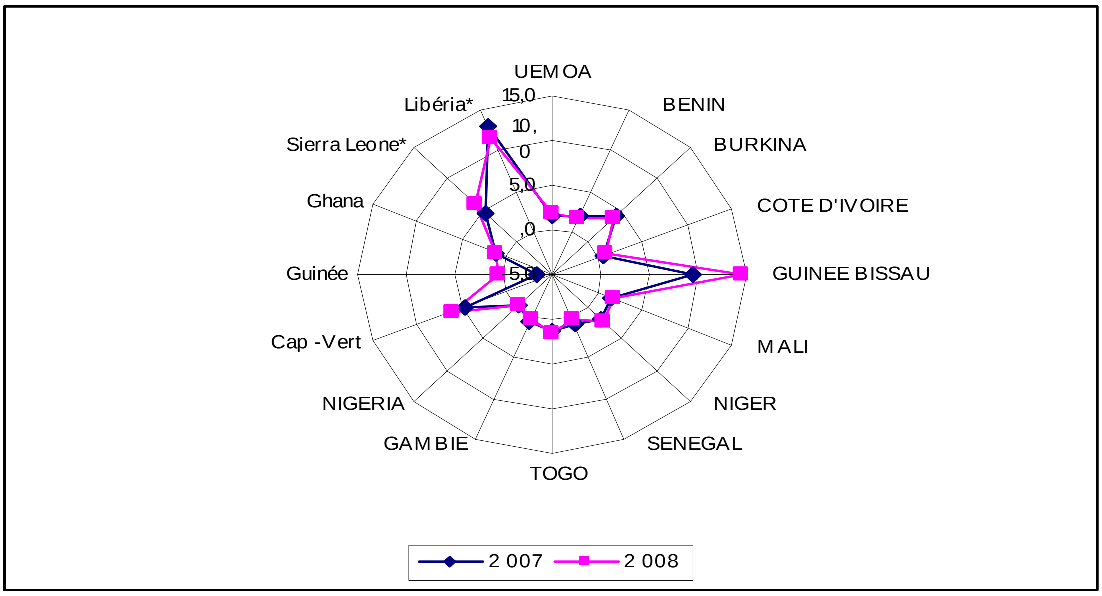
a) Public remittances

These remittances are mainly composed of grants in the framework of official development assistance. Their importance varies according to countries. In 2007 the weight of these remittances in relation to GDP was on 1.7% on average at the level of UEMOA. Taking countries individually, Benin, Guinea Bissau, and Niger are the countries that have received more assistance in UEMOA. As regard to UEMOA's non member countries, such as, Cape Verde, Liberia and more or less Ghana, they have received less official development assistance in 2007. As regards their evolution, Graph 7 and Table 6 show that between 2006 and 2008, aids or assistance has not been disturbed by the international crisis. For all the countries, a bullish/increasing trend or a stagnation has been noticed. However, we can note a net public transfer in Guinea which could be related to the on-going political crisis in the country.

Tableau 6 : Proportions of total transfers and evolution of the net share of public transfer in the GDP of ECOWAS Member countries (in%)

Country or zone	Proportions	2 006	2 007	2 008	2 009
UEMOA	41.4	1.2	1.7	1.7	1.2
BENIN	42.9	2.3	2.1	1.9	1.9
BURKINA	71.7	3.0	4.3	4.0	4.0
COTE D'IVOIRE	-66.3	-.2	.8	1.1	-.1
GUINEA BISSAU	65.8	10.9	9.4	14.5	12.9
MALI	36.1	2.7	1.7	2.0	1.6
NIGER	56.0	2.3	2.2	2.4	2.0
SENEGAL	5.5	.6	1.0	.6	.6
TOGO	13.3	1.2	1.4	1.5	1.6
WAMZ					
GAMBIE	7.6	1.2	.9	.6	na
NIGERIA	.2	.2	.1	.1	na
GUINEE	43.0	-.6	-3.3	.4	na
GHANA	11.1	1.8	1.4	1.4	na
SIERRA LEONE*	Nd	6.1	4.7	6.0	na
OTHERS					
LIBERIA*	Nd	30.0	12.8	11.5	na
CAP -VERT	32.9	4.0	4.7	6.0	na

Graph 7 : Importance of net public transfers in the GDP of ECOWAS member countries (in %)



