

# WAMA

## WEST AFRICAN MONETARY AGENCY



## ECOWAS MONETARY COOPERATION PROGRAMME



CONVERGENCE  
REPORT

2020

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# WAMA

WEST AFRICAN MONETARY AGENCY

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## ECOWAS MONETARY COOPERATION PROGRAMME

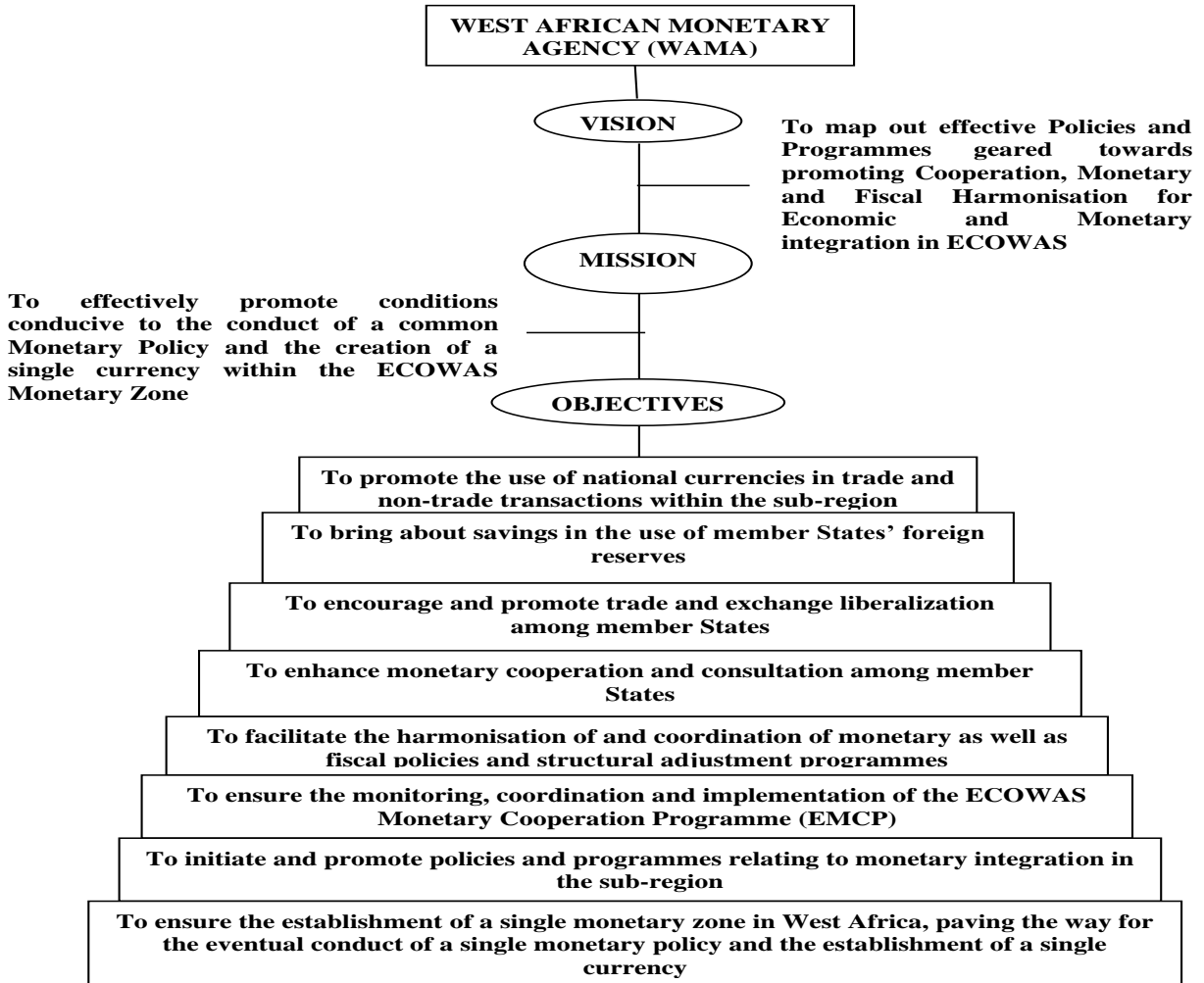
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CONVERGENCE  
REPORT

2020

## WAMA AT A GLANCE



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## **ABBREVIATIONS AND ACRONYMS**

AfDB	African Development Bank
AFRISTAT	African Statistical Observatory Office
BCEAO	Central Bank of West African States
BOAD	West African Development Bank
CET	Common External Tariff
EBID	ECOWAS Bank for Investment and Development
EMCP	ECOWAS Monetary Cooperation Programme
EPA	Economic Partnership Agreement
GIABA	Inter-governmental Action Group against Money Laundering in Africa
IDA	International Development Association
IMF	International Monetary Fund
NGO	Non-Governmental Organisation
PNDES	National Economic and Social Development Plan
SSA	Sub-Saharan Africa
WAEMU	West African Economic and Monetary Union
WABA	West African Bankers Association
WAHO	West African Health Organisation
WAMA	West African Monetary Agency
WAMI	West African Monetary Institute

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The 2020 Macroeconomic Convergence Report was drafted in the context of a covid -19 pandemic which prevented multilateral surveillance missions in member states. Thereby, it gained from the consultations and information provided to the team by Member Central Banks, Ministries, National Coordination Committees and Regional Institutions, without which the analysis and projections contained in the Report would have been impossible. We acknowledge the immense technical support of the: Banco de Cabo Verde (BCV); Central Bank of West African States (BCEAO); Central Bank of the Republic of Guinea (BCRG); Central Bank of The Gambia (CBG); Bank of Ghana (BOG); Central Bank of Liberia (CBL); Central Bank of Nigeria (CBN); and Bank of Sierra Leone (BSL). Also, in the list are: Ministry of Economy and Finance, Benin; Ministry of Economy, Finance and Development, Burkina Faso; Ministry of Economy and Finance, Côte d'Ivoire; Ministry of Finance and Economic Affairs, The Gambia; Ministry of Finance, Ghana; Ministry of Economy and Finance, Guinea; Ministry of Economy and Finance, Guinea Bissau; Ministry of Finance and Development Planning of Liberia; Ministry of Economy and Finance, Mali; Ministry of Economy and Finance, Niger; Federal Ministry of Finance, Budget and National Planning, Nigeria; Ministry of Economy, Planning and Cooperation, Senegal; and Ministry of Finance, Sierra Leone. The National Macroeconomic Coordination Committee made it possible to interface with other State's Departments and Agencies while ECOWAS and WAEMU Commissions and WAMI provided ranges of other technical and non-technical supports. Some of the projections in the Report were in line with the projections in the World Economic Outlook of the IMF, October 2021.

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## FOREWORD

**A**s part of monitoring, coordinating and implementing the ECOWAS Monetary Cooperation Program (EMCP), the West African Monetary Agency (WAMA) publishes an annual Macroeconomic Convergence Report after biannual multilateral surveillance missions. The report reviews the macroeconomic status within the ECOWAS region, as well as the prospects, in accordance with the protocol for the creation of the West African Monetary Agency (WAMA) (Decision A/Dec 4/7/92 of the Heads of State and Government) in its articles 3, 4, and 9 and the provisions of additional Act A/SA.01/12/15 amending Decision A/DEC.03/06/12 on the Macroeconomic Convergence and Stability Pact (MCSP) between Member States of ECOWAS.

It should be recalled that the Authority of Heads of State and Government adopted the EMCP at its July 1987 summit in Abuja. The objective of the EMCP was to implement collective measures aimed at establishing a harmonised monetary system and common central bank with the ultimate goal of creating a single monetary zone and a single currency for West Africa. The revised ECOWAS Treaty of 1993 reaffirms these objectives as stated in Articles 3 (2) (e), 51 (1) (e) and 55 (1) (iii).

To accelerate the monitoring, coordination and implementation of the EMCP, the ECOWAS Authority established WAMA in 1996 as an autonomous and specialised body of ECOWAS saddled with the responsibility of promoting the EMCP objectives. The establishment of WAMA resulted from the transformation of the defunct West African Clearing House (WACH), which was created in 1975 as a multilateral payment facility, promoting trade within the West African region.

A critical aspect of the EMCP is the Multilateral Surveillance Mechanism of the economic and financial policies of ECOWAS Member States created in 2001, and the MCSP between them adopted in 2012. The MCSP was revised in 2015, setting the convergence criteria to six (6), including four (4) primary criteria and two (2) secondary criteria and the eventual launch of the ECOWAS single currency in 2020.

Given the foregoing, WAMA conducts biannual joint multilateral surveillance missions with the ECOWAS Commission and the West African Monetary Institute (WAMI) in ECOWAS Member States. The surveillance missions allow to collect data and information for an assessment of the state of macroeconomic convergence of Member States. Essentially, it provides the opportunity to interact with Member States' relevant authorities on their economic policies with relevance on harmonisation and validation of selected macroeconomic data for convergence assessment. WAMA, thus, provides detailed information on macroeconomic developments in Member States and recommend economic policy in its annual Convergence Report.

The year 2020 is unique as economies in the region grapple with the challenges of the COVID-19 pandemic, which worsened their economic conditions. The restrictions on human and

vehicular movement as containment measures of the pandemic made surveillance missions impossible in 2020. As a result, the 2020 performance evaluation of Member States and the 2020 Convergence Report relies mainly on economic, fiscal, monetary and financial data submitted through correspondence by the central banks, Ministry of Finance, Statistical Agencies and National Coordinating Committee of Member States. It indicates that the health crisis negatively impacted all ECOWAS countries. The need to contain its negative consequences resulted in a significant increase in fiscal deficits in most Member States, worsening their public debt burdens. This situation highlights the challenges at the regional level and measures to accelerate sustainable economic recovery.

The assessment of the state of macroeconomic convergence of Member States found that the 2020 deadline set for the convergence phase was not met due to macroeconomic difficulties and the exceptional circumstances prevailing in Member States due to the global pandemic. Therefore, a new roadmap and a new MCSP was developed and submitted to the Ministerial Committee and adopted by the Authority of Heads of State to guide the implementation of the EMCP. The new MCSP was adopted on June 19, 2021, by the Authority of Heads of State and Government, setting December 2026 as the new deadline for the convergence phase and January 2027 as the commencement of the stability phase. The Authority declared 2020 and 2021 exceptional years. It suspended the regular convergence compliance assessment to allow countries to organise themselves better to ensure lasting compliance with the convergence criteria during the next phase of convergence. The individual Member States' performances shown in this report were, however, for information purposes only.

On this note, I wish to congratulate the staff of WAMA, especially the Multilateral Surveillance Department under the leadership of Dr Andalla DIA, for the diligence exhibited in compiling this 2020 edition of the Convergence report. Also, the Committee of Governors of the Central Banks of ECOWAS Member States continued support remains invaluable and highly appreciated. I, therefore, solicit more collaboration with all relevant stakeholders towards the fulfilment of WAMA's mandate and the fast-tracking of the ECOWAS single currency roadmap of activities.

**Momodou B. Saho**  
**Director-General, West African Monetary Agency**  
**Freetown, Sierra Leone, September 2021**

## EXECUTIVE SUMMARY

Growth in the global economy plunged in 2020 owing to the devastating impact of the COVID-19 pandemic. Global growth contracted by 3.3 percent in 2020, compared to the growth rate of 2.8 percent in 2019 due mainly to the deterioration of international trade, tourism, financial and commodity markets. However, this performance was better than the initial projection of negative 4.4 percent growth rate due to the measures adopted in both advanced and developing economies to mitigate the negative impact of the COVID-19 pandemic. These responses include fiscal and monetary supports in providing liquidity to vulnerable sectors, gradual easing of restrictions and containment measures. However, the economic activity was relatively stronger than expected in China, while growth in the Euro Area and the United States remained weak in 2020. Growth is expected to rebound in 2021 at 6.0 percent, largely reflecting anticipated improvement in performance in the advanced and some key emerging market and developing economies (EMDEs). Growth in Sub-Saharan Africa (SSA) was estimated at negative 1.9 percent, compared to the 3.2 percent recorded in 2019, largely influenced by contractions of economic activities in Nigeria and South Africa due to the impact of the pandemic mitigating measures. However, economic activity is expected to recover to 3.4 percent in 2021, occasioned by the expected resuscitations of the mining and services sectors as well as gradual lessening of restrictive measures adopted to curb the spread of the virus.

Global consumer price inflation moderated to 3.2 percent from 3.5 percent in 2019, mainly occasioned by decline in oil prices and subdued domestic demands. In the advanced economies, inflation eased considerably, mainly due to deceleration in private consumption and investment in 2020. However, consumer price inflation increased in SSA due to supply constraints and pass-through effects of government measures implemented to mitigate the social and economic impact of the COVID-19 pandemic on households and businesses. Regarding monetary and financial development, the COVID-19 pandemic containment measures, in 2020, altered investors' market risk perception. In a bid to secure liquidity and quality of investments, most portfolio investors moved out of the EMDEs, including the SSA. Monetary authorities of most economies, thus, adopted accommodating policy stance to revitalise their economies by lowering policy rates to boost liquidity, stabilise the financial system and restore confidence. On the external front, the volume of world merchandise fell to -5.1 percent in 2020 compared with 0.3 percent recorded in 2019. Both the advanced economies and the EMDEs recorded year-on-year export growth of -9.5 percent and -5.7 percent in 2020, below the 1.3 percent and 0.5 percent recorded in 2019, respectively, owing to the impact of COVID-19 containment measures, which triggered substantial weakening of global demand and trade.

In the ECOWAS region, the global pandemic impacted adversely on the economies, thereby, reversing the encouraging economic performance recorded in recent years. Commodity exporting economies and tourism-dependent Member States were the most affected. In 2020, growth in Cote d'Ivoire and Ghana slowed to 2.0 percent and 0.4 percent from 6.2 percent and 6.5 percent in 2019, respectively, while activity contracted in Nigeria by 1.9 percent from a

growth rate of 2.3 percent in 2019. These dismal developments were mainly occasioned by the lockdowns and other containment measures adopted to curb the spread of the Coronavirus. However, Guinea was the only country in the region that weathered the effect of the pandemic to put up an impressive growth rate of 7.0 percent in 2020 from 5.6 percent in 2019. At the sub-regional level, growth in the WAEMU slowed to 1.5 percent in the reporting period from 5.6 percent in 2019, while economic activity in the WAMZ contracted to -1.6 percent from 2.7 percent in 2019. Projections indicate that all Member States would experience substantial recoveries in 2021. Activities in all sectors are expected to support growth in 2021 as restrictions gradually ease with rising rates of vaccination in Member States.

Overall, growth in the region contracted in 2020 to -1.1 percent from 3.1 percent in 2019 but is expected to recover in 2021, premised on the gradual easing of restrictions imposed to address the negative impact of the COVID-19 pandemic and the resumption of normal business activities. Inflationary pressures remained strong in 2020, mainly reflecting supply constraints and shortages of foodstuff and other essential commodities occasioned by COVID-19 lockdowns and borders closure. Average inflation rose to 11.2 percent in 2020 from 9.3 percent in 2019. At the end of 2021, both average and end-period inflation are expected to accelerate to 13.3 percent and 12.1 percent, respectively.

The need for increased expenditure, especially on the health and the social sectors amidst significant revenue shortfalls following the emergence of the pandemic impacted negatively on the fiscal consolidation efforts in most Member States during the period. Consequently, the aggregate budget deficit, including grants of the region worsened to 4.5 percent of GDP in 2020, from 3.2 percent of GDP in 2019. Excluding grants, the deficit rose to 5.0 percent of GDP from 3.5 percent of GDP in 2019. Both ratios are projected to slightly improve by end-2021 with expected increase in revenue generation and easing mitigation measures. The aggregate public debt position in ECOWAS region surged to 27.7 percent of GDP from 24.1 percent in 2019 as Member States increased borrowing from both domestic and external sources to help curb the spread of the virus. During this period, most Member States received credit facilities from the IMF and other development partners.

The monetary policy implementation complemented fiscal operations to curb the negative impact of the pandemic. Thus, monetary policy rate was reduced in all Member States while the 91-day Treasury bill rates moved in different directions during the period across the region. Growth of broad money supply in ECOWAS accelerated to 13.6 percent from 8.5 percent in 2019, due mainly to developments in net claims on government (NCG) in some Member States and net foreign assets (NFA) in others. The significant rise in net claims on government in a number of countries during the reporting period led to central bank financing of the budget deficit in those economies during the period.

Development in external sector was less favourable in 2020 due to the worsening of the current account deficits in most Member States reflecting the deteriorating trade balances. Reductions in direct and other investments inflows also had a negative impact on the external sector of the

region. Projection of the sector showed that the current account deficit was expected to moderate to 3.2 percent of GDP in 2021 from 3.6 percent in 2020.

In the area of macroeconomic convergence, the COVID-19 pandemic negatively impacted the progress made in previous years especially in the area of budget deficit. The overall performance worsened in 2020, as no Member States complied with all the primary convergence criteria compared to five (5) in 2019. However, nine (9) Member States met at least three (3) criteria compared to eleven (11) in 2019. Taking all the primary and secondary criteria into consideration, again no Member State complied with all the six (6) prescribed benchmarks in 2020 against four (4) that met all the targets in 2019.

On a criterion-by-criterion basis, assessment indicates that performance on budget deficit significantly worsened as only two (2) Member States met the criterion. Furthermore, performance on central bank financing of the budget deficit and gross reserves slipped in the review period due to financing needs caused by the pandemic restrictions. On the other hand, performance on average inflation remained unchanged due to lower oil price during the review period. Considering the secondary criteria, improvement was made by Member States with regards to nominal exchange rate stability as all Member States met the criterion, while performance on public debt dropped.

To help improve performance and consolidate the gradual improvements made on budget deficit criterion in previous years, Member States are urged to identify and minimise revenue leakages. Spending should be rationalised, consistent with the urgent fiscal needs. Economic diversification including strategic investments in the agriculture sector needs to be pursued vigorously to make growth more inclusive in order to mitigate the impact of future external shocks to the economy, while monetary policy should continue to focus on providing the necessary support in pursuing a sustainable economic recovery.



## INTRODUCTION

1. This report reviews the status of convergence within ECOWAS at end-2020 and the prospects for 2021 in line with the provisions of the *Supplementary Act A/SA.01/12/15*, amending *Decision A/DEC.03/06/12*, establishing the Macroeconomic Convergence and Stability Pact (MCSP) among ECOWAS Member States. It should be recalled that the ECOWAS Monetary Cooperation Programme (EMCP) was adopted in 1987 with the ultimate objective of creating a single currency managed by a common central bank. The Pact set out the procedures for the adoption, implementation and assessment of convergence programmes and provided for its implementation in two (2) phases: the convergence phase from 1<sup>st</sup> January 2016 to 31<sup>st</sup> December 2019 and the consolidation and stability phase beginning 1<sup>st</sup> January 2020. Member States were required to have met all the primary criteria consistently for the three previous years (2017-2019) before the launch of the single currency in 2020.
2. To facilitate achievement of the objectives of the EMCP, a revised Roadmap, outlining the key activities to be implemented for the establishment of a viable ECOWAS Single Currency, was adopted by the Presidential Task Force on the ECOWAS Single Currency Programme in February 2018. The Revised Roadmap mainly aims at the establishment of the ECOWAS Monetary Union in 2020 and focuses primarily on the following aspects:
  - i. Consolidation of the macroeconomic framework by strengthening macroeconomic convergence;
  - ii. Establishment of a common market through the adoption of the CET and the ECOWAS Customs Code;
  - iii. Harmonisation of key statistical standards and practices (Consumer Price Index, Balance of Payments Statistics, Monetary and Financial Statistics, etc.);
  - iv. Stabilisation of exchange rates, through the operationalisation of the ECOWAS Exchange Rate Mechanism;
  - v. Fast-tracking the harmonisation of policies critical to the establishment of the Monetary Union (Monetary Policy Frameworks, Exchange Rate Regime and Regulations Governing Current and Capital Account Transactions);
  - vi. Consolidation of financial integration, mainly through the development of common regulations governing banking and payment systems' interconnectivity; and
  - vii. Establishment of relevant institutional and regulatory framework for effective management of the monetary union.
3. However, at its 57<sup>th</sup> Ordinary Session held on 7<sup>th</sup> September 2020 in Niamey, Republic of Niger, the Authority of Heads of State and Government (Authority) noted that, while the convergence phase had ended, the necessary conditions for transition to the consolidation and stability phase had not been met. Moreover, due to macroeconomic hitches and exceptional circumstances in Member States occasioned by the global pandemic, the 2020 timeline for

the convergence phase did not materialise. Hence, a new roadmap and new MCSP was submitted to the Ministerial Committee and adopted by the Authority of Heads of States to guide the implementation of the EMCP and the creation of the single currency in 2027. The new MCSP was adopted on 19<sup>th</sup> June 2021 by the Authority, with 2020 and 2021 being declared as exceptional years to allow countries set their houses in order for sustained compliance with the convergence criteria during the next convergence phase, 2024-2026. Exceptional years in the EMCP implementation imply that the compliance with the convergence criteria is waived in those years and, therefore, it is not binding on any Member States to comply with the set criteria.

4. In 2020, no multilateral surveillance mission was conducted due to the pandemic; therefore, this report was prepared on the basis of data collected through correspondence from Central Banks and Member States using Country Reports on the economic and financial situation at the end of 2020 as well as from sub-regional institutions. Part 1, analyses the state of macroeconomic convergence of ECOWAS in 2020 in three sections: Section I examines the economic and financial trends at the global level, section II examines the evolution of the economic and financial situation within the ECOWAS region, and section III assesses the community's status of macroeconomic convergence before the general conclusion and the recommendations formulated to accelerate the satisfaction of the conditions to enter into ECOWAS monetary union. Part 2 analyses the state of macroeconomic convergence in 2020 and the prospects for 2021 individually, in the fifteen (15) ECOWAS Member States. For each Member State, it examines the evolution of the economic and financial situation. It assesses the status of macroeconomic convergence and offers recommendations to accelerate the satisfaction of the conditions for entry into the ECOWAS monetary union.

# **PART 1: REGIONAL ANALYSIS**

## I. GLOBAL ECONOMIC ENVIRONMENT

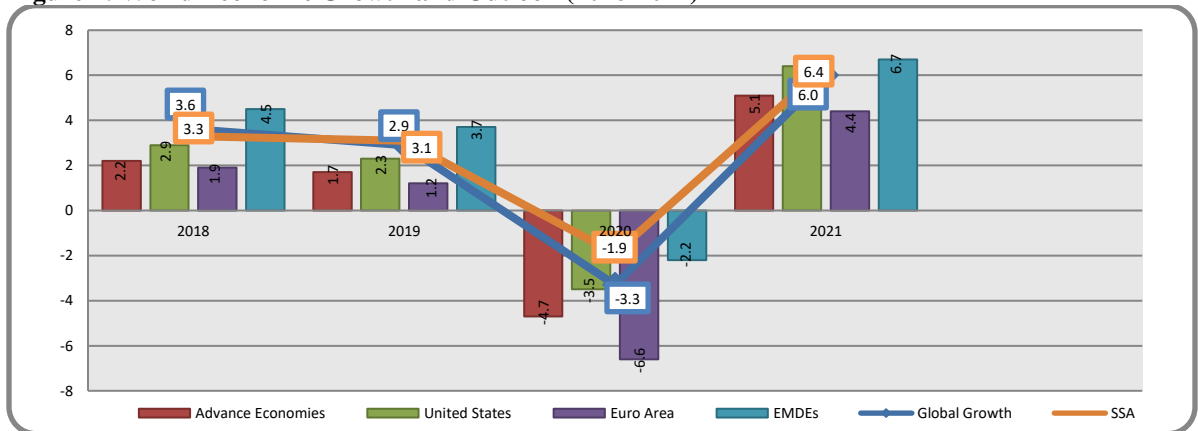
### 1.1. Economic Growth

5. The global economy plunged in 2020, owing to the devastating shock of the COVID-19 pandemic. Sudden contractions in most world economies raised global economic uncertainties and imposed extreme social strains worldwide. Economic activities, such as international trade, tourism, financial and commodity markets deteriorated rapidly. Consequently, global growth contracted to -3.3<sup>1</sup> percent in 2020 compared with 2.8 percent expansion in 2019, a performance better than the initial projection of -4.4 percent. It also reflected a worse economic outcome compared to the 1.4 percent contraction recorded in 2009 during the 2008/2009 global financial crisis (GFC).
6. Growth in advanced economies recorded -4.7 percent, representing an improvement over the -5.8 percent projected in October 2020, and compared with 1.6 percent in 2019 whilst growth in the EMDEs settled at -2.2 percent better than the -3.3 percent projected in October 2020, and compared with 3.7 percent in the preceding year. Advanced economies, such as the United States, Euro Area and the United Kingdom, recorded contractions of 3.5 percent, 6.6 percent and 9.9 percent, respectively.
7. Similarly, EMDEs like Russia, Latin America and the Caribbean, and Sub-Saharan Africa (SSA) contracted by 3.1 percent, 7.0 percent and 1.9 percent in 2020, respectively. However, China's economy showed resilience at the end of 2020 as the only economy that closed with an expansion estimated at 2.3 percent.
8. COVID-19 mitigation measures adopted by various governments, such as restrictions on free movement, promotion of social distancing culture, the shutdown of businesses and border closures, compelled the global economy's contraction, with implications for supply-side constraints, weak demand and unfavourable trade balances. However, the second half of the year witnessed the gradual exit of some advanced economies and the EMDEs from recession, especially in the third and fourth quarter when COVID-19 vaccines productions had reached advanced stages and several countries adopted the use of non-pharmaceutical interventions, many economies cautiously reopened from the lockdown.

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<sup>1</sup> from IMF World Economic Outlook (WEO), April 2021 Edition

**Figure 1: World Economic Growth and Outlook (2018-2021)**



Source: IMF World Economic Outlook April 2021 Edition

9. The spillover effects of the COVID-19 pandemic in advanced economies and weak domestic demand rub off on the growth performances of emerging markets and developing economies (EMDEs). The worse hits were economies that depend on commodity exports, external financing and tourism. The output contraction in the EMDEs elevated market sentiment that triggered sudden capital reversals, causing heightened pressure in the foreign exchange markets. Economic performance in the EMDEs settled down at a contraction of 2.2 percent in 2020 compared to an expansion of 3.7 percent in 2019. The outcome is comparatively better than the world average of -3.3 percent. This development is against the backdrop of the remarkable performance of the Chinese economy in the latter part of the year, which influenced the EMDEs 2020 growth of 3.0 percent and 3.3 percent contractions in the June adjustment and October 2020 projection, respectively.
10. China's economy pulled an impressive performance around the last quarter of 2020 among the EMDEs and the world economy. Though China still faces trade tensions with the US, its quick comeback was due to the subsisting global demand for Chinese products, which boosted exports and motivated growth. The positive outcome can also be attributed to China's strict COVID-19 containment measures, emergency business relief packages and government-led investments, which elevated growth in the fourth quarter to 6.5 percent. However, China's 2020 growth level at 2.3 percent represents its lowest annual GDP growth in forty years.
11. In Emerging and Developing Europe, growth was subdued at -2.0 percent in 2020, compared with 2.1 percent in 2019, mainly reflecting the poor outcomes in Russia and Turkey. In Russia, growth was weaker at -3.1 percent in 2020, compared with 1.3 percent the previous year, reflecting a broad-based slowdown in industrial activity and global trade due to the COVID-19 pandemic. The performance is the lowest in the past eleven (11) years, since the 2008/2009 global financial crisis. Russia's negative performance outcome is due to the sharp decline in crude oil prices between January and May 2020. In Turkey, output growth at 1.8 percent, doubled its 2019 growth of 0.9 percent, reflecting the rebound in the second half of the year.

12. Growth in Latin America and the Caribbean slipped to a 7.0 percent contraction in 2020 from 0.1 percent in 2019, reflecting country-specific factors. The Brazilian economy fell to -4.1 percent in 2020 compared to a growth of 1.1 percent in 2019. In managing the COVID-19 effect, Brazil is one of the countries that did not implement lockdown and closure of businesses on the ground that such policy would cause more hardship, however, it adopted great fiscal stimulus in reducing the scourge, while partial lockdown policies were implemented in some federating units. In Mexico, GDP plummeted to 8.2 percent contraction from the already existing recession (-0.3 percent growth) in 2019. The plunge in GDP was attributed to the spillover effects of the COVID-19 pandemic on the economy through the energy sector channel, tourism, remittances and trade.
13. Economic activity in SSA contracted by 1.9 percent in 2020 from the 3.2 percent growth recorded in 2019, representing the worst in twenty-five years, owing to the challenges of the COVID-19 pandemic. Several factors accounted for the observed drag in the SSA, including; the sharp decline in metal exports, especially in South Africa, decline in crude-oil exports in Nigeria and Angola, and economic redundancies of those that depend on tourism notably, Cabo Verde and Mauritius. However, the non-oil resource economies such as Ethiopia, Kenya and Cote' d'Ivoire were minimally affected.
14. Growth in Nigeria was negative 1.9 percent in the year under review compared to 2.3 percent in 2019 due to poor performances in the industry and services sector. Similarly, South Africa also presented a weak performance with negative growth of 7.0 percent in 2020, from 0.2 percent growth in 2019, mainly driven by the drags in all its sectors except agriculture. Angola's economy contracted by 4.0 percent in 2020, compared with the pre-COVID-19 projection of 1.2 percent. It also represents a worse outcome compared to the -1.5 percent growth recorded in 2019.

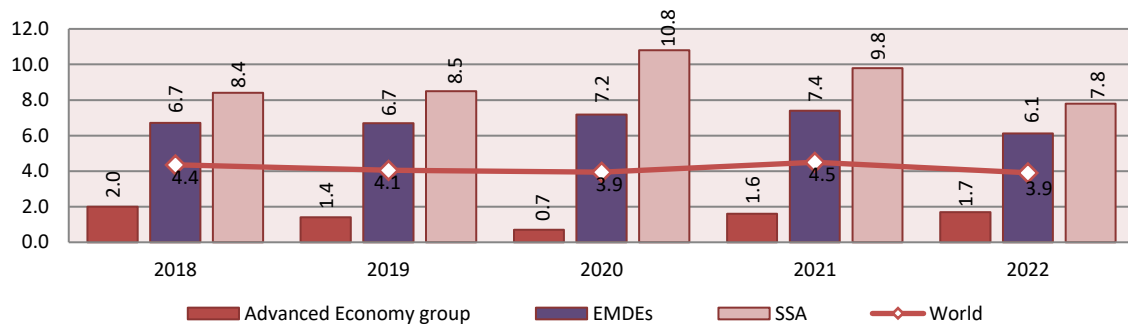
## **1.2. Inflation**

15. Inflation was dampened in advanced economies in 2020 due to weak aggregate demand, despite the governments and the central banks' various fiscal and monetary measures respectively. Other factors contributing to the subdued inflation included settling the first phase of the US-China trade deal and the lag effect of successful election in the UK. Notably, the 2020 price fluctuation featured more deflation among countries in both the Advanced and EMDEs except for SSAs, compared to 2019.
16. The global annual average inflation rate remained subdued at 3.2 percent in 2020 against 3.5 percent in 2019, reflecting reduced global demand due to COVID-19 challenges. These challenges led to sharp declines in prices of global energy and metals prices, and tumbled economic growth, given the severe drop in global industrial activity and travels.
17. In advanced economies, annual inflation averaged 0.7 percent in 2020 compared to 1.4 percent in 2019, while the end-period inflation sharply reduced to 0.5 percent from 1.5 percent. In the US, inflation settled at 1.2 percent in 2020, down from 1.8 percent in 2019.

The average annual inflation rate in the Euro Area declined sharply to 0.3 percent in 2020, from 1.2 percent in 2019.

18. Inflation in EMDEs slightly edged up to 7.2 percent in 2020 from 6.7 percent in 2019. In China, inflation moderated to 2.4 percent in 2020 as against 2.9 percent in 2019, due to travel restrictions within the country, which led to closure of some factories and drop in demand. In spite of the drop in domestic demand, rise in pork prices due to the Asian swine fever contributed to the inflation level. Although Venezuela recorded the highest inflation rate at 2,355.0 percent in 2020, it declined sharply compared with the 19,906 percent inflation in 2019. In the Middle East and Central Asia group, Sudan's inflation skyrocketed to 163.3 percent in 2020 from 51.0 percent recorded in 2019. Similarly, among countries of the SSA, Zimbabwe's inflation leapfrogged to 557.2 percent from 255.3 percent in 2019.

**Figure 2: Global Average Inflation (2018-2022)**



Source: IMF World Economic Outlook April 2021 Edition

19. In SSA, inflationary pressure rose to 10.8 percent in 2020 from 8.5 percent in 2019. In Nigeria, average inflation was recorded at 13.2 percent, rising from 11.4 percent in 2019, due mainly to heightened food and energy prices and the implementation of stamp duty as well as increase in the VAT rate. However, average inflation in South Africa reduced in 2020 to 3.3 percent compared with 4.1 percent in 2019.

### 1.3. Monetary and Financial Sector

20. COVID-19 pandemic containment measures in 2020 brought economies to their knees and altered investors' market risk perception. In a bid to secure liquidity and quality of investments, most portfolio investors moved out of the EMDEs, including the SSA. Monetary authorities of most economies thus adopted accommodating policy stance to keep overhauling their economies by lowering policy rates to boost liquidity, stabilise the financial system and restore confidence.
21. Against the backdrop of weakening economic activity and business sentiments, increased downside risks to growth, and continued subdued inflation due to COVID-19 effects, central banks across the globe adopted a loose monetary stance, reflecting policy measures to

support their economies. These policies, in addition to direct economic interventions, accounted for the quick rebound in the sector.