Sources : WAMA, ECOWAS Central Banks

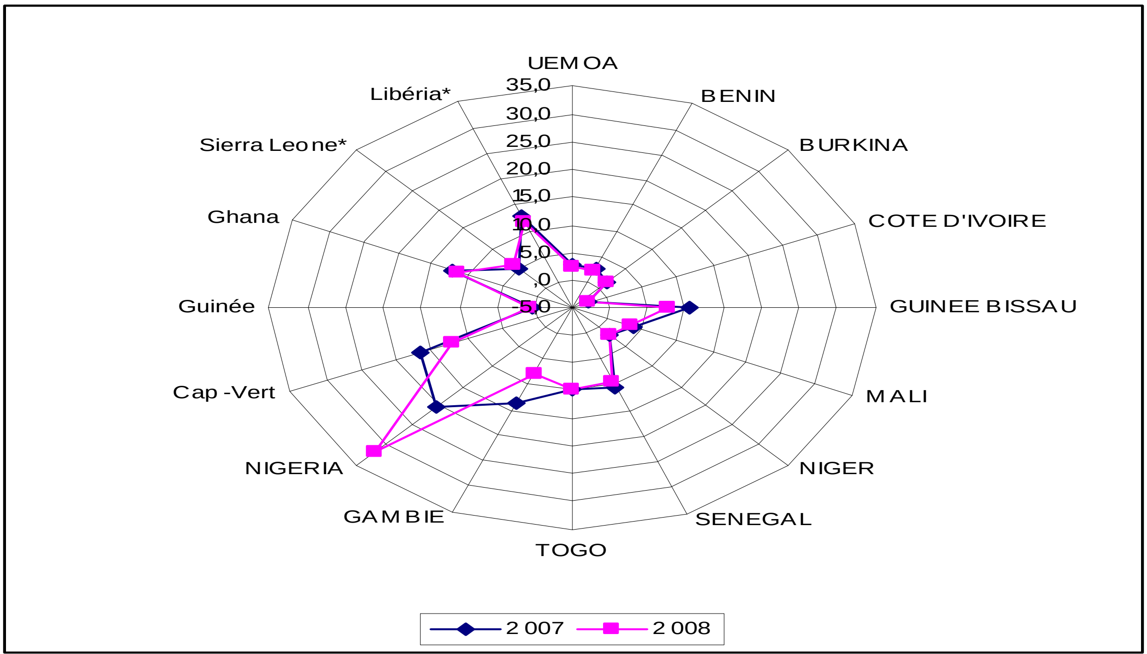
b) Private transfers from migrants

According to the Regional Economic Perspective Report 2009 declared foreign remittances have mainly increased in recent years. Their overall amount has almost been multiplied by fifteen (15) since 1980 nearing now US $ 265 billions. The total in sub Saharan African was estimated at US $ 19 billions in 2007- which accounted for about 2.5% of regional GDP. The study states clearly that about 80% of remittances which Africa receives, come from advanced countries. Therefore, the ECOWAS countries, as an integral part of sub Saharan Africa, are vulnerable to an economic downturn of these countries. Transfers from migrants are identified as one of the potential transmission channels of the financial crisis into the countries of the community. Some ECOWAS countries could be more exposed than others. The weight of private remittances, composed mainly of remittances from migrants within the economies of the communities, is considered as one of the most important item of foreign currency inflow. In relation to GDP, in 2007, it was around 10% in Guinea Bissau and Senegal, 13.5% in The Gambia, 20% in Nigeria, 16.3% in Cape Verde, and 12.3% in Ghana and 2.8% of the GDP for the UEMOA region. Only Cote d'Ivoire has had a net negative transfer caused by political instability during the period.

Table 7: Evolution of private remittances in the GDP of ECOWAS member countries (in %)

Country or zone	Proportions	2 006	2 007	2 008	2 009
UEMOA	58.6	2.0	2.8	2.4	2.1
BENIN	57.1	3.2	2.8	2.5	2.1
BURKINA	28.3	1.4	1.7	1.6	1.5
COTE D'IVOIRE	166.3	-2.7	-2.6	-2.6	-2.4
GUINEE BISSAU	34.2	7.6	10.4	7.5	6.2
MALI	63.9	2.6	3.9	3.5	3.2
NIGER	44.0	2.2	2.2	1.9	1.8
SENEGAL	94.5	8.4	10.6	9.4	8.2
TOGO	86.7	9.7	9.7	9.8	9.6
WAMZ					
GAMBIA	92.4	16.0	13.5	7.9	na
INCLUDING MIGRANTS	66.1	12.3	6.6	5.6	na
NIGERIA	99.8	13.4	20.2	31.6	na
INCLUDING MIGRANTS	99.7	13.2	20.2	31.5	na
GUINEE	57.0	.0	.2	.6	na
GHANA	88.9	16.5	12.3	11.4	na
SIERRA LEONE*	Nd	6.1	4.7	6.0	na
OTHERS					
LIBERIA*	Nd	30.0	12.8	11.5	na
CAPE-VERDE	67.1	20.4	16.3	12.3	na
INCLUDING MIGRANTS	40.6	10.1	8.5	7.4	na

Graph 8 : Importance of net private transfers (migrants) in the GDP of the ECOWAS member countries (in %)



Sources: WAMA, ECOWAS Central Banks

The impact of these remittances from migrants on external equilibrium can become more sizable than that of the other financial inflows (financial aid, direct investment or loans), in the sense that their use is not linked to specific investment projects requiring a huge import content. Moreover, they do generate future outflows (reimbursement or interest and dividends payment) and represent a source of stable foreign currency.

c) Direct investments

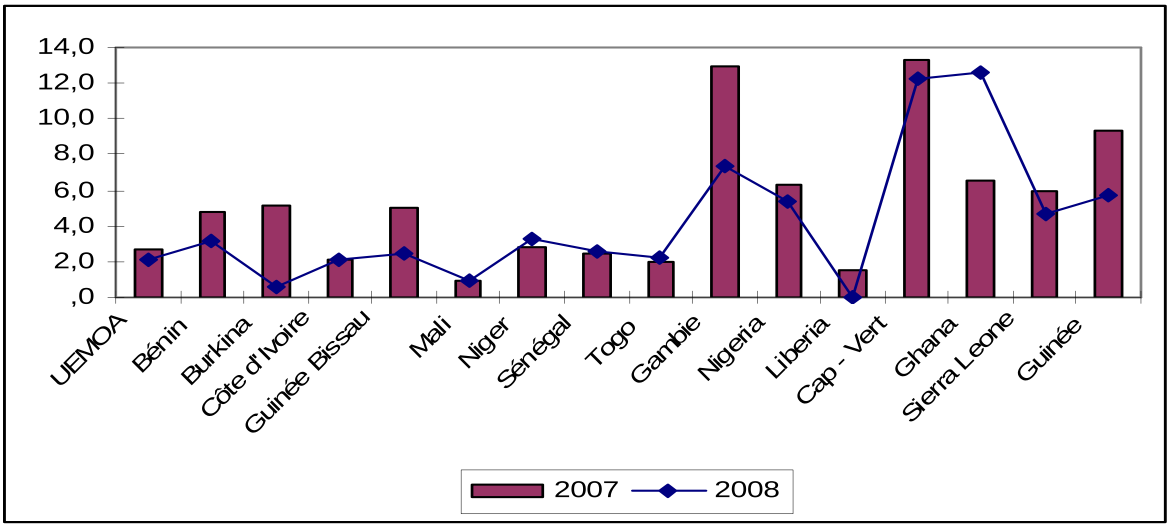
Attracting direct investments has recently been the policy of all the community member States. For all the countries of the community, the direct investments are positive. In 2007, Cape-Verde (13.3% of GDP), The Gambia (12.9%), Guinea (9.3%), Ghana (6.5%), Nigeria (6.3%), Burkina Faso (5.1%), Guinea Bissau (5.0), and Benin (4.7%) had the most important shares of foreign direct investments to GDP. On the other hand, Mali and Liberia had 0.9% and 1.5% FDI/GDP respectively in 2007. However, with the exception of Niger, Ghana, Togo and Senegal, the weight of direct investment in GDP decreased at the level of all the other countries in 2008.

This decrease in direct investment in 2008 could be associated with a decline in investment profitability in various sectors such as mining because of the falling prices of raw material. Besides, due to a shortage of liquidity and the hardening of loan conditions at international level, investors could also be faced with difficulties in mobilizing resources to fund their projects. Direct investments in the countries of the community could be faced with more decrease, and consequently lead to a degradation of their foreign position and losses in terms of economic growth.

Table 8 : Evolution of foreign direct investments in ECOWAS member countries (in % of GDP)

Country or zone	2006	2007	2008	2009**
UEMOA	1.7	2.7	2.1	2.1
Benin	1.2	4.7	3.1	3.2
Burkina	.6	5.1	.6	.4
Côte d'Ivoire	1.8	2.2	2.1	2.0
Guinea Bissau	5.5	5.0	2.5	2.9
Mali	1.3	.9	.9	.8
Niger	1.4	2.8	3.3	3.4
Senegal	2.3	2.4	2.6	2.5
Togo	4.1	2.0	2.2	5.5
Gambia	16.1	12.9	7.3	na
Nigeria	17.5	6.3	5.4	na
WAMZ				
Ghana	5.2	6.5	12.6	na
Sierra Leone	4.4	5.9	4.7	na
Guinea	3.9	9.3	5.7	na
OTHERS				
Liberia	2.8	1.5	Na	na
Cape- Verde	11.1	13.3	12.2	na

Graph 9 : Evolution of Direct investments between 2007 and 2008 of ECOWAS member countries in % of GDP)

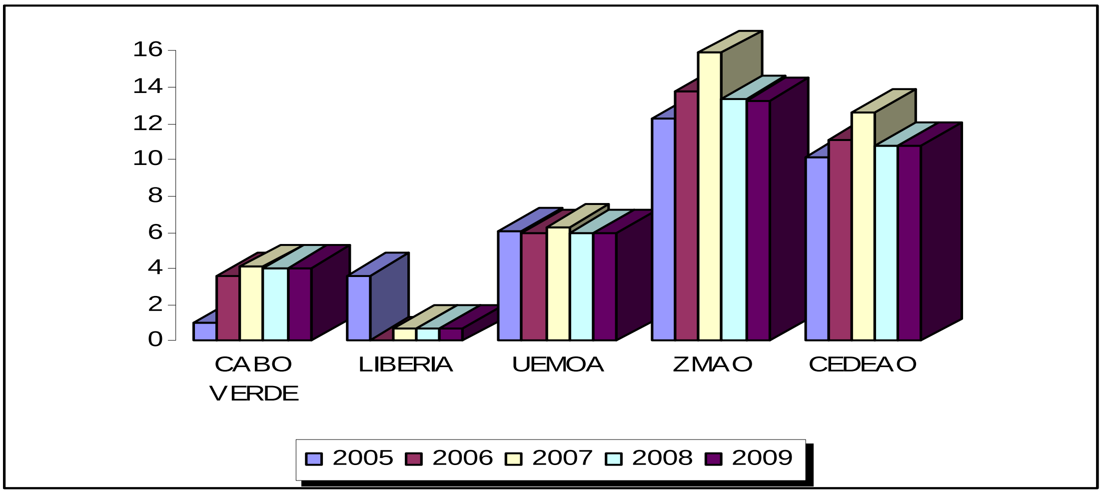


Sources: WAMA, ECOWAS central Banks

1.4.3 Foreign exchange reserves

It can be noted that export markets of countries within the community are shrinking, raw material prices are in net decline and fund transfers follow a downward trend. Even if at financial level, banks have avoided high risk assets, private capital inflows are decreasing, whether they are portfolio investments or foreign direct investments. However, the countries of the community have, in general, accumulated enough foreign exchange reserves to cushion the shock .The community has managed to cover more than ten (10) months of imports. In fact, the weight varies from one country to another: Guinea and Liberia have the lowest levels of reserves whereas Nigeria has the highest level.