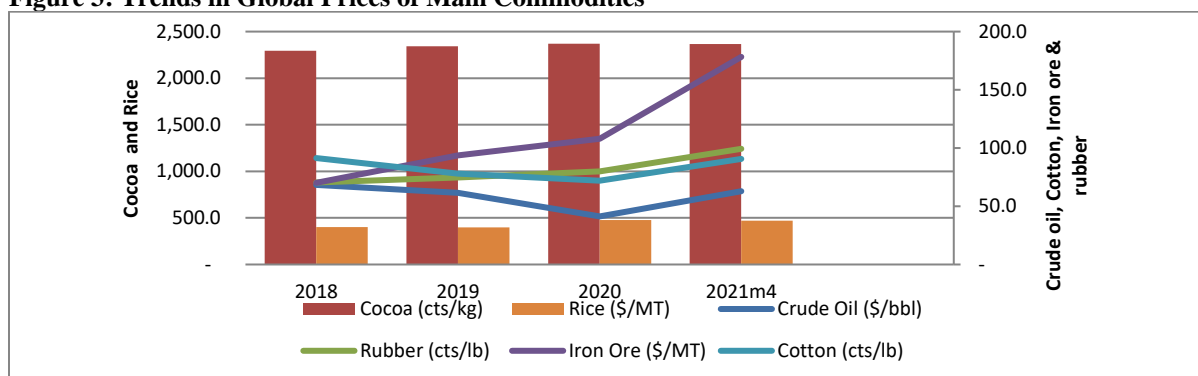
22. The Federal Reserve Bank (Fed) adjusted its policy rate to zero, while the European Central Bank (ECB) set its policy rate between 0.0 percent and -0.5 percent in mid-2020, following the emergence of COVID-19. At the end-December 2020, the policy rates of the two (2) banks converged at 0.0 percent and maintained a 2.0 percent inflation target apiece. The Fed improved banks' access to dollar liquidity through swap facilities and granted 14 central banks currency swap lines across advanced and emerging economies. The ECB increased its Pandemic Emergency Purchase Program (PEPP) envelope and extended its horizon to end-March 2022. The policy decisions of the two (2) regulatory banks were amidst other policies that they believed would set economies right.
23. Similarly, the Bank of England lowered its prime rate to 0.1 percent at the end of 2020, projecting to retain the rate till it becomes clear that it would attain a 2.0 percent inflation rate target sustainably to achieve growth and employment.
24. Conversely, China's economy remained unique in 2020. The People's Bank of China (PBOC) retained the current monetary stance as it did not adopt zero or negative policy rate, nor did it implement quantitative easing. However, the PBOC ensured liquidity access and credit provision by commercial banks to battle the negative implications of COVID-19. Nevertheless, Japan, in addition to keeping its key short-term interest rate unchanged at -0.1 percent since end-December 2019 adopted quantitative and qualitative easing (QQE) with yield curve control to achieve a price stability target of 2.0 percent change in CPI. The policy corroborated other policy measures, such as the purchase of corporate and government bonds, among others.

#### **1.4. External Sector**

25. The volume of world merchandise fell by 5.1 percent in 2020 compared to the growth rate of 0.3 percent recorded in 2019. The outcome represents an improvement over the initial -9.2 percent projected in October 2020. Except for Asia that grew by 0.3 percent, most economic groups experienced a decline in trade volume.
26. Both the advanced economies and the EMDEs recorded negative year-on-year export growths of 9.5 percent and 5.7 percent in 2020, below the 1.3 percent and 0.5 percent recorded in 2019, respectively, owing to the impact of COVID-19 containment measures, which triggered substantial weakening of global demand and trade. In terms of contribution to world exports, 2020 featured continued relevance of China, 12.4 percent of total world export, USA, 9.7 percent and Germany, 7.6 percent.



**Figure 3: Trends in Global Prices of Main Commodities**



Source: IMF Primary Commodity Price System

27. International commodity prices fluctuated unevenly in 2020 amidst a large gap between demand and supply of commodities during the first wave of COVID-19. Prices generally trended downward in the first half of 2020, rebounding as COVID-19 receded gradually. Likewise, it showed downward trends for commodities exported by the ECOWAS Member States in 2020 compared to 2019, including crude oil, cotton, coffee etc. Oil prices fell significantly in 2020 and have only managed to climb close to their pre-pandemic level, while metal prices rebounded quickly to their pre-pandemic levels. On the other hand, majority of agricultural commodities showed resilience as most of their prices grew in 2020. The fluctuations translate to blessings for exporters when prices rise, while it is the reverse when they crash. Therefore, COVID-19 brought exporters lessons to diversify their economies from total reliance on their major export commodities. In this regard, the trends of the average prices of mainly primary commodities were as follows:

**Table 1: Trends in Prices of Some Primary Commodities**

	2018	2019	2020	2021
Rice (\$/MT)	403.1	396.5	477.8	470.3
Wheat (\$/MT)	186.1	163.3	185.5	239.9
Groundnuts (\$/MT)	2,048.4	1,846.1	1,935.6	2,012.4
Soybean Meal (\$/MT)	373.3	334.6	351.1	453.4
Crude Oil (\$/bbl)	68.3	61.4	41.3	62.9
Iron Ore (\$/MT)	70.1	93.6	108.1	178.3
Uranium (\$/Lb)	24.5	25.9	29.4	29.8
Gold (\$/troy ounce)	1,269.1	1,392.2	1,769.5	1,761.7
Cotton (cts/lb)	91.4	77.9	71.9	90.7
Rubber (cts/lb)	70.4	74.8	79.9	99.3
Coffee (cts/kg)	88.3	80.0	78.2	86.7
Cocoa (cts/kg)	2,293.7	2,340.8	2,370.0	2,366.5

Source: IMF's Primary Commodity Price System (PCPS)

## 1.5. Medium-Term Prospects

### 1.5.1. Global Growth and Inflation Prospects

28. The global economy is projected to grow by 6.0 percent in 2021 but expected to moderate to 4.4 percent in 2022. Global inflation is forecast at 4.5 percent but expected to moderate to 3.9

percent. The medium-term prospects of growth and inflation are premised on how effective the distribution of COVID-19 vaccines will be across the globe and the continuous control of the second wave of the pandemic. While it is generally acclaimed that the pandemic plays a significant role in the global outlook, trade and technology feuds, especially between the USA and China, could exacerbate a worse global economic situation.

29. There may be upside and downside risks to the economic outlook and medium-term prospects relative to the global economic recovery. First, the observed delusion, whereby those who have received doses of the vaccines gradually disregard COVID-19 protocols, may increase its second wave persistence and slow the expected recovery process. Meanwhile, the emergency policy measures adopted worldwide must take cognisance of COVID-19 retreat as excessive use of policies such as fiscal support may hinder growth in the long run.

#### ***Prospects in Advanced Economies***

30. Output in the advanced economies group is projected to recover by 5.1 percent in 2021, driven mainly by the declining economic impact of the COVID-19, which weighed down heavily on most major economies, and the expected return of the economies to normalcy. However, growth is projected to moderate to 3.6 percent in 2022. United States is expected to surpass its pre-COVID GDP level with 6.4 percent projected growth in 2021, while many others in the group will only return to their pre-COVID levels in 2022. Inflation in this group is projected to average 1.6 percent in 2021, worsening to 1.7 percent in 2022 on account of diminished global demand. Growth rates in the euro area, US, UK and Japan, respectively, are projected at 4.4 percent, 6.4 percent, and 3.3 percent in 2021 before moderating in 2022.

#### ***Prospects in EMDEs***

31. The growth of economies of the EMDEs was projected at 6.7 percent on account of sustainable growth path in China. In this group, China's economy remained unique as it had been projected to return to pre-COVID output growth in 2021, whereas many others are projected to experience full recovery only in 2023. China is projected to expand to 8.4 percent in 2021; likewise, India is projected to grow by a whopping 12.5 percent. The expected performance is a result of the increasing demand for products from these countries. Growth in the two (2) emerging economies is expected to moderate to 5.6 percent in China and 6.9 percent in India in 2022.
32. In terms of inflation in 2021, average inflation in EMDEs is expected to rise to 7.4 percent. In China, it will recline slightly to 1.2 percent in Russia, average inflation is projected to worsen to 4.5 percent; similarly, in Brazil, it is expected to heighten to 4.6 percent and in Venezuela, it is projected to double more than its 2020 level, projected at 5,500 percent.

#### ***Prospect in SSA***

33. In SSA, economic performance is projected to recover to 3.4 percent in 2021 and strengthen to 4.0 percent in 2022. Growth in Nigeria and South Africa are projected to accelerate in

2021 at 2.5 percent and 3.1 percent, before moderating to 2.3 percent and 2.0 percent, respectively in 2022

34. Oil-price drop characterised most of 2020 and dampened inflationary expectations in oil-importing economies in the SSA. Inflation is projected to moderate to an average of 9.8 percent in the region, occasioned mainly by slight improvement global supply chain. However, in Nigeria and South Africa, inflation will rise by 16.0 percent and 4.3 percent respectively, in 2021, driven by rising food prices and metal prices, while average inflation in Angola is projected to remain unchanged from its 2020 average.

### **1.5.2. General Outlook in the Financial Sector**

35. Financial sector played a significant role in stabilising the global economy in 2020. The industry was well positioned before the COVID-19 outbreak for transmitting government stimulus and relief programs across the globe. In terms of monetary policy response, most central banks performed impressively through various measures such as cutting interest rates, direct interventions, debt forbearance, and debt forgiveness policies. These policies are capable of sustaining financial sector resilience in the medium term. In addition, the sector would have to institutionalise the innovations learnt in managing the COVID-19 pandemic effects, which made it resilient in 2020, to strengthen the industry for the challenges ahead in 2021 and beyond.
36. There would be a need to balance between policy accommodation and tightening in 2021 due to the divergent impacts of COVID-19 on the financial vulnerabilities of the advanced economies and the EMDEs. The first impact on EMDEs was a large-scale flight of portfolio investments as COVID-19 surged. Following these developments in 2020, most EMDEs would remain exposed to rollover risk in 2021, primarily as domestic inflation and interest rates are expected to rise. Also, the risk of portfolio outflows may be worse for economies with weaker positions or limited access to vaccines.

### **1.5.3. Outlook for Prices**

#### ***Food Prices***

37. The international prices of food items in ECOWAS are generally on the rise based on COVID-19 mitigation policy measures and are likely to rise further if the second wave of COVID-19 soars.

#### ***Primary Commodities Exported by the Region***

38. Based on the IMF's April 2021 projections, the prices of crude oil, rubber, coffee Robusta, cotton, iron ore and uranium are expected to rise following the already observed rebound as normalcy returns in economies around the globe, and travels and industrial production pick-up. Conversely, the price of gold is expected to lower marginally.

## II. MACROECONOMIC AND FINANCIAL DEVELOPMENTS IN ECOWAS

39. The macroeconomic policy thrust in ECOWAS Member States has been focusing on strengthening and sustaining output growth and ensuring stable inflation. Policies were therefore directed towards enhancing revenue performance, expenditure rationalisation, employment creation and public-private sector efficiency as well as infrastructure and technological developments. However, with the emergence of COVID-19 in the last quarter of 2019, the policy direction in 2020 drifted largely towards maintaining human safety and security, preserving financial sector stability and curbing severe output loss.
40. Given the pandemic, the region's output growth contracted to -1.1 percent in 2020 from the growth rate of 3.1 percent in 2019, occasioned mainly by the recession in Nigeria following the sharp declines in oil prices and capital inflows during the period. The containment measures adopted by Member States to curb the negative impact of the health emergency also negatively affected growth in the region.
41. The contraction in general economic activity was worsened by heightened price pressures as end-period inflation rose to 13.0 percent in 2020 from 9.7 percent in 2019 due mainly to developments in most Member States during the period. However, the drop in oil prices and reduced demand cushioned the upwards price pressures.
42. Overall fiscal performance deteriorated in the Community largely on account of increased expenditure and revenue slowdown in most Member States linked to restrictions related to COVID-19 situation despite donor support towards the management of the pandemic. The budget deficit (excluding grants) widened to 5.0 percent of GDP from 3.5 percent of GDP in 2019. Similarly, including grants, the budget deficit was equivalent to 4.5 percent of GDP in 2020 compared to 3.2 percent of GDP in the preceding year. The stock of public debt rose to 27.7 percent of GDP from 24.1 percent of GDP in 2019, mainly due to efforts by most Member States' governments to close the financing gap created by COVID-19 containment measures, including economic stimuli to vulnerable sectors and businesses. However, the debt stock spike was mitigated by debt forgiveness granted to several Member States under the IMF Catastrophe Containment and Relief Trust, CCRT.
43. Member Central Banks eased monetary policy across the region in 2020 to help spur economic activity in the face of low aggregate demand experienced during the COVID-19 pandemic. Growth in broad money supply expanded to 13.6 percent from 8.5 percent at end-December 2019, mainly occasioned by expansion of NCG in some Member States and surge in NFA in others.
44. The performance of the external sector varied across Member States as the aggregate current account deficit of the Community widened slightly to 3.6 percent of GDP in 2020 from 3.5 percent in 2019. Merchandise trade under-performed in some Member States due mainly to increased imports and weak exports during the period.

## 2.1 Real Sector

### 2.1.1 Output Level and Drivers in ECOWAS

45. With the emergence of COVID-19, the steady progress made to improve economic activity in the region was negatively affected by a combination of factors, including declines in global commodity prices and demand, reduction in earnings from tourism and heightened volatility in financial markets as well as travel restrictions and lockdowns. Consequently, real GDP growth in the Community declined by 1.1 percent, following the growth rate of 3.1 percent in 2019. However, the COVID shock withered in one Member State with a notable output growth due mainly to a boom in its mining sub-sector.
46. On a sectoral basis, the reduction in regional output level mainly came from declines in the industrial and services sub-sectors. Under industry, mining (mainly oil and gas production) and construction bore the brunt of the COVID-19 restriction shock, while under services, trade and ‘transportation & communication’ were hit hard and, therefore, mainly contributed to the shrink in real GDP in ECOWAS. On the demand side, private consumption and investment drove the decline in output level in the Community.
47. In WAEMU, economic activity was subdued, occasioned by the COVID shock. Some Member States recorded slowdown in growth (Cote d’Ivoire, Burkina Faso, Benin, Niger, Senegal and Togo), while output declined in Mali and Guinea Bissau. Aggregate growth rate slowed to 1.5 percent from 5.6 percent in 2019, reflecting slow output growths in mining, manufacturing, construction, trade, transportation & communication and financial services in some Member States sub-sectors. However, some Member States recorded favourable agricultural outputs, thus reducing the severity of the overall impact of COVID-19 on output growth in 2020.
48. In Cote d’Ivoire, real GDP slowed to 2.0 percent from 6.2 percent in 2019. The value-added in primary sector slowed to 2.2 percent from 5.3 percent in 2019 due to a decline in agriculture (-0.7 percent from 4.9 percent in 2019). However, increases was recorded in export agriculture (3.0 percent) and food crops and livestock (2.0percent) while there were declines in fishing (-0.2percent) and forestry (-10.0percent). The impressive performance of export agriculture is mainly attributable to the increase in cashew nut production (33.7percent), sugar (9.4percent) and seed cotton (1.7percent). Growth in the secondary sector declined to 1.9 percent from 11.5 percent in 2019, occasioned by the deceleration of petroleum products by 25.7percent and agri-food industries by 5.2percent. This deceleration was contained by the improvement in the production of mining and quarrying (6.2percent), energy (5.6percent), construction (5.5percent) and other manufacturing industries (4.6percent). Growth in the tertiary sector slowed in 2020 (0.7 percent from 4.9 percent in 2019) occasioned by negative growths in transport (-2.0percent), trade (-2.5percent) and other services (-2.2percent) caused by COVID lockdowns and social distancing. The slowed output growths in Benin, Burkina Faso, Niger, Senegal and Togo, were mainly triggered by a

combination of slowdowns and declines in sub-sectors under the secondary and tertiary sectors. These include slowdown in trade (Benin, Burkina Faso, Niger and Togo), downturn in manufacturing (Benin, Burkina Faso, Guinea Bissau, Senegal and Togo), and decline in construction (Burkina Faso, Guinea Bissau and Togo).

49. In Mali, the negative growth rate was prompted by contractions in Agriculture (-6.8 percent from 4.1 percent in 2019), Mining (-1.1 percent from 6.2 percent), Construction (-5.7 percent from 5.4 percent) and Trade (-4.2 percent from 4.4 percent.), while in Guinea Bissau, the decline in the output level originated from the contraction in construction (-3.1 percent from 16.9 percent) supported by slowdowns in the mining and Financial services by 1.0 percent and 1.1 percent from 7.9 percent and 12.5 percent , respectively, in 2019.
50. On the demand side, the declines in household consumption (Benin, Burkina Faso, Cote d'Ivoire, Niger, and Togo) and investments in Senegal, Guinea Bissau and Mali contributed to the sluggish output growth in the WAEMU sub-region.
51. In the West Africa Monetary Zone (WAMZ), the growth paths were diverse. Contractions in real GDP were estimated in Nigeria, Liberia, Sierra Leone and The Gambia while growth in Ghana slowed down significantly during the review period. However, a notable economic performance was reported in Guinea. Therefore, growth in the WAMZ was estimated at negative 1.6 percent in 2020 compared to 2.7 percent in 2019 mainly occasioned by the pandemic-driven recession especially in Nigeria.
52. In Nigeria, economic growth stood at -1.9 percent against 2.3 percent in 2019, underpinned by subdued performance in the secondary and tertiary sectors. The consequence of the economic and health crises ensuing from the global pandemic lockdown and restrictions significantly slowed demand and crude oil prices, bringing the extractive industry, manufacturing, construction and services to standstills. However, the expansion in agriculture sector somewhat mitigated the impacts on the other sectors. Hence, the earlier projection of -3.2 percent for Nigeria was revised to -1.9 percent. In Ghana, growth moderated to 0.4 percent from 6.5 percent in 2019, occasioned by the impact of the pandemic on extractive, trade, hotel & restaurants and professional services. However, performances in agriculture and other services, including information and communication, financial and insurance and real estate, mitigated the impact of the pandemic on the affected sub-sectors. In Liberia, real GDP contracted further to 3.0 percent from 2.5 percent in 2019, occasioned by the declines in services, construction and energy; however, the agriculture sector expanded by 6.4 percent to reduce the impact.
53. Similarly, in Sierra Leone, growth was estimated to have contracted by 2.2 percent against the growth rate of 5.4 percent in 2019 occasioned by contractions in mining and trade and tourism, the impact of which was mitigated by growth in agriculture, and other services such as communication and real estate. In The Gambia, economic activity was estimated at -0.2 percent compared to the growth rate of 6.2 percent realised in 2019, mainly attributed to contraction in services, particularly tourism and related sub-sectors. However, in Guinea, a

notable economic performance was reported where real GDP growth was estimated to reach 7.0 percent from 5.6 percent in 2019 fostered by a vibrant mining sector that ultimately withered the impact of the pandemic on the other sectors.

54. In Cabo Verde the impact of the pandemic was more pronounced on agriculture, manufacturing as well as travel and tourism, which is the primary driver of the economy. Consequently, real GDP contracted by 14.8 percent in 2020 compared to 5.7 percent in 2019, conditioned by COVID-19 containment impact on tourism and related sub-sectors.

**Table 2: Trends in Real GDP Growth in ECOWAS**

	2018	2019	2020*	2021**
ECOWAS	3.0	3.1	-1.1	3.8
WAEMU	6.3	5.6	1.5	5.3
BENIN	6.7	6.9	3.8	6.0
BURKINA FASO	6.7	5.7	2.5	5.1
COTE D'IVOIRE	6.9	6.2	2.0	6.5
GUINEA BISSAU	3.4	4.5	-1.4	3.3
MAI I	4.7	4.8	-1.6	4.3
NIGER	7.0	5.9	1.2	5.4
SENEGAL	6.2	4.4	1.5	3.7
TOGO	5.0	5.5	1.8	4.8
WAMZ	2.3	2.7	-1.6	3.5
GAMBIA	6.8	6.2	-0.2	6.0
GHANA	6.3	6.5	0.4	4.8
GUINEE	6.2	5.6	7.0	5.2
LIBERIA	1.2	-2.5	-3.0	3.2
NIGERIA	1.9	2.3	-1.9	3.4
SIERRA LEONE	3.5	5.5	-2.2	3.0
CABO VERDE	4.5	5.7	-14.8	5.8

Sources: central Banks, WAMA, WAEMU Commission, IMF; \*Estimation \*\*Projections

## 2.1.2 Structure of Economies in ECOWAS and Member States

55. Economic activities in the region are structured into primary, secondary and tertiary sectors with the weighted shares of GDP recorded at 25.1 percent, 22.4 percent and 52.4 percent, respectively, in 2020. Regarding the sectoral impact of the pandemic in the region, the secondary and tertiary were the most affected sectors; however, the decline in the secondary sector was more profound. The secondary sector declined by 4.3 percent from a growth rate of 3.6 percent in 2019 mainly due to declines in the crude oil productions in Nigeria and Ghana while the tertiary (services) sector declined by 1.6 percent against a growth rate of 3.2 percent in 2019. The primary sector pulled impressive performance in the Community. The pandemic impacts on the secondary and tertiary sectors were mitigated by growth in the primary sector, 2.3 percent in 2020 compared to 2.9 percent in 2019, driven by the growth of the sector in Nigeria.

56. Regarding sectors' contributions to growth rate of the Community in 2020, the primary sector somewhat repelled the impact of the pandemic, putting up a positive contribution of 0.5 percentage point from 0.7 percentage point in 2019. The secondary and tertiary sectors contributed -0.9 and -0.8 percentage points, respectively, from 0.8 and 1.6 percentage points in 2019. Growth and contribution in the primary (agriculture) sector were positive owing to the fact that activities in the sector are mainly domestic-driven, while the secondary (industry) and tertiary (services) sectors were heavily impacted to by COVID restrictions in 2020 as economic activities in these sectors are mostly linked to international and cross-border trade. It should be noted that in the region, the secondary and tertiary sectors together

constituted 74.8 percent of GDP in 2020 compared to 75.8 percent of GDP in 2019. This shows that a larger proportion of the Community’s output depends on activities in these sectors and thereby, influenced by international prices, making the region susceptible to external shocks. Thus, investments that prioritise domestic value additions in the three sectors, particularly, the primary sector will make growth inclusive and beneficial to large segment of the region’s economy.

57. In terms of the pandemic’s economic impacts on sub-regional sector growth, in WAEMU, economic activities in all sectors (primary, secondary and tertiary) slowed down during the reporting period. The primary sector slowed to 0.3 percent from 8.1 percent in 2019, underpinned mainly by the slow growth in the primary sector in Cote d’Ivoire (2.2 percent from 5.3 percent growth in 2019). Similarly, the secondary and tertiary sectors slowed to 3.0 and 2.7 percent, respectively, from 15.6 percent and 9.2 percent, mainly due to the negative performance of the sectors in Senegal, Niger and Togo<sup>2</sup>.

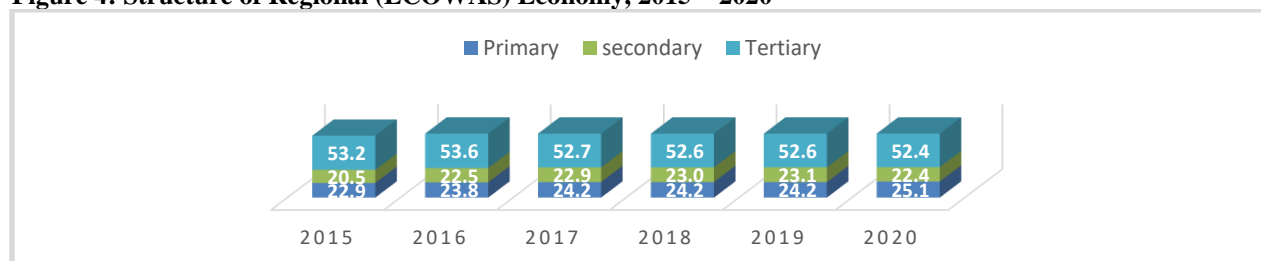
58. In the WAMZ, the primary sector expanded by 2.7 percent, same as the growth rate in 2019, mainly supported by the sector’s performance in Nigeria, while the secondary and tertiary sectors declined largely due to declines in the oil and trade sub-sectors in Nigeria and Ghana. In Cabo Verde, all sectors were affected by the restrictions due to the pandemic in 2020, particularly services which is the primary driver of the economy. Growth rates of the primary, secondary and services sectors were estimated at -6.6 percent, -2.0 percent and -14.2 percent from -7.3 percent, 7.5 percent and 6.2 percent, respectively, in 2019.

**Table 3: Sector Share of GDP and Contribution to Growth**

	2018	2019	2020	2018	2019	2020
	Sectoral Share of GDP			Sectoral Contribution to Growth Rate		
<b>ECOWAS</b>				<b>3.0</b>	<b>3.1</b>	<b>-1.2</b>
Primary	24.3	24.3	25.1	0.7	0.7	0.5
Secondary	23.0	23.0	22.4	0.8	0.8	-0.9
Tertiary	52.7	52.7	52.4	1.5	1.6	-0.8
<b>WAEMU</b>				<b>6.3</b>	<b>5.6</b>	<b>1.5</b>
Primary	21.7	21.4	21.2	1.5	0.9	0.7
Secondary	20.4	20.7	20.9	1.0	1.5	0.4
Tertiary	57.9	57.9	57.9	3.8	3.2	0.4
<b>WAMZ</b>				<b>2.3</b>	<b>2.7</b>	<b>-1.6</b>
Primary	24.8	24.8	25.0	0.6	0.6	0.6
Secondary	23.4	23.4	22.6	0.7	0.7	-1.2
Tertiary	51.6	51.6	51.3	1.0	1.3	-1.1
<b>CABO VERDE</b>				<b>4.5</b>	<b>5.7</b>	<b>-14.8</b>
Primary	6.1	6.4	5.1	-1.4	-0.4	-1.6
Secondary	21.0	24.1	18.5	1.9	1.8	-1.4
Tertiary	72.0	69.5	60.8	4.1	4.4	-11.8

Source: Central Banks; WAMA; Growth rates for some WAEMU Member States are preliminary

**Figure 4: Structure of Regional (ECOWAS) Economy, 2015 – 2020**

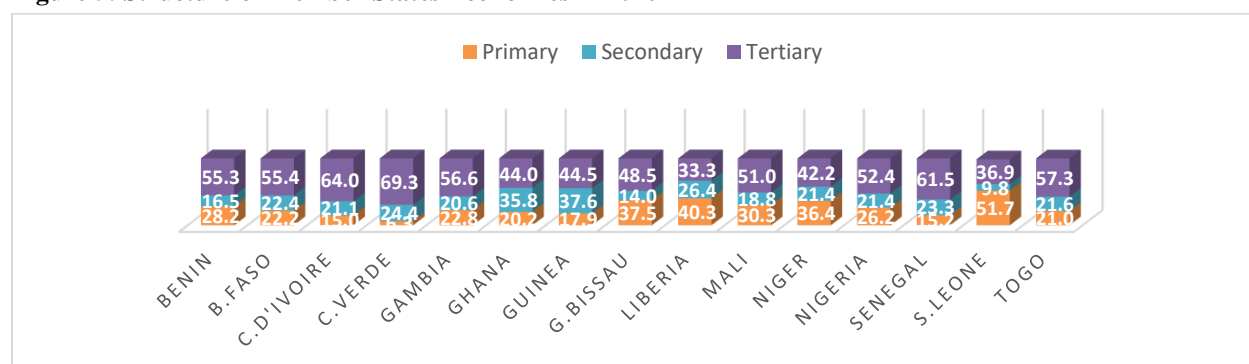


Sources: Central Banks, WAMA

<sup>2</sup> There is an indication that real sector data from Benin, Guinea Bissau, Mali, Senegal and Togo have been revised



**Figure 5: Structure of Member States Economies in 2020**



Sources: Central Banks, WAMA; \* Estimates, \*\*Projections

### 2.1.3 Inflation

59. At the end of 2020, inflationary pressures persisted in the ECOWAS region, mainly due to the shortages of foodstuff and other essential commodities occasioned by COVID-19 restrictions. Other causes of inflation in the region included the high and increasing energy and transport costs. The composite end-period inflation of the Community rose to 13.0 percent at end-December 2020 from 9.7 percent in the same period of 2019. Similarly, average inflation accelerated to 11.2 percent from 9.3 percent.

60. In the WAEMU and WAMZ zones, end-period inflation increased to 2.0 percent and 15.2 percent from negative 0.2 percent and 11.7 percent, respectively at end-December 2019. Inflation increased in all Member States of WAEMU with Niger recording the highest increase during the period. In the WAMZ, movements in inflation rates were mixed. The Gambia, Liberia and Sierra Leone witnessed reductions in their consumer price inflation, with the Gambia being the only country that recorded single digit inflation rate at 5.7 percent during the period. Ghana, Guinea and Nigeria experienced increases in inflation rates to 10.4 percent, 11.3 percent and 15.8 percent from 7.9 percent, 9.1 percent and 12.0 percent at end-December 2019, respectively. In Cabo Verde, inflation stood at -0.9 percent at end-December 2020 compared to 1.1 percent in the same period of 2019 occasioned by weak domestic demand, low international energy prices and increased domestic food supply.

**Table 4: Inflation (end of period)**

	2018	2019	2020	2021
<b>ECOWAS</b>	<b>9.6</b>	<b>9.7</b>	<b>13.0</b>	<b>12.1</b>
<b>WAEMU</b>	<b>0.8</b>	<b>-0.2</b>	<b>2.0</b>	<b>2.0</b>
BENIN	-0.2	0.5	2.5	2.0
BURKINA FASO	0.9	-2.6	2.3	2.7
COTE D'IVOIRE	0.6	1.6	2.3	1.6
GUINEA BISSAU	2.4	-0.1	1.5	2.0
MALI	0.8	-3.3	0.7	1.7
NIGER	1.2	-2.0	3.1	2.1
SENEGAL	1.1	0.7	1.1	2.5
TOGO	1.7	0.1	2.9	1.7
<b>WAMZ</b>	<b>11.3</b>	<b>11.7</b>	<b>15.2</b>	<b>14.1</b>
GAMBIA	6.4	7.7	5.7	5.8
GHANA	9.4	7.9	10.4	9.8
GUINEE	9.9	9.1	10.6	11.1
LIBERIA	28.5	20.3	13.1	11.9
NIGERIA	11.4	12.0	15.8	14.5
SIERRA LEONE	14.3	13.9	10.4	13.3
<b>CABO-VERDE</b>	<b>1.3</b>	<b>1.9</b>	<b>-0.9</b>	<b>1.2</b>

Sources: central Banks, WAMA, WAEMU Commission, IMF, \*Estimation; \*\*Projections

61. Average inflation of the region rose to 11.2 percent in 2020 from 9.3 percent in 2019 due mainly to rise in food prices in some countries. At the sub regional level, WAEMU recorded 2.2 percent against -0.6 percent in 2019 whilst average inflation in the WAMZ stood at 12.9 percent compared to 11.2 percent in 2019.

## **2.2 Fiscal Sector**

### **2.2.1 Government Financial Operations Table**

62. The ECOWAS region witnessed a significant reversal from the efforts made in recent years in the areas of expenditure rationalisation and revenue mobilisation, mainly on account of the health and economic impacts of COVID-19 on most sectors of the economy. Member States initiated containment measures to ensure human safety and security, as well as to curb severe output losses. During the review period, recurrent expenditure of most Member States increased markedly, especially concerning health, social programmes, transfers and subsidies as well as compensation of employees. The fiscal out-turn was worsened by the decline in revenue generation in some economies and revenue underperformance in others during the review period.
63. Consequent to the above, the budget deficit (excluding grants) of the ECOWAS region rose to 5.0 percent of GDP at end-December 2020 from 3.5 percent of GDP in the corresponding period of 2019. In the WAMZ, deficit as percent of GDP rose by 1.0 percentage point to 4.4 percent in 2020 from 3.4 percent in 2019, while in the WAEMU the same ratio surged to 7.9 percent of GDP in 2020 from 4.2 percent of GDP in 2019.
64. In the WAEMU zone, the budget deficit (excluding grants) rose in all the Member States. In Cote d'Ivoire and Senegal, it rose to 6.1 percent of GDP and 8.9 percent of GDP from 3.1 percent of GDP and 5.6 percent of GDP, respectively, at end-December 2019, reflecting the combined effects of the decline in domestic revenue and increase in expenditure. Similarly, in Burkina Faso, Guinea Bissau, Mali and Niger, the deficits rose to 8.7 percent of GDP, 10.3 percent of GDP, 6.3 percent of GDP and 12.8 percent of GDP from 4.6 percent of GDP, 6.5 percent of GDP, 3.6 percent of GDP and 10.0 percent of GDP, respectively, in 2019 occasioned by the decrease in domestic revenue and increase in public expenditure. In Benin and Togo, the budget deficits also increased to 6.4 percent of GDP and 9.5 percent of GDP from 1.7 percent of GDP and 1.3 percent of GDP, respectively, in 2019. The rise in the budget deficit was mainly triggered by increased public expenditure. Domestic revenue remained unchanged in Benin and slightly increased in Togo.
65. In the WAMZ, the deterioration in the fiscal position also reflected the worsening fiscal situation in most Member States due to the pandemic's impact on the fiscal operation. In Nigeria, deficit (excluding grants) rose to 3.8 percent of GDP from 3.3 percent of GDP in 2019, primarily reflecting the rise in recurrent expenditure during the period, due to measures implemented to cushion the impact of the health and economic crises. In Ghana, Guinea and Sierra Leone, the deficit expanded to 10.5 percent of GDP, 3.0 percent of GDP and 11.2

percent of GDP from 4.4 percent of GDP, 1.0 percent of GDP and 6.5 percent of GDP in 2019, respectively, occasioned mainly by a slowdown in domestic revenue and rise in expenditures associated with the pandemic. Similarly, the deficit rose in the Gambia to 13.6 percent of GDP from 8.2 percent of GDP due to a more than proportionate increase in total expenditure relative to the growth in domestic revenue. However, data obtained from Liberia indicated that fiscal operation in 2020 resulted into an overall surplus of 1.0 percent of GDP (excluding grants) from a deficit of 0.9 percent of GDP in 2019, influenced by the increase in tax and contingent revenue as well as grants inflows in support of the government effort to contain the COVID pandemic. The rise in tax revenue mainly resulted from the government's timely remittance of withholding taxes on salaries and wages. It can be noted that the increases in tax revenue, contingency and grants overshadowed the rise in recurrent expenditure in the period.

66. In Cabo Verde, the fiscal situation worsened significantly, mainly attributed to the hike in expenditure on health infrastructure and social programmes during the period. The deficit (excluding grants) was equivalent to 12.3 percent of GDP in 2020 compared to 5.0 percent of GDP in 2019.
67. Including grants, the aggregate fiscal balance of the Community recorded a higher deficit of 4.5 percent of GDP in 2020 against 3.2 percent of GDP in 2019. In the WAEMU, the deficit stood at 5.6 percent compared to 2.5 percent in 2019 and the WAMZ recorded a deficit equivalent to 4.3 percent of GDP compared to the deficit of 3.3 percent of GDP recorded in 2019.