Graph 10: Gross external reserves of ECOWAS in months of imports



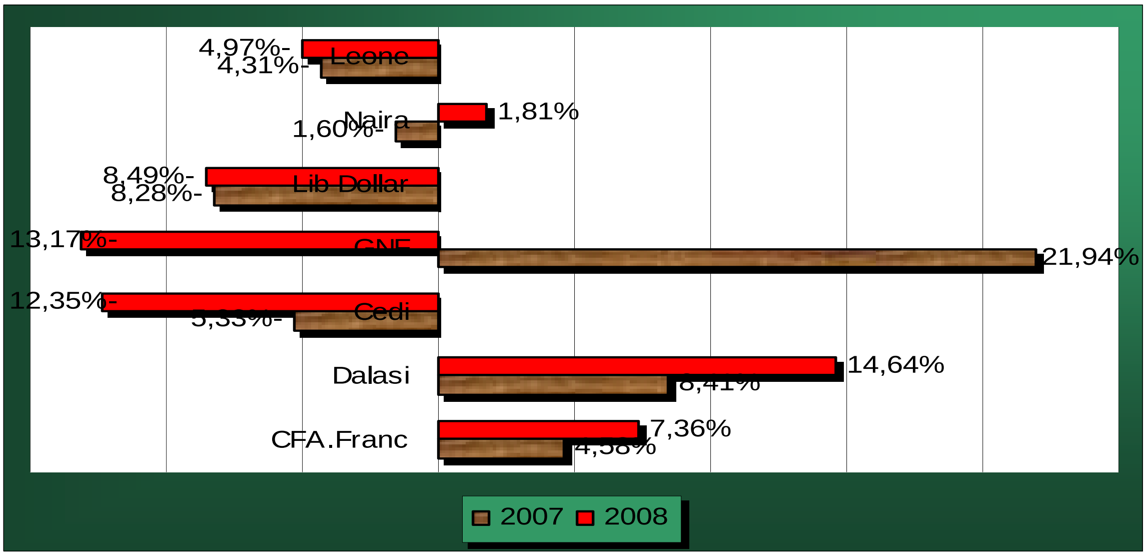
Sources: WAMA, ECOWAS central Banks

1.4.4 Exchange Rates

As regards to exchange rates, the crisis has increased volatility, which harms trade and growth by increasing uncertainties and costs of foreign exchange. Most of the WAMZ countries and Cape Verde have experience a depreciation of their currencies. Exports coming from these countries would cost relatively less in dollars. These countries are, however, slightly capable of increasing their exports so as to take advantage of this opportunity.

Concerning the CFA Franc Zones, and Cape Verde whose exchange rates are anchored to the Euro, the appreciation of the Euro in relation to the Dollar affects the real exchange rate. Such a situation jeopardises external competitiveness. The volatility level of nominal exchange rates of countries in the community is as follows in 2007 and 2008

Graph 11: Variation of ECOWAS average annual exchange rates



Sources: WAMA ECOWAS central Banks

II Analysis of the impact of the Global Financial Crisis on the Convergence Criteria

2.1 ECOWAS' Convergence Criteria

The decision A/DEC.7/12/99 taken by the Heads of States Conference and Government, in December 1999, ratifies the adoption of ECOWAS macroeconomic convergence criteria which include ten (10) indicators. These relate to the real sector, public finance and the external sector. The indicators are grouped into four (4) primary criteria and six (6) secondary criteria. In fact, the priority criteria are only those of the first rank and they deal mainly with fiscal consolidation, price stability, the reduction of budget deficit financing by the Central bank and the building up of foreign reserves.

2.2 ECOWAS' Convergence Criteria evolution and International Crisis

During the year 2008, the respect of the convergence criteria by the Economic Community of ECOWAS' member States was strongly disturbed by the impact of the double exogenous shocks on food and energy prices, which resulted, in a net inflation increase and, within oil-importing States, and in a deterioration of public finances. Therefore, the criteria relating to inflation was only met by one State of the Community. At the sub-regional level, out of the four criteria, the WAMZ has met only three while ECOWAS met two of those criteria, Cape-Verde one and Liberia two.

Within the WAMZ area, the economic situation shows a cutting point between the beginning of 2008 marked by ever increasing oil rates and the end of the year disturbed by the decline in the rates and the first round affects of the global downturn. On the whole, the economic activity shows stagnation (6.4% from 2007 to 2008). The drop in the oil prices at the end of 2008 has led to a recovery of public finance surplus (1.7% of GDP in 2008 as against 2.3% of GDP in 2007) and of the current account (15.2% of GDP against 9.7% of GDP in 2007). Following the example of ECOWAS area, the WAMZ area experienced an increase in inflation (15.3% against 7.3% in 2007).

As far as ECOWAS is concerned, the economic activity has enjoyed a slight improvement despite a very difficult international situation. GDP growth was 3.9% in 2008 as against 3.3% in 2007, mainly associated with the primary sector's performances which benefited from better climatic conditions and voluntarist support measures for agricultural production. The benefits from this increase are however undermined by strong inflationary pressures (8.5% as against 2.9% in 2007), a deterioration of current account deficit (-6.0% of GDP in 2008 as against -4.1% in 2007) and a widening of the budget deficit (-5,6% of GDP in 2008 against -5,1% in 2007) which has resulted in cash flow difficulties and in some States, by an accumulation of payments arrears.

In Cape-Verde and Liberia, the year 2008 was marked by a slowdown of the economic activity (respectively 6.7% as against 5.9% in 2007 and 9.5% against 7.1% in 2007). As in the WAMZ countries, the double shock of the increase in the prices of food products and energy had a heavy impact on inflation in Cape-Verde and Liberia (respectively 6.8% against 4.4% in 2007 and 9.4% as against 11.7% in 2007) and the budget balance excluding grants (5.8% as against 3.4% in 2007 and 2.0% as against 3.4%).

Although in 2008, the Community was slightly saved from the most direct effects of the global financial crisis, the so called second round effects, passing through the real economy (imports revenue, flow of capital and migrants' remittances) are already perceptible. The growth forecast of the year 2009 for the countries that are subject to economic downturn of 6.4% as against 6.0% in 2008 in the WAMZ zone and a slight improvement of 4.9% as against 3.9% in 2008 in the ECOWAS area, could be revised downward.

The drop in oil revenues should result in a deterioration of the current account balance within the WAMZ. At the same time, inflation would be revised downwards, that is to say 9.4% as against 15.3% in 2008 at the level of the WAMZ zone and 5.8% against 5.6% in 2008 in UEMOA. (Ref. Table 9)

Table 9 : Evolution of the convergence criteria

PAYS DE LA ZMAO, CAP-VERT ET LIBERIA

CRITERES PRIMAIRES	2007	2008*	2009**	pays
Déficit Budgétaire	3,4	5,8	11,5	CAPE VERT
Taux d'inflation	4,4	6,8	4	
Financement BC	0	0	0	
Réserves brutes de change	4,1	4,1	4	
Déficit Budgétaire	1	3,7	3,3	GAMBIE
Taux d'inflation	6	6,8	5	
Financement BC	0	0	0	
Réserves brutes de change	4,4	4,3	4,7	
Déficit Budgétaire	15	18,6	18	GHANA
Taux d'inflation	13	18,4	29,8	
Financement BC	0	17,3	15,5	
Réserves brutes de change	3,9	2,2	2,4	
Déficit Budgétaire	0,9	1,5	3,7	GUINEE
Taux d'inflation	13	13,5	7,7	
Financement BC	0	5,8	0	
Réserves brutes de change	0,4	0,5	1,1	
Déficit Budgétaire	3,4	2	2	LIBERIA
Taux d'inflation	12	9,4	9,1	
Financement BC	0	0	0	
Réserves brutes de change	0,7	0,7	0,7	
Déficit Budgétaire	1,2	0,2	0,4	NIGERIA
Taux d'inflation	6,6	15,1	7,7	
Financement BC	0	0	0	
Réserves brutes de change	17	14,7	14,6	
Déficit Budgétaire	5,6	6,4	8,1	SIERRA LEONE
Taux d'inflation	14	13,2	10	
Financement BC	0,8	0	0,5	
Réserves brutes de change	5,1	4,2	4,6	

PAYS DE L'UEMOA

CRITERES PRIMAIRES	2007	2008*	2009**	pays
Déficit Budgétaire	1,5	4,1	5,1	BENIN
Taux d'inflation	0,3	9,9	3,5	
Financement BC	0	0	0	
Réserves UEMOA dont	6,3	6	6	
pays (indicatif)	*8,4*	*8,1*	*9*	
Déficit Budgétaire	12	12	11	BURKINA
Taux d'inflation	2,3	11,6	3,9	
Financement BC	0	0	0	
Réserves UEMOA dont	6,3	6	6	
pays (indicatif)	7,6	6,7	6,7	
Déficit Budgétaire	1,4	1,7	0,6	COTE D'IVOIRE
Taux d'inflation	1,5	8,9	3	
Financement BC	0	0	0	
Réserves UEMOA dont	6,3	6	6	
pays (indicatif)	*4*	*3,6*	*3,5*	
Déficit Budgétaire	23	20,3	27	GUINEE BISSAU
Taux d'inflation	9,3	8,7	3,8	
Financement BC	0	0	0	
Réserves UEMOA dont	6,3	6	6	
pays (indicatif)	8	7,8	8,1	
Déficit Budgétaire	8	8,5	9,6	MALI
Taux d'inflation	2,2	7,8	2,6	
Financement BC	0	0	0	
Réserves UEMOA dont	6,3	6	6	
pays (indicatif)	7,3	8	7,9	
Déficit Budgétaire	8,2	6,4	14	NIGERIA
Taux d'inflation	4,7	13,6	3,9	
Financement BC	0	0	0	
Réserves UEMOA dont	6,3	6	6	
pays (indicatif)	5,7	4,7	4,9	
Déficit Budgétaire	6,3	6,5	5,4	SENEGAL
Taux d'inflation	6,1	4,3	3,6	
Financement BC	0	0	0	
Réserves UEMOA dont	6,3	6	6	
pays (indicatif)	4,1	4,4	4,2	
Déficit Budgétaire	1,4	4,7	6,2	TOGO
Taux d'inflation	3,4	10,2	4,3	
Financement BC	0	0	0	
Réserves UEMOA dont	6,3	6	6	
pays (indicatif)	3,1	2,9	2,7	

Sources: WAMA ECOWAS Central Banks NB. * estimation ** Projection

III. Economic policies Measures

Within this very difficult context, macroeconomic stability and sustained progress towards the objectives of ECOWAS Monetary Cooperation Program (EMCP) is of great importance for the Community. Therefore, in reaction to this crisis, the member countries must strive to preserve macroeconomic stability and consolidate achievements gained through hard work without losing sight of the huge objectives of monetary cooperation program. They must also avail themselves of this opportunity to move forward the structural reforms program, in such a way as to reinforce the growth's perspectives. Thus, all the available policy instruments must be mobilised in order to alleviate the effects of the global recession on economic activity and social situation, whether it's related to monetary policy, fiscal policy or sector-based policy that have been implemented by each State or at the level of each zone.

3.1 Fiscal Policy

Governments must preserve the achievements in terms of macroeconomic stability without worsening the impact of external demand contraction on domestic activity. A slowdown of economic activity generally leads to a decline in tax revenue and, if the countries are seeking to maintain their expenditures at the expected levels of the budget, the fiscal balance will deteriorate. In addition, a small number of countries may have a leeway to undertake a discretionary fiscal stimulus likely to support global demand, according to the availability of both internal and external financing.

In order to design budget recovery, the authorities must not lose sight of the impact of the different types of expenditures on the external position and the economic activity of the country. They must as well assess the impact of their budget policies with regards to debt sustainability of the country, even if during the last ten years, the external debt of the Community countries was noticeably reduced, thanks to the debt reduction's initiatives.

To sustain growth and get a leeway with the budget, all the countries would be advised to pursue structural budgetary reforms. Tax base expansion would help reduce high tax rates that mostly create distortions, and consequently stimulate growth. Reforms of tax administration aimed at increasing the efficiency of the latter would reduce the cost of recovery for the State and the cost in abiding by tax obligations for the private sector. An improvement of cash flow and debt management would lead to savings.