**Table 5: Budget Deficit (excluding grants) as percent of GDP in ECOWAS**

	2018	2019	2020*	2021**
<b>ECOWAS</b>	<b>3.3</b>	<b>3.5</b>	<b>4.9</b>	<b>4.8</b>
<b>WAEMU</b>	<b>5.2</b>	<b>4.2</b>	<b>7.7</b>	<b>7.3</b>
BENIN	3.5	1.7	6.4	5.7
BURKINA FASO	6.7	4.6	8.7	8.0
COTE D'IVOIRE	3.7	3.1	6.1	6.1
GUINEA BISSAU	8.2	6.5	10.3	10.3
MALI	6.0	3.6	6.3	8.4
NIGER	9.0	10.3	12.8	10.8
SENEGAL	5.7	5.6	8.9	7.3
TOGO	3.3	1.3	9.5	6.9
<b>WAMZ</b>	<b>2.9</b>	<b>3.4</b>	<b>4.4</b>	<b>4.4</b>
GAMBIA	11.8	8.2	13.6	11.3
GHANA	3.9	4.4	10.5	9.0
GUINEE	2.9	1.0	3.0	1.8
LIBERIA	0.8	0.9	-1.0	2.4
NIGERIA	2.8	3.3	3.8	4.0
SIERRA LEONE	7.4	6.5	11.2	9.2
<b>CABO-VERDE</b>	<b>4.1</b>	<b>5.0</b>	<b>12.3</b>	<b>10.1</b>

Sources: central Banks, WAMA, WAEMU Commission, IMF; \*Estimation; \*\*Projections

## 2.2.2 Public Debt Stock

68. The stock of public debt of the Community was equivalent to 27.7 percent of GDP in 2020 compared to 24.1 percent of GDP at end-December 2019, influenced mainly by the rise in the external components in the WAMZ and WAEMU due to external concessional advances

to most Member States by development partners in response to the COVID-19 health and economic emergencies.

69. In the WAEMU, total public debt at end-December 2020 rose to 50.3 percent of GDP from 43.9 percent of GDP in the preceding year. This ratio increased in all Member States of the sub-region except Guinea Bissau during the review period. Domestic debt of the Union increased to 16.8 percent of GDP from 13.5 percent of GDP in 2019. Similarly, the external debt component rose to 33.4 percent of GDP from 30.4 percent of GDP in 2019.
70. In the WAMZ, the stock of public debt rose to 22.9 percent of GDP at end-December 2020 from 20.0 percent of GDP in 2019, reflecting rising debt situations in Nigeria and Ghana. The debt stock increased in Nigeria to 17.5 percent of GDP at end-December 2020 from 15.6 percent of GDP in 2019 due to the escalation in external debt components during the period. In Ghana, the stock of public debt rose to 76.1 percent of GDP from 62.4 percent of GDP in 2019, reflecting the government's endeavour to close the COVID-19 financing gap. In Guinea, Liberia and Sierra Leone, public debt stocks rose to 33.8 percent of GDP, 52.1 percent of GDP and 69.1 percent of GDP from 30.6 percent of GDP, 40.0 percent of GDP and 61.0 percent of GDP, respectively, at end-December 2019 due to concessional advances toward the pandemic containment. However, the debt situation moderated in The Gambia to 76.5 percent of GDP from 85.2 percent of GDP at the end of 2019, on account of the Gambia's debt relief under the G20 Debt Service Suspension Initiative (DSSI) and the IMF's Catastrophe Containment and Relief Trust (CCRT). However, the overall debt service distress rating remained high in the Gambia and above the Community threshold.

**Table 6: Total Outstanding Public Debt in ECOWAS (percent of GDP)**

	2018	2019	2020*	2021**
<b>ECOWAS</b>	<b>23.8</b>	<b>24.1</b>	<b>27.7</b>	<b>30.9</b>
<b>WAEMU</b>	<b>42.0</b>	<b>43.9</b>	<b>50.3</b>	<b>51.8</b>
BENIN	34.6	41.6	47.3	43.7
BURKINA FASO	37.3	42.2	46.8	46.8
COTE D'IVOIRE	36.0	38.8	47.6	50.9
GUINEA BISSAU	44.4	40.1	33.2	52.8
MALI	36.9	40.6	47.5	47.5
NIGER	38.8	41.5	41.9	44.6
SENEGAL	61.2	57.3	63.8	65.3
TOGO	55.5	51.9	58.6	59.2
<b>WAMZ</b>	<b>19.9</b>	<b>20.0</b>	<b>22.9</b>	<b>26.5</b>
GAMBIA	84.8	80.1	76.5	74.5
GHANA	57.6	62.4	76.1	81.5
GUINEA	36.7	30.6	33.8	43.2
LIBERIA	28.8	40.0	52.1	51.4
NIGERIA	15.9	15.6	17.5	20.9
SIERRA LEONE	58.7	61.0	69.0	71.3
<b>CABO-VERDE</b>	<b>131.3</b>	<b>130.4</b>	<b>158.5</b>	<b>138.7</b>

Sources: central Banks, WAMA, WAEMU Commission, IMF; \*Estimation; \*\*Projections

71. Cabo Verde which has the highest debt ratio in the Community, continued to record an upward trend, primarily due to fiscal support towards the vulnerable sectors during COVID-

19 lockdown. The debt stock in the country rose to 158.5 percent of GDP from 130.4 percent of GDP in 2019, influenced by external borrowing during the period.

## **2.3 Monetary Sector**

72. This section examines monetary sector developments in the ECOWAS Member States in the 12-month period ending December 2020 compared to the corresponding period of 2019. It focuses on changes in monetary policy rates and other key interest rates as well as other developments in the sector.

### **2.3.1 Monetary Policy and Interest Rate Developments**

73. Central banks of ECOWAS Member States pursued an accommodative monetary policy to promote a vigorous recovery of economic activity in the sub-region, which was severely affected by the COVID-19 pandemic. The monetary policy stance in the WAEMU zone was accommodating against the backdrop of the COVID-19 pandemic. To mitigate its effects in the WAEMU, the BCEAO reduced its policy rate by 0.5 percentage points to 2.0 percent from 2.5 percent in 2019. The interest rate on the marginal lending window has been maintained at 4.0 percent since June 2020. In the WAMZ, The Gambia reduced the rediscount rate to 10.0 percent from 12.5 percent at end-2019. In Ghana and Guinea, the monetary policy rate (MPR) was reduced to 14.5 percent and 11.5 percent from 16.0 percent and 12.0 percent in 2019, respectively, to reduce the cost of credit for businesses (hotels, restaurants, transport) and individuals heavily affected by the pandemic. In Liberia, the monetary policy rate was reduced from 30.0 percent to 25.0 percent, as end-period inflation dropped to 13.1 percent from 20.3 percent in 2019. In Nigeria, the CBN reduced the monetary policy rate to 11.5 percent in 2020 from 13.5 percent a year earlier. Also, the Bank of Sierra Leone reduced its monetary policy rate to 14.0 percent in 2020 from 16.5 percent in 2019. In Cabo Verde, the Central Bank lowered its main policy rate to 0.25 percent in 2020 from 1.5 percent in 2019 to help revive the economy, which was badly affected by the pandemic.

74. In the WAEMU zone, the 91-day Treasury bill rate declined to 2.94 percent in 2020 from 4.85 percent in 2019, and the 6-month bill rate stood at 4.27 percent compared to 5.52 percent a year earlier.

75. In the WAMZ, changes in treasury bill rates remained mixed during the period under review. T-bill rates increased in The Gambia and Guinea, while they decreased in the other countries of the Zone. In The Gambia, the 91-day T-bill rate stood at 2.75 percent compared to 2.24 percent at the end of 2019. In Ghana, the 91-day Treasury bill rate declined to 14.08 percent in December 2020 from 14.69 percent in December 2019. In Guinea, it soared to 11.50 percent from 6.66 percent in 2019. Liberia did not issue treasury bills during the review period. In Nigeria, the 91-day treasury bill rate declined sharply to 0.03 percent at end-December 2020 from 4.47 percent at end-December 2019. In Sierra Leone, the 91-day Treasury bill rate stood at 3.78 percent compared to 8.83 percent in 2019, while in Cabo

Verde, the treasury bill rate remained unchanged at 1.0 percent during the period under review.

**Table 7: Development in Selected Interest Rates in the ECOWAS**

Currency	Interest rate	2016	2017	2018	2019	2020
CFAF	Savings	5.4	5.3	5.5	5.4	5.2
	Commercial loans (on average)	7.0	7.0	6.8	6.7	6.6
	Policy rate (end of period)	2.5	2.5	2.5	2.5	2.0
	Repo rate	4.5	4.5	4.5	4.5	4.0
	Treasury bills (90 days)	3.9	5.5	6.1	4.9	2.9
Escudo	Savings	3.1	3.1	3.1	3.1	3.1
	Commercial loans (average)	10.1	10.1	10.1	10.1	
	Policy rate (end of period)	3.5	2.3	1.5	1.5	0.25
	Treasury bills (90 days)	1.0	1.0	1.0	1.0	1.0
Dalasi	Savings	6.5	2.8	4.3	4.3	1.7
	Commercial loans (average)	23	22.5	21.5	21.7	20.0
	Policy rate (end of period)	23	15	13.5	12.5	10.0
	Treasury bills (90 days)	13.3	5.2	5	7.8	2.8
Cedi	Savings	6.1	7.6	7.6	7.6	7.6
	Commercial loans (average)	31.7	29.3	26.9	24	21.1
	Policy rate (end of period)	25.5	20.0	17.0	16.0	14.5
	Treasury bills (90 days)	16.8	13	14.6	14.7	14.1
GNF	Savings	2.9	2.9	2.8	2.6	2.8
	Commercial loans (average)	16.2	16.9	13.4	12.94	12.18
	Policy rate (end of period)	12.5	12.5	12.5	12.5	11.5
	Treasury bills (90 days)	14.4	7.8	8.9	6.7	11.5
Liberian dollar	Savings	2	2.2	2.1	2.1	2.1
	Commercial loans (average)	13.6	13.3	12.8	12.4	12.4
	Policy rate (end of period)	na	na	na	30.0	25.0
Naira	Savings	4.2	4.1	4.1	3.9	3.3
	Commercial loans (average)	28.3	31.1	30.7	30.7	28.6
	Policy rate	14	14	14	13.5	11.5
	Treasury bills (90 days)	14	13.1	10.6	4.5	0.03
Leone	Savings	3.3	3.3	3.3	3.3	2.5
	Commercial loans (average)	21.4	21.4	21.4	21.4	21.4
	Policy rate (end of period)	11	16.5	16.5	16.5	14.0
	Treasury bills (90 days)	9.4	7.8	7.8	8.8	3.8

Sources: Central Banks, WAMA,

76. Commercial lending rates in the WAEMU zone declined to 6.59 percent at the end of 2020 from 6.68 percent at the end of 2019, in response to the reduction in the BCEAO's key rate following the monetary easing to support Member States' efforts to mitigate the impact of the pandemic on their respective economies. In Ghana, the average bank lending rate declined to 21.10 percent, reflecting the reduction in the monetary policy rate in March 2020 and improved liquidity conditions in the market. In Nigeria, the lending rate also declined to 28.60 percent from 30.70 percent in 2019. Sierra Leone's commercial lending rate increased to 21.40 percent from 20.17 percent in 2019. In Guinea, the rate stabilised at 12.18 percent in 2020 compared to 12.94 percent in 2019. The Gambia's commercial lending rate declined to an average of 20.0 percent during the period compared to 21.70 percent in 2019. In Liberia, the commercial lending rate remained at 12.44 percent at the end of 2020 compared to 2019.

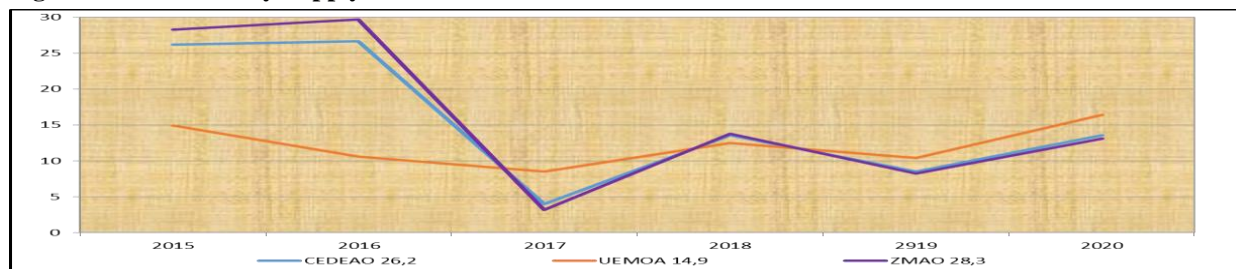
77. The savings deposit rate in the WAEMU zone fell to 5.18 percent from 5.37 percent a year earlier. However, in the WAMZ, the rate moved in different directions. In The Gambia, the savings rate declined to 1.65 percent from 4.25 percent in 2019. In Guinea, the rate stood at 2.76 percent compared to 2.60 percent in 2019. In Liberia, it remained unchanged at 2.10

percent, while in Nigeria, it was 3.32 percent compared to 3.95 percent in 2019. Likewise, it decreased in Sierra Leone to 2.50 percent from 3.25 percent in 2019.

### 2.3.2 Developments in Monetary Aggregates

78. Monetary aggregate developments at the regional level saw a 13.6 percent increase in broad money supply against 8.5 percent at the end of 2019. The increase was driven by growth in broad money aggregates in both WAEMU and WAMZ zones, particularly in Nigeria.

**Figure 6: Broad Money Supply Growth**



Source: Central Banks, WAMA

79. The broad money supply in the WAEMU zone grew by 16.4 percent, compared with 10.4 percent in the same period in 2019, driven by the increase in net domestic assets. Net foreign assets (NFA) increased by 2.9 percent, compared with 35.2 percent at the end of 2019. The increase in net foreign assets was driven by the 1.9 percent increase in BCEAO's net foreign assets, mitigated by the contraction of deposit bank's net foreign assets of 4.8 percent. Net domestic assets expanded by 20.3 percent compared to 4.7 percent at the end of 2019, resulting from the increase in net claims on government and claims on the economy. Net claims on the central government rose by 52.0 percent, after a slight increase of 0.1 percent at the end of 2019. Claims on the economy slowed to 4.8 percent from 7.8 percent at the end of 2019.

**Table 8: Broad Money Supply Growth in the ECOWAS Member States (percent)**

	2017	2018	2019	2020
<b>ECOWAS</b>	<b>4.0</b>	<b>13.6</b>	<b>8.5</b>	<b>13.6</b>
<b>WAEMU</b>	<b>8.5</b>	<b>12.5</b>	<b>10.4</b>	<b>16.4</b>
Benin	1.0	4.8	6.0	17.3
Burkina	21.1	10.4	9.1	16.8
Côte d'Ivoire	9.2	13.4	10.8	21.1
Guinea Bissau	2.8	6.1	0.3	9.1
Mali	4.3	14.2	9.0	22.2
Niger	-4.9	-2.1	15.1	17.0
Senegal	9.3	14.1	8.2	12.3
Togo	10.0	9.3	4.5	11.4
<b>WAMZ</b>	<b>3.2</b>	<b>13.8</b>	<b>8.2</b>	<b>13.1</b>
Gambia	20.9	20.0	27.1	22.0
Ghana	16.7	15.7	21.4	29.7
Guinea	15.7	10.3	22.9	23.0
Liberia	32.1	31.7	19.8	5.2
Nigeria	1.2	15.0	6.4	10.8
Sierra Leone	7.0	14.5	14.3	38.2
<b>Cabo Verde</b>	<b>6.6</b>	<b>1.7</b>	<b>8.1</b>	<b>4.1</b>

Sources: central Banks, WAMA,

80. All WAEMU countries recorded an increase in the money supply following the implementation of monetary policy to support economic activity. In Benin, money supply growth rose from 6.0 percent at the end of 2019 to 17.3 percent at the end of 2020, due to the increase in net foreign assets and claims on the economy, mitigated by the decline in claims on the public administration. In Burkina Faso, it increased by 16.8 percent due to the rise in foreign assets, claims on the government and net claims on the economy. In Côte d'Ivoire, the money supply accelerated from 10.8 percent in 2019 to 21.1 percent, in relation to the increase in external assets and net claims on government and net claims on the economy. In Guinea Bissau, money supply grew by 9.1 percent, after a slight increase of 0.3 percent at the end of 2019, driven by the improvement in net foreign assets and claims on the private sector, contained by the decline in net claims on government. In Mali, money supply growth stood at 22.2 percent compared to 9.0 percent in 2019, due to strengthening NFA and the increase in net domestic assets (NDA). Money supply growth in Niger stood at 17.0 percent compared to 15.1 percent, reflecting the increase in net claims on the government and claims on the private sector mitigated by the decrease in net foreign assets. Senegal's money supply grew by 12.3 percent compared with 8.2 percent, driven by claims on the central government and claims on the economy. In Togo, money supply growth accelerated to 11.4 percent, following a 4.5 percent increase in 2019, supported by the consolidation of net foreign assets and increased claims on the economy.



**Table 9: Growth and Contributions of Broad Money Supply in the WAEMU**

		2018	2019	2020	2018	2019	2020
		Growth rate (%)			Contribution to growth in M2		
<b>Benin</b>	Money supply (M2)	4.8	6.0	17.3	4.8	6.0	17.3
	Net foreign assets	19.9	3.8	24.9	9.3	2.1	13.1
	Net claims on central government	-41.1	-285.7	-125.2	-3.7	-14.4	11.1
	Claims on the economy	7.6	15.2	0.7	4.8	9.9	0.5
	Other items, net	29.9	-36.3	52.2	-5.6	8.5	-7.3
<b>Burkina</b>	Money supply (M2)	10.4	9.1	16.8	10.4	9.1	16.8
	Net foreign assets	8.5	4.5	31.5	3.4	1.7	11.7
	Net claims on government	-13.4	165.3	25.9	-0.3	2.5	1.0
	Claims on the economy	12.4	9.4	9.3	8.7	6.8	6.7
	Other items, net	11.9	16.3	20.1	-1.4	-2.0	-2.6
<b>Côte d'Ivoire</b>	Money supply (M2)	13.4	10.8	21.1	13.4	10.8	21.1
	Net external assets	15.3	22.9	25.7	3.1	4.8	6.0
	Net claims on government	17.0	20.4	40.0	3.9	4.9	10.4
	Claims on the economy	11.2	6.1	9.2	8.3	4.4	6.4
	Other items, net	11.3	19.4	8.9	-1.9	-3.3	-1.6
<b>Guinea Bissau</b>	Money supply (M2)	6.1	0.3	9.1	6.1	0.3	9.1
	Net external assets	3.0	-6.7	24.2	2.0	-4.2	14.4
	Net claims on government	-16.3	13.8	-19.7	-2.9	2.0	-3.2
	Claims on the economy	21.5	13.8	5.9	6.3	4.6	2.3
	Other items, net	-5.7	18.1	32.7	0.7	-2.1	-4.4
<b>Mali</b>	Money supply (M2)	14.2	9.0	22.2	14.2	9.0	22.2
	Net foreign assets	50.1	84.3	78.1	4.4	9.6	15.1
	Net claims on government	65.7	-37.1	72.0	8.6	-7.1	7.9
	Claims on the economy	3.0	4.1	5.5	3.1	3.9	4.9
	Other items, net	7.3	-11.0	29.2	-1.8	2.6	-5.6
<b>Niger</b>	Money supply (M2)	-2.1	15.1	17.0	-2.1	15.1	17.0
	Net foreign assets	-26.0	98.2	-12.7	-9.9	28.2	-6.3
	Net claims on government	130.8	-90.4	636.5	13.5	-22.0	12.9
	Claims on the economy	-4.5	13.0	8.6	-3.5	9.8	6.4
	Other items, net	8.9	3.2	-15.6	-2.3	-0.9	4.0
<b>Senegal</b>	Money supply (M2)	14.1	8.2	12.3	14.1	8.2	12.3
	Net foreign assets	40.7	8.0	-4.6	11.4	2.8	-1.6
	Net claims on central government	17.2	19.1	157.1	1.5	1.7	15.4
	Claims on the economy	1.6	7.5	1.5	1.4	6.1	1.2
	Other items, net	0.8	9.6	10.7	-0.2	-2.4	-2.7
<b>Togo</b>	Money supply (M2)	9.3	4.5	11.4	9.3	4.5	11.4
	Net foreign assets	2.8	30.0	33.5	1.0	9.8	13.6
	Net claims on government	26.4	-78.7	-70.1	2.8	-9.5	-1.7
	Claims on the economy	4.1	6.2	0.3	3.1	4.4	0.2
	Other items, net	-12.8	0.7	4.4	2.5	-0.1	-0.7
<b>WAEMU</b>	Money supply (M2)	12.5	10.4	16.4	12.5	10.4	16.4
	Net foreign assets	27.2	35.2	2.9	4.4	6.5	0.6
	Net claims on central government	11.5	0.1	52.0	3.4	0.0	13.8
	Claims on the economy	8.7	7.3	4.8	7.1	5.8	3.7
	Other items, net	8.8	7.2	6.8	-2.4	-1.9	-1.8

Source: Central Banks, WAMA

81. Broad money supply developments in the WAMZ were marked by a growth of 13.1 percent, driven by money supply growth in all Member States. In Nigeria, it accelerated to 10.8 percent by end-2020 from 6.4 percent in the same period of 2019, driven by net foreign assets and domestic claims. In Ghana, money supply strengthened by 29.7 percent compared to 21.4 percent at the end of 2019, driven by the increase in net claims on the government of 101.3 percent mitigated by the decline in net external assets of 9.7 percent. Money supply growth in The Gambia stood at 22.0 percent, following an increase of 27.1 percent at the end of 2019, driven by increases in net foreign assets and claims on the government. Guinea recorded an increase in money supply of 23.0 percent compared to 22.9 percent in 2019, driven by the strengthening external assets, increased claims on the government and claims on the private sector. In Liberia, it slowed to 5.2 percent from 19.8 percent at end-2019, due to a contraction in net foreign assets, contained by an increase in net domestic claims. Sierra Leone recorded a 38.2 percent increase in money supply, compared with the 14.3 percent recorded in the same period of the previous year, following strengthening net foreign assets and domestic claims.

**Table 10: Growth and Contributions of Money Supply in the WAMZ and Cabo Verde**

		2018	2019	2020	2018	2019	2020
		Growth rate			Contribution to growth in M2		
<b>The Gambia</b>	Money supply M2	20.0	27.1	22.0	20.0	27.1	22.0
	Net foreign assets	61.0	61.3	45.0	14.0	18.9	17.6
	Net claims on government	10.7	6.1	4.0	7.3	3.9	2.1
	Loans to the private sector	32.9	35.8	0.8	5.0	6.0	0.1
	Other net items	93.0	16.1	-21.0	-6.3	-1.8	2.1
<b>Ghana</b>	Money supply	15.7	21.4	29.7	15.7	21.4	29.7
	Net foreign assets	-27.4	39.4	-9.7	-8.4	7.6	-2.1
	Net claims on the State	118.4	24.2	101.6	22.6	8.7	37.4
	Claims on the private sector	13.8	23.7	-3.6	8.3	14.1	-2.2
	Other items, net	69.0	60.6	16.8	-7.1	-9.1	-3.33
<b>Guinea</b>	Money supply (M2)	10.3	22.9	23.0	10.3	22.9	23.0
	Net foreign assets	31.5	37.3	27.4	7.4	10.5	8.6
	Net claims on government	23.3	9.2	35.5	11.5	5.1	17.4
	Claims on the private sector	19.7	22.5	8.0	7.2	8.9	3.2
	Other items, net	166.0	6.9	30.7	-15.8	-1.6	-6.1
<b>Liberia</b>	Money supply (M2)	31.7	19.8	5.2	31.7	19.8	5.2
	Net foreign assets	5.5	1.9	-4.1	0.8	0.2	-0.4
	Net claims on the State	38.0	53.2	20.6	20.5	30.1	14.8
	Claims on the private sector	30.7	11.6	-7.6	25.7	9.7	-5.9
	Other items, net	29.1	38.9	5.6	-15.3	-20.1	-3.3
<b>Nigeria</b>	Money supply (M2)	15.0	6.4	10.8	15.0	6.4	10.8
	Net foreign assets	7.8	-49.8	23.4	3.0	-18.0	4.0
	Net claims on government	32.4	105.4	22.8	4.2	15.8	6.6
	Claims on the private sector	-10.4	22.9	15.2	-5.4	9.2	7.1
	Other items, net	-380.3	-7.2	-93.3	13.1	-0.6	-6.8
<b>Sierra Leone</b>	Money supply (M2)	14.5	14.3	38.2	14.5	14.3	38.2
	Net foreign assets	-10.6	10.5	49.4	-3.5	2.7	12.4
	Net claims on government	21.1	19.9	36.8	14.2	14.1	27.4
	Claims on the private sector	31.7	28.4	3.1	6.2	6.4	0.8
	Other items, net	12.2	45.7	9.7	-2.4	-8.9	-2.4
<b>Cabo Verde</b>	Money supply (M2)	1.7	8.1	4.1	1.7	8.1	4.1
	Net foreign assets	-6.5	24.8	-14.4	-2.2	7.7	-5.2
	Net claims on government	10.6	4.2	14.4	2.0	0.9	2.8
	Claims on the private sector	1.9	3.9	5.3	1.1	2.2	3.0
	Other items, net	-7.4	27.9	-30.2	0.8	-2.7	3.5

Source: Central Banks, WAMA

82. Money supply growth in Cabo Verde slowed to 4.1 percent, compared with an increase of 8.1 percent at end-2019. This outcome reflected the 14.4 percent contraction in net foreign assets, mitigated by the 14.4 percent increase in net claims on government and 5.3 percent rise in claims on the private sector.

## **2.4 External Sector**

83. This section analyses the current account position and the overall balance of payments of ECOWAS Member States.

### **2.4.1 Current Account**

84. The ECOWAS current account deficit narrowed from 3.6 percent of GDP in 2019 to 3.5 percent in 2020. This reduction in the deficit was mainly due to the decline in the current account deficit in the WAMZ.

85. In the WAEMU zone, the current account deficit widened further to reach 5.6 percent of GDP in 2020 from 4.4 percent of GDP in 2019, reflecting the deterioration of the goods and services account and the primary income account, mitigated by the improvement in the secondary income account. Côte d'Ivoire, Senegal, Togo and Niger recorded a widening of their current account deficits, while Benin, Burkina Faso, Guinea Bissau and Mali noted a decline in their current account deficits. Indeed, Benin's current account deficit declined to 3.9 percent of GDP from 4.0 percent of GDP in 2019, due to a decrease in the trade balance deficit and the primary income account. In Burkina Faso, the current account deficit declined to 1.0 percent of GDP from 3.3 percent in 2019, mainly due to improvements in the trade balance and secondary income account. Côte d'Ivoire posted a deficit of 3.4 percent of GDP, following a deficit of 2.3 percent in 2019, due to deficits in the services, primary and secondary income accounts. Guinea Bissau recorded a decrease in its current account deficit by 0.5 percentage points to 8.2 percent of GDP over the previous year, due to surpluses in the primary and secondary income accounts. In Mali, the current account deficit stood at 3.8 percent of GDP, from 7.5 percent in 2019 mainly due to a decrease in the trade balance deficit and a surplus on the secondary income account. Niger's current account showed a deficit of 13.8 percent of GDP compared with a deficit of 12.1 percent in 2019, reflecting the deterioration of the trade balance, the services and the primary income accounts. Senegal experienced an increase in its current account deficit to 12.6 percent of GDP from 8.1 percent of GDP in 2019, mainly due to an increase in the deficit on the goods and services account. Togo experienced deterioration in its current account to 4.0 percent of GDP from 0.8 percent of GDP in 2019 due to an increase in the goods and services deficit.

86. The WAMZ current account deficit remains unchanged at 3.3 percent of GDP. The Gambia, Ghana and Nigeria recorded widening current account deficits, while Liberia and Sierra Leone experienced a narrowing current account deficit. The Gambia's current account showed a deficit of 5.1 percent of GDP compared to a deficit of 2.0 percent of GDP in 2019. In Ghana, the current account recorded a deficit of 3.0 percent of GDP, compared with a deficit of 2.8 percent of GDP in 2019, which is estimated to be linked to the fall in international crude oil prices, which led to a

decline in the trade surplus, and a decline in services inflows. In Guinea, the current account improved from a deficit of 2.8 percent of GDP in 2019 to a surplus of 38.3 percent of GDP as a result of the surplus recorded in the trade balance and the secondary income balance. Liberia's current account deficit narrowed to 17.8 percent of GDP from 21.4 percent of GDP in 2019, due to improvements in the trade, primary and secondary income accounts. Nigeria showed a slight increase in its current account deficit to 3.9 percent of GDP in 2020 from 3.1 percent of GDP in 2019. Sierra Leone recorded a reduction in its current account deficit to 15.0 percent of GDP from 22.2 percent.

87. Cabo Verde's current account deteriorated from a deficit of 0.4 percent of GDP in 2019 to a deficit of 16.5 percent of GDP in 2020, mainly due to the ban on international travel.

**Table 11: Current Account of ECOWAS Member States (percent of GDP)**

	2018	2019	2020*	2021**
<b>ECOWAS</b>	<b>-0.2</b>	<b>-3.5</b>	<b>-3.6</b>	<b>-3.2</b>
<b>WAEMU</b>	<b>-5.6</b>	<b>-4.4</b>	<b>-5.6</b>	<b>-6.3</b>
BENIN	-4.5	-4.0	-3.9	-4.5
BURKINA FASO	-4.1	-3.3	-1.0	-4.5
COTE D'IVOIRE	-3.6	-2.3	-3.4	-3.6
GUINEA BISSAU	-3.0	-8.7	-8.2	-6.5
MALI	-4.9	-7.5	-3.8	-4.1
NIGER	-12.6	-12.1	-13.8	-17.0
SENEGAL	-9.6	-8.1	-12.6	-12.8
TOGO	-2.6	-0.8	-4.0	-3.4
<b>WAMZ</b>	<b>0.9</b>	<b>-3.3</b>	<b>-3.3</b>	<b>-2.6</b>
GAMBIA	-8.1	-2.0	-5.1	-5.3
GHANA	-3.1	-2.8	-3.0	-2.8
GUINEE	-1.8	-2.8	38.3	-14.2
LIBERIA	-24.1	-21.4	-17.8	-9.0
NIGERIA	1.5	-3.1	-3.9	-2.2
SIERRA LEONE	-8.2	-22.2	-15.0	-14.2
<b>CABO-VERDE</b>	<b>-5.2</b>	<b>-0.4</b>	<b>-16.5</b>	<b>-10.6</b>

Sources: central Banks, WAMA, \*Estimation; \*\*Projections

#### 2.4.2 The Overall Balance of Payments

88. In 2020, the overall balance of payments position of the ECOWAS region recorded a surplus equivalent to 0.1 percent of GDP compared to a deficit of 0.1 percent of GDP in 2019, reflecting the overall balance surpluses in the WAEMU and WAMZ zones.

89. In the WAEMU zone, the overall balance of payments surplus increased from 1.9 percent of GDP in 2019 to 2.1 percent of GDP in 2020, mainly attributed to improvement of the capital account. With the exception of Senegal and Niger, all WAEMU countries recorded overall balance of payments surpluses. In Benin, the overall balance surplus improved from 0.5 percent of GDP in 2019 to 3.4 percent in 2020, mainly due to improved capital and net financial inflows. In Burkina Faso, the overall balance position stood at 4.9 percent of GDP against 0.7 percent of GDP in 2019, mainly reflecting the improvement in the capital account supported by the decrease in the current account deficit. Côte d'Ivoire showed an overall surplus of 1.8 percent of GDP in 2020 relative to the surplus of 1.4 percent of GDP in 2019, mainly due to improved capital account and net financial inflows. Guinea Bissau posted an overall surplus balance of 6.1 percent of GDP, compared with a deficit of 1.8 percent in 2019. Mali achieved a balance of payments surplus of

4.4 percent of GDP, following a surplus of 2.6 percent in 2019. Similarly, Togo had a balance of payments surplus of 5.7 percent of GDP, compared with a surplus of 4.0 percent of GDP in 2019. In contrast, Niger and Senegal posted balance of payments deficits of 1.1 percent of GDP and 1.5 percent of GDP, respectively, compared with surpluses of 4.2 percent of GDP and 1.1 percent of GDP in 2019.

90. The balance of payments in the WAMZ showed a deficit of 0.2 percent of GDP in 2020, after a deficit of 0.5 percent of GDP in 2019. This performance was in line with the improvement in the balance of payments of some Member States. In Nigeria, the balance of payments deficit was 0.4 percent of GDP, compared with a deficit of 0.9 percent of GDP in 2019. The Gambia's balance of payments deficit deteriorated sharply from 0.1 percent of GDP in 2019 to 14.9 percent of GDP in 2020. Similarly, in Liberia, after a surplus of 1.0 percent of GDP a year earlier, the balance of payments showed a deficit of 2.6 percent of GDP in 2020. In contrast, Ghana posted a balance of payments surplus of 0.5 percent of GDP compared to a deficit of 2.0 percent of GDP in 2019. In Guinea, the balance of payments was in surplus by 6.6 percent of GDP, after a deficit of 6.4 percent of GDP in 2019. Sierra Leone achieved a balance of payments surplus of 0.1 percent of GDP against a surplus of 0.5 percent of GDP in 2019.

91. Cabo Verde's balance of payments balance worsened, posting a deficit of 5.0 percent of GDP in 2020 compared to a surplus of 7.4 percent of GDP a year earlier.

**Table 12: Overall Balance of Payments (percent of GDP)**

	<b>2018</b>	<b>2019</b>	<b>2020*</b>	<b>2021**</b>
<b>ECOWAS</b>	<b>-1.7</b>	<b>-0.1</b>	<b>0.1</b>	na
<b>WAEMU</b>	<b>1.4</b>	<b>1.9</b>	<b>2.1</b>	<b>0.8</b>
BENIN	2.5	0.5	3.4	2.0
BURKINA FASO	1.4	0.7	4.9	1.0
COTE D'IVOIRE	0.9	1.4	1.8	2.1
GUINEA BISSAU	1.7	-1.8	6.1	-1.0
MALI	1.2	2.6	4.4	1.4
NIGER	-1.6	4.2	-1.1	-0.2
SENEGAL	4.1	1.1	-1.5	0.5
TOGO	0.4	4.0	5.7	0.8
<b>WAMZ</b>	<b>-2.2</b>	<b>-0.5</b>	<b>-0.2</b>	na
GAMBIA	-0.5	-0.1	-14.9	-7.7
GHANA	-1.0	2.0	0.5	na
GUINEE	-7.1	6.4	6.6	0.4
LIBERIA	2.0	1.0	-2.6	-2.8
NIGERIA	-2.3	-0.9	-0.4	-1.6
SIERRA LEONE	-1.1	0.5	0.1	0.5
<b>CABO-VERDE</b>	<b>0.5</b>	<b>7.4</b>	<b>-5.0</b>	<b>0.1</b>

Sources: central Banks, WAMA \*Estimation; \*\*Projections

### **III. STATUS OF MACROECONOMIC CONVERGENCE IN ECOWAS**

92. The ECOWAS Monetary Cooperation Programme (EMCP) underscores the importance of macroeconomic convergence before the launch of the ECOWAS single currency. The convergence criteria focus on price stability, low budget deficit, restrictions on central bank financing of budget deficit and maintenance of adequate levels of gross external reserves. In addition, the benchmarks emphasizes debt sustainability and nominal exchange rate stability.
93. This section analyses the performance of ECOWAS Member States on the following macroeconomic convergence criteria adopted by the Authority of ECOWAS Heads of State and Governments in 2015.

#### **Primary Criteria**

- i. Budget deficit (commitment basis, including grants) as a ratio of Gross Domestic Product (GDP): the ratio should be lower than or equal to 3 percent of GDP;
- ii. Average annual inflation rate: less than or equal to 5 percent;
- iii. Central Bank financing of Budget Deficit: lower than or equal to 10 percent of previous year's tax revenue; and
- iv. Gross external reserves: higher than or equal to three (3) months of imports cover.

#### **Secondary Criteria**

- i. Nominal exchange rate stability: stable at  $\pm 10$  percent vis a vis the WAUA; and
- ii. Public debt to GDP ratio: less than or equal to 70 percent.

### **3.1 Overview of the Performance of ECOWAS Members Countries**

94. In 2020, the COVID-19 pandemic negatively impacted the positive strides made on the macroeconomic convergence front, given the responses that Member States initiated to curb the spread while providing the much-needed safety nets for the most vulnerable in the society. Pre-COVID projections indicated continued enhanced performance in inflation, central bank financing of the budget deficit and gross external reserves while moderating the weak performance with regards to the budget deficit criterion, which had been the most challenging to achieve in previous years. The projection also expected performances on the secondary criteria to be strong prior to the emergence of the pandemic.
95. However, with the emergence of the COVID-19 pandemic, gains made over the years towards meeting the necessary criteria for creating a single currency appear to have dissipated.

#### **3.1.1 Overview of the Effects of the Pandemic on convergence in 2020: Macroeconomic Convergence Composite Index Development**

96. The composite index helps to summarize complicated or multidimensional indicators in order to facilitate the decision-making process. It would help provide information on when member countries' economies are improving or weakening. The Macroeconomic Convergence Index

provides the overall health of Member Countries, indicating whether or not they are getting stronger or weaker. For this report, two (2) types of index were used.

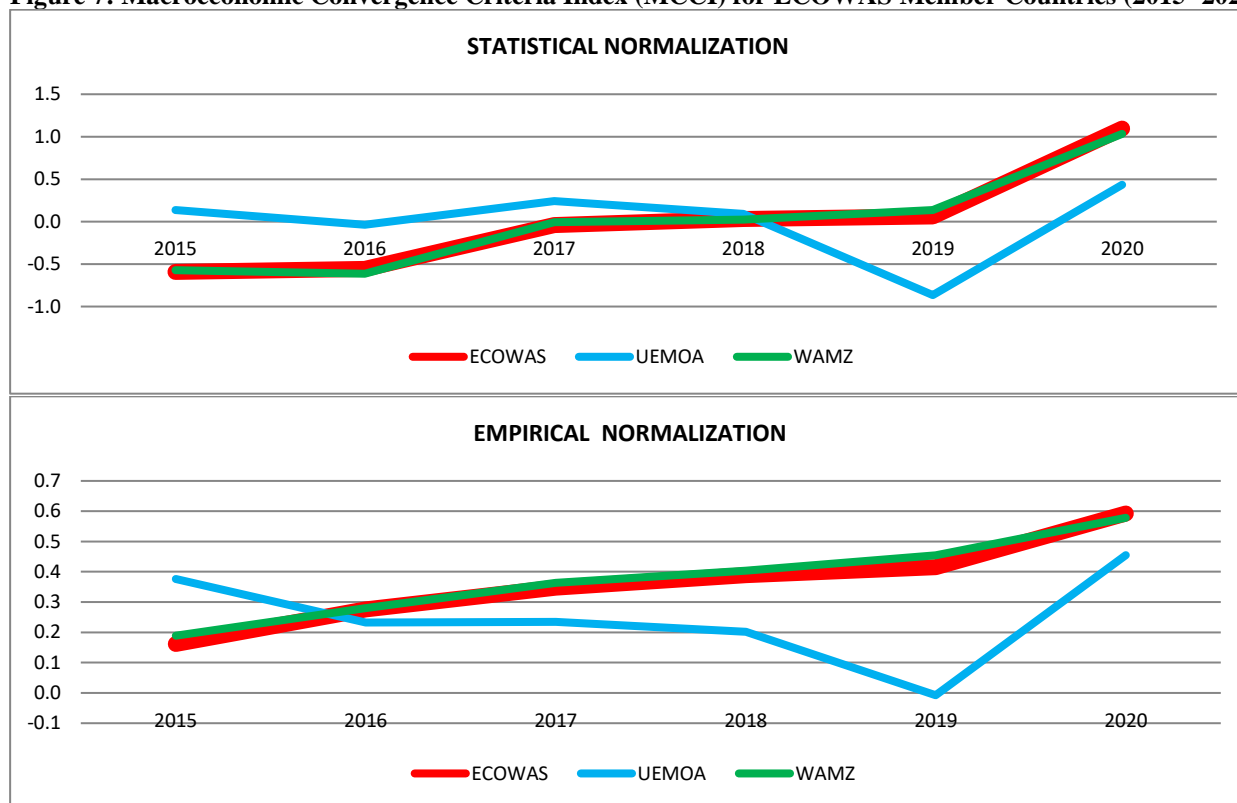
**Table 13: Macroeconomic Convergence Criteria Index (MCCI) - ECOWAS (2015- 2020)**

YEAR	Statistical normalization method			Empirical Normalization method		
	ECOWAS	WAEMU	WAMZ	ECOWAS	WAEMU	WAMZ
2015	-0.6	0.1	-0.6	0.2	0.4	0.2
2016	-0.6	0.0	-0.6	0.3	0.2	0.3
2017	0.0	0.2	0.0	0.3	0.2	0.4
2018	0.0	0.1	0.0	0.4	0.2	0.4
2019	0.1	-0.9	0.1	0.4	0.0	0.5
2020	1.1	0.4	1.0	0.6	0.5	0.6

Source: WAMA

97. With respect to the two (2) normalisation methods used for the composite index, macroeconomic convergence deteriorated most in 2020 during the period 2015 to 2020. Apart from 2020, the worst performance was observed in 2017 due to a rise in inflation rate in Nigeria. However, in 2018, the trend in the macroeconomic convergence profile started to improve. Performance with respect to compliance with the criterion relating to the budget deficit declined, while a slight improvement was noted with respect to compliance with the criteria relating to inflation and nominal exchange rate stability.
98. Indeed, following the poor results recorded in 2017 linked among other things to the Nigerian economic crisis of 2016, an assessment of the macroeconomic convergence profile shows that, in general, Member States have made significant progress during 2018 and 2019. Five (5) Member States met all the four prescribed primary criteria in 2019, the same as the number of countries that met the targets in 2018. Performance improved on the primary criteria relating to central bank financing of the deficit and gross external reserves in months of imports cover, while it remained unchanged on the criteria relating to budget deficit as ratio of GDP and inflation targets. With regards to the secondary criteria, performance remained unchanged on the public debt to GDP ratio and the criterion related to nominal exchange rate stability.
99. Unlike the favourable developments observed in 2019, achievements in 2020 was rather poor given the outbreak of COVID-19 pandemic as GDP growth in the region contracted from 3.1 percent in 2019 to -1.1 percent, but is expected to rebound in 2021, given the gradual easing of restrictions imposed on economies to cope with the negative impact of the pandemic and the gradual resumption of business activities.
100. The COVID-19 pandemic has had a negative impact on the progress made in previous years, particularly in the area of budget deficit to GDP ratio. Overall performance deteriorated in 2020, as no Member State met the primary convergence criteria, compared with five (5) Member States that met the criterion in 2019.
101. In conclusion, regardless of the type of composite index used, there was a decline in performance of macroeconomic convergence in 2020 across the ECOWAS sub region, compared with the previous years.

**Figure 7: Macroeconomic Convergence Criteria Index (MCCI) for ECOWAS Member Countries (2015- 2020)**



Source: WAMA

### 3.1.2 Summary of the Macroeconomic Convergence

102. Assessments of the primary convergence criteria show that performance on the budget deficit criterion worsened significantly at end-2020. Furthermore, performance on central bank financing of the budget deficit and gross external reserves criteria slipped in the review period. However, with regards to the criterion on average inflation, performance was sustained. The dismal outturns were due to the pandemic financing gaps that need to be closed by Member States. On the other hand, Member States maintained performance on average inflation.
103. Under the secondary criteria, performance with regards to exchange rate stability improved due to increase foreign exchange inflows and reduced foreign exchange demand which reduce pressure on the domestic currencies of all Member States. Regarding the public debt to GDP ratio, performance dropped during the reporting period relative to 2019, explained mainly by the need for resources to contain the negative impact of the pandemic.

**Table 14: Number of Countries that Met the Convergence Criteria in ECOWAS**

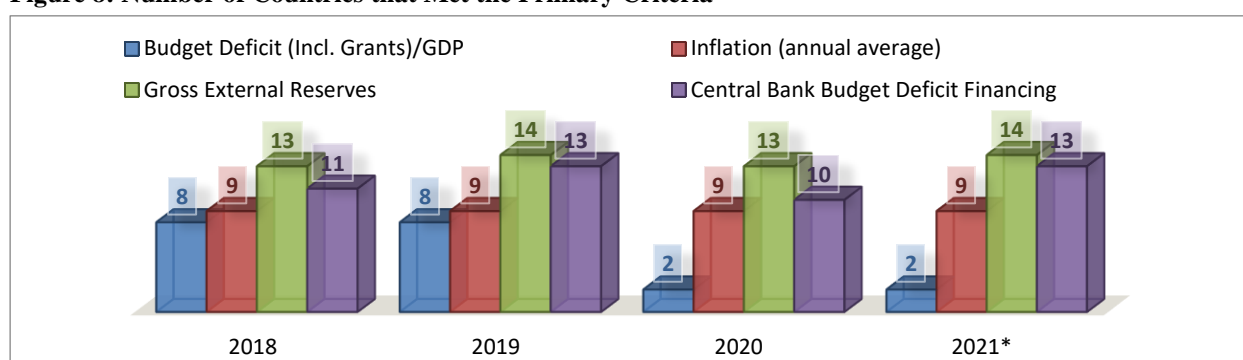
	2018	2019	2020*	2021**
<b>Primary Criteria</b>				
Budget Deficit (Incl. Grants)/GDP	8	8	2	2
Inflation (annual average)	9	9	9	9
Gross External Reserves	13	14	13	14
Central Bank Budget Deficit Financing	11	13	10	13
<b>Secondary Criteria</b>				
Nominal Exchange Rate	14	14	15	15
Public Debt/GDP	13	13	12	11

Sources: WAMA, , \*Estimation; \*\*Projections



104. The number of Member States that met the target on budget deficit declined significantly to two (2) at end-December 2020, compared with eight (8) in the same period of 2019, indicating the worst ever fall in performance. This development resulted from the combined effects of revenue underperformance due to the restrictions on general economic activities, and increased spending on health-related activities, social safety-net programmes and other containment measures implemented following the emergence of the health pandemic.
105. Performance on the central bank financing of budget deficit and gross external reserves dropped, as ten (10) and thirteen (13) Member States, complied with the targets at the end of 2020, relative to thirteen (13) and fourteen (14), respectively, in 2019, reflecting the fiscal pressures emanating from the effects of the pandemic.

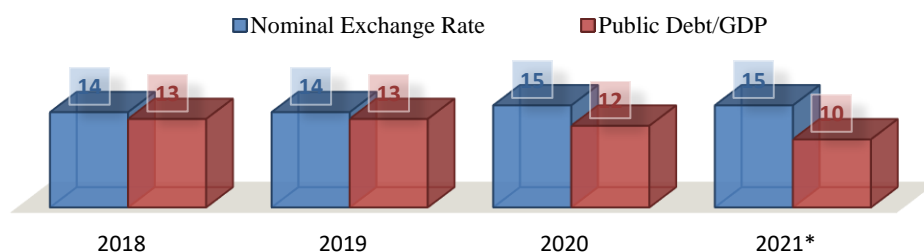
**Figure 8: Number of Countries that Met the Primary Criteria**



Sources: WAMA, \*Estimation; \*\*Projections

106. Regarding the criterion on average inflation, Member States maintained performance as nine (9) Member States complied with the target at end-2020, same as the number of compliances in 2019. This performance was mainly supported by the reduction in oil prices and relative stability in the exchange rate in most Member States' currencies despite the increase in food prices witnessed during the pandemic lockdowns.
107. For the secondary criteria, performance improved relative to the exchange rate criterion while compliance slipped with regard to public debt to GDP ratio. All fifteen (15) Member States satisfied the exchange rate stability target compared to fourteen (14) in 2019. This was a result of reduced foreign exchange demand occasioned by subdued imports during the period. On the other hand, twelve (12) Member States satisfied the required target on public debt compared to thirteen (13) countries in 2019 due to fiscal pressures emanating from the effects of the pandemic.

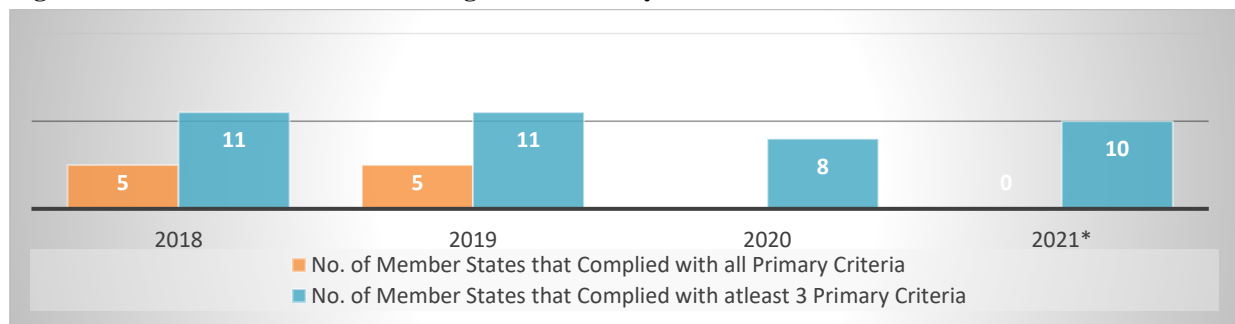
**Figure 9: Performance of ECOWAS Countries Concerning the Secondary Criteria**



Sources: WAMA, \*Projections

108. Overall, no Member State complied with all the four (4) primary criteria at end-December 2020 vis à vis five (5) in the same period of 2019 (Benin, Cabo Verde, Cote d’Ivoire, Mali and Togo). In terms of the number of Member States, that met at least three (3) primary criteria, performance slipped but remained strong, as eight (8) Member States met this threshold in 2020 compared with eleven (11) in 2019.

**Figure 10: Number of Countries Meeting all the Primary Criteria in 2020**



Sources: WAMA, WAEMU \*Projections

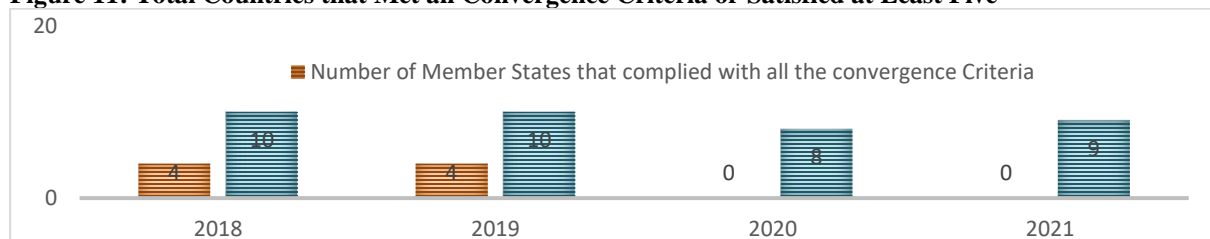
**Table 15: Number of Primary Criteria met by Country**

	2018	2019	2020	2021*
Benin	4	4	3	3
Burkina Faso	3	3	3	3
Cabo Verde	4	4	2	3
Cote d'Ivoire	4	4	3	3
The Gambia	3	3	2	2
Ghana	2	2	1	1
Guinea	3	3	1	3
Guinea-Bissau	3	3	2	2
Liberia	1	1	1	1
Mali	3	4	3	3
Niger	4	3	3	3
Nigeria	2	1	1	2
Senegal	3	3	3	3
Sierra Leone	1	2	1	1
Togo	4	4	3	3
No. of Member States that Complied with all Primary Criteria	5	5	0	0
No. of Member States that Complied with at least 3 Primary Criteria	11	11	08	10

Sources: WAMA, \*Projections

109. Taking both the primary and secondary criteria into consideration, no Member States complied with all the six prescribed benchmarks at end December 2020 compared to four (4 in 2019 (Benin, Cote d’Ivoire, Mali, and Togo) that met all the targets. In terms of countries meeting at least five of the six convergence criteria, eight (8) Member States met that threshold at end 2020 compared to ten (10) that accomplished the feat at end December 2019.

**Figure 11: Total Countries that Met all Convergence Criteria or Satisfied at Least Five**



Sources: WAMA;

**Table 16: Number of Convergence Criteria Complied with Per Member State**

	2018	2019	2020	2021*
Benin	6	6	5	5
Burkina Faso	5	5	5	5
Cabo Verde	5	5	4	4
Cote D'Ivoire	6	6	5	5
The Gambia	4	4	3	3
Ghana	4	4	2	2
Guinea	5	5	3	5
Guinea-Bissau	5	5	5	5
Liberia	2	2	3	3
Mali	5	6	5	5
Niger	6	5	5	5
Nigeria	4	3	3	3
Senegal	5	5	5	5
Sierra Leone	3	4	3	1
Togo	6	6	5	5
<b>No. of Member States that Complied with all convergence criteria</b>	<b>4</b>	<b>4</b>	<b>0</b>	<b>0</b>
<b>No. of Member States that Complied with at least 5 convergence criteria</b>	<b>10</b>	<b>10</b>	<b>8</b>	<b>9</b>

Sources: WAMA \*Projections

## 3.2 Analysis of Performance by Criteria

### 3.2.1 Primary Criteria

#### Budget Deficit (Including Grants) / GDP ≤ 3 percent

110. Fiscal performance deteriorated in most Member States, given the impact of the pandemic on revenue generation and expenditure rationalisation. Revenue mobilisation slowed because of the lockdowns, border closures and other restrictions imposed during the period. This development was on the backdrop of increased expenditures incurred to curb the spread of the virus. Thus, many countries incurred social expenditures to provide basic livelihood for the most vulnerable. With the exception of Guinea and Liberia, the budget deficit worsened in all the Member States, with the highest reported in Ghana (10.2 percent of GDP) followed by Cabo Verde (9.1 percent of GDP). Only two (02) Member States (Liberia and Guinea) met the criterion in 2020 compared to eight (08) (Benin, Cabo Verde, Cote d'Ivoire, The Gambia, Guinea, Liberia, Mali, and Togo) in 2019.

**Table 17: Ratio of Budget Deficit to GDP**

	2018	2019	2020	2021*
BENIN	2.9	0.5	4.7	4.6
BURKINA FASO	4.3	3.2	5.4	5.2
CABO VERDE	2.7	1.8	9.1	7.9
COTE D'IVOIRE	2.9	2.3	5.9	4.6
THE GAMBIA	6.0	2.9	4.3	3.9
GHANA	3.5	4.1	10.2	8.7
GUINEA	1.1	0.5	2.0	0.8
GUINEA-BISSAU	4.3	3.6	9.1	4.5
LIBERIA	0.3	0.9	-2.4	0.4
MALI	4.7	1.7	5.0	5.6
NIGER	3.0	3.5	4.8	4.0
NIGERIA	2.8	3.3	3.8	4.0
SENEGAL	3.7	3.9	6.4	5.0
SIERRA LEONE	5.3	3.1	5.6	4.2
TOGO	0.6	0.9	7.0	5.9
<b>No. of Countries that Complied with the Target</b>	<b>8</b>	<b>8</b>	<b>2</b>	<b>2</b>

Sources: central Banks, WAMA, WAEMU Commission, IMF \*Projections

### Average Inflation Rate ≤ 5 percent

111. Performance on the inflation criterion remained unchanged as nine (9) Member States satisfied the target at end-December 2019 and 2020. The Gambia, Ghana, Guinea, Liberia, Nigeria and Sierra Leone missed the target in the review period, same as the situation in 2019. Though declining, Liberia again performed worst in the last three (3) years, recording the highest inflation rate in the region at 17.4 percent. Sierra Leone and Nigeria remained the second and third highest, respectively, in terms of inflation rate, with a rising trend in Nigeria.

**Table 18: Average Inflation Rate in Community**

	2018	2019	2020	2021*
BENIN	0.8	-0.9	3.0	3.0
BURKINA FASO	1.9	-3.2	1.9	3.0
CABO VERDE	1.3	1.1	0.6	1.2
COTE D'IVOIRE	0.6	0.8	2.4	3.0
THE GAMBIA	5.8	7.1	5.6	6.0
GHANA	9.8	8.7	9.9	8.7
GUINEA	9.8	9.5	10.6	10.9
GUINEA BISSAU	0.4	0.2	1.5	3.0
LIBERIA	23.3	26.9	17.4	8.6
MALI	1.9	-3	0.5	3.0
NIGER	2.8	-2.5	2.9	3.0
NIGERIA	12.1	11.4	13.2	16.0
SENEGAL	0.5	1.0	2.5	3.0
SIERRA LEONE	16	14.8	15.4	12.3
TOGO	0.9	0.7	1.8	3.0
<b>Countries that met the target</b>	<b>9</b>	<b>9</b>	<b>9</b>	<b>9</b>

Sources: central Banks, WAMA, WAEMU Commission, IMF \*Projections

### Central Bank Financing of the Budget Deficit: ≤ 10 percent)

112. Out-turn on the central bank financing of budget deficit criterion declined as ten (10) Member States met the target at end-December 2020, compared with thirteen in the same period of 2019. Cabo Verde, Ghana, Guinea, Liberia, Nigeria and Sierra Leone missed the target during this period against the performance at end-December 2019 when only Liberia (missed this target consistently in recent years) and Nigeria missed the target. Ghana and Sierra Leone recorded the highest central bank financing of the budget deficit at 46.7 percent and 47.9 per cent, respectively.

**Table 19: Central Bank Financing of Budget Deficit (Percent of Preceding Year's Tax Revenue)**

	2018	2019	2020	2021*
BENIN	0.0	0.0	0.0	0.0
BURKINA FASO	0.0	0.0	0.0	0.0
CABO VERDE	0.0	0.0	11.5	0.0
COTE D'IVOIRE	0.0	0.0	0.0	0.0
THE GAMBIA	6.7	0.0	0.0	0.0
GHANA	12.9	0.0	46.7	33.5
GUINEA	1.3	3.0	10.6	8.0
GUINEA-BISSAU	0.0	0.0	0.0	0.0
LIBERIA	33.9	35.4	.0.0	.0.0
MALI	0.0	0.0	0.0	0.0
NIGER	0.0	0.0	0.0	0.0
NIGERIA	22.7	75.6	38.5	39.0
SENEGAL	0.0	0.0	0.0	0.0
SIERRA LEONE	15.2	0.6	47.9	45.0
TOGO	0.0	0.0	0.0	0.0
<b>No. of Countries that met target</b>	<b>11</b>	<b>13</b>	<b>10</b>	<b>12</b>

Sources: central Banks, WAMA \*Projections

### Gross External Reserves $\geq$ 3 Months Imports Cover

113. The criterion on gross external reserves was met by thirteen (13) Member States at end-December 2020 against fourteen (14) in 2019, reflecting a slip in performance during the review period, occasioned by the pandemic. Guinea and Liberia missed the target in 2020 with Liberia being the only country that has consistently missed the target in recent years.

**Table 20: Gross External Reserves (in Months of Imports Cover)**

	2018	2019	2020	2021*
CABO VERDE	5.6	6.9	7.8	6.2
THE GAMBIA	3.1	4.3	6.2	4.6
GHANA	3.6	4.1	4.1	4.2
GUINEA	2.6	4.0	2.8	3.8
LIBERIA	2.4	2.2	2.5	2.7
NIGERIA	7.6	4.8	6.4	3.5
SIERRA LEONE	3.2	3.8	4.7	4.7
WAEMU (8 COUNTRIES)	4.8	5.5	6.5	5.0
<b>No. of Countries that the target</b>	<b>13</b>	<b>14</b>	<b>13</b>	<b>14</b>

Sources: central Banks, WAMA, , \*Projections

### 3.2.2 Secondary Criteria

#### Nominal Exchange Rate Variation ( $\pm$ 10%)

114. The criterion on nominal exchange rate stability was met by all Member States at end-December 2020 compared with fourteen at end-2019. Liberia performed worst in this criterion between 2017 and 2019; however, due to the proactive monetary policy stance, which is gradually strengthening the domestic currency coupled with subdued demand for foreign exchange, the country was able to meet this criterion in 2020.

**Table 21: Nominal Exchange Rate Stability**

	2018	2019	2020*	2021*
CABO VERDE	2.6	-2.8	1.0	-3,5
THE GAMBIA	5.4	-1.8	-2.4	-0,9
GHANA	-7	-9.9	-7.7	-8,5
GUINEA	-3.2	-2.8	-9.6	-1,7
LIBERIA	-22.6	-21.4	-3.5	-8,3
NIGERIA	-2	2.2	-9.7	-2,3
SIERRA LEONE	-8.7	-9.7	-9.2	-9,5
WAEMU (8 COUNTRIES)	2.6	-2.9	1.0	-1,6
<b>Number of Countries that met the target</b>	<b>14</b>	<b>14</b>	<b>15</b>	<b>15</b>

Sources: central Banks, WAMA, \*Projections

#### Public Debt/GDP ( $\leq$ 70%)

115. Performance in public debt to GDP dropped in the review period, as twelve (12) Member States met the target at end-December 2020 compared to thirteen (13) in 2019, reflecting the needs for Member States to close the financing gap created by COVID-19. The stock of public debt rose in all Member States with the exception of The Gambia and Guinea Bissau, mostly reflecting increasing financing needs due to the effects of the COVID-19 pandemic on revenue generation. However, it is important to note that while the stock of public debt declined in the Gambia, it was above the Community's target of 70 percent of GDP and the debt distress rating is still of concern in country. Cabo Verde and Ghana also remained above the Community's threshold, while Nigeria had the lowest debt ratio.

**Table 22: Public Debt/GDP**

	2018	2019	2020	2021*
BENIN	34.6	41.6	47.3	43.7
BURKINA FASO	37.3	42.2	46.8	46.8
CABO VERDE	131.3	130.4	158.5	138.7
COTE D'IVOIRE	36.0	38.0	47.8	44.9
THE GAMBIA	84.8	80.1	76.5	74.5
GHANA	57.6	62.4	76.1	81.5
GUINEA	36.7	30.6	33.8	45.8
GUINEA-BISSAU	44.4	40.1	33.2	52.8
LIBERIA	28.8	40.0	52.1	51.4
MALI	36.9	40.6	47.5	47.5
NIGER	38.8	41.5	41.9	44.6
NIGERIA	15.9	15.6	17.5	20.9
SENEGAL	61.2	57.3	62.8	65.3
SIERRA LEONE	58.7	61.0	69.0	70.3
TOGO	55.5	51.9	58.6	59.2
<b>Number of Countries that met the target</b>	<b>13</b>	<b>13</b>	<b>12</b>	<b>11</b>

Sources: Central Banks, WAMA, WAEMU Commission, IMF; \*Projections

### 3.3 Prospects

116. Based on available macroeconomic data, performances in 2020 deteriorated significantly as no member state met all the primary criteria. The worst performance was recorded in the criterion on budget deficit as only two (2) countries met this target. The out-turns on central bank financing of the budget deficit and gross external reserves in months of import cover slipped as ten (10) and thirteen (13) countries met the target compared to thirteen (13) and fourteen (14), respectively, in 2019. The number of Member States meeting the target on average inflation remained unchanged at nine (9). With regards to the secondary criteria, performance on nominal exchange rate stability improved with all countries meeting the target. However, public debt performance slipped, as twelve (12) Member States complied with the benchmark compared to thirteen at end December 2019.
117. Projections indicate that, in 2021 no Member State would meet all the macroeconomic convergence criteria, same as in 2020. On budget deficit, only two (2) countries (Guinea and Liberia) are expected to satisfy the criterion, mainly due to expenditure rationalisation under the Extended Credit Facility Programme. Performance in central bank financing of the budget deficit is expected to improve in 2021 as twelve (12) Member States are expected to meet the target. Ghana, Nigeria and Sierra Leone are expected to miss the benchmark due to the lingering impact of COVID-19 financing gaps which may not be entirely closed in 2020. Performance in average inflation is expected to remain unchanged at nine (9) Member States in 2021. The WAMZ countries are expected to miss the target mainly occasioned by exchange rate pass-through effect to inflation. Concerning gross external reserves in months of import cover, fourteen (14) Member States would meet the target in 2021, an expected improvement over thirteen (13) Member States in 2020 supported by increased foreign exchange earnings from trade after relaxation of COVID-19 restrictions in 2021.
118. Projections for the benchmarks under the secondary criteria show that all fifteen Member States are expected to satisfy the target on exchange rate stability, given that Liberia started to meet in

2020 the target missed since 2017. On the public debt criterion, performance by Member States would likely slip further in 2021 as eleven (11) countries are expected to comply with the target against twelve in 2020. The projected drop in the compliance level will be occasioned by the lingering effect of the COVID-19 pandemic, narrowing fiscal space and complicating debt servicing in some Member States.

119. In total, the economies of ECOWAS countries felt the shocks related to the health crisis as everywhere in the world during the year 2020. Economic activities slowed down with adverse consequences on other sectors such as public finances. Thus, the economic boom that began a few years ago change course with a loss or reduction in output in all Member States compared to the previous year except Guinea. Public financial management has also received a shock due to the anti-COVID-19 measures which worsened the budget deficit in 2020.

**PART II: COUNTRY  
REPORTS ON THE  
ECONOMIC AND  
FINANCIAL SITUATION IN  
MEMBER STATES AND  
PROSPECTS FOR 2021**



## 1. BENIN

120. The economic policy stance of the Republic of Benin in 2020 was based on key measures taken by the Government as part of the 2016-2021 Government Action Programme (GAP) and the 2018-2025 National Development Plan, the Growth Programme for Sustainable Development. Under these programmes, the Government reaffirmed its commitment to initiate the structural transformation and diversification of the Beninese economy to make it more productive and place it on a more stable and solid footing for a substantial improvement in the population's living conditions.
121. However, the implementation of these ambitious programmes was hampered by the pandemic and the measures implemented by the Government to minimise its impact, with implications on domestic economic activities. It was also affected by external shocks triggered by the slowdown in global growth. As a result, the economy slowed down in 2020 to 3.8 percent compared to 6.9 percent in 2019 against a backdrop of relatively high inflation (3.0 percent on average compared with -0.9 percent in 2019) and a slowdown in growth in the three (3) main sectors of the economy. The primary sector grew by 1.8 percent in 2020 against 5.2 percent in 2019. The secondary sector also witnessed slow growth in value-added by 5.2 percent in 2020 against 13.6 percent in 2019, and the services sector performed likewise – 4.9 percent in 2020 against 5.2 percent in 2019.
122. The fiscal situation deteriorated, with budget deficit, including grants, rising to 4.7 percent of GDP, compared to 0.5 percent of GDP in 2019, due to a sharp increase in expenditure and an under-performance of revenue. There was also an increase in the outstanding public debt ratio, which stood at 46.1 percent of GDP against 41.1 percent of GDP in 2019.
123. The monetary sector recorded growth in broad money supply at 17.3 percent in 2020 compared to 6.0 percent in 2019; resulting from a substantial increase in NFA of 24.9 percent and domestic claims of 18.8 percent, which contributed to the rise in money supply by 13.1 percent and 11.6 percent, respectively.
124. The current account deficit of the Balance of Payments (BOP) worsened by 3.9 percent against a deficit of 4.0 percent in 2019; resulting from a worsening of the goods account deficit, which recorded a rise of 28.5 percent against a fall of 14.7 percent in 2019 and the rise in the primary income deficit balance. The overall balance of the external sector was in surplus as in 2019, standing at CFAF 307.0 billion in 2020 against CFAF 45.5 billion in 2019.
125. The country met five (5) of the six (6) convergence criteria, except budget deficit, which stood at 4.7 percent of GDP against 0.5 percent in 2019.
126. The outlook for 2021 points to stronger growth due to increased agricultural productivity, particularly food and cotton production, and increased public investment as part of implementing the GAP. The economy is expected to grow to 6.0 percent in 2021, while inflation is expected to be lower. The budget deficit is expected to be 4.5 percent in 2021 and will gradually decline to

3.0 percent of GDP by 2023, as efforts to improve the tax burden and rationalise public spending continue.

## **1.1. Sectoral Analysis**

### **1.1.1. Real Sector**

127. In 2020, the Beninese economy proved resilient despite the external shocks linked to the COVID-19 pandemic. The economy grew by 3.8 percent, driven by the primary and secondary sector, which contributed 1.3 percent and 1.6 percent to growth, compared to 1.5 percent and 2.0 percent in 2019, respectively. The tertiary sector contributed 0.8 percent compared to 3.4 percent in 2019.
128. The primary sector recorded a 1.8 percent increase in value-added, compared to 5.2 percent in 2019; supported by the implementation of the sector development projects, improvement in the productivity of small farmers, and reforms in the cotton sector. Agricultural productivity thus went up by 2.0 percent; that of the fisheries, forestry and logging rose by 3.1 percent compared to 5.0 percent and 2.9 percent respectively, while the Livestock and hunting sub-sector recorded a drop of 0.5 percent compared with an increase in value-added of 7.9 percent in 2019.
129. Value added in the secondary sector rose by 5.2 percent, compared to 13.6 percent in 2019. This development was mainly due to the significant increase in production across its subsectors. Thus, growth in electricity, gas and water sub-sector increased by 14.4 percent compared to 10.3 percent in 2019. Also, Mining and quarrying went up by 9.3 percent compared to 13.2 percent in 2019. However, construction and public works, rose by 7.1 percent compared with a fall of 5.8 percent in 2019; manufacturing industries, grew by 5.2 percent compared to 16.3 percent in 2019 and agro-food industries, rose by 2.4 percent compared to 8.6 percent in 2019. These performances can be attributed to the continuation of major works, including the rehabilitation, modernisation and extension of the national road network, the development and asphaltting of a hundred kilometres of roads in the main towns and the reinforcement of the electricity and water distribution network in the main urban areas across the country.
130. Value added in the service sector grew by 4.9 percent, compared to 5.2 percent in 2019. This outcome was mainly due to the strong growth of activities in "health and social work", "education", and "public administration", whose value-added increased by 15.4 percent, 14.6 percent and 14.4 percent, respectively against 9.7 percent, 5.9 percent and 5.8 percent. There was also growth in "transport", "post and telecommunications", "banks and financial institutions", and "other services", but relatively weak compared with the performance recorded in 2019. Indeed, output in these sub-sectors increased by 2.2 percent, 3.0 percent, 3.0 percent and 3.3 percent, compared to 4.7 percent, 4.9 percent, 3.4 percent and 7.5 percent, respectively in 2019. This performance was due to the sustained growth of economic activities in large companies in the fourth quarter of 2020. Turnover Index (TI) showed an 11.6 percent increase compared to the previous quarter. As a result, the overall employment index in large enterprises rose by 1.7 percent. On the other hand, "restaurants and hotels" recorded a decline in value-added of 1.2 percent against an increase of 9.5 percent in 2019 due to the health crisis that affected the tourism sector during the year.