3.2 Monetary and Exchange Rate policies

While inflation is reducing, monetary policy could be relaxed. The decrease in world prices of fuel and the more moderate downturn of the prices of food products has led to a disinflation movement that, in many countries, made it less necessary to intensify monetary policy and, in others, helped the latter to relax. It is the case for all the countries of the Community, except Ghana and to a lesser extent Guinea, Liberia and Nigeria. As far as the countries in which inflation remains high are concerned and where maybe the pressure from the demand side persists, they may tighten their monetary policies.

The exchange rates movements may help to restore competitiveness and growth if the decrease of raw materials prices is permanent. The WAMZ Countries, with flexible exchange rate regimes, which have been subjected to an adverse shock of terms of trade, could let the real exchange rates depreciate in order to stabilize their economies. A close coordination between monetary and fiscal policies is required in order to avoid a spiral of depreciation and inflation. For the UEMOA countries and Cape-Verde, they should avoid the persistent overvaluations of their currencies that are likely to jeopardize the growth in the long term

When capital outflows are generalised or that persistent deficits of current transaction cannot be financed any longer by available capital inflow, a depreciation of the exchange rate is generally necessary in order to promote a smooth adjustment. However, this decision must be based on an estimation of the potential negative effects of sudden currency depreciation on the currency and balance sheets.

3.3 Financial Sector Policies

One should reinforce monitoring and enhance contingency intervention plans. The community has been able to cope with any systematic financial crisis during these last months and its banks have little direct links with "toxic" assets that disturb the main financial centres. However, while the slowdown goes on, monetary authorities will have to protect themselves against sources of financial vulnerability, such as the increase of credit risk and international contagion, because many financial institutions of the Community are under foreign control. In addition, one should extend the responsibilities of monitoring and regulating bodies over the whole financial sector.

i. Monetary authorities should detect the weaknesses of the banking system. To do so, they must first of all list the banks that are most exposed to the present crisis. The authorities in charge of monitoring banking activities must also insist on the reliability and the frequency of the data in order to estimate permanently the liquidity and creditworthiness of the banks, and to carry out credit risks diagnostics and resistance tests. The supervision must also be as broad/exhaustive as possible and deal with the exchange risks, banks' risks management practices, credit granting criteria and the reliability of the financing. It must be applied to all deposit collecting or credit generating institutions, including non-bank financial institutions.

ii. Procedures to find solutions to a systematic crisis or failures on all financial services markets should be established promptly.

iii. The Community should reinforce the security of international capital flow regulation and restore investors' confidence, in order to unfreeze international credit markets and encourage capital inflows and intra-regional loans.

Public funds should only be used to protect the safety and the operation of the financial system. When a problem arises in a bank, the authorities must first determine if it is liquidity or creditworthiness problems and what would be the bankruptcy implications for the system as a whole. The banks that have a problem of creditworthiness should receive aid if their collapsing threatens the global financial stability. Public funds should be disbursed in a transparent way and in such a way as to reduce at least moral hazards. Nonetheless, it would be useful to provide assistance so that the public sector can benefit from a possible assets price adjustment.

3.4 Community Policy Measures

What has been said above gives an example of the challenges which the economies of West Africa will face. These challenges will not be met in isolation but only within a regional global integration strategic framework, in particular monetary. EMCP represents such a framework for the community. The convergence objectives must be at the heart of the development policies of all member States. If it is true that the respect of the convergence criteria is part of a medium and long term that can occasionally break away from macroeconomic stabilization priorities, nonetheless, the fact remains that only coherent and coordinated responses at regional level will give maximum efficiency.

From a structural standpoint, the improvement of Community competitiveness and its growth potential should necessarily be based on the pursuit of efforts to upgrade export sectors and regional integration, within a stable and balanced macroeconomic framework, in line with the spirit that backs the convergence process.

As far as the recovery plans at the level of UMEOA and WAMZ are concerned, it is necessary to coordinate them by economic revival through, notably, the regional economic programs. In consultation with the sub-regional development banks, the authorities must call for the implementation of sub-regional financing instruments in the field of infrastructure, agriculture and energy.

On the whole, it is obvious that any economic policy response must also take into account the repercussions on the poor populations and should include social protection mechanisms (social safety nets). In addition, it is also clear that the countries will be greatly dependent on financial donors' actions, which must honour their commitments in terms of assistance and even increase it. Finally, the countries of the Community must do their best to complete the economic and monetary integration process so that, with such a situation, they could create synergies between them.

Conclusion

In this document, the repercussions of the different crisis which took place during the last two years on the macroeconomic framework and the ECOWAS member states convergence status have been analysed.

It is clearly stated that just like in the other regions of the world, ECOWAS has been undergoing more or less the effects of the international crisis. The demand for African exports tends to reduce, the price of staple commodities is going down and the migrants' workers' transfers have fallen. The world credit squeeze and the investors' aversion to risk have resulted in a reversal of portfolio investment flows, discouraged foreign direct investment (FDI) and made the financing of trade more costly. The slowdown of economic activity could also increase the credit risk and unproductive claims and, consequently, weaken the financial institutions and companies' balance sheets. The international crisis is likely to affect all sectors. Four sectors are taken into consideration in this analysis: the real sector, public finance (fiscal sector) monetary and external sectors.

Therefore, Community's growth prospects for the year 2009, considering the slowdown of the economy, are not favourable. In fact, due to the decrease of raw materials prices and the tensions which capital flows are subjected to, growth within the Community should be below initial projections. As far as annual inflation is concerned, although slightly falling, it will remain high in many countries, owing mainly to the increase of energy and food products up to the middle of 2008.