131. Growth in demand was mainly driven by final consumption and gross fixed capital formation (GFCF). Final consumption, including public consumption, increased by 4.7 percent against 3.8 percent in 2019. Public consumption rose by 14.5 percent against 5.8 percent in 2019, while private consumption increased by 3.2 percent against 3.5 percent in 2019. GFCF increased by 2.1 percent as a result of the strong increase in GFCF in the public sector of 22.8 percent against 13.8 percent in 2019, contrary to the private sector whose GFCF contracted by 1.5 percent against a rise of 9.8 percent in 2019 in relation to the health crisis which affected the investment decisions of business leaders in the private sector.

**Table 1.1: Trends in GDP and its Components in Benin**

	2018	2019	2020*	2021**	2018	2019	2020*	2021**
	<b>Changes in percent</b>				<b>Contribution to GDP Growth</b>			
<b>Real GDP</b>	6.7	6.9	3.8	6.0	6.7	6.9	3.8	6.0
<b>Supply</b>								
Primary sector	7.3	5.2	1.8	4.5	2.1	1.5	1.3	1.3
Secondary sector	4.8	13.6	5.2	8.0	0.7	2.0	1.6	1.3
Service sector	5.7	5.2	4.9	5.9	3.9	3.4	0.8	3.4
Import duty and VAT	14.0	10.1	2.7	8.0				
<b>Demand</b>								
Final consumption	3.8	3.8	4.7	3.0				
Public consumption	6.0	5.8	14.5	-2.5				
Private consumption	3.5	3.5	3.2	4.0				
Gross fixed capital formation	16.2	10.4	2.1	13.7				
Public	3.5	13.8	22.8	...				
Private	18.7	9.8	-1.5	...				
Change in inventories	-4.8	-3.4	0.0	0.0				
Export of goods and services	5.0	8.6	-25.0	17.8				
Import of goods and services	4.8	3.4	-19.8	14.7				
<b>MEMORANDUM</b>								
GDP (current prices) CFAF billion	7,915.7	8,432.2	8,838.3	9,559.3				
GDP (constant price) CFAF billion	7,844.7	8,383.3	8,572.0	9,088.6				
Deflator (in percent)	0.6	-0.3	2.5	2.0				
Average inflation rate	0.8	-0.9	3.0	3.0				
End of period inflation rate	-0.2	0.5	2.5	2.0				

Source: Central Banks/UEMOA/WAMA; \* Estimation; \*\* Projection (Growth rate in Benin was previously reported at 2.3 percent but updated to 3.8 percent)

132. Inflation averaged 3.0 percent in 2020 compared with -0.9 percent in 2019 due to the rise in the prices of products in critical areas such as "food products" and "transport". The partial lockdown imposed on the southern part of the country caused a hike in transport, increasing by 8.1 percent. The hike was reflected in consumer prices for food products, particularly those produced in rural areas and transported to the urban centres. Thus, food prices rose by 3.0 percent. Other sectors also recorded significant price increases, such as "Alcoholic beverages, tobacco and narcotics", up by 2.8 percent, "Clothing and footwear", up by 2.0 percent, "Housing, water, electricity, gas and other fuels", up by 2.9 percent, and "Hotels and restaurants", also up by 2.8 percent.

### 1.1.2. Fiscal Sector

133. The government budget implementation for 2020 witnessed an increase in total expenditure and net loans, in contrast to the moderate increase in revenue and grants. The pandemic had a significant impact on domestic revenue mobilisation and public expenditure. Domestic revenue declined while public expenditure increased sharply, leading to an increase in the budget deficit. The budget deficit on a commitment basis, including grants, stood at 4.7 percent of GDP in 2020

against 0.5 percent of GDP in 2019, while the deficit on a commitment basis (excluding grants) stood at 6.4 percent of GDP against 1.7 percent of GDP in 2019.

134. Total revenue and grants recorded an increase of 14.4 percent of GDP in 2020 compared to 14.1 percent of GDP in 2019. This development is due to an increase in grants by 1.7 percent of GDP in 2020 from 1.2 percent of GDP in 2019. However, tax and non-tax revenue moderated to 10.5 percent of GDP and 2.2 percent of GDP in 2020 from 10.6 percent of GDP and 2.3 percent of GDP, respectively, in 2019.
135. Total expenditure and net lending recorded an increase of 19.1 percent of GDP in 2020 against 14.6 percent of GDP in 2019, supported by growth in recurrent and capital expenditure. The development in recurrent expenditure was triggered by increases in transfers and subsidies and interest payments to 3.6 percent of GDP and 2.0 percent of GDP compared to 2.1 percent of GDP and 1.6 percent of GDP, respectively in 2019. However, salaries and wages remained constant at 4.4 percent of GDP in 2020 compared to 2019, while purchase of goods and services declined to 2.2 percent of GDP from 2.6 percent of GDP. On the other hand, capital expenditure rose in the review period to 6.9 percent of GDP from 3.9 percent of GDP in 2019 linked to both domestic and external financing sources.

**Table 1.2: Trends in Key Fiscal Indicators in Benin**

	2018	2019	2020	2021*	2018	2019	2020	2021*
	Variation (percent)				As percent of GDP			
<b>RECEIPTS AND GRANTS</b>	<b>7.4</b>	<b>10.2</b>	<b>9.3</b>	<b>2.7</b>	<b>13.6</b>	<b>14.1</b>	<b>14.4</b>	<b>13.9</b>
<b>BUDGET INCOME</b>	<b>8.9</b>	<b>5.8</b>	<b>5.0</b>	<b>7.1</b>	<b>13.0</b>	<b>12.9</b>	<b>12.7</b>	<b>12.8</b>
Tax income	13.8	10.1	6.1	11.9	10.2	10.6	10.5	11.1
Taxes and duties on foreign trade	....	....	....	....	....	....	....	....
Other Direct and indirect taxes	....	....	....	....	....	....	....	....
Non-tax revenue	-6.2	-10.3	-0.3	-16.0	2.7	2.3	2.2	1.7
<b>GRANTS</b>	<b>-17.6</b>	<b>106.9</b>	<b>57.9</b>	<b>-30.3</b>	<b>0.6</b>	<b>1.2</b>	<b>1.7</b>	<b>1.1</b>
<b>TOTAL EXPENDITURE AND NET LENDING</b>	<b>-0.9</b>	<b>-6.0</b>	<b>40.1</b>	<b>2.8</b>	<b>16.5</b>	<b>14.6</b>	<b>19.1</b>	<b>18.5</b>
<b>TOTAL EXPENDITURE</b>	<b>-0.6</b>	<b>-5.5</b>	<b>39.5</b>	<b>2.9</b>	<b>16.5</b>	<b>14.6</b>	<b>19.1</b>	<b>18.5</b>
<b>CURRENT EXPENDITURE</b>	<b>4.6</b>	<b>5.0</b>	<b>21.6</b>	<b>5.5</b>	<b>10.8</b>	<b>10.7</b>	<b>12.2</b>	<b>12.1</b>
Salaries and wages	5.8	3.6	6.9	4.2	4.5	4.4	4.4	4.3
Purchases of goods and services	-6.7	10.1	-8.0	43.7	2.5	2.6	2.2	3.0
Transfers and subsidies	7.7	0.8	80.2	-26.9	2.3	2.1	3.6	2.5
Interest payable	18.3	6.9	30.9	25.3	1.6	1.6	2.0	2.3
Interest on domestic debt	23.1	-1.8	-1.0	33.4	1.4	1.3	1.2	1.5
Interest on external debt	-5.1	62.7	153.5	13.1	0.2	0.3	0.8	0.8
<b>CAPITAL EXPENDITURE</b>	<b>-9.3</b>	<b>-25.9</b>	<b>88.4</b>	<b>-1.6</b>	<b>5.6</b>	<b>3.9</b>	<b>6.9</b>	<b>6.4</b>
From domestic resources	-10.8	-18.2	56.1	10.1	3.5	2.7	4.0	4.1
From external resources	-6.7	-38.7	160.6	-17.3	2.1	1.2	3.0	2.3
<b>NET LENDING</b>	<b>-61.2</b>	<b>-256.0</b>	<b>-146.2</b>	<b>-100.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>TOTAL BALANCE (commitment basis) (including grants)</b>	<b>-27.3</b>	<b>-81.9</b>	<b>918.2</b>	<b>3.1</b>	<b>-2.9</b>	<b>-0.5</b>	<b>-4.7</b>	<b>-4.6</b>
<b>OVERALL BALANCE (commitment basis) (excluding grants)</b>	<b>-25.8</b>	<b>-49.8</b>	<b>314.9</b>	<b>-5.8</b>	<b>-3.5</b>	<b>-1.7</b>	<b>-6.4</b>	<b>-5.7</b>
<b>PRIMARY BALANCE</b>	<b>-47.1</b>	<b>-90.0</b>	<b>2474.0</b>	<b>1.3</b>	<b>-1.2</b>	<b>-0.1</b>	<b>-2.7</b>	<b>-2.6</b>
<b>OVERALL BALANCE (cash basis)</b>	<b>-24.9</b>	<b>-78.8</b>	<b>666.1</b>	<b>20.8</b>	<b>-2.9</b>	<b>-0.6</b>	<b>-4.2</b>	<b>-4.7</b>
<b>FINANCING</b>	<b>-24.9</b>	<b>-78.8</b>	<b>666.7</b>	<b>20.8</b>	<b>2.9</b>	<b>0.6</b>	<b>4.2</b>	<b>4.7</b>
Domestic financing	-127.6	489.3	-151.6	170.7	-0.6	-3.6	1.7	4.4
External financing	132.7	24.8	-37.9	-86.4	3.6	4.2	2.4	0.3
<b>Public Debt</b>					<b>34.6</b>	<b>41.6</b>	<b>47.3</b>	<b>43.7</b>
External					19.3	21.6	25.6	24.7
Domestic					15.3	20.0	21.7	19.0

Source: UEMOA/BCEAO/AMAO (\*) Projection

136. The latest Annual State Debt Strategy (2021) report, at the end-December 2020, shows that the outstanding public debt as a percentage of GDP was 47.3 percent, compared to 41.6 percent in

2019, representing an increase of 5.7 percentage points. The increase in the debt ratio at the end of 2020 was due to the COVID-19 pandemic which required additional budget support. Indeed, as part of the COVID-19 response, Benin has had to mobilise additional funding to strengthen its health system and support critical sectors of the economy. The share of domestic debt in the public debt portfolio increased by 2.6 percent from 41.9 percent in 2019 to 44.5 percent in 2020. This increase in the percentage of domestic debt in the public debt portfolio is in line with the financing strategy adopted by Benin. Multilateral debt accounted for 56.0 percent of external debt, 52.3 percent of which was contracted on concessional terms while domestic debt consisted mainly of treasury bonds, account for 82.3 percent of outstanding debt, followed by loans from local banks (9.99 percent) and BOAD (7.2 percent).

137. The increase in public debt service payments resulted from a sharp rise in its external component (153.5 percent compared to 63.7 percent in 2019). Interest on the domestic debt was down by 1.0 percent compared to 1.8 percent in 2019. Interest on the domestic debt was higher, making up 11.2 percent of tax revenue than 7.4 percent for the external debt. Overall, total interest payments resulted in 18.6 percent of tax revenue in 2020 compared to 15.1 percent in 2019.

### **1.1.3. Monetary Sector**

138. The monetary situation was characterised by an increase in the money supply of 17.3 percent, compared to the 6.0 percent recorded at end-December 2019. The main components, namely currency in circulation and deposits, increased by 25.6 percent and 18.2 percent, respectively, against 9.6 percent and 7.4 percent in 2019. Other deposits increased by 11.1 percent against 2.6 percent in 2019. This substantial increase in currency in circulation combined with that of "Liabilities to other depository institutions" (banks' reserves) led to a 38.5 percent increase in reserve money against 10.2 percent in 2019. As a result, the money multiplier fell to 2.8 from 3.3 in 2019. The economy's liquidity ratio, which was the ratio of money supply to GDP, increased to 30.5 percent from 27.8 percent of GDP at the end of 2019.
139. Domestic claims (Net Claims on Government and claims on other sectors) rose sharply by 18.8 percent against a drop of 6.5 percent at the end of 2019. This change in domestic claims was due to the increase in the government's commitments to the banking system, which rose to CFAF 44.4 billion, reflecting a deterioration in the net position of the public sector vis-à-vis the banking system. This position deteriorated even more vis-à-vis the Central Bank, going from a net credit position of CFAF 167.8 billion at the end of 2019 to a net debit position of CFAF 7.9 billion. Claims on the economy, however, increased slightly (0.7 percent against 15.2 percent in 2019). This slight increase did not benefit the private sector, as the banking system's claims on the sector contracted by 5.8 percent, compared with a rise of 12.0 percent in 2019. Despite a substantial increase in the monetary base, banks' claims on the Central Bank (banks' reserves with the Central Bank) increased by more than 100 percent while customers' deposits increased by only 14.7 percent. The ratio of transferable deposits (between central bank and other banks) and 'Other deposits' increased from 4.6 percent at the end of 2019 to 11.5 percent at the end of 2020. The ratio of 'claims on the economy' to GDP (measuring access to private sector credit) declined

slightly, following the rebound in 2019 to reach 18.4 percent of GDP from 19.6 percent of GDP at end-2019.

**Table 1.3: Growth in Key Monetary Aggregates in Benin**

Broad money and its components	2 018	2 019	2 020	2 018	2 019	2 020
	Variation (percent)			Contribution to growth in money supply		
<b>Counterparts of money supply</b>						
Net Foreign Assets	19.9	3.8	24.9	9.3	2.1	13.1
Domestic claims	1.6	-6.5	18.8	1.1	-4.5	11.6
Net claims on central government	-41.1	-285.7	-125.2	-3.7	-14.4	11.1
Claims on the economy	7.6	15.2	0.7	4.8	9.9	0.5
<b>Other items, net</b>	253.9	-136.5	-166.1	-5.6	8.5	-7.3
Money supply (M2)	4.8	6.0	17.3			
Money supply M1	6.0	8.2	21.1			
Currency in circulation	-2.5	9.6	25.6			
Transferable deposits	12.1	7.4	18.2			
<b>M2/GDP (percent)</b>	27.9	27.8	30.5			
<b>Claims on the economy/GDP (percent)</b>	18.1	19.6	18.4			
<b>Net external assets/M2 (percent)</b>	53.6	52.5	56.0			
<b>Domestic claims/M2 (percent)</b>	69.8	61.5	62.3			
<b>Currency in circulation/M2 (percent)</b>	23.2	24.0	25.7			
<b>M2/Monetary base (money multiplier)</b>	3.42	3.29	2.79			

Source: BCEAO/WAMA; Note: The growth of money supply is obtained by adding the contributions of net external assets and domestic claims and subtracting the contributions of non-monetary liabilities and other net items.

140. Net external assets at the end of 2020 increased by 24.9 percent against 3.8 percent at the end of 2019. This increment was attributable to the sharp increase in banks' net external assets, which rose by 39.3 percent in 2020 against 20.7 percent in 2019, while the net external assets of the Central Bank fell by 17.1 percent in 2020 against 26.3 percent in 2019. Non-monetary liabilities (including shares and other equity in depository institutions and their non-monetary liabilities to other sectors) recorded an increase of 17.3 percent against 13.4 percent at the end of 2019, while other net items fell by more than 100 percent.
141. Net external assets contributed 13.1 percent to growth in money supply, as against 2.1 percent in 2019. Domestic claims contributed 11.6 percent to money supply growth compared with -4.5 percent in 2019, while non-monetary liabilities and other net items contributed -2.9 and -4.4 percent, respectively

#### 1.1.4. External Sector

142. The external sector recorded a slight improvement in the current account deficit to 3.9 percent of GDP in 2020 over the 4.0 percent of GDP recorded in 2019. This development was due to the improvements in the services account and secondary income. The services account deficit narrowed to 1.0 percent of GDP in 2020 from 1.9 percent of GDP in 2019, occasioned by services exports. The secondary income balance also improved to a surplus of 2.2 percent of GDP in 2020 from 1.5 percent of GDP in 2019 triggered by inflows of budgetary support. On the other hand, the balance of merchandise trade deteriorated to 3.8 percent of GDP against 3.1 percent of GDP in 2019, occasioned by drastic decline in exports as a result of reduced global demand.
143. The capital account surplus increased to 1.5 percent of GDP in 2020 from 1.4 percent of GDP in 2019, due to the increase in capital transfers to general government, which rose by 26.7 percent compared to 6.7 percent in 2019. Capital transfers to other sectors, on the other hand, went down

by 5.1 percent, in 2020 against an increase of 6.3 percent in 2019. The financial account inflow rose to 5.8 percent of GDP in 2020 from 3.1 percent of GDP in 2019 driven mainly by the increase in other investment.

144. Consequently, the overall balance of the BOP resulted in a surplus of 3.4 percent of GDP in 2020 over the 0.5 percent recorded in 2019, due to improvement in the current and capital account balances, as well as increase financial inflows to help mitigate the effect of the pandemic.

**Table 1.4: Trends in Key Balance of Payments Indicators in Benin**

	2017	2018	2019	2020*	2017	2018	2019	2020*
	<i>Millions CFAF</i>				<i>As percent of GDP</i>			
Current account	-539.7	-360.4	-340.2	-353.5	-7.3	-4.5	-4.0	-3.9
Balance of goods	-639.9	-308.6	-263.3	-338.3	-6.7	-3.9	-3.1	-3.8
Exports of goods FOB	1289.9	1857.6	1788	1330.2	17.5	23.5	21.2	15.1
Imports of goods FOB	-1784	-2166	-2051	-1669	-24.2	-27.3	-24.3	-18.5
Imports of goods CIF	-2034	-2430	-2304	-1874	-27.6	-30.7	-27.3	-20.8
Balance of services	-145.4	-147.4	-162.4	-89.4	-2.0	-1.9	-1.9	-1.0
Primary income	-18.4	-30.6	-41.5	-124.1	-0.2	-0.4	-0.5	-1.4
Secondary income	118.6	126.3	127.1	198.4	1.6	1.6	1.5	2.2
Capital account	113.9	109.1	116.3	134.1	1.5	1.4	1.4	1.5
Current and capital account balance	-425.8	-251.3	-223.9	-219.4	-5.8	-3.2	-2.7	-2.4
Financial account	-303.6	-444.7	-265.5	-526.4	-4.1	-5.6	-3.1	-5.8
Direct investment	-98.1	-102.4	-112	-87.2	-1.3	-1.3	-1.3	-1.0
Portfolio investment	-54.5	-54	-125	-146.3	-0.7	-0.7	-1.5	-1.6
Other investment	-150.9	-396.3	-28.5	-292.9	-2.0	-5.0	-0.3	-3.3
Net errors and omissions	4	3	3.9	0	0.1	0.0	0.0	0.0
Overall balance	-118.3	196.9	45.5	307	-1.6	2.5	0.5	3.4
<b>MEMORANDUM</b>								
<i>Average exchange rate (1 US\$)</i>	<i>581.94</i>	<i>555.63</i>	<i>585.95</i>	<i>575.6</i>				
<i>End period exchange rate (1 US\$)</i>	<i>546.95</i>	<i>558.65</i>	<i>588.86</i>	<i>569.83</i>				
<i>Coverage rate: Export b&amp;s/Import b&amp;s</i>	<i>69.9</i>	<i>82.3</i>	<i>83.1</i>	<i>78.6</i>				
<i>Degree of openness: (Export b&amp;s+ Import</i>	<i>24.5</i>	<i>29.7</i>	<i>27.4</i>	<i>20.2</i>				

Source: BCEAO/WAMA

## 1.2. Status of Macroeconomic Convergence

145. The country met three (3) primary criteria, the inflation rate, central bank financing of the budget deficit and foreign reserves in months of import cover. However, the criterion on budget deficit was not met. The two secondary criteria, nominal exchange rate stability and the debt-to-GDP ratio, were met.
146. Concerning the primary criteria, the budget deficit, including grants, was 4.7 percent of GDP compared to 0.5 percent in 2019. This increase in the budget deficit was caused by higher spending in response to the demands of the health crisis.
147. With respect to central bank financing of the budget deficit, no WAEMU country receives assistance to finance the budget deficit. The level of reserves stood at 5.9 months of imports in 2020 against 5.7 months in 2019, implying that each Member country surpassed the adequate import cover of at least three (3) months.
148. The secondary criteria witnessed a 1.0 percent appreciation in the average exchange rate of the CFAF in 2020 against the WAUA, compared to a depreciation of 2.8 percent in 2019. Finally, the total public debt to GDP ratio stands at 47.3 percent against 41.6 percent in 2019.

**Table 1.5: Status of Macroeconomic Convergence in Benin**

	Target	2017	2018	2019	2020*	2021**
<b>Primary criteria:</b>		<b>3</b>	<b>4</b>	<b>4</b>	<b>3</b>	<b>3</b>
i) Budget deficit/GDP (including grants)	≤ 3 percent	4.3	2.9	0.5	4.7	4.6
ii) Inflation rate (average)	≤ 5 percent	0.1	0.8	-0.9	3.0	3.0
iii) Central Bank deficit financing	≤ 10 percent RF n-1	0.0	0.0	0.0	0.0	0.0
iv) Gross foreign exchange reserves (WAEMU)	≥ 3 months of imports B/S	4.1	4.8	5.5	6.5	5.0
<b>Secondary criteria</b>		<b>2</b>	<b>2</b>	<b>2</b>	<b>2</b>	<b>2</b>
vi) Nominal exchange rate stability	± 10 percent	2.10	2.60	-2.9	1.0	-1.6
vii) Total debt stock as percent of GDP	≤ 70 percent	39.6	34.6	41.6	47.3	43.7
<b>Number of criteria met</b>		<b>5</b>	<b>6</b>	<b>6</b>	<b>5</b>	<b>5</b>

Sources: BCEAO, UEMOA, WAMA \*Estimation \*\*Projections

### 1.3. Prospects

149. The outlook indicates gradual recovery of economic activity resulting from global economic recovery from early 2021 and the substantial mitigation of the adverse effects of the pandemic crisis by the end of 2021. The economy would return to its pre-crisis growth path in 2021, and growth would be 6.0 percent. This growth would be facilitated by the expected increase in agricultural production and the massive investments under the GAP. Industry and trade would benefit from a boost in the private sector competitive goods and services outputs in the secondary and service sectors.
150. The fiscal outlook for 2021 indicates that higher government revenues and expenditure control would characterise public finances. This expectation would result in a projected budget deficit of 4.6 percent of GDP in 2021, compared to 4.7 percent in 2020. The 2021 fiscal year will mark an acceleration in the continued implementation of the investment projects under the GAP. This investment-oriented policy will support economic activity. Specifically, for 2021, the government's efforts will focus on:
- accelerating reforms in priority sectors such as agriculture, infrastructure, health, education, etc.;
  - consolidation and implementation of social measures (health insurance for poor households, school canteens in rural areas, etc.);
  - strengthening regional planning by improving resource allocation;
  - control of the budget deficit and the level of indebtedness; and
  - strengthening budget management in programme mode.
151. Public debt management in 2021 will be part of the 2020-2024 Medium Term Debt Strategy (MTDS). Benin will need to maintain its creditworthiness vis-à-vis investors and technical and financial partners (TFPs), while implementing the GAP. In addition, the measures taken in 2020 to strengthen the resilience of vulnerable populations and the private sector against the impacts of COVID-19 on the economy will be continued and reinforced in 2021. There are, however, uncertainties, namely the volatility of tax revenues and export prices, which constitute a risk for the achievement of the objectives by the end of 2021. The global health crisis is also an uncertainty that is hurting investment decisions in the private sector.



152. The external sector outlook for 2021 indicates that the overall BOP would record a smaller surplus, and the current account deficit would fall slightly.

#### **1.4. Conclusion and Recommendations**

153. The year 2020 was marked by the global pandemic, which negatively impacted economic activity worldwide with adverse consequences for developing economies such as Benin. The economic boom that began in 2016 slowed down with a loss of growth of more than 3.0 percent compared to the previous year and the initial pre-crisis forecasts. Fiscal sector was also impacted by anti-COVID measures, which caused a worsening of the budget deficit. External trade resulted in a widening of the merchandise trade deficit. In spite of the accommodative monetary policy with strong growth in the monetary base, it did not boost the private sector as the credit to the sector shrank during the year. The performance in terms of compliance with the convergence criteria of the monetary programme was generally satisfactory, as the country met five (5) out of six (6) criteria, except for the criterion on budget deficit.

154. Given the sectoral development in the foregoing sections, the implementation of the following recommendations will play a vital role in promoting growth and employment:

- i. Supporting the private sector by improving the business climate to create employment opportunities;
- ii. Pursue the consolidation of public finances by improving the quality of public spending, particularly capital spending, and by implementing major infrastructure projects included in the GAP more effectively and efficiently;
- iii. Improving the business environment to attract foreign direct investment, ensuring technology transfer and promotion of the private sector;
- iv. Strengthening public-private partnership and improving investment conditions; and
- v. Accelerate Benin's digital transformation to ensure the availability of very high-speed internet throughout the country.

## **2. BURKINA FASO**

155. Burkina Faso's economic policy objectives were based on the government's strategic orientations under the National Economic and Social Development Plan (PNDES 2016-2020). This plan was built around three strategic areas, namely institutional reform and modernisation of the administration, human capital development, and boosting growth and employment-generating sectors. In addition, as part of the fight against the effects of the coronavirus pandemic, a response plan was adopted to put in place measures to mitigate the social and economic impact of the COVID-19 pandemic.
156. The implementation of the major projects under the PNDES and the response plan made it possible to achieve a growth rate of 2.5 percent in 2020. However, this growth, which remains well below that recorded in 2019 (5.7 percent), was due to the services sector's weak performance which was badly affected by the pandemic and the security situation.
157. The domestic economy faced inflationary pressures, with the average inflation rate standing at 1.9 percent in 2020 compared to a 3.2 percent decline a year earlier. Year-on-year inflation stood at 2.3 percent, following a 2.6 percent increase in 2019.
158. The main fiscal sector indicators deteriorated, following the implementation of measures to mitigate the effects of the pandemic and fight against insecurity. The overall budget deficit (commitment basis, excluding grants) narrowed from 8.7 percent of GDP to 4.6 percent of GDP, in 2019. The budget deficit (commitment basis, including grants) stood at 5.4 percent of GDP in the same period.
159. The monetary sector witnessed an increase of 16.8 percent in money supply (M2), supported by the consolidation of 31.5 percent in external assets and the increase of 8.1 percent in NDA.
160. External trade generated a financing capacity of 1.8 percent of GDP during the period under review due to the capital account surplus contained by the current account deficit.
161. With regards to macroeconomic convergence, the country met three (3) primary criteria at the end of 2020. These included inflation, central bank financing of the budget deficit and gross external reserves in months of imports of goods and services. It also met two secondary criteria; average exchange rate and the total debt to GDP ratio.

### **2.1. Sectoral Analysis**

#### **2.1.1. Real Sector**

162. The Burkinabe economy slowed down to 2.5 percent compared with 5.7 percent in 2019, due to the COVID-19 pandemic, the persistence of terrorist attacks and social unrest.
163. The primary sector grew by 5.7 percent compared with 1.7 percent in 2019. This increase was due to performance of the cash crop sub-sector (3.9 percent), food crops (7.0 percent) and livestock (2.3 percent). The rise in output in the cash crop sub-sector was due to the 6.0 percent increase in cotton production, mainly due to the provision of seeds and inputs to producers. Furthermore, the rise in demand following the commissioning of the organic cotton ginning plant

in Koudougou and the construction of its second cotton ginning plant. The increase in food crop production was due to 6.7 percent improvement in cereal production. The livestock sub-sector benefited from the development of silvo pastoral areas and improvements in animal and veterinary public health.

164. Despite the health crisis, the secondary sector performed well, growing by 7.7 percent in 2020 compared with 2.3 percent in 2019. This was due to the recovery in Mining and quarrying, which grew by 5.0 percent, compared with a contraction of 0.5 percent in 2019 reflecting the entry into production of the Sambrado gold mine (SOMISA) and the production of industrial gold, favoured by the use of non-monetary gold as a safe haven during this period of crisis. In contrast, the manufacturing and energy sub-sectors recorded a slowdown of 1.3 percent and 2.8 percent respectively, compared with 3.7 percent and 4.2 percent in 2019. The construction sub-sector, however, contracted by 0.8 percent, compared with growth of 16.2 percent in 2019, due to work stoppages and delays in the execution of construction, asphaltting, rehabilitation and strengthening contracts on several roads.

**Table 2.1: Trends in GDP and its Components in Burkina Faso**

	2018	2019	2020*	2021**	2018	2019	2020*	2021**
<b>Item</b>	<b>Percentage changes</b>				<b>Contribution to Growth</b>			
<b>Real GDP</b>	6.7	5.7	2.5	5.1				
<b>SUPPLY</b>								
Primary sector	13.3	1.7	5.7	3.0	2.8	0.4	1.2	0.7
Secondary sector	2.8	2.3	7.7	10.2	0.7	0.5	2.0	2.3
Tertiary sector	6.0	8.7	-2.5	3.8	3.3	4.8	-0.7	2.1
<b>DEMAND</b>								
Final consumption (C)	3.5	7.0	-0.9	1.4				
Households	4.3	5.2	-1.1	2.5				
Administration	0.6	14.0	-0.2	-2.9				
Investments (I)	27.4	19.4	14.2	-1.3				
Gross fixed capital formation	22.5	17.2	16.7	-2.0				
PRIVATE	0.0	0.0	0.0	0.0				
PUBLIC	0.0	0.0	0.0	0.0				
Variations of stocks	105.5	40.3	-5.7	4.7				
Exports	12.8	-5.5	4.9	17.9				
Imports	16.5	10.1	5.7	0.2				
Gross domestic product	6.7	5.7	2.5	5.1				
<b>Memorandum Item</b>								
<i>GDP (current price) in billions of CFAF</i>	8920.42	9369.19	9716.41	10386.93				
<i>GDP (constant prices) in billions of CFAF</i>	8401.77	8880.63	9100.43	9561.93				
<i>Inflation</i>								
<i>Average</i>	1.9	-3.2	1.9	3.0				
<i>End period</i>	0.3	-2.6	2.3	2.7				

Source: BCEAO

165. The tertiary sector contracted to 2.5 percent in 2020 compared with growth of 8.7 percent recorded in 2019, due to the contraction of the "accommodation and catering" and "commerce" sub-sectors, following measures taken by the Government to contain the effects of the pandemic. Trade was strongly affected by the crisis, with a decline of 3.3 percent compared with growth of 5.2 percent in 2019. The pandemic affected the transport and communication sub-sectors, with a slowdown of 1.6 percent compared with 2.9 percent in 2019. The pace of growth in market services declined to 0.1 percent from 8.7 percent. Non-market services fell by 1.0 percent, following an 11.9 percent rise the previous year. In terms of contribution to economic growth, the

secondary sector recorded the highest impact on growth (2.0 percent), followed by the primary sector (1.2 percent) and the tertiary sector (-0.7 percent).

166. Growth on the demand side was mainly driven by investment and gross fixed capital formation. Final consumption contracted by 0.9 percent in 2020, in line with the decline in household and government consumption. Public consumption fell by 0.2 percent compared with an increase of 14.4 percent in 2019. Private consumption declined by 1.1 percent, after a 5.2 percent increase in 2019. Investment continued to be dynamic, rising by 14.2 percent. Exports increased by 4.9 percent after a 5.5 percent decline in 2019 due to sales of non-monetary gold and livestock products. Imports decreased by 5.7 percent compared with 10.1 percent in 2019, resulting from decreased purchases of food, other consumer goods, petroleum products and capital goods.
167. Average annual inflation rate was 1.9 percent in 2020, from a decline of 3.2 percent in 2019. This increase in consumer prices was due to the rise in the prices of "food and non-alcoholic beverages" (3.9 percent), "education" (2.1 percent), "Restaurants and hotels" (0.3 percent), "Miscellaneous goods and services" and "Communications" (0.2 percent). It was mitigated by the fall in prices observed in the functions "Housing, water, electricity, gas and other fuels" (1.3 percent), "Transport" (0.5 percent) and "Recreation and culture" (0.1 percent). Year-on-year inflation stood at 2.3 percent in 2020 compared with -2.6 percent in 2019.

### **2.1.2. Fiscal Sector**

168. The conduct of fiscal policy in 2020 took place amidst health and security crisis. To this end, the government's efforts were focused on mitigating the effects of COVID-19 pandemic and the fight against terrorist attacks, as well as responses to social unrest. These efforts have had a significant impact on public finances.
169. Overall fiscal deficit (commitment basis, excluding grants) widened to 8.7 percent of GDP from 4.6 percent of GDP in 2019. The budget deficit (commitment basis, including grants) increased from 3.2 percent of GDP in 2019 to 5.4 percent in 2020.
170. Despite the economic slowdown, total revenue and grants in 2020 increased to 20.7 percent of GDP, from 20.1 percent of GDP in 2019. This increase was mainly due to increase in grants.
171. Tax revenue fell to 14.5 percent of GDP in 2020 from 15.2 percent of GDP in 2019. Non-tax revenue also fell to 2.9 percent of GDP in 2020, compared with 3.4 percent of GDP in 2019. However, grants increased to 3.3 percent of GDP from 1.4 percent of GDP in 2019, due to the support of the country's technical and financial partners in mitigating the effects of the health crisis and improving the security climate.
172. Total expenditure and net lending increased to 26.1 percent of GDP in 2020 compared to 23.2 percent of GDP in 2019. This increase was due to the rise in recurrent and capital expenditure.
173. Recurrent expenditure rose to 18.1 percent of GDP from 17.6 percent of GDP in 2019, due to the increase in wages and salaries as well as subsidies and transfers.
174. Wages and salaries amounted to 9.2 percent of GDP (CFAF 898.01 billion), compared with 9.0 percent of GDP (CFAF 844.43 billion) in 2019. Subsidies and transfers rose from 5.2 percent of

GDP (CFAF 484.56 billion) in 2019 (to 5.6 percent of GDP (CFAF 542.80 billion) in 2020. However, expenditure on goods and services fell to 1.8 percent of GDP (CFAF 175.75 billion) from 2.1 percent of GDP (CFAF 198.43 billion) in 2019.

**Table 2.2: Trends in Key Fiscal Indicators in Burkina Faso**

	2018	2019	2020*	2021**	2018	2019	2020*	2021**
	Percent changes				As percentage of GDP			
Total revenue and grants	10.3	7.8	6.7	8.6	19.6	20.1	20.7	21.0
Total revenue	10.2	14.2	-3.2	11.5	17.2	18.7	17.4	18.2
Current revenue	10.2	14.2	-3.2	11.5	17.2	18.7	17.4	18.2
Tax revenue	9.4	5.2	-1.0	19.2	15.2	15.2	14.5	16.2
Non-tax revenue	16.9	82.8	-12.6	-27.3	2.0	3.4	2.9	2.0
Grants	10.7	-37.6	135.3	-6.9	2.4	1.4	3.3	2.8
Total expenditure and net lending	-0.9	2.3	16.4	7.4	23.9	23.2	26.1	26.2
Total expenditure	-0.6	3.0	15.3	7.6	24.0	23.5	26.1	26.3
Recurrent expenditure	4.9	18.9	6.9	-0.1	15.5	17.6	18.1	16.9
Salaries and emoluments	14.1	19.8	6.3	5.8	7.9	9.0	9.2	9.1
Procurement of goods and services	12.7	1.1	-11.4	13.2	2.2	2.1	1.8	1.9
Transfers and subsidies	-15.8	25.9	12.0	-20.1	4.3	5.2	5.6	4.2
Interests due	39.9	20.4	20.1	23.5	1.1	1.2	1.4	1.7
Interests due on domestic debt	50.2	28.9	21.9	19.9	0.8	1.0	1.2	1.3
Interest due on external debt	14.6	-6.9	12.0	40.7	0.3	0.2	0.2	0.3
Capital expenditure	-9.3	-26.2	40.3	25.0	8.5	5.9	8.0	9.4
Financed with internal sources	-21.6	-6.3	3.6	37.4	5.0	4.5	4.5	5.7
Financed with external sources	17.8	-55.2	151.9	9.5	3.4	1.5	3.6	3.7
Budget Deficit (commitment basis, excl. grants)	-21.2	-28.0	95.8	-0.8	6.7	4.6	8.7	8.0
Budget Deficit (commitment basis, incl. grants)	-32.2	-22.6	77.9	2.9	4.3	3.2	5.2	5.2
Public Debt					37.3	42.2	46.8	46.8
External					19.6	19.7	25.0	24.3
Domestic					17.7	22.5	21.8	22.5

Source: BCEAO, UEMOA, Ministry of Finance, WAMA.CNC

175. Interest payments increased to 1.4 percent of GDP (CFAF 140.58 billion) from 1.2 percent of GDP in 2019, as a result of a 12.0 percent increase in interest payments on external debt and 21.9 percent increase in interest payments on domestic debt. Capital expenditure increased to 8.0 percent of GDP (CFAF 781.16 billion) compared with 5.9 percent of GDP (CFAF 556.79 billion) in 2019.
176. The public debt stock stood at 46.8 percent of GDP in 2020 compared with 42.2 percent of GDP in 2019. Debt servicing stood at 37.2 percent of total revenue (CFAF 619.1 billion) in 2020, an increase of 79.4 percent compared to 2019.

### 2.1.3. Monetary Sector

177. The conduct of monetary policy focused on easing monetary conditions amidst the health crisis. To this end, BCEAO reduced its main policy rate to 2.0 percent. Similarly, the repo rate was lowered from 4.5 percent in 2019 to 4.0 percent in 2020. These measures were taken as part of the support to Member States to contain the impact of the pandemic on their respective economies.
178. The interbank interest rate fell from 3.87 percent in 2019 to 3.01 percent in 2020. In the treasury bill market, the 91-day bill rate was 2.94 percent compared to 4.85 percent in 2019. The 6-month bill rate fell from 5.52 percent to 4.27 percent over the same period. The minimum savings rate remained at 3.5 percent and the maximum commercial loan rate at 15.0 percent in the reporting period.

179. Money supply (M2) increased by 16.8 percent to reach CFAF 4,738.52 billion against CFAF 4,056.41 billion at the end of 2019. This growth was driven by the simultaneous increase in net foreign and domestic assets.
180. Net external assets recorded an increase of 31.5 percent (CFAF 1983.66 billion) in 2020 compared with 4.5 percent (CFAF 1508.53 billion) in 2019. This increase is linked to the rise in NFA of BCEAO (167.8 percent) and NFA of commercial banks (24.2 percent).

**Table 2.3: Growth in Key Monetary Aggregates in Burkina Faso**

	2018	2019	2020	2018	2019	2020
<b>ASSETS</b>	<b>Percentage change</b>			<b>Contribution to growth in M2</b>		
Net external assets	8.5	4.5	31.5	3.4	1.7	11.7
Net Domestic Assets	11.7	12.0	8.1	7.1	7.3	5.1
NCG	-13.4	165.3	25.9	-0.3	2.5	1.0
Claims on the economy	12.4	9.4	9.3	8.7	6.8	6.7
Other net items (3)	6.6	9.2	8.9	-0.3	-0.5	-0.4
<b>LIABILITIES</b>						
Money supply (M2)	<b>10.4</b>	<b>9.1</b>	<b>16.8</b>			
Narrow money (M1)	13.0	8.6	19.0			
Currency in circulation	29.0	13.5	6.2			
Overnight deposits	8.4	6.9	23.6			
Quasi-currency	6.6	10.0	13.3			
Memo item						
M2/GDP	41.7	43.3	48.8			
Loans to the economy to GDP	29.9	31.1	32.8			

Source: BCEAO

181. NDA rose by 8.1 percent (CFAF 2,754.85 billion) compared to 12.0 percent in 2019 (CFAF 2,547.88 billion). This development was due to increase in NCG and claims on the economy. NCG increased by 25.9 percent, a slight increase to that of 2019 (165.3 percent). Claims on the economy improved by 9.3 percent compared to 9.4 percent in 2019.
182. On the liabilities side, cash in circulation increased by 6.2 percent (CFAF 696.46 billion) in 2020 compared with 13.5 percent (CFAF 655.88 billion) in 2019. Demand deposits increased by 23.6 percent against 6.9 percent in 2019. Quasi money recorded an increase of 13.3 percent in 2020 against 10.0 percent in 2019.

#### **2.1.4. External Sector**

183. Burkina Faso's economy generated a financing capacity of 1.8 percent of GDP (CFAF 177.70 billion), in 2020, compared with a financing requirement of 1.9 percent of GDP (CFAF 180.99 billion) in 2019. This financing capacity was due to capital account surplus, resulting from the deterioration of the current account.
184. The current account deteriorated from a deficit of 3.3 percent of GDP in 2019 to an improved deficit of 1.1 percent of GDP in 2020. This deterioration in the current account was worsened by deficits in the services and primary income accounts, mitigated by surpluses in the goods and secondary income accounts.
185. The trade balance recorded a surplus of CFAF 436.20 billion (4.5 percent of GDP) in 2020 compared with a surplus of CFAF 214.32 billion (2.3 percent of GDP) in 2019, reflecting the good performance of exports. Exports increased to 8.8 percent compared with 4.8 percent in 2019, due to the good performance of gold exports and livestock products. Imports fell by 0.9

percent to CFAF 2 067.3 billion (21.3 percent of GDP), compared with CFAF 2 087.00 billion (22.3 percent of GDP) in 2019, due in particular to the fall in imports of petroleum products and capital goods.

186. The services account deficit rose from CFAF 539.78 billion (5.8 percent of GDP) at the end of 2019 to CFAF 647.19 billion (6.7 percent of GDP) at the end of 2020. This situation is mainly due to the decline in travel services.
187. The primary income account deficit stood at CFAF 245.17 billion (2.5 percent of GDP), compared with a deficit of CFAF 299.46 billion (3.2 percent of GDP) at the end of 2019. This decrease was due in part to the fall in interest on debt.
188. The secondary income account showed a surplus of CFAF 355.08 billion (3.7 percent of GDP) in 2020 compared with a surplus of CFAF 318.00 billion (3.4 percent of GDP) at the end of 2019. This performance was due to the increase in budgetary aid and a slight rise in migrant transfers.

**Table 2.4: Trends in Key BOP Indicators in Burkina Faso**

ITEM	2018	2019	2020	2018	2019	2020
	In billions of CFAF			As percentage of GDP		
CURRENT ACCOUNT	-369.26	-306.92	-101.08	-4.1	-3.3	-1.0
1- Goods and services	-364.14	-325.46	-210.99	-4.1	-3.5	-2.2
Goods	161.12	214.32	436.20	1.8	2.3	4.5
Exports of goods FOB incl.:	2196.37	2301.32	2503.53	24.6	24.6	25.8
Cotton	250.36	206.12	153.74	2.8	2.2	1.6
Gold	1492.46	1685.77	1857.87	16.7	18.0	19.1
Various	160.80	191.03	326.70	1.8	2.0	3.4
Imports of goods FOB	-2035.25	-2087.00	-2067.33	-22.8	-22.3	-21.3
Petroleum products	-420.45	-455.20	-358.76	-4.7	-4.9	-3.7
Intermediate goods	-547.21	-504.90	-503.13	-6.1	-5.4	-5.2
Capital goods	-820.73	-907.80	-863.38	-9.2	-9.7	-8.9
Services	-525.27	-539.78	-647.19	-5.9	-5.8	-6.7
Primary income	-266.96	-299.46	-245.17	-3.0	-3.2	-2.5
Secondary income	261.84	318.00	355.08	2.9	3.4	3.7
CAPITAL ACCOUNT	175.84	125.93	278.78	2.0	1.3	2.9
Incl. capital transfers	175.63	125.80	278.58	2.0	1.3	2.9
CURRENT AND CAPITAL ACCOUNT	-193.43	-180.99	177.70	-2.2	-1.9	1.8
Financial account	-313.22	-252.91	-297.43	-3.5	-2.7	-3.1
Direct investment	-111.48	-85.86	-72.78	-1.2	-0.9	-0.7
Portfolio investment	-150.20	-119.99	-150.80	-1.7	-1.3	-1.6
Financial derivatives	0.00	0.00	0.00	0.0	0.0	0.0
Other investments	-51.54	-47.06	-73.85	-0.6	-0.5	-0.8
Errors and omissions, net	1.24	-4.20	0.00	0.0	0.0	0.0
Overall balance	121.03	67.72	475.13	1.4	0.7	4.9
Memo item						
Average exchange rate (US \$)	555.63	585.95	575.59			
End period exchange rate (US \$)	574.81	592.43	549.95			
Stock of external reserves (in months of imports)	4.6	5.2	6.5			

Sources: BCEAO, WAMA

189. Capital account improved significantly, rising from CFAF 125.93 billion (1.3 percent of GDP) at the end of 2019 to CFAF 278.78 billion (or 2.9 percent of GDP) at the end of 2020. This improvement is associated in particular with the increase in capital transfers from public administration.
190. Financial account recorded an increase in net liabilities of CFAF 297.43 billion (3.1 percent of GDP), due to increase in net inflows of foreign direct investment of CFAF 72.78 billion, portfolio investment of CFAF 150.80 billion and other investment of CFAF 73.85 billion.

## 2.2. Status of Macroeconomic Convergence

191. Burkina Faso maintained its performance on macroeconomic convergence in 2020, meeting five criteria, as in the previous year.
192. The country met three (3) primary criteria, namely: inflation rate, central bank financing and gross external reserves. However, it did not meet the criterion on budget deficit. It also met the two secondary criteria, namely exchange rate variation and public debt to GDP ratio.

**Table 2.5: Status of Macroeconomic Convergence in Burkina Faso**

Criteria	Target	2018	2019	2020	2021
<b>Primary criteria</b>		<b>03</b>	<b>03</b>	<b>03</b>	<b>03</b>
Budget deficit (commitment basis, including grants)	≤3 percent	4.3	3.2	5.2	5.2
Average annual inflation rate	≤5 percent	1.9	-3.2	1.9	3.0
Budget deficit financing by the Central Bank	≤10 percent	0.0	0.0	0.0	0.0
Gross external reserves in months of imports	≥ 3	4.8	5.5	6.5	50
<b>Secondary Criteria</b>		<b>02</b>	<b>02</b>	<b>02</b>	<b>02</b>
Change in nominal exchange rate	±10 percent	2.6	-2.9	1.0	-1.6
Debt/GDP ratio	≤70 percent	37.3	42.2	46.8	46.8
Total convergence criteria met		<b>05</b>	<b>05</b>	<b>05</b>	<b>05</b>

Source: WAMA

## 2.3. Prospects

193. Burkina Faso has brighter growth prospects in 2021, despite the continuing health crisis in COVID-19 and the uncertainty caused by the prevailing climate of insecurity. Real GDP growth rate is expected to be 5.1 percent in 2021 with positive implications for all sectors of the economy.
194. Inflation in the medium term is expected to be moderate due to good prospects for agricultural production and the continuation of government measures in the country, notably price controls on consumer goods. Inflation is projected at 3.0 percent in 2021.
195. Government's main fiscal policy measures would be to increase domestic revenues and streamline recurrent expenditure. These would increase tax revenue by 11.5 percent, while total expenditure growth would be maintained at 7.6 percent. Despite the fiscal efforts, the overall fiscal deficit (including grants) would be 5.2 percent in 2021.
196. In terms of macroeconomic convergence, the country's performance would remain unchanged in 2021, as it would not meet the criterion on the budget deficit.
197. The main domestic risks are linked to the spread of the COVID-19 pandemic, the deterioration of the security situation, climatic hazards and the persistence of crop attacks (fall armyworms, seed-eating birds and other harmful organisms), the rise in the prices of imported goods and products, the low level of investment in sectors supporting the economy (energy, transport, ICT, etc.) and the low level of mobilisation internal and external resources.

## 2.4. Conclusion and Recommendations

198. The review of the country's economic and financial situation has shown an economic slowdown, resulting mainly from the weak performance of the service sector, against the backdrop of the health crisis and insecurity. The government's efforts to mitigate the effects of the health crisis



and the fight against terrorist attacks have had a significant impact on public finances, marked by deterioration in the main budget balances.

199. The external accounts improved to a net lending position of 1.8 percent of GDP in 2020 from a net borrowing position of 1.9 percent of GDP in 2019, due to the capital account surplus mitigated by the deterioration of the current account.
200. The country maintained its performance with respect to macroeconomic convergence compared to the previous year, as it met three primary and two secondary criteria.
201. The economic prospects of the country in 2021 are good, despite the pandemic, there is consolidation of macroeconomic stability, improved management of public finances and the completion of major infrastructural projects.
202. To achieve the objectives of the macroeconomic outlook, Burkina Faso's authorities are urged to:
  - i. implement actions outlined in the COVID-19 response plan to revive the economy, particularly in sectors heavily affected by the pandemic
  - ii. continue measures to combat terrorism and violent extremism; and
  - iii. improve the level of budgetary revenue collection to improve fiscal balances, notably through efficient management of the tax and customs administrations, broadening the tax base and combating tax evasion.

### **3. CABO VERDE**

203. The Cabo Verdean economy went into recession due to the impact of COVID-19 pandemic, which crippled the tourism and transport sectors and significantly affected the rest of the economy.
204. In 2020, the economy declined by 14.8 percent compared with 5.7 percent expansion in 2019, mainly due to the underperformance of all sectors of activity. This occurred during a period of moderate inflation. Average annual inflation stood at 0.6 percent in 2020 against 1.1 percent in 2019. Regarding fiscal sector performance, the government's financial operations for 2020 resulted in a deterioration of the overall deficit (9.1 percent of GDP against 1.8 percent of GDP the previous year).
205. External transactions in 2020 also witnessed a deterioration in the current account deficit due mainly to the increase in the deficit of the balance of goods and services. Money supply also increased by 4.1 percent as against 8.1 percent in 2019.
206. In terms of convergence, Cabo Verde met three (3) criteria in 2020, two (2) of which were primary criteria and one (1) secondary criterion.

#### **3.1. Sectoral Analysis**

##### **3.1.1. Real Sector**

207. Data from the National Institute of Statistics (national accounts) show that real gross domestic product contracted by 14.8 percent in 2020 compared to the growth of 5.7 percent in 2019.
208. On the supply side, public administration, construction and financial services were the only sectors that recorded increases in their gross value added in 2020. Other sectors were affected negatively as a result of the external shock. These sectors include accommodation and food services (-71.0 percent), transport (-33.0 percent) and trade (-21.0 percent), in addition to a significant contraction in taxes net of subsidies of about 23.0 percent.
209. On the demand side, investment made a positive and significant contribution to the performance of the economy. The performance of investment and construction was occasioned by the execution of major external investments, as well as the public programme of requalification, rehabilitation and accessibility, among others. In contrast, the decline in aggregate demand, reflecting the fall in exports and private consumption (58 percent and 11 percent respectively), was the worst performance recorded since the 1980s.
210. Economic activity took place in the context of moderate price developments. Average annual inflation was 0.6 percent in 2020, compared with 1.1 percent in 2019. This development in inflation was mainly due to subdued domestic demand in spite of the increase in the prices of energy products, health and other household accessories. End-period inflation decreased by 2.8 percentage points to -0.9 percent in 2020.

**Table 3.1: Trends in GDP and its Components in Cabo Verde**

	2018	2019	2020*	2018	2019	2020*
	percent change			Contribution to GDP Growth		
Growth rates	4.5	5.7	-14.8			
<b>SUPPLY</b>						
Primary Sector	-19.0	-7.3	-6.5	-1.4	-0.4	-1.6
Secondary Sector	8.1	7.5	-2.0	1.9	1.8	-1.4
Tertiary Sector	4.4	6.2	-14.2	4.1	4.4	-11.8
<b>DEMAND</b>						
Consumption	1.6	5.6	-8.6			
Private consumption	1.5	5.9	-11.3			
Public consumption	2.2	4.8	0.8			
Investment	4.3	-6.3	19.7			
Exports	11.7	8.7	-58.4			
Imports	5.7	0.8	-22.5			
GDP (Current price, Millions CVE)	183,698	195,202	169,334			
GDP (Constant prices, Millions CVE)	159,240	168,265	143,362			
<b>INFLATION</b>						
Average	1.3	1.1	0.6			
End-Period	1.3	1.9	-0.9			

Sources: INE/AMAO \* estimations

### 3.1.2. Fiscal Sector

211. The budget deficit rose to 9.1 percent of GDP in 2020 from 1.8 percent in 2019, reversing the downward trend that had been recorded since 2013, mainly due to the reduction in tax and other revenues, coupled with an increase in recurrent expenditure. The policy of supporting businesses and the contraction of economic activity explain, in particular, the reduction in the amounts of taxes levied on value-added and corporate income by 24.7 and 39.0 percent, respectively. Other measures to mitigate the impact of the pandemic on business cash flow include the implementation of staggered payment of value-added tax and value-added tax on personal income taxes withheld at source, the reduction in the rate of advance refunds of corporate income tax and the cancellation of the respective payments for the second and third quarters, as well as the reduction of the value-added tax rate for businesses in the accommodation and catering sector from 15 to 10 percent.
212. Other income also fell by 31.0 percent, mainly reflecting the constraints of the business climate in the sale of goods and services (notably in airport security, police and border services, airport services, justice, secretarial services, medical and hospital services, among others) and in property income (with the setting aside of reserves by public enterprises to cope with the effects of the pandemic).
213. In spite of the resources mobilised from the country's multilateral partners, which witnessed a 14.0 percent increase in budget aid, grant disbursements could not offset the decline in tax revenues. Also, grants fell by 16.3 percent and finance only 9.6 percent of budgetary expenditure (in 2019, grants financed 11.6 percent of expenditure). Hence, in 2020, total revenue declined to 19.5 percent of GDP below 21.5 percent of GDP recorded in 2019.
214. The increased economic, health challenges and budgetary constraints, arising from decline in domestic revenue, explained the moderate increase in total expenditure which grew by 1.8 percent, compared with the 9.8 percent growth in 2019. However, relative to GDP, the increase in

total expenditure was huge (32.9 percent of GDP in 2020 from 27.3 percent of GDP in 2019) compared to the change in domestic revenue. The increase in total expenditure was devoted to combating the pandemic and mitigating its social impact, including the acquisition of goods and services and rental of isolation facilities for infected persons, payment of social benefits and transfers to support municipality towards curbing the impact of the pandemic and compensation payments for the hiring of retired medical specialists, among other health professionals.

**Table 3.2: Trends in Key Fiscal Indicators in Cabo Verde**

	2019	2020	2021	2018	2019	2020	2021
	Percent Change			percent of GDP			
Total revenues	3.3	-23.3	na	22.1	21.5	19.5	na
Value Added Tax	3.1	-24.7	na	8.8	8.6	7.6	na
Chargé par DGA	5.9	-19.2	na	4.2	4.2	4.0	na
Chargé à la DGCI	0.6	-30.0	na	4.6	4.3	3.6	na
Income tax	3.4	-22.8	na	6.7	6.5	5.9	na
Individuals	4.7	-10.6	na	3.7	3.7	3.9	na
Personnel costs	1.8	-39.0	na	2.9	2.8	2.0	na
Grants	142.3	-16.3	na	1.4	3.2	3.2	na
Total expenditure	9.8	1.8		26.4	27.3	32.9	na
Personal expenses	6.0	4.7	na	10.6	10.6	13.1	na
Current transfers	-4.3	7.8	na	3.4	3.1	3.9	na
Social benefits	16.6	13.7	na	3.4	3.7	5.0	na
Capital expenditure	24.4	5.2	na	3.9	4.5	5.6	na
Expenditure on the acquisition of non-financial assets	-2.7	-42.4	na	4.5	4.1	2.8	na
Investment projects	-3.5	-45.7	na	4.3	3.9	2.5	na
Overall balance incl. grants	-26.4	319.1	na	-2.7	-1.8	-9.1	na
Public Debt				<b>131.3</b>	<b>130.4</b>	<b>158.5</b>	na
External				<b>91.4</b>	<b>90.6</b>	<b>111.6</b>	na
Domestic				<b>39.9</b>	<b>39.8</b>	<b>46.9</b>	na

Sources: Ministry of Finance, Cabo Verde/WAMA

215. Total public debt stock stood at 158.5 percent of GDP in 2020 compared to 130.4 percent of GDP in 2019. This sharp rise was due to significant increase in the government's financing needs.

### 3.1.3. Monetary Sector

216. Money supply grew by 4.1 percent in 2020, due to the increase in domestic credit. Domestic claims increased by 7.2 percent, driven by growth in credit to the economy and the central government to 5.3 percent and 14.4 percent, respectively. The deferral of debt service on contracts under a moratorium, on the one hand, and the use of COVID-19 credit lines, on the other hand, resulted in an increase in credit to the economy at the fastest rate since 2017. It is worth noting, in a context of heightened macroeconomic risks, the trend towards some relief in the tightening of the terms and conditions of approved credit contracts, partly linked to the easing of monetary policy and the sharing of risks by the government.

217. NFA, on the other hand, fell by 14.4 percent. The increase in external investments by banks with access to more competitive markets and the reduction in external liabilities by others led to a reduction in net external deposit liabilities of CVE 1,874 million.

218. The increase in money supply and its components was reflected in currency in circulation, overnight deposits, quasi money and term deposits which recorded increases of 11.4 percent, 6.2 percent, 2.0 percent and 2.1 percent respectively.

**Table 3.3: Growth in Key Monetary Aggregates in Cabo Verde**

	2018	2019	2020	2018	2019	2020
	percent changes			Contribution to M2		
<b>Money supply (M2)</b>	<b>1.7</b>	<b>8.1</b>	<b>4.1</b>			
Money supply (M1)	5.1	11.8	6.8			
Currency in circulation	4.3	2.9	11.4			
Overnight deposits	5.2	13.1	6.2			
Quasi money	-0.8	5.2	2.0			
Term deposits	0.1	6.9	2.1			
Foreign currency deposits	-15.8	12.3	-17.6			
<b>Other items, net (Assets +)</b>	<b>-1.4</b>	<b>22.4</b>	<b>-25.1</b>			
Counterpart of money supply						
<b>Net Domestic Assets</b>	<b>4.7</b>	<b>3.9</b>	<b>7.2</b>	<b>3.7</b>	<b>3.2</b>	<b>5.7</b>
Net credit to the government	10.6	4.2	14.4	2.0	0.9	2.8
Credit to public enterprises	25.5	4.2	-4.4	0.6	0.1	-0.1
Credit to the private sector	1.9	3.9	5.3	1.1	2.2	3.0
<b>Net Foreign Assets</b>	<b>-6.5</b>	<b>24.8</b>	<b>-14.4</b>	<b>-2.2</b>	<b>7.7</b>	<b>-5.2</b>

Sources: BCV/WAMA

### 3.1.4. External sector

219. The performance of the external accounts reflected the actual scale of the impact of the COVID-19 on Cabo Verde's economy. The current account deficit rose to 16.5 percent of GDP (CVE27,211.2 million) from 0.4 percent of GDP (CVE 779.5 million) in 2019.
220. The widening of the current account deficit was mainly due to the reduction in exports, travel and transport services as well as the decrease in re-exports of fuel and foodstuffs in the country's ports and airports to 63.0 percent. The ban on international travel, both by the national and international authorities, largely explains the 58.5 percent drop in exports of goods and services.
221. However, the decline in imports of goods (by 16.7 percent, to which the reduction in the price of imported goods contributed about 25 percent) and services (37.3 percent), mainly under the pressure of the decline in personal travel by Cabo Verdeans and the suspension of lease payments and other services by the national air carrier), as well as the increase in emigrant remittances (by 4.5 percent), mitigated the deterioration of the current account.
222. The current account also benefited from the accumulation of reserves by financial companies and the consequent non-financial reduction in expatriate dividends, the moratorium granted by the Paris Club to the government of Cabo Verde. This was coupled with the reduction in interest rates on emigrant deposits and the outstanding amount of other external liabilities of domestic banks, which contributed to the reduction of the deficit in the primary income account by 10.4 percent.
223. The capital account surplus increased to 1.0 percent of GDP (CVE 1,621 million) in 2020 from 0.5 percent of GDP (CVE 990.7 million) mainly due to donations of hospital equipment to public administrations (CVE 174.4 million). Transfers or remittances from emigrants and other individuals, which amounted to CVE 497 million in 2020 from (CVE 396 million in 2019), also helped to stem the increase in the economy's financing needs.
224. However, the net inflows of the economy decreased to 7.8 percent of GDP in 2020 (CVE 12,931.5 million) from 8.0 percent of GDP (CVE 15,676.3 million) reflecting the decrease in investments in the initial phases of implementation and postponement of others, increase in the NFA of banks, as well as the delay of private projects financed with external loans.

225. However, budget support to address the health crisis, made available by the International Monetary Fund, the World Bank and the African Development Bank, witnessed a 46 percent increase in net public debt disbursements (representing 49 percent of total debt disbursements made in 2020 by the state's external creditors). The inflow of funds to the financial account covered only 68 percent of the economy's needs. The remaining 32 percent was financed by official reserves. As a result, the country's stock of net international reserves decreased by EUR 75 million (in 2019, the stock of reserves had increased by EUR 132 million). However, due to the decline in imports, official reserves now cover 7.8 months of imports of goods and services, as of 31 December 2020.

**Table 3.4: Trends in Key BOP Indicators in Cabo Verde**

	2018	2019	2020	2018	2019	2020
	(in millions of escudo)			As percent of GDP		
a- Current account	-9595.0	-779.5	-27211.2	-5.2	-0.4	-16.5
1- Goods and services	-34986.7	-28516.3	-57703.5	-19.0	-14.6	-35.0
Balance of goods	-64147.9	-65379.5	-63730.8	-34.9	-33.5	-38.6
Exports FOB	25572.7	26174.5	12495.5	13.9	13.4	7.6
Import FOB	89720.5	91554.1	76226.3	48.8	46.9	46.2
Balance of services	29161.2	36863.3	6027.3	15.9	18.9	3.7
2- Primary income	-4328.4	-4175.3	-3742.3	-2.4	-2.1	-2.3
Credit	3248.7	3499.3	2355.8	1.8	1.8	1.4
Debit	7577.1	7674.5	6098.1	4.1	3.9	3.7
Incl. interests on loans	4254.9	4442.5	3766.1	2.3	2.3	2.3
3- Secondary income	29720.1	31912.0	34234.7	16.2	16.3	20.8
Public administration	5053.2	5877.5	5081.9	2.8	3.0	3.1
- Other sector	24666.9	26034.5	29152.8	13.4	13.3	17.7
Including migrant remittances	16856.0	18267.1	19337.5	9.2	9.4	11.7
b- Capital account	1436.5	990.7	1621.0	0.8	0.5	1.0
- Other sectors	259.2	395.7	496.7	0.1	0.2	0.3
c. Current and capital account balance				0.0	0.0	0.0
d- Financial account	-15015.9	-15676.3	-12931.5	-8.2	-8.0	-7.8
6- Direct investment	-8634.9	-8154.5	-6862.2	-4.7	-4.2	-4.2
7- Portfolio investments	4646.4	303.9	-0.3	2.5	0.2	0.0
9- Other investments	-11027.4	-7825.7	-6069.0	-6.0	-4.0	-3.7
e- Errors and omissions, net	-5936.3	-1383.6	4375.9	-3.2	-0.7	2.7
<b>f- Overall balance</b>	921.0	14503.9	-8282.7	0.5	7.4	-5.0

Source: Banco de Cabo Verde/WAMA

### 3.2. Status of Macroeconomic Convergence

226. Cabo Verde met three (3) convergence criteria, two (2) of which were primary criteria. It failed to meet the budget deficit to GDP ratio and central bank financing of the budget deficit criteria.

227. The country met all the primary criteria except the budget deficit as a percentage of GDP.

**Table 3.5: Status of Macroeconomic Convergence in Cabo Verde**

	Target	2017	2018	2019	2020*
<b>Primary criteria</b>		<b>3</b>	<b>4</b>	<b>4</b>	<b>2</b>
i) Budget deficit/GDP (including grants)	≤3 percent	3.1	2.7	-1.8	-9.1
ii) Inflation rate (annual average)	≤ 5 percent	0.8	1.3	1.1	0.6
iii) Central bank financing of budget deficit	≤ 10 percent	0.0	0.0	0.0	11.5
iv) Gross foreign exchange reserves	≥ 3 months of import	5.8	5.6	6.9	7.8
<b>Secondary criteria</b>		<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>
v) Nominal exchange rate stability	± 10 percent	0.3	0.5	2.8	-3.5
vi) Total outstanding debt as percent of GDP	≤ 70percent	124.0	131.3	130.4	158.5
<b>Number of criteria met</b>		<b>4</b>	<b>5</b>	<b>5</b>	<b>3</b>

Sources: Government of Cabo Verde and WAMA, \* estimations

228. Out of the two (2) secondary criteria, the country met only the criterion on nominal exchange rate stability but continues to face challenges regarding public debt, the outstanding amount of which is 158.5 percent of GDP, higher than the Community threshold of 70.0 percent.

### **3.3. Prospects**

229. Based on recent macroeconomic developments and scoping assumptions, the economy is projected to grow by 5.8 percent in 2021.
230. Economic growth would be driven mainly by some recovery in exports and private sector consumption, particularly in the second half. The outlook for exports is based on the expectation that the population in the main tourist markets will be vaccinated until the middle of the third quarter and that tourist demand will pick up somewhat in the high season of the fourth quarter, also ensuring that the pandemic is kept under control in the country.
231. There is also an expected increase in disposable income of families returning to work (especially those in the hotel industry and those engaged in processing), the improvement in confidence and the continued support of emigrants for growth, after its sharpest decline since 1980.
232. However, the contributions of investment and public consumption are expected to shrink, due to the high impact of uncertainties on business confidence and decision-making and budgetary constraints.
233. Imports were expected to increase as overall demand increased, but may be mitigated by some increase in local production (of new small-scale industries), where demand (for the tourism market) remains relatively contained. Growth on the supply side is expected to be driven mainly by public administration, trade and transport activities.

### **3.4. Conclusion and Recommendations**

234. The COVID-19 crisis severely affected the Cabo Verdean economy. Growth rate was estimated at -14.8 percent in 2020 compared to 5.7 percent in 2019. However, estimates point to a recovery in economic activity in 2021. To preserve this, the government should:
- i. Develop strategies for strong and inclusive economic growth;
  - ii. implement rapid economic rescue measures, mainly aimed at providing essential liquidity and protecting populations hit by the sudden loss of income;
  - iii. continue ongoing projects to ensure the development and modernisation of the agricultural sector through the improvement of irrigation systems in order to reduce the vulnerability of this sector to climate shocks;
  - iv. ensure rigorous monitoring of public debt management, especially external debt, which has been increasing exponentially since the dollar began to appreciate against the country's local currency.

## **4. COTE D'IVOIRE**

235. The COVID-19 pandemic severely hit the Ivorian economy in 2020. In response to this crisis, the Ivorian Government drew up a plan for economic, social and humanitarian support estimated at 1,700 billion CFA francs. In addition, the Government continued to implement the National Development Plan (NDP 2016-2020), to allow the national economy to benefit from its effects through the implementation of major public infrastructure projects. However, despite implementing the economic, social and humanitarian support plan and the continued implementation of the NDP, economic growth slowed to 2.0 percent in 2020 from 6.2 percent in 2019.
236. The Ivorian economy was also affected by inflationary pressures marked by an increase in the average price level of 2.4 percent in 2020, compared to 0.8 percent a year earlier. This impediment was mainly due to the rise in the price of consumables, following the government's measure to isolate the greater Abidjan area to curb the spread of COVID-19.
237. The government's budget implementation witnessed a deterioration in the overall budget balances, particularly the budget deficit (commitment basis, including grants), stood at 5.6 percent of GDP in 2020 compared with 2.3 percent of GDP in 2019.
238. Money supply accelerated by 21.1 percent in 2020 as against 10.8 percent in 2019. The NFA and NDA rose by 25.7 percent and 19.7 percent, respectively.
239. External trade increased the economy's financing requirement, which rose from CFAF 685.03 billion (2.0 percent of GDP) in 2019 to CFAF 1,014.85 billion (2.9 percent of GDP) in 2020.
240. In terms of macroeconomic convergence, Côte d'Ivoire met three (3) primary criteria and all the two (2) secondary criteria, missing out on the criterion of budget deficit to GDP.

### **4.1. Sectoral Analysis**

#### **4.1.1. Real Sector**

241. Economic activity was sluggish and characterised by a slowdown, mainly due to the effects of the COVID-19 pandemic. Economic growth fell to 2.0 percent, compared to 6.2 percent in 2019. This weak economic performance was associated with the slowdowns in the secondary and services sectors.
242. The primary sector recorded a 2.2 percent increase in 2020, compared with 5.3 percent increase recorded in 2019, due to the rise in export agriculture (3.0 percent) and food crops and livestock (2.0 percent), despite the decline in fishing (-2.0 percent) and forestry. The fairly performance of export agriculture was due to the increase in the production of cashew (33.7 percent) and sugar (9.4 percent).
243. The secondary sector slowed to 1.9 percent expansion in 2020 from 11.5 percent in 2019, due to the 25.7 percent and 5.2 percent decline in petroleum products and agro-food industries, respectively.