As far as public finance is concerned, budget balances would deteriorate greatly provided that tax revenues, in particular those associated with commodities will suffer as a result of the situation and that the governments should respond to increasing demands of social expenditures.

As regards the balance of payments, the unfavourable development of the terms of trade of raw material exporters will deepen also the regional deficit of current transactions. This situation could be worsened by the expected slowdown of foreign capitals inflows in the region. In fact, remittances are likely to be affected, because in most cases, the developed countries are the starting point, the spot where the slowdown of the economic activity is more pronounced. Similarly, external assistance could be subject to an important reduction while (FDI) and portfolio investments could register a more important fall. In these conditions, the foreign exchange reserves, adequate now in most countries, will probably go down in several countries.

Overall, these series of crises which are all too severe affect the macroeconomic fundamentals of member countries and may seriously jeopardize the results that have been achieved these last years in terms of the consolidation of the counters' macroeconomic environment. That is why, it is critical that the above identified economic policy measures be implemented, in order for each country to protect itself against the effects of the crisis.

Appendix

Appendix 1: Export and Import fields of ECOWAS Member States

Countries	Fields of exports	Proportions (%)	Import field	Proportions (%)
Benin	Cotton fibres Cashew nuts Wood and wooden work Tobacco and cigarettes	**12,8** **2,2** **0,6** **4,8**	Food products Oil products Intermediate goods Capital goods	**29,6** **15,3** **15,9** **11,3**
Burkina	Cotton Live animals Karité and other oilseeds Non monetary gold	**65,2** **14,2** **3,9** **3,2**	Food products Oil products Intermediate goods Capital goods	**10,7** **24,0** **27,3** **28,9**
Côte d'Ivoire	Cocoa Oil produces Lumber	**24,0** **35,4** **3,3**	Food products Oil products Intermediate goods Capital goods	**18,9** **32,7** **11,8** **28,1**
Guinea Bissau	Cashew nuts Fish and shrimps	**89,5** **2,6**	Food products Oil products Capital goods	**43,5** **20,9** **24,5**
Mali	Cotton Live animals Hide and skins Gold	**17,4** **3,7** **0,1** **72,5**	Food products Oil products Intermediate goods Capital goods	**21,7** **29,5** **17,2** **27,8**
Niger	Uranium Live animals Onions Hide and skins	**30,0** **13,4** **15,9** **9,0**	Food products Oil products Capital goods	**27,4** **15,8** **35,1**
Senegal	Fish produces Peanut produces Phosphoric acid Oil produces	**18,0** **3,5** **4,3** **22,7**	Food products Oil products Intermediate goods Capital goods	**20,8** **27,6** **21,4** **28,3**
Togo	Cocoa cotton phosphate cement	**2,0** **4,0** **4,2** **7,1**	Food products Oil products Intermediate goods Capital goods	**7,8** **37,2** **13,5** **12,2**
Gambia	General merchandise Purchase in harbour	**94,5** **5,5**	General merchandise	100
Nigeria	Oil Without oil	**98,2** **1,8**	Oil Without oil	**21,2** **53,4**
Liberia	Without	**100,0**	Oil Without oil	**23,8** **76,2**
Cape- Verde	Goods Services (tourism transport)	**20,1** **79,9**	Goods services	**69,1** **30,9**
Guinea	Bauxite Alumina Gold Fish	**39,2** **14,2** **31,7** **3,6**	Food products Oil products Intermediate goods Capital goods	**16,7** **21,1** **24,1** **34,2**
Ghana	Cocoa Gold Non traditional	**27,9** **34,3** **28,4**	Oil No oil	**24,4** **75,6**
Sierra Leone	Non oil	**100,0**	Oil Non oil	**35,1** **64,9**

Sources: WAMA, ECOWAS Central Banks

Appendix 2 : ECOWAS Convergence criteria between 2007 and 2009

PRIMARY CRITERIA				COUNTRY	SECONDARY CRITERIA			
ANNEES/ CRITERS	**2007**	**2008 ***	**2009 ****		**2007**	**2008 ***	**2009 ****	**ANNEES/ CRITERES**
Budget deficit	3,4	5,8	11,5	**CAPE VERT**	22,8	23,9	23,9	Tax pressure
Inflation rate	4,4	6,8	4,0		41,6	38,1	42,7	Wage bill
CB Financing	0,0	0,0	0,0		2,0	1,9	2,4	Domestic investments
Gross foreign exchange reserves	4,1	4,1	4,0		-1,2	-3,6	-0,8	Real exchange rate
					3,0	4,3	1,5	TCR stability
Budget deficit	1,0	3,7	3,3	**GAMBIE**	19,3	17,7	18,2	Tax pressure
Inflation rates	6,0	6,8	5,0		22,4	28,6	24,8	Wage bill
CB financing	0,0	0,0	0,0		5,6	14,7	6,0	Domestic investments
Gross foreign exchange reserves	4,4	4,3	4,7		-1,0	-1,8	0,0	Real exchange rate
					9,7	14,4	0,3	TCR stability
Budget deficit	14,7	18,6	18,0	**GHANA**	23,7	23,1	23,9	Tax pressure
Inflation rate	12,8	18,4	29,8		46,0	45,5	49,5	Wage bill
CB financing	0,0	17,3	15,5		27,3	34,3	6,0	Domestic investments
Gross foreign exchange reserves	3,9	2,2	2,4		-8,3	-13,9	-19,8	Real exchange rate
					1,5	9,1	2,8	TCR stability
Budget deficit	0,9	1,5	3,7	**GUINEE**	13,5	14,7	14,0	Tax pressure
Inflation r ate	12,8	13,5	7,7		25,9	29,0	29,2	Wage bill
CB financing	0,0	5,8	0,0		11,9	12,8	12,1	Domestic investments
Gross foreign exchange reserves	0,4	0,5	1,1		1,8	0,5	4,3	Real exchange rate
					32,6	-6,5	-4,8	TCR stability
Budget deficit	3,4	2,0	2,0	**LIBERIA**	12,6	12,5	12,5	Tax pressure
Inflation rate	11,7	9,4	9,1		32,9	28,7	35,2	Wage bill
CB financing	0,0	0,0	0,0		13,8	12,5	14,7	Domestic investments
Gross foreign exchange reserves	0,7	0,7	0,7		-9,1	-7,2	-6,9	Real exchange rate
					2,5	2,7	2,7	TCR stability
Budget deficit	1,2	0,2	0,4	**NIGERIA**	11,7	16,2	13,5	Tax pressure
Inflation rate	6,6	15,1	7,7		31,6	31,2	24,3	Wage bill
CB financing	0,0	0,0	0,0		31,2	24,6	26,4	Domestic investments
Gross foreign exchange reserves	17,4	14,7	14,6		-3,0	-12,1	-5,7	Real exchange rate
					-1,9	10,8	4,6	TCR stability
Budget deficit	5,6	6,4	8,1	**SIERRA LEONE**	8,9	7,9	8,3	Tax pressure
Inflation rate	13,8	13,2	10,0		60,9	56,0	52,6	Wage bill
CB financing	0,8	0,0	0,5		9,1	14,0	11,8	Domestic investments
Gross foreign exchange reserves	5,1	4,2	4,6		-8,3	-9,2	-6,0	Real exchange rate
					1,2	7,9	0,5	TCR stability
Budget deficit	1,5	4,1	5,1	**BE NI N**	16,9	17,2	19,7	Tax pressure
Inflation rate	0,3	9,9	3,5		32,1	33,6	31,9	Wage bill