244. Similarly, the services sector slowed to 0.7 percent growth, compared to 4.9 percent in 2019. This development was due mainly to the decline in transport operation (-2.0 percent) and other services (-2.2 percent), which were severely affected by the pandemic. Despite the outcome in this sector, it is noteworthy that the telecommunications sub-sector pulled an impressive performance of 30.3 percent expansion in 2020 as it became alternative to physical contact restrictions during the COVID-19 crisis.
245. The three (3) main sectors; primary, secondary and services, contributed to economic growth by 0.3 percent, 0.4 percent and 1.3 percent, respectively.

**Table 4.1: Trends in GDP and its Components in Côte d'Ivoire**

Item	Percentage changes				Contribution to growth			
	2018	2019	2020*	2021**	2018	2019	2020*	2021**
<b>Real GDP</b>	6.9	6.2	2.0	6.5				
<b>Supply</b>								
Primary sector	5.2	5.3	2.2	1.3	0.8	0.8	0.3	0.2
Secondary sector	4.3	11.5	1.9	11.2	0.9	2.3	0.4	2.4
Service sector	6.8	4.9	0.7	6.2	5.2	3.1	1.3	4.3
<b>DEMAND</b>								
Final consumption (C )	8.5	4.6	-0.3	4.4				
Households	9.1	4.6	-1.1	4.5				
Administration	4.4	4.3	6.3	3.8				
Investments (I)	14.7	-5.9	9.3	11.8				
Gross Fixed Capital Formation	11.1	11.8	8.4	10.2				
Variation of stocks	-309.2	-854.9	-27.9	6.7				
Exports	1.5	18.6	6.8	7.3				
Imports	13.8	1.0	-5.5	7.5				
<b>Memorandum Item</b>								
GDP (current prices) in billions of CFAF	32222.27	34298.89	35311.38					
GDP (constant prices) in billions of CFAF	33317.29	35393.53	36083.94					
<b>Inflation</b>								
Average	0.6	0.8	2.4	2.8				
End period	0.6	1.6	2.3	1.6				

Source: WAMA, BCEAO/NCC, \* estimates, \*\*projections

246. Growth on the aggregate demand side was driven by investment. Final consumption fell by 0.3 percent, compared to 4.6 percent expansion in 2019, due to the decline in household consumption. Investment increased by 8.4 percent, compared to 11.8 percent increase in 2019, due to the completion of major infrastructure projects, notably the expansion of the Boulevard de Marseille, the rehabilitation of the Félix Houphouët-Boigny bridge and the completion of the Yamoussoukro-Tiébissou section of the northern motorway.
247. Barriers to international trade due to measures taken to contain the spread of COVID-19 slowed trade in goods and services. Exports slowed to 6.8 percent in 2020, compared to 18.6 percent in 2019. This underperformance was due to lower industrial agricultural, manufactured goods and mining sub-sector exports. Imports declined to -5.5 percent, compared with an increase of 1.0 percent in 2019.
248. Inflation rose sharply in 2020. The average inflation rate was 2.4 percent compared to 0.8 percent in 2019. Changes in the inflation rate was caused by the surge in prices of "food and non-alcoholic beverages" (4.2 percent), "housing, water, electricity, gas and other fuels" (3.0 percent), "transport" (2.1 percent) and "education" (1.7 percent). End period inflation was 2.3 percent compared to 1.6 percent a year earlier. The end period inflation at 2.3 percent compared to the

average inflation of 2.4 percent gives an indication that inflationary pressure was more concentrated in the later part of 2020.

#### **4.1.2. Fiscal Sector**

249. The government's budget implementation witnessed a decline in its overall budget balance, mainly due to the increase in expenditure to contain the adverse effects of COVID-19 on the national economy, through the implementation of the health response plan and the economic, social and humanitarian support plan adopted by the government. The overall budget deficit (commitment basis, excluding grants) worsened from 3.1 percent of GDP in 2019 to 6.1 percent in 2020. The budget deficit (commitment basis, including grants) reached 5.6 percent of GDP in 2020, compared with 2.3 percent in 2019.
250. Total revenue and grants increased by 2.5 percent to stand at CFAF 5,289.19 billion (15.0 percent of GDP), compared with CFAF 5,158.42 billion (15.0 percent of GDP) in 2019, as domestic revenue increased in spite of the reduction in grants.
251. Total revenue increased by 4.3 percent to stand at CFAF 5,095.92 billion (14.4 percent of GDP) due to the increase in tax and non-tax revenue.
252. Following an 8.3 percent increase in 2019, tax revenue including grants and parafiscal taxes rose by 3.6 percent to reach CFAF 4,356.07 billion (12.3 percent of GDP) in 2020, compared with CFAF 4,205.42 billion (12.3 percent of GDP) in 2019. Non-tax revenue increased by 9.1 percent to stand at CFAF 739.85 billion (2.1 percent of GDP) in 2020, compared with CFAF 678.08 billion (2.0 percent of GDP) in 2019. Grants rose to CFAF 193.27 billion (0.5 percent of GDP) from CFAF 274.91 billion (0.8 percent of GDP) in 2019.
253. Total expenditure and net lending increased by 22.1 percent to reach CFAF 7,255.05 billion (20.5 percent of GDP) in 2020, from CFAF 5,943.88 billion (17.3 percent of GDP) in 2019, reflecting an increase in current and capital expenditure.
254. Current expenditure increased by 16.9 percent to CFAF 5,123.24 billion (14.5 percent of GDP) in 2020, driven by increases in wages and salaries, expenditure on goods and services, subsidies and transfers and interest payments.
255. Wages and salaries rose by 5.0 percent, from CFAF 1,702.98 billion (5.0 percent of GDP) in 2019 to CFAF 1,828.05 billion (5.2 percent of GDP) in 2020. Expenditure on goods and services rose by 15.4 percent to CFAF 1,612.0 billion (4.6 percent of GDP) in 2020, against CFAF 1,396.54 billion (4.1 percent of GDP) in 2019. Subsidies and transfers reached CFAF 666.37 billion (1.9 percent of GDP) from CFAF 431.12 billion (1.3 percent of GDP) in 2019.
256. Expenditure on interest payments rose by 27.4 percent to CFAF 663.82 billion (1.9 percent of GDP), in line with the increase in interest payments on domestic and foreign debt by 23.4 percent and 30.4 percent, respectively. Capital expenditure stood at CFAF 1,914.44 billion (5.4 percent of GDP) against CFAF 1,499.29 billion (4.4 percent of GDP) in 2019.
257. The outstanding public debt stood at CFAF 16,802.3 billion (47.6 percent of GDP) in 2020, of which CFAF 6,045.6 billion was domestic debt (17.1 percent of GDP) and CFAF 10,756.7 billion

was external debt (30.5 percent of GDP). Public debt service went up to 1,926.3 billion (5.5 percent of GDP) compared with CFAF 1,769.3 billion (5.2 percent of GDP) in the corresponding period in 2019 and comprises of 60.3 percent domestic debt, iCFAF1,162.5 billion, and 39.7 percent external debt, CFAF 3,763.8 billion.

**Table 4.2: Trends in Key Fiscal Indicators in Côte d'Ivoire**

	2018	2019	2020*	2021**	2018	2019	2020*	2021**
	Percentage changes				As a percentage of GDP			
Total revenue and grants	5.3	8.3	2.5	6.1	14.8	15.0	15.0	14.6
Total revenue	6.1	8.1	4.3	6.0	14.0	14.2	14.4	14.0
Tax revenue	6.1	8.3	3.6	8.0	12.0	12.3	12.3	12.2
Non-tax revenue	6.6	6.7	9.1	-5.7	2.0	2.0	2.1	1.8
Grants	-7.5	11.7	-29.7	9.8	0.8	0.8	0.5	0.6
Total expenditure and net lending	3.4	4.1	22.1	6.7	17.7	17.3	20.5	20.1
Total expenditure	3.4	4.1	22.1	6.7	17.7	17.3	20.5	20.1
Recurrent expenditure	5.6	7.5	16.9	5.6	12.7	12.8	14.5	14.1
Salaries and emoluments	7.2	5.0	3.9	3.5	5.0	5.0	5.2	4.8
Procurement of goods and services	4.2	5.8	15.4	-3.4	4.1	4.1	4.6	4.1
Transfers and subsidies	-6.2	6.8	54.6	-25.6	1.3	1.3	1.9	1.3
Interests due	14.4	20.0	27.4	15.6	1.3	1.5	1.9	2.0
Interests due on domestic debt	1.2	7.5	23.4	8.4	0.6	0.6	0.8	0.8
Interests due on external debt	29.7	31.2	30.4	20.6	0.7	0.9	1.1	1.2
Capital expenditure	1.3	-3.1	27.7	12.7	4.8	4.4	5.4	5.6
Financed with internal resources	-3.9	9.7	26.8	-3.8	2.8	2.8	3.5	3.1
Financed with external resources	9.4	-20.4	29.4	43.0	2.0	1.5	1.9	2.5
Overall balance (commitment basis) (excl. grants)	-5.9	-10.9	103.6	8.6	-3.7	-3.1	-6.1	-6.1
Overall balance (commitment basis) (incl. grants)	-5.4	-16.8	150.3	8.4	-2.9	-2.3	-5.6	-5.5
<b>Public Debt Stock</b>					36.0	38.8	47.6	50.9
External					23.6	25.9	30.5	31.3
Domestic					12.4	12.9	17.1	19.6

Source: Ministry of Finance Cote d'Ivoire \* Estimates \*\* Projection

### 4.1.3. Monetary Sector

258. Money supply in 2020 accelerated to 21.1 percent from 10.8 percent in 2019, as net external and domestic assets increased.

259. Net external assets maintained their upward trend, recording an increase of 25.7 percent, compared to 22.9 percent in 2019. This increase was due to improvement in the net external assets of BCEAO by (13.6 percent) and 90.0 percent net external assets of commercial banks.

**Table 4.3: Growth in Key Monetary Aggregates in Cote d'Ivoire**

	2018	2019	2020	2018	2019	2020
ASSETS	Percentage changes			Contribution to the growth of M2		
Net Foreign Assets	15.3	22.9	25.7	3.1	4.8	6.0
Net Domestic Assets	12.9	7.6	19.7	10.3	6.0	15.1
Net claims on the government	17.0	20.4	40.0	3.9	4.9	10.4
Claims on the economy	11.2	6.1	9.2	8.3	4.4	6.4
Other items, net (3)	70.9	67.4	-40.7	0.9	1.3	-1.1
<b>LIABILITIES</b>						
Money supply (M2)	13.4	10.8	21.1			
Money in the narrow sense (M1)	12.8	9.4	25.0			
Banknote in circulation	6.0	10.3	22.2			
Demand deposits	17.0	8.9	26.7			
Quasi money	14.8	13.7	12.8			
<b>Memorandum</b>						
Money supply (M2)/GDP	30.2	31.4	37.1			
Credits to the economy /GDP	21.8	21.7	23.2			

Source: BCEAO

260. Against the backdrop of an easing of monetary conditions to mitigate the effects of the COVID-19 pandemic, NDA grew to 19.7 percent in 2020 compared with 7.6 percent in 2019, reflecting the simultaneous increase in net claims on the government and claims on the economy. The increase in net claims on the government reached 40.0 percent, following a 20.4 percent increase in 2019. Claims on the economy improved to 9.2 percent compared to 6.1 percent in 2019.
261. The rise in money supply components triggered its increase. Currency in circulation went up by 22.2 percent, compared to 10.3 percent recorded in 2019. Demand deposits increased to 26.7 percent in 2020 compared to 8.9 percent in 2019. Quasi money grew by 12.8 percent compared to 13.7 percent in 2019.

#### **4.1.4. External Sector**

262. In 2020, the external account witnessed an increase in the financing requirement of the Ivorian economy, which rose from CFAF 685.03 billion in 2019 (2.0 percent of GDP) to CFAF 1,014.85 billion (2.9 percent of GDP) in 2020. This situation was linked to the changes in the current account deficit and the increase in capital account surplus over the period.
263. The current account showed a deficit of 3.4 percent of GDP in 2020, after a deficit of 2.3 percent of GDP in 2019, accentuated by deficits in the services, primary and secondary income accounts, mitigated by the trade balance surplus.
264. The trade balance showed a surplus of CFAF 1,628.01 billion (4.6 percent of GDP) compared to the CFAF 1,846.42 billion surplus (5.4 percent of GDP) recorded in 2019. Exports (FOB) fell to 7.3 percent, after rising to 11.3 percent in 2019, mainly due to lower agricultural products and gold sales. Similarly, imports (FOB) fell by 5.7 percent, compared with an increase of 5.6 percent in 2019, linked to lower petroleum products and capital goods imports.
265. The services account showed a deficit of CFAF 1,227.8 billion (3.5 percent of GDP) compared with CFAF 1,313.17 billion (3.8 percent of GDP) in 2019, the result of a decrease in travel services (-24.3 percent) and freight and insurance (-5.1 percent). This outcome was mainly due to the decline in travel services.
266. The deficit in the primary income account rose from CFAF 985.76 billion (2.9 percent of GDP) in 2019 to CFAF 1,189.29 billion (3.4 percent of GDP) in 2020, mainly due to increased debt service payments.
267. The income account resulted in a deficit of CFAF 402.70 billion (1.1 percent of GDP) in 2020, after a deficit of CFAF 337.76 billion (1.0 percent of GDP) in 2019, mainly reflecting the decline in budgetary aid.
268. The capital account increased by 68.2 percent to show a surplus of CFAF 177.00 billion (0.5 percent of GDP) compared to CFAF 105.24 billion (0.3 percent of GDP) in 2019. This development was due to the 64.6 percent increase in capital transfers.
269. The financial account (FDI, portfolio investments, other investments, etc.) showed an increase in net liabilities of CFAF 1,657.11 billion, representing 4.5 percent of GDP in 2020.
270. The overall BOP surplus stood at 1.8 percent of GDP, compared with 1.4 percent in 2019.

**Table 4.4: Trends in Key BOP Indicators in Côte d'Ivoire**

ITEMS	2018	2019	2020	2018	2019	2020
	In Billions of CFAF			As a percentage of GDP		
<b>CURRENT ACCOUNT</b>	-1153.87	-790.27	-1191.82	-3.6	-2.3	-3.4
1- Goods and services	60.24	533.25	400.17	0.2	1.6	1.1
Goods	1363.68	1846.42	1628.01	4.2	5.4	4.6
Export of goods FOB incl.:	6619.62	7399.20	6862.06	20.5	21.6	19.5
Cocoa beans	1801.73	2094.87	1979.77	5.6	6.1	5.6
Processed cocoa products	730.63	804.81	760.59	2.3	2.3	2.2
Crude	951.55	1201.67	785.71	3.0	3.5	2.2
Import of goods FOB	-5255.94	-5552.78	-5234.05	-16.3	-16.2	-14.9
Food products	-1236.42	-1230.21	-1289.75	-3.8	-3.6	-3.7
Other daily consumer goods	-1312.18	-1347.66	-1395.26	-4.1	-3.9	-4.0
Intermediate goods	-1033.17	-1124.49	-1139.45	-3.2	-3.3	-3.2
Services	-1303.44	-1313.17	-1227.85	-4.0	-3.8	-3.5
Primary revenue	-904.86	-985.76	-1189.29	-2.8	-2.9	-3.4
Secondary revenue	-309.25	-337.76	-402.70	-1.0	-1.0	-1.1
<b>CAPITAL ACCOUNT</b>	84.67	105.24	176.96	0.3	0.3	0.5
Incl. capital transfer	87.78	107.50	176.96	0.3	0.3	0.5
<b>CURRENT AND CAPITAL ACCOUNT</b>	-1069.20	-685.03	-1014.85	-3.3	-2.0	-2.9
<b>FINANCIAL ACCOUNT</b>	-1356.22	-1164.21	-1657.11	-4.2	-3.4	-4.7
Direct investment	-264.21	-433.38	-201.73	-0.8	-1.3	-0.6
Portfolio investment	-888.74	-9.58	-669.20	-2.8	0.0	-1.9
Financial derivatives	0.52	0.15	0.00	0.0	0.0	0.0
Other investments	-203.79	-721.40	-786.19	-0.6	-2.1	-2.2
Errors and omissions net	-2.50	-1.50	0.00	0.0	0.0	0.0
Overall balance	284.52	477.68	642.26	0.9	1.4	1.8
Memorandum item						
Average exchange rate (US \$)	555.63	585.95	575.60			
End period exchange rate (US \$)	574.81	592.43	549.95			
External reserves (in months of import cover)	4.6	5.2	6.5			

Source: BCEAO

## 4.2. Status of Macroeconomic Convergence

271. The country's compliance with the convergence criteria reveals a decline in Côte d'Ivoire's performance, meeting five (5) criteria compared with six (6) in the previous year. The convergence situation is as follows.
272. Côte d'Ivoire met two (2) out of four (4) primary criteria. It satisfied the criteria on average annual inflation (2.4 percent) and financing of the budget deficit by the Central Bank (0.0 percent). However, it missed the criteria on budget deficit to GDP ratio (5.6 percent) and foreign exchange reserves in months of imports of goods and services (6.5 percent).
273. The country met all secondary criteria, namely the exchange rate variation (2.0 percent) and the public debt to GDP ratio (47.6 percent).

**Table 4.5: Status of Macroeconomic Convergence in Côte d'Ivoire**

Criteria	Target	2018	2019	2020	2021
<b>Primary criteria</b>		<b>04</b>	<b>04</b>	<b>03</b>	<b>03</b>
Budget deficit (commitment basis, including grants)	≤3percent	2.9	2.3	5.6	5.5
Average annual inflation	≤5percent	0.6	0.8	2.4	2.8
Budget deficit financing by the Central Bank	≤10percent	0.0	3.0	10.6	8.0
Gross external reserves in months of imports	≥ 3	4.8	5.5	6.5	5.0
<b>Secondary criteria</b>		<b>02</b>	<b>02</b>	<b>01</b>	<b>02</b>
Changes in nominal exchange rate	±10percent	4.4	-2.8	2.0	-1.6
Debt to GDP	≤70percent	36.0	38.8	47.6	50.9
Total of convergence criteria met		<b>06</b>	<b>06</b>	<b>05</b>	<b>05</b>

Source : BCEAO database

### **4.3. Prospects**

274. Côte d'Ivoire is expected to record a 6.5 percent growth rate in 2021. The growth would be driven by the secondary and services sectors, which would grow at 11.2 percent, and 6.2 percent, respectively, in 2021. However, the realisation of the projected growth path could be hampered, in particular, by constraints on the financing of planned projects in view of the low fiscal pressure, the persistence of the health crisis and its effects on the entry of international private capital, unfavourable climatic conditions that could negatively affect the performance of the primary sector, and the volatility and relatively low level of commodity prices.
275. Inflation in the medium term is expected to be moderate due to the promising prospects for agricultural production and the continuation of government measures, notably price controls on consumer goods. The inflation rate would be an average of 2.8 percent in 2021.
276. The budget balance is expected to improve gradually but would remain at 5.5 percent of GDP in 2021. However, a return to fiscal consolidation is expected by 2023, due to the broadening of the tax base, the consolidation of the efficiency of the tax system and the strengthening of the fight against tax evasion and avoidance.
277. The country is expected to meet four (4) out of six convergence criteria in 2021 missing the criteria on the budget deficit and gross external reserves in months of import cover.

### **4.4. Conclusion and Recommendations**

278. The encouraging results achieved in Cote d'Ivoire since 2012 in terms of economic growth could not be maintained in 2020, due to the health crisis, which had a substantial impact on the economy, with a slowdown of 2.0 percent. Inflation rate stood at 2.4 percent after having been below 0.8 percent between 2016 and 2019.
279. The fiscal sector was characterised by a deterioration in the overall government budget balances, despite the increase in revenue collection and grants. The budget deficit (commitment basis, including grants) was 5.6 percent in 2020.
280. Foreign trade resulted in an increase in the economy's financing requirement from 2.0 percent of GDP in 2019 to 2.9 percent of GDP in 2020. The health crisis affected foreign trade, due to the disruption of marketing channels and the decline in demand for certain products.
281. In terms of macroeconomic convergence, the country missed the criteria on the budget deficit and gross external reserves in months of import cover, whilst satisfying the remaining four (4) criteria.
282. Notwithstanding the slowdown, Côte d'Ivoire offers good prospects for economic performance in 2021, which would be supported by the beneficial effects of the continued implementation of the National Development Plan (NDP) 2016-2020 as well as the economic, social and humanitarian support plan (PSESH).
283. To achieve performance in terms of macroeconomic convergence and return to a better path of sustainable growth, the Ivorian authorities are invited to take the following measures:

- i. promote the easing of the tense socio-political climate;
- ii. continue efforts to collect budgetary revenue by combating fraud and corruption and broadening the tax base, in particular through the rationalisation of VAT exemptions and tax measures provided for in the mining and investment codes; and
- iii. control public spending and improve its quality.

## 5. THE GAMBIA

284. The Gambia's macroeconomic Policy thrust of 2020 is based on the implementation of the National Development Plan (NPD). In this programme, the Government of the Gambia recorded significant gains in economic stability and intended to continue with short to medium term objectives of sustainable and inclusive growth by putting financial resources on a sustainable path.
285. The vision and overall goal of the NDP will be realised through eight strategic priorities, namely:
- Restoring good governance, respect for human rights, the rule of law, empowering citizens through decentralisation and local governance;
  - Stabilising the economy, stimulating growth, and transforming the economy;
  - Modernising agriculture and fisheries for sustained economic growth, food and nutritional security and poverty reduction;
  - Investing in the people through improved education and health services, and building a caring society;
  - Building infrastructure and restoring energy services to power the economy;
  - Promoting inclusive and culture-centred tourism for sustainable growth;
  - Reaping the demographic dividends through an empowered youth; and
  - Making the private sector the engine of growth, transformation, and job creation.
286. Seven crosscutting critical enablers will complement the eight strategic priorities of the plan, namely: A public sector that is efficient and responsive to the citizenry, empowering the Gambian Woman to realise her full potential, enhancing the role of the Gambians in diaspora in national development, Promoting environmental sustainability, climate-resilient communities and appropriate land use, Making The Gambia a Digital Nation and creating a modern information society, a civil society that is engaged and is a valued partner in national development and lastly, Strengthening evidence-based policy, planning and decision-making.
287. Through these strategic priorities and critical enablers, the NDP domesticated and serves as an instrument for realising the Sustainable Development Goals (SDGs) and the first ten-year implementation plan of the African Agenda 2063.
288. Amidst COVID-19 pandemic, which ravaged the global economy, The Gambia's Real GDP growth rate sharply declined to -0.2 percent in 2020 compared to 6.2 percent growth rate recorded in 2019. Reasons for this performance are not far-fetched as the global health pandemic (COVID -19) caused decline in the tourism and trade sub-sector of the economy.
289. The fiscal sector recorded a decrease in performance as the budget deficit (including grants) increased to 4.8 percent of GDP in 2020 from 2.9 percent of GDP in 2019. For the budget deficit excluding grants, the deficit also widened to 15.4 percent of GDP in 2020 from 8.2 percent of GDP recorded in 2019, as a result of increased expenditure.
290. In December 2020, the MPC decided the following: maintain the policy rate at 10 percent; maintain the required reserve at 13.0 percent; maintain the interest rate on the standing deposit



facility at 3.0 percent and the standing lending facility at 11.0 percent (MPR plus 1 percentage point). This decision was taken to increase the flow of credit to the private sector, while stabilising the level of prices within the economy.

291. The performance of the external sector was subdued due to the effect of COVID-19 pandemic in 2020. The overall balance increased from a deficit of 0.1 percent of GDP (US\$ 1.6 million) in 2019 to a deficit of 14.9 percent of GDP (US\$264.5 millions) in the year ended 2020, but it is expected to improve in the year 2021 to 7.7 percent of GDP. This development reflected the widening of the current account deficit.
292. The Gambia satisfied two (2) of the four primary criteria in 2020 but missed out on the budget deficit and average annual inflation criteria. They also met only one of the two (2) secondary criteria of nominal exchange rate stability and missed the criterion on public debt to GDP ratio, during the review period. In all, the country met three (3) out of the six (6) convergence criteria, which is a lower performance compared to 2019 performance.

## **5.1. Sectoral Analysis**

### **5.1.1. Real Sector**

293. Despite economic activities premised on the continued implementation of sound macroeconomic policies, structural reforms and strong private sector participation, real sector activities of The Gambian economy underperformed in the year ended 2020. Within this period, real GDP growth rate sharply declined to -0.2 percent from 6.2 percent recorded in 2019 due to decline in tourism and trade sectors and subdued domestic and external demand in the economy. Series of economic lockdown measures were implemented to reduce the devastating effects of COVID -19 on the people of the Gambia. Government offices, companies, small scale as well as petty trading among others were shut down. This strategy of protecting the masses is the primary reason for the low production level in The Gambia in the year under review.
294. Despite the general downturn in the economy, growth in the primary sector improved to 11.7 percent in the year ended 2020 as against -0.1 percent recorded in 2019 triggered government support and even distribution of rainfall across the country.
295. Growth in the secondary sector slowed from 14.8 percent in 2019 to 9.9 percent in 2020. This is due to reduced activities in the mining and quarrying as well as electricity, gas, steam and air conditioning activities during COVID-19 lockdowns. Similarly, activities like water supply, waste management and remediation were also reduced during the period of lockdown.
296. Growth in the tertiary sector nosedived during the review period. The sector recorded -7.2 percent in 2020 compared to 6.1 percent growth rate recorded in 2019. This reflects low activities in insurance, tourism, financial services and the communication sub-sectors of the economy due largely to national lockdowns to contain the effect of COVID-19.
297. In terms of the share of contribution to growth, the primary sector led the growth process in 2020 with 2.2 percentage points, followed by the secondary sector with 1.7 percentage points and the tertiary sector which did not only decline but recorded negative growth of -4.1 percentage points in the period under review.

298. Inflationary pressures trended downwards during the review period. End period inflation reduced from 7.7 percent in 2019 to 5.7 percent at end-December 2020. Similarly, average inflation fell from 7.1 percent in 2019 to 5.6 percent in 2020. This is explained by reduced economic activities followed by a fall in general demand level within the economy, leading to decline in demand for money.

**Table 5.1: Trends in GDP and its components in The Gambia**

Item	Growth Rates				Share of GDP			
	2018	2019	2020*	2021**	2018	2019	2020*	2021**
<b>Supply</b>								
Real GDP	6.8	6.2	-0.2	6.0				
Agriculture	3.7	-0.1	11.7	na	0.7	0	2.2	na
Industry	2.0	14.8	9.9	na	0.3	2.2	1.7	na
Services	10.1	6.1	-7.2	na	5.2	3.3	-4.1	na
<b>DEMAND</b>								
Final Consumption	na	na	na	na				
Household	na	na	na	na				
Government Consumption	na	na	na	na				
Investment	na	na	na	na				
Private Investment	na	na	na	na				
Government Investment	na	na	na	na				
Net External Demand	na	na	na	na				
Exports	na	na	na	na				
Imports	na	na	na	na				
GDP (Current Prices) Billion	80.4	90.8	94.3	108.3				
GDP (Constant Prices) Billion	58.2	61.8	61.6	65.4				
<b>Inflation</b>								
Average	5.8	7.1	5.6	6.0				
End-Period	6.4	7.7	5.7	5.8				

Source: Central Bank of The Gambia, IMF, WEO; \* estimations \*\* projections

### 5.1.2. Fiscal Sector

299. The fiscal sector recorded a decrease in performance as the budget deficit (including grants) increased to 4.8 percent of GDP in 2020 from 2.9 percent of GDP in 2019. For the budget deficit excluding grants, the deficit also widened to 15.4 percent of GDP in 2020 from 8.2 percent of GDP recorded in 2019, as a result of increased expenditure.

300. Total revenue and grants increased to 26.0 percent of GDP (D22,615.00 million), from 18.2 percent of GDP (D16,635.09 million) in 2019. This increase was occasioned mainly by grants that the country received within the year under review due to COVID-19 support.

301. Tax revenue increased to 11.9 percent of GDP (D10,323.1 million) in 2020 from 10.9 percent of GDP (D9,954.4 million) in 2019, this was due to an increase in direct and personal income tax. Non-tax revenue increased to 3.6 percent of GDP (D404.6 million) in 2020, from 2.0 percent of GDP (D425.6 million) in 2019, occasioned by increase in its components during the period.

302. Total grants increased to 10.6 percent of GDP (D9,171.0 million) in 2020, from 5.3 percent of GDP (D4,833.5 million) in 2019, as a result of increases in project grants due to COVID-19 pandemic. The percentage growth in grants rose from 3.9 percent in 2019 to a sharp increase of 89.7 percent in 2020. This was due to grants received during the health pandemic as support.

303. Total expenditure and net lending increased to 30.9 percent of GDP (D26,800.2 million) in 2020 from 21.1 percent of GDP (D1,932.0 million) in 2019. This development was largely attributed to increased spending to curtail the negative impact of COVID-19 in the year under review.

**Table 5.2: Trends in Key Fiscal Indicators in the Gambia**

Item	% Growth			% of GDP		
	2018	2019	2020	2018	2019	2020
Total revenue and grants	11.6	11.8	36.0	18.5	18.2	26.0
Total revenue (excl. grants)	32.3	15.5	13.9	12.7	12.9	15.5
Tax revenue	13.7	23.3	3.7	10.1	10.9	11.9
Direct Tax	1.7	33.6	6.8	2.5	2.9	3.2
Indirect Tax	18.3	20.0	2.6	7.6	8.0	8.7
Nontax revenue CED	244.1	-14.0	69.0	2.7	2.0	3.6
Grants	-17.0	3.9	89.7	5.8	5.3	10.6
Total Expenditure and Net Lending	15.9	-1.9	38.7	24.5	21.1	30.9
Total expenditure	15.8	-1.7	38.7	24.5	21.1	30.9
Recurrent expenditure	8.4	21.0	26.1	13.2	14.1	18.7
Personnel emoluments	27.0	22.9	32.3	10.1	10.9	15.2
Goods and services	26.1	12.8	39.8	3.7	3.7	5.4
Transfers and subsidies	19.8	23.8	67.3	2.7	2.9	5.1
Interest payments	-26.7	14.8	4.4	3.1	3.1	3.4
Domestic	-34.5	20.2	-77.8	2.6	2.7	0.6
External	73.9	-11.7	552.8	0.5	0.4	2.8
Capital expenditure	25.7	-28.4	63.6	11.3	7.1	12.2
Domestic (GLF)	-0.1	23.9	79.9	1.0	1.1	2.0
External Financing	28.9	-33.4	60.7	10.3	6.0	10.2
Budget deficit/surplus (commit. includ. grants)	31.4	-44.3	55.9	-6.0	-2.9	-4.8
Budget deficit/surplus (commit.,exclud. grants)	2.2	-20.6	77.6	-11.8	-8.2	-15.4
Public Debt Stock				91.9	87.6	86.2
External				41.6	38.8	37.9
Domestic				50.3	48.8	48.3
Primary balance				1.6	0.9	-1.8

Source: Ministry of finance The Gambia, WAMA; \* estimations \*\* projections

304. Recurrent expenditure rose to 18.7 percent of GDP (D16,196.97 million) in 2020, from 14.1 percent of GDP (D12,840.00 million) in 2019 as a result of increase in personnel emoluments, which rose to 15.2 percent of GDP in 2020 compared to 10.9 percent of GDP in 2019. Similarly, expenditure on goods and services rose to 5.4 percent of GDP in 2020 from 3.7 percent of GDP in 2019, while transfers and subsidies increased to 5.1 percent of GDP from 2.9 percent in 2019. Interest payments on public debt marginally increased to 3.4 percent of GDP in 2020 from 3.1 percent of GDP in 2019 due to the increase in external debt servicing. Interest on external debt increased to 2.8 percent of GDP in 2020 from 0.4 percent of GDP in 2019. However, decrease in domestic debt servicing decreased to 0.6 percent of GDP in 2020 from 2.7 percent of GDP in 2019.

305. The stock of public debt marginally decreased to 86.2 percent of GDP at end-December 2020, from 87.6 percent of GDP at end-December 2019, due largely to government decision of gradual moderations in debt. External debt reduced to 37.9 percent of GDP from 38.8 percent of GDP, while Domestic debt reduced to 48.3 percent in 2020 as against 48.8 percent in 2019.

### 5.1.3. Monetary Sector

306. The MPC in February 27, 2020 reduced the MPR by 0.5 percentage point to 12 percent as against 12.5 percent in 2019. The Committee also increased interest rate on the standing deposit facility by 0.5 percentage point to 3 percent. The standing lending facility was reduced to 13 percent

from 13.5 percent (MPR plus 1 percentage point). This decision was taken to increase the flow of credit to the private sector while stabilising the level of prices within the economy.

307. On 28th May 2020, the committee met to reduce the MPR by 2.0 percentage points to 10.0 percent to support the economy. Reduce the statutorily required reserve ratio by 2.0 percentage points to 13.0 percent. This was intended to release about D700 million liquidity to banks. Maintain the interest rate on the standing deposit facility at 3.0 percent and the interest rate on the standing lending facility at 1.0 percentage point above the MPR. Banks were highly encouraged to translate these to increased lending to the economy's private sector to mitigate the economic problems brought by COVID-19 Pandemic.
308. In December 2020, the MPC again decided the following: Maintain the Policy rate at 10 percent; maintain the required reserve at 13 percent; and maintain the interest rate on the standing deposit facility at 3.0 percent and the standing lending facility at 11.0 percent (MPR plus 1 percentage point).
309. Broad money supply slowed to 22.0 percent in the 12-month period ended December 2020, compared to the growth of 27.1 percent recorded a year ago, due to development in NDA and NFA.
310. NFA and NDA slow down to 4.5 and 4.9 percent growth in 2020 compared to 61.3 and 11.3 percent expansion in 2019, respectively. The slowdown in the growth of NDA was mainly driven by significant decline in the claims on the private sector to 0.8 percent growth in 2020 compared to a 35.7 percent growth in 2019.