CB financing	0,0	0,0	0,0		21,0	22,4	27,3	Domestic investments
UEMOA reserves including	6,3	6,0	*6,0*		3,2	-6,4	0,0	Real exchange rate
(indicative) country	*8,4*	*8,1*	*9,0*		0,9	4,7	0,6	TCR stability
Budget deficit	12,2	12,0	11,1	**BURKINA**	12,5	12,6	13,8	Tax pressure
Inflation rate	2,3	11,6	3,9		46,3	43,2	38,9	Wage bill
CB financing	0,0	0,0	0,0		35,2	40,6	42,6	Domestic investments
UEMOA Reserves including	6,3	6,0	6,0		1,2	-8,1	-0,4	Real exchange rate
(Indicative) country	7,6	6,7	6,7		-0,6	6,6	0,6	TCR stability
Budget deficit	1,4	1,7	0,6	**COTE D'IVOIRE**	15,5	15,6	15,9	Tax pressure
Inflation rate	1,5	8,9	3,0		43,6	44,3	43,7	Wage bill
CB financing	0,0	0,0	0,0		12,8	13,9	12,0	Domestic investments
UEMOA reserves including	6,3	6,0	6,0		2,0	-5,4	0,5	Real exchange rate
(indicative) country	*4,0*	*3,6*	*3,5*		1,6	4,5	0,0	TCR stability
Budget deficit	23,4	20,3	26,9	**GUINEE BISSAU**	10,4	10,8	13,5	Tax pressure
Inflation rate	9,3	8,7	3,8		96,3	102,4	67,5	Wage bill
CB financing	0,0	0,0	0,0		12,2	10,1	4,7	Domestic investments
UEMOA reserves including	6,3	6,0	6,0		-5,8	-5,2	-0,3	Real exchange rate
(indicative) country	8,0	7,8	8,1		3,1	9,8	0,1	TCR stability
Budget deficit	8,0	8,5	9,6	**MALI**	14,2	13,1	14,5	Tax pressure
Inflation rate	2,2	7,8	2,6		33,4	38,5	36,0	Wage bill
CB financing	0,0	0,0	0,0		34,5	26,7	26,3	Domestic investments
UEMOA reserves including	6,3	6,0	6,0		1,3	-4,3	0,9	Real exchange rate
(indicative) country	7,3	8,0	7,9		0,5	8,0	0,4	TCR stability
Budget deficit	8,2	6,4	13,9	**NIGERIA**	11,5	11,0	11,6	Tax pressure
Inflation rate	4,7	13,6	3,9		31,0	33,7	32,4	Wage bill
CB financing	0,0	0,0	0,0		37,5	47,3	41,6	Domestic investments
UEMOA reserves including	6,3	6,0	6,0		-1,2	-10,1	-0,4	Real exchange rate
(indicative) country	5,7	4,7	4,9		0,9	9,5	0,5	TCR stability
Budget deficit	6,3	6,5	5,4	**SENEGAL**	19,5	19,4	20,0	Tax pressure
Inflation rate	6,1	4,3	3,6		31,6	30,8	29,9	Wage bill
CB financing	0,0	0,0	0,0		34,8	27,9	27,1	Domestic investments
UEMOA reserves including	6,3	6,0	6,0		-2,6	-0,8	-0,1	Real exchange rate
(indicative) country	4,1	4,4	4,2		5,3	4,2	-0,2	TCR stability
Budget deficit	1,4	4,7	6,2	**TOGO**	16,3	15,6	16,0	Tax pressure
Inflation rate	3,4	10,2	4,3		32,8	37,4	36,7	Wage bill
CB financing	0,0	0,0	0,0		7,1	13,8	14,2	Domestic investments
UEMOA reserves including	6,3	6,0	6,0		0,1	-6,7	-0,8	Real exchange rate
(indicative) country	3,1	2,9	2,7		0,8	6,1	0,5	TCR stability

Sources: WAMA, ECOWAS Central Banks

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