**Table 5.3: Growth in Key Monetary Aggregates in The Gambia**

Item	Growth (percent)				(percent) of GDP			
	2018	2019	2020*	2021**	2018	2019	2020*	2021**
<b>NFA</b>	<b>61</b>	<b>61.3</b>	45		<b>14</b>	<b>18.9</b>	17.6	-1.2
<b>Net Domestic Assets (NDA)</b>	<b>7.8</b>	<b>11.8</b>	4.9		<b>6</b>	<b>8.2</b>	4.4	10.7
Claims on government (net)	6.9	5.6	3.1		5.2	3.8	3.6	
Claims on private sector	32.9	35.7	0.8		5	6	0.1	
Other items, net (assets +)	-30.7	-10.9	-5.1		-4.2	-1.6	0.7	
<b>Liabilities</b>								
<b>Broad money (M2)</b>	<b>20.0</b>	<b>27.1</b>	22.0	9.5				
Narrow money (M1)	<b>24.2</b>	<b>35.5</b>	20.4					
Currency with public	15.8	19.4	28.4					
Demand deposits	29.7	44.8	16.6					
Quasi money (incl. For. Curr. Deps.)	<b>15.6</b>	<b>19.6</b>	23.9					

Source: Central Bank of the Gambia, WAMA; Notes: \* estimations \*\* projections

311. On the side of liabilities, growth of narrow money was sluggish at 20.4 percent at end December 2020 relative to 35.5 percent observed in the period ended 2019, mainly because of slow growth in demand deposits while currency outside banks increased in the period. The growth in demand deposits was recorded at 16.6 percent in 2020 from 44.8 percent at end December 2019. On the other hand, Quasi money grew to 23.9 percent in 2020 compared to 19.6 percent in 2019.

#### **5.1.4. External Sector**

312. The performance of the external sector deteriorated in 2020 due to the effect of the COVID-19 pandemic. The overall balance deficit widened from 0.1 percent of GDP (US\$ 1.6 million) in 2019 to a larger deficit of 14.9 percent of GDP (US\$264.5 million) in the year ended 2020. This

development reflected the deterioration in current account deficit. The current account deficit increased to 5.1 percent of GDP (US\$ 90.3 million), from 2.0 percent of GDP (US\$37.1 million), mainly explained by widening deficits in the trade and primary income account balances.

313. The deficit in the goods accounts increased to 28.8 percent of GDP (US\$511.8 million) in 2020, as against 20.7 percent of GDP (US\$378.0 million) in 2019, explained by increase in imports to 32.8 percent of GDP (US\$581.8 million) in 2020, from 29.2 percent of GDP (US\$ 532.5 million) in 2019. Exports declined to 3.9 percent of GDP (US\$70.1 million), from 8.5 percent of GDP (US\$154.5 million) in 2019.
314. The services account (net) recorded a deficit of 0.3 percent of GDP (US\$5.0 million) in 2020, compared to a surplus of 5.3 percent of GDP (US\$97.7 million) in 2019, explained largely by decrease in tourism and other forms of services inflows. The primary income account (net) worsened to 1.6 percent of GDP US\$-28.5 million), from -0.8 percent of GDP (US\$-15.3 million) in the previous year. The secondary income (current transfers), which comprises mainly of general government (official) inflows and diaspora remittances, recorded a net inflow of 25.6 percent of GDP (US\$455.0 million) in 2020 compared to a net inflow of 14.2 percent of GDP (US\$258.6 million) in 2019, reflecting increases in remittances inflow.
315. The capital account improved to 5.4 percent of GDP (US\$95.2 million) in the year ended 2020, from 3.8 percent of GDP (US\$69.4 million) in 2019, due to increase in capital transfer inflows during the period. The current and capital account balance recorded a net marginal improvement of 10.8 percent of GDP in 2020 from 10.1 percent of GDP in 2019 as a result of increase in capital inflow in the period under review.

**Table 5.4: Trends in Key BOP Indicators in The Gambia**

	2018	2019	2020*	2021**	2018	2019	2020*	2021**
	Millions of US\$				AS percent of GDP			
<b>Current account</b>	<b>-135.0</b>	<b>-37.1</b>	<b>-90.3</b>	<b>-110.5</b>	<b>-8.1</b>	<b>-2.0</b>	<b>-5.1</b>	<b>-5.3</b>
<b>Goods (net)</b>	<b>-421.4</b>	<b>-378.0</b>	<b>-511.8</b>	<b>-510.1</b>	<b>-25.3</b>	<b>-20.7</b>	<b>-28.8</b>	<b>-24.5</b>
Exports fob	157.7	154.5	70.1	40.6	9.5	8.5	3.9	2.0
Imports fob	579.1	532.5	581.8	550.7	34.7	29.2	32.8	26.5
Trade balance	-421.4	-378.0	-511.8	-510.1	-25.3	-20.7	-28.8	-24.5
<b>Services account (net)</b>	<b>92.2</b>	<b>97.7</b>	<b>-5.0</b>	<b>18.0</b>	<b>5.5</b>	<b>5.3</b>	<b>-0.3</b>	<b>0.9</b>
Primary Income account (net)	-18.8	-15.3	-28.5	-24.6	-1.1	-0.8	-1.6	-1.2
Secondary Income account (net)	213.0	258.6	455.0	406.3	12.8	14.2	25.6	19.6
<b>Capital account</b>	<b>55.9</b>	<b>69.4</b>	<b>95.2</b>	<b>52.3</b>	<b>3.4</b>	<b>3.8</b>	<b>5.4</b>	<b>2.5</b>
Net lending (+) / net borrowing (-)	-79.1	32.3	4.8	-58.2	-4.7	1.8	0.3	-2.8
Current and Capital Account	172.7	184.3	192.1	255.1	10.4	10.1	10.8	12.3
<b>Financial account (net)</b>	<b>-74.9</b>	<b>-70.1</b>	<b>-249.9</b>	<b>-98.7</b>	<b>-4.5</b>	<b>-3.8</b>	<b>-14.1</b>	<b>-4.7</b>
Foreign Direct investment	-78.1	-68.1	-193.1	-98.3	-4.7	-3.7	-10.9	-4.7
Other investment	3.2	-2.0	-56.8	-0.4	0.2	-0.1	-3.2	0.0
Change in gross international reserves	-13.2	-69.1	132.2	34.0	-0.4	-3.8	7.4	1.6
Net Error and Omission	145.8	36.2	-19.4	-2.8	8.7	2.0	-1.1	-0.1
<b>Overall balance</b>	<b>-8.3</b>	<b>-1.6</b>	<b>-264.5</b>	<b>-159.7</b>	<b>-0.5</b>	<b>-0.1</b>	<b>-14.9</b>	<b>-7.7</b>
<b>MEMORANDUM</b>								
Average Exchange Rate (US\$)	48.4	50.3	47.98	47.84				
External Reserve (Months of next year's imports of goods and services)	3.1	4.5	4.6	4.6				
Gross External reserves (in millions of US\$)	157.1	226.2	352.0					

Source: Central Bank ; Notes: \* estimations \*\* projections

316. Net financial account recorded an increased inflow equivalent to 14.1 percent of GDP (US\$249.9 million) compared to 3.8 percent of GDP (US\$70.1 million) in 2019, due to foreign direct and other investments during the period. Foreign direct investments inflow increased to 10.9 percent of GDP (US\$193.1 million) from 3.7 percent (US\$68.1 million) observed in 2019. Similarly, other investment rose to 3.2 percent of GDP (US\$56.8 million) in 2020, from 0.1 percent of GDP (US\$2.0 million) in the preceding year.
317. Gross external reserves (US\$352.0 million) in months of imports cover was estimated at 4.6 months at end December 2020, compared to 4.5 months (US\$226.2 million) at end-December 2019. The exchange rate of the dalasi generally remained stable, in addition to market confidence, increased inflows from private remittances and official inflows from development partners.

## 5.2. Status of Macroeconomic Convergence

318. The Gambia satisfied two (2) of the four primary criteria in 2020, central bank financing of budget deficit and the gross external reserves in months of imports, but missed out on the budget deficit and average annual inflation criteria.
319. The Gambia met only one of the two secondary criteria in 2020, nominal exchange rate stability but missed public debt to GDP ratio during the review period. This implies that the country has deteriorated in her performance compared to that of 2019.

**Table 5.5: Status of Macroeconomic Convergence in The Gambia**

Criteria	Target	2018	2019	2020*	2021**
<b>Primary Criteria</b>		<b>2</b>	<b>3</b>	<b>2</b>	<b>2</b>
Budget deficit (commitment basis, including grants)	≤3percent	6.0	2.9	4.3	3.9
Average annual inflation rate	≤ 5 percent	5.8	7.1	5.6	6.0
Central Bank financing of Budget Deficit	≤10percent	6.7	0.0	0.0	0.0
Gross external reserves (3 months of import cover)	≥3	3.1	4.3	6.2	4.6
<b>Secondary Criteria</b>		<b>1</b>	<b>1</b>	<b>1</b>	<b>0</b>
Nominal exchange rate variation	±10percent	5.4	-1.8	-2.4	-0.9
Public debt to GDP ratio	≤70percent	84.8	80.1	76.5	74.5
<b>Total Convergence Criteria Met</b>		<b>3</b>	<b>4</b>	<b>3</b>	<b>3</b>

Source: WAMA; \* estimations \*\* projections

## 5.3. Prospects

320. Despite the effect of COVID-19 pandemic on the economy, growth is projected to rise to 6.0 percent in 2021 as activities gradually return to near-normal in 2021. An improved macroeconomic environment is also expected to be supported by a stable exchange rate and modest inflationary pressures. Average inflation is also projected at 6.0 percent by 2021. Also, recoveries in agriculture and services sub-sectors, particularly tourism are expected to strengthen economic performance. However, on the fiscal side, the high public debt burden will continue to affect negatively the country's ability to invest in key sectors of the economy.
321. Fiscal deficit is projected to remain high above the prescribed maximum convergence limit of 3.0 percent of GDP in 2021. However, revenue is expected to rise due to the efficiency in revenue mobilisation. The external sector is expected to be constrained due to the adverse effect of the pandemic on tourism in particular and the services industry at large.

322. Regarding macroeconomic convergence, the Gambia met two (2) primary and one (1) secondary (3 in all) criteria in 2020 and is expected to satisfy the same criteria in 2021. The country will continue to grapple with the challenges of the budget deficit benchmarks in the future.

#### **5.4. Conclusion and Recommendations**

323. Given the reliance of the agricultural sector on rainfall, the delay and uneven distribution of the rainfall is expected to affect crop production significantly. Growth is expected to be negatively affected going forward, except efforts are deliberately applied to improve and sustain the use of irrigation farming systems by the farmers, heavily supported by the government. The pace of economic diversification, agro-processing and industrial production looks slow in the marketing of agricultural produce. These will continue to limit output and discourage participation in this sector.

324. Monetary policy implementation remained proactive in checking inflationary pressures, stabilising the domestic currency, ensuring stabilisation in the financial sector and ensuring adequate flow of credit to the public and private sectors.

325. Given the aforementioned, the Gambian authorities are urged to:

- i. take necessary measures aimed at permanently containing the effects of COVID-19 on the population and tourism sector as the sector is likely to be reopened for international tourist activities;
- ii. roll out small and medium scale credit opportunities to assist cottage firms to bounce back to business and grow the economy, given the negative effect of COVID-19;
- iii. reform the agricultural sector by initiating effective irrigation schemes to mitigate the negative impact of unreliable rainfall, delays and shifting weather patterns, land reforms, increase investments in agro-industries like forestry;
- iv. sustain a remarkable pace of revenue collection innovations;
- v. accelerate expenditure rationalisation policies to reduce recurrent expenditure like personnel emoluments in particular;
- vi. instrument effective debt management policies aimed at slowing the growth of the stock of public debt and external borrowing; and
- vii. increase investments in tourism, as well as products and services diversification to attract high calibre tourists.

## 6. GHANA

326. Ghana's economic and financial activity in 2020 focused on the continued development of aspiration of Ghana Beyond Aid (2017-2024) into a clear vision and strategy that can make Ghana prosperous having the ability to survive without aid in the shortest possible time. The medium-term priority objectives for 2020 include:

- Domestic Revenue Mobilisation;
- Business Regulatory Reforms;
- Intensified Drive for Foreign Direct Investment;
- Digitalisation;
- Accelerated Infrastructure Development;
- International Financial Services Centre;
- Enhanced Financial Support to Local Enterprises; and
- Science and Technology.

327. To put into perspective the assessment of the performance of the economy for the year 2020, the macroeconomic objectives, as presented in the 2020 mid-term review documents, are as follows:

- achieve real GDP growth rate of 0.9%;
- achieve real GDP growth rate, excluding oil, of 1.6%;
- achieve a year-on-year inflation rate of 11.0% at the end of December;
- achieve an overall budget deficit (on a cash basis) of 11.4% of GDP;
- achieve a primary balance deficit of 4.6% of GDP; and
- improve the level of gross international reserves at the end of December to cover at least the equivalent of 4 months of imports of goods and services

328. Ghana's real GDP growth declined to 0.4 percent in 2020 from 6.5 percent in the preceding year, mainly due to contraction of the secondary and tertiary sectors of the economy. Inflationary pressures deepened as end period inflation increased to 10.4 percent in 2020 from 7.9 percent in 2019 due to COVID-19 pandemic related disruptions in supply chains and expansionary monetary policy aimed at mitigating the economic impacts of the COVID-19 pandemic.

329. The overall fiscal deficit on cash basis widened to 11.7 percent of GDP from 4.8 percent of GDP in 2019. The primary balance ended the year with a deficit of 5.0 percent of GDP. The overall fiscal deficit was financed mostly from domestic sources equivalent to 11.9 percent of GDP. Similarly, the overall deficit balance (commitment basis, including grants) widened to 10.2 percent of GDP, compared to 4.1 percent of GDP in 2019. As a result of shortfall in revenue from weak economic activities and unexpected increased health spending due to COVID-19 pandemic. The public debt to GDP ratio rose to 76.1 percent from 62.4 percent of GDP in 2019, as a result of the high cost of interest payment expenditure on debt (6.4 percent of GDP) that is more than the capital expenditure (3.1 percent of GDP) for the period under review.

330. The Bank of Ghana (BoG) slashed its MPR to 14.50 percent in March 2020 from 16.0 percent in February 2020. The move was to calm fears of economic slowdown due to the COVID-19



pandemic and the need to ease inflationary pressure. Money Supply grew by 29.7 percent in 2020 from 21.4 percent at end December 2019, mainly attributed to the growth in the NDA, particularly the growth in the NCG.

331. The current account deficit widened to 3.0 percent of GDP at the end of 2020 from 2.8 percent at end 2019, due to fall in oil prices and lower tourism revenues. Imports declined due to lower domestic demand and global supply disruptions. The Ghana cedi depreciated at a slower rate of 7.3 percent against the US dollar in 2020, compared with 13.7 percent depreciation in 2019. This reflected the improved risk sentiment in the financial market, increased inflows from mining, remittances, and BOP support, which helped ease demand pressure. The overall balance of payment recorded a surplus of 0.5 percent of GDP compared with a surplus of 2.0 percent of GDP in 2019, as a result of decline in the direct foreign investment (net) inflows during the period under review. The gross international reserves in terms of month of import cover increased to 4.1 months in 2020 from 4.0 in 2019.
332. Ghana met one (1) primary criterion (gross external reserves in months of import cover) and one (1) secondary criterion (nominal exchange rate variation).

## **6.1. Sectoral Analysis**

### **6.1.1. Real Sector**

333. The prevalence of COVID-19 pandemic in 2020 truncated Ghana's economic growth. This led to decline of real GDP to 0.4 percent in 2020 from 6.5 percent in 2019, due to contraction of secondary and tertiary sectors of the economy. Mining & quarrying and crude oil decreased to 11 percent and 9 percent in 2020 compared with 12.6 percent and 17.2 percent growth recorded in the preceding year. Also, the services sector declined to 1.5 percent in 2020 compared to 7.6 percent growth in 2019. Similarly, the non-oil GDP dipped to 1.1 percent in 2020 compared to 5.8 percent in 2019 largely caused by the contraction of Hotels and Restaurants, Forestry and Logging and Mining and quarrying sub-sectors.
334. The primary sector (agriculture) grew by 7.4 percent in 2020 compared to 4.7 percent recorded in 2019 mainly driven by fishery and crops, contributing 14.4 percent and 8.7 percent, respectively, in 2020. Forestry and Logging contracted further to 9.2 percent in 2020 compared to 1.7 percent in 2019. Livestock production growth of 5.4 percent in 2020 remain the same with the growth of 2019. However, cocoa contribution to the growth of the primary sector declined to 1.9 percent in 2020 compared to 5.4 percent in 2019.
335. The secondary sector (industry) contracted by 3.6 percent in 2020 compared to 6.4 percent in 2019. This was influenced mainly by Mining & quarrying and Crude Oil which contracted by 11.0 percent and 9.0 percent in 2020, respectively, following the growth of 12.6 percent and 17.2 percent in 2019. Growth in the manufacturing sub-sector declined to 1.4 percent in 2020 compared to 6.3 percent in 2019. Electricity supply output increased during the period under review to 7.9 percent compared to 6.0 percent in 2019. However, both Water & Sewerage and Construction improved to 2.2 percent and 2.9 percent in 2020 compared to the contraction of 4.4 percent and 4.4 percent in 2019 respectively.

336. The tertiary sector (services) slumped to 1.2 percent in 2020 compared to the growth of 8.0 percent in 2019. The slump is largely driven by the contraction in Hotels and Restaurants, Professional, Administrative & Support Service activities and Trade Repair of Vehicles, Household Goods of 34.8 percent, 5.9 percent and 1.1 percent in 2020 respectively, compared to 6 percent, 5.1 percent and 3.7 percent in 2019 respectively. Also, the slump is attributed to the decline in the performance of most of the sub-sectors, especially Information and Communication, Real Estate, Education, Health and Social Work, Transport and Storage and Community, Social & Personal Service of 22.5 percent, 12.5 percent, 7.8 percent, 8.2 percent, 3.7 percent and 1.1 percent in 2020 respectively, compared to 46.5 percent, 19.9 percent, 9.4 percent, 10.4 percent, 4.3 percent and 2.6 percent in 2019, respectively. However, growth in Financial and Insurance activities and Public Administration & Defence; Social Security grew to 5.5 percent and 7.3 percent in 2020 respectively, compared to 1.6 percent and 3.7 percent in 2019.
337. Expenditure on Consumption contracted by 6.9 percent compared to the growth of 6.5 percent in 2019, reflecting contraction in final consumption from households of 8.6 percent in 2020, compared to the growth of 6.6 percent in 2019. However, expenditure by general government consumption increased by 10.1 percent in 2020 compared to 5.4 percent in 2019. Total investment contracted by 3.8 percent in 2020, against 0.9 percent growth in 2019, mainly due to decrease in stock of crude oil. However, gross capital formation grew by 1.8 percent in 2020 against a contraction of 10 percent in 2019. Total domestic demand contracted by 6.1 percent in 2020 against the growth of 5 percent in 2019.

**Table 6.1: Trends in GDP and its Components in Ghana**

	2018	2019	2020*	2021**	2018	2019	2020*	2021**
	<b>Percentage Change</b>				<b>Contribution to GDP Growth</b>			
<b>Item</b>								
<b>Real GDP</b>								
Including oil	6.2	6.5	0.4	4.8				
Excluding oil	6.4	5.8	1.1					
<b>Supply</b>								
Primary Sector	4.9	4.66	7.39	NA	1.0	0.9	1.40	NA
Secondary Sector	10.50	6.37	-3.56	NA	3.8	2.4	-1.33	NA
Tertiary Sector	2.81	7.96	1.15	NA	1.1	2.9	0.57	NA
Taxes net of subsidy	7.53	6.11	-4.61	NA	0.4	0.3	-0.23	NA
<b>Demand</b>								
Consumption	2.18	6.49	-6.86	NA				
Private	2.21	6.64	-8.61	NA				
Public	1.83	5.38	10.10	NA				
Investment	12.31	0.93	-3.84	NA				
Gross Fixed capital Formation	13.15	-10.02	1.77	NA				
Exports of goods and services	10.25	6.69	21.83	NA				
Imports of goods and services	4.56	1.67	-0.94	NA				
<b>GROSS DOMESTIC PRODUCT</b>	<b>6.20</b>	<b>6.50</b>	<b>0.40</b>	NA				
<b>MEMORANDUM</b>								
GDP (current prices) Millions GHc	300596	350788.2	404873.7	NA				
GDP Including Oil (constant prices)	155207	165307.7	165992.6	NA				
<b>Inflation</b>								
Average	9.8	8.7	9.9	8.9				
End period	9.4	7.9	10.4	9.8				

Source: Ghana Statistical Service, WAMA, IMF \*Estimation, \*\*Projection

338. Net exports grew significantly by 1422.7 percent compared to 152.3 percent in 2019, reflecting a decline in imports, supported by the increase in exports during the period under review.

339. End period inflation increased to 10.4 percent at end-December 2020 from 7.9 percent in 2019, due to pandemic related disruption in supply chains and the adoption of expansionary monetary policy to ease the economic impact of the COVID-19 pandemic by the Bank of Ghana. Also, average inflation increased to 9.9 percent compared to 8.7 percent in 2019.

### **6.1.2. Fiscal Sector**

340. Total revenue & Grants amounted to 13.6 percent of GDP in 2020, compared to 15.2 percent in 2019. The amount represented a 3.3 percent 12-month period growth, compared with 12.1 percent growth recorded in the same period of 2019. Similarly, domestic revenue was 13.3 percent of GDP compared with 14.9 percent of GDP in the corresponding period of 2019. The outturn reflected a boost in the international trade taxes and the reduction in the initial revenue estimates.

341. Tax revenue declined by 11.0 percent of GDP in 2020 compared to 12.2 percent achieved 2019.

342. Taxes on income and property recorded annual growth of 3.9 percent compared with 20.8 percent growth in 2019. This represented performance below revised target of company tax on oil, royalties from oil and minerals and airport taxes while personal income tax increased slightly above revised target.

343. Taxes on domestic goods and services (Excise Duty and National Health Insurance Levy (NHIL), VAT and communication service tax) growth in year-on-year declined to 10.5 percent due to fall in excise duty, VAT, NHIL as a result of COVID-19 control measures in 2020 compared to the performance of 14.1 percent annual growth in the corresponding period of 2019.

344. International trade taxes, (import duties) annual growth increased by 50.0 percent due to improvement in the international trade collections after resolution of pending issues at the ports, compared with a decline of 11.3 percent in the corresponding period of 2019.

345. Non -Tax revenue declined by 11.9 percent on annual growth compared to a growth of 16.0 percent in 2019, resulting from weakness of the revenue from profit, interest and dividend, due to a slump in the price of crude oil as well as COVID-19 containment measures.

346. Receipts due to grants were at 0.3 percent of GDP, same as 2019 but while grants stood at -13.1 percent growth rate in 2019, it increased to 24.6 percent in 2020.

347. Total Expenditure stood at 23.8 percent of GDP (slightly under the revised target of 25.3 percent of GDP) for the year under review compared with 19.3 percent of GDP in the corresponding period of 2019.

348. Compensation of employees amounted to 7.0 percent of GDP in 2020, compared to 6.3 percent of GDP in 2019. This outturn represents an annual growth of 27.2 percent compared to 13.3 percent growth in 2019 as salaries, wages, and gratuities exceeded expectations. In addition to that, compensation constituted 52.4 percent of domestic revenue at the end of 2020 Which was significantly higher than the 39.4 percent recorded in 2019. Use of Goods and Services nosedived to 19.8 percent for the period under review compared to 20.3 percent annual growth performance in 2019. Total interest payments amounted to 6.1 percent of GDP for the period

under review compared to 5.6 percent of GDP in 2019. The rise in interest payments comes from both external and domestic debt.

349. Capital expenditures constituted 3.0 percent of GDP (higher than the revised target of 2.4 percent) compared to 1.8 percent of GDP in 2019, mainly funded from external sources.

350. Government operations resulted in an overall budget deficit on commitment basis including grants of 10.2 percent of GDP in 2020 from 4.1 percent of GDP in 2019. The widened budget deficit contributed to the stock of public debt which rose to 76.1 percent of GDP at the end of 2020 from 62.4 percent of GDP at the end of 2019. The domestic debt was 51.4 percent of the total public debt in December 2020, higher than the 48.4 percent share in December 2019. External debt constitutes 48.6 percent of the total public debt at end December 2020, slightly lower than the 51.6 percent share in December 2019.

**Table 6.2: Trends in Key Fiscal Indicators in Ghana**

	2018	2019	2020*	2021**	2018	2019	2020*	2021**
	Percentage change				As percent of GDP			
Total Revenue (Inc. grants)	14.8	12.1	3.3	31.4	15.8	15.2	13.6	16.7
Domestic Revenue	16.4	12.7	2.9	31.7	15.5	14.9	13.3	16.4
Tax Revenue	17.2	13.6	3.7	26.9	12.6	12.2	11.0	13.0
Tax on income and property	-14.4	20.8	3.9	74.1	6.2	6.5	5.8	9.5
Taxes on Domestic goods and services	213.4	14.1	-10.5	-42.6	5.0	4.9	3.8	2.0
Intl. Trade Taxes	11.3	-11.3	50.0	-18.5	2.0	1.5	2.0	1.5
Non-Tax Revenue	-15.7	16.0	-11.9	117.6	2.2	2.2	1.6	3.3
Grants	-26.1	-13.1	24.6	19.2	0.4	0.3	0.3	0.3
Total Expenditure & Net lending	24.1	5.4	42.4	-2.3	22.2	20.0	24.7	22.5
Total Expenditure	11.9	16.6	42.1	14.2	19.4	19.3	23.8	25.4
Recurrent Expenditure	17.1	15.4	36.6	17.0	17.8	17.6	20.8	22.7
Compensation of employees	16.9	13.3	27.2	7.2	6.5	6.3	7.0	7.0
Use of goods and services	106.6	20.3	19.8	-19.2	1.7	1.8	1.8	1.4
Interest payments	16.6	24.9	24.4	45.8	5.3	5.6	6.1	8.3
Capital Expenditure	-25.2	29.8	96.4	-5.5	1.6	1.8	3.0	2.6
Financed Domestically	64.8	50.3	90.3	-31.2	0.6	0.7	1.2	0.8
Financed Externally	-42.5	18.6	100.7	11.6	1.0	1.0	1.8	1.9
Budget deficit (Commitment Basis, Including Grants)					-3.5	-4.1	-10.2	-8.7
Budget deficit (Commitment Basis, Excluding Grants)					-3.9	-4.4	-10.5	-9.0
Primary Balance					1.4	0.8	-5.0	-1.3
<b>Public Debt Stock</b>					<b>57.6</b>	<b>62.4</b>	<b>76.1</b>	<b>81.5</b>
External					27.3	32.3	37.0	40.2
Domestic					30.3	30.1	39.1	41.3

Source: Ministry of Finance, Ghana; WAMA

### 6.1.3. Monetary Sector

351. The monetary policy in 2020 was to deliver inflation within the medium-term target, while supporting the price and economic stability of the Government. The MPR was 14.50 percent at end December 2020 compared to 16.0 percent in December 2019, reflecting the fiscal stimulus and complementary monetary policy measures taken to support efforts to mitigate the economic impact of COVID-19 pandemic.

352. Movements in the money market revealed downward trends in interest rates for short-term debt securities. The 91-day and 182-day Treasury bill rates declined to 14.1 percent and 14.1 percent respectively in December 2020, from 14.69 percent and 15.2 percent, in December 2019. Similarly, the weighted average interbank rate and average lending rates of banks declined to

13.56 percent and 21.10 percent, respectively, reflecting the reduction in the MPR in March 2020, improved market liquidity conditions, and increased trading among banks.

353. Growth in money supply (M2+) increased significantly at end December 2020, driven mainly due to growth in NDA of the banking system. M2+ expanded by 29.7 percent on year-on-year basis in at end December 2020 compared with 21.4 percent growth recorded in the corresponding period of 2019. In terms of contributions to growth in M2+, the NDA accounted for 31.9 percent while the NFA accounted for -2.2 percent of the annual growth in M2+. On an annual basis, the NDA expanded by 40.9 percent at end December, 2020 compared with 17.1 percent in the same period in 2019. However, the NFA contracted by 9.7 percent in December 2020 compared to an expansion of 39.4 percent, in 2019.
354. The significant growth in NDA was driven by NCG, reflecting the fiscal financing of Government's measures to mitigate the economic impact of the COVID-19 pandemic. NCG contributed 37.4 percent to the growth of NDA. This was, however, moderated by mopping up excess liquidity through the Open Market Operations (OMO). Growth in claims on private sector contracted to 2.21 percent at end December 2020 from 14.1 percent growth recorded at end December 2019.
355. Reserve Money (RM) decreased to 25.0 percent at end December 2020 from 28.6 percent, recorded in the corresponding period of 2019. The change in reserve money was due to growth in NDA of the Bank of Ghana mainly due to increase in NCG. However, the contraction in the NFA moderated the growth in reserve money.

**Table 6.3: Growth in Key Monetary Aggregates in Ghana**

	2018	2019	2020	2018	2019	2020
	Percentage Change			Contribution to M2 growth		
<b>ASSETS</b>						
NFA	-27.4	39.4	-9.7	-8.4	7.6	-2.1
Net Domestic Assets	34.3	17.0	40.9	23.9	13.8	31.9
NCG	118.4	24.2	101.6	22.6	8.7	37.4
Claims on private Sector	13.8	23.7	-3.6	8.3	14.1	-2.2
Other Items Net (OIN)	69.0	60.6	16.8	-7.1	-9.1	-3.3
<b>LIABILITIES</b>						
Broad Money (M2+)	15.7	21.4	29.7			
Currency outside banks	11.7	19.8	45.7			
Demand deposits	19.4	27.3	37.3			
Savings & Time deposits	15.3	3.4	27.1			
Foreign currency deposits	14.3	42.6	13.2			
<b>MEMORANDUM ITEMS</b>						
Reserve money growth	4.6	28.6	25.0			
Money Multiplier (M2+/RM)	3.4	3.2	3.3			
Velocity (GDP/M2+)	3.9	3.8	3.4			
Credit to private sector/GDP	15.2	14.1	13.4			
NFA/M2	19.3	22.2	15.4			
NDA/M2	80.7	77.8	84.6			
Currency in circulation/M2	15.6	15.4	17.3			

Source: Bank of Ghana

#### 6.1.4. External Sector

356. The current account recorded a deficit of 3.0 percent of GDP in 2020 compared with a deficit of 2.8 percent in 2019. The widening of the current account deficit was due to fall in crude oil international prices leading to decline in trade surplus (lower inflows from crude oil exports due to low global prices) and a slump in services inflows that resulted in higher services outflows in

net terms. Stability in remittances of US\$3,565 million and lower net investment income outflows, notably profits and dividends, sustain the current account during the year under review.

357. Merchandise trade balance for 2020 recorded a surplus of 2.8 percent of GDP compared to a surplus of 3.4 percent of GDP achieved in 2019. The decline (9.5 percent in year -on-year terms) in the trade surplus was due to a relatively larger decline in total export receipts on account of lower international crude oil prices that impacted adversely on receipts from crude oil exports.
358. Total imports declined in year-on-year terms, the fall reflected in both the non-oil and oil category. The non-oil imports declined due to a fall in capital, intermediate and consumption goods, reflecting a slowdown in economic activities. Also, the switch interest favouring domestically produced gas led to a reduction in the oil and gas import bill for the period under review.
359. The overall BOP recorded a surplus of 0.5 percent of GDP in 2020 compared to a surplus 2.0 percent of GDP in 2019, reflecting the fall in international crude oil prices and a slowdown in domestic economic activities. The gross external reserves recorded US\$8.6 billion (4.12 months of import cover) compared to US\$8.42 billion (4.05 months of imports cover) in 2019.
360. The cedi dollar-exchange rate depreciated by 7.3 percent in 2020, compared to a depreciation of 13.7 percent in 2019, indicating an improvement in risk sentiment in the financial market increase inflows from remittances. While cedi-WAUA depreciated by 7.7 percent in 2020 compared to depreciation of 9.9 percent in 2019.

**Table 6.4: Trends in Key BOP Indicators in Ghana**

Indicators	2018	2019	2020	2021**	2018	2019	2020	2021**
	US \$ (Million)				Percentage of GDP			
<b>CURRENT ACCOUNT</b>	-2043.90	-1864.0	-2134.97		-3.1	-2.8	-3.0	
Goods	1808.65	2256.8	2042.97		2.8	3.4	2.8	
Exports (fob)	14942.72	15667.5	14471.53		22.8	23.3	20.0	
Oil and Gas	4573.41	4493.1	2910.62		7.0	6.7	4.0	
Non-Oil	10369.31	11174.5	11560.90		15.8	16.6	16.0	
Imports (fob)	-13134.07	-13410.7	-12428.56		-20.0	-	-17.2	
Oil and Gas	-2580.90	-10990.4	-1890.54		-3.9	-	-2.6	
Non-Oil	-10553.17	-2420.3	-10538.02		-16.1	-3.6	-14.6	
Balances, income, transfers and services (net)	-3852.55	-4120.8	-4177.93		-5.9	-6.1	-5.8	
<b>CAPITAL AND FINANCIAL ACCOUNT</b>	1500.42	3067.6	2887.19		2.3	4.6	4.0	
Capital Account	257.76	257.1	250.14		0.4	0.4	0.3	
Capital Transfers (net)	257.76	257.1	250.14		0.4	0.4	0.3	
Financial Account	1242.66	2810.5	2637.06		1.9	4.2	3.6	
Direct investment (net)	2908.18	3292.1	1333.37		4.4	4.9	1.8	
Other Investment (net)	-1665.52	-481.5	1303.69		-2.5	-0.7	1.8	
Net Errors and Omissions	-128.04	137.3	-384.69		-0.2	0.2	-0.5	
Overall Balance	-671.52	1341.0	367.53		-1.0	2.0	0.5	
<b>MEMORANDUM</b>								
Average Exchange Rate (US \$)	4.5877	5.217	5.5968					
End Period Exchange Rate (US \$)	4.8200	5.5337	5.7602					
Stock of External Reserves Billions (US \$)	7024.8	8418.1	8,624.38					
Stock of External Reserves (Months of	3.6	4.1	4.12					
GDP Million (US \$)	65522.0	67234.8	72340.2					

Source: Bank of Ghana      \*\*IMF Projection

## 6.2. Status of Macroeconomic Convergence

361. Ghana in the year 2020 met two (2) of the six (06) primary and secondary macroeconomic convergence criteria for the year under review compared to five (05) criteria the country met in 2019.

362. Furthermore, country met one (1) primary criterion in 2020 compared to three (3) in 2019, i.e. the criteria on gross external reserves (4.1 months of import cover) in 2020, compared to meeting the targets on average inflation (8.7 percent), central bank financing of the budget deficit (0 percent) and gross external reserves (4.0 months of imports) in 2019. In 2020 the country missed the following primary criterion: average inflation at 9.9 percent; budget deficit on commitment basis including grants 10.2 percent of GDP; and central bank budget deficit financing stood at 54.2 percent. The reason for missing these three (3) criteria was due to increase in half-yearly government expenditure above the revised target as a result of COVID-19 pandemic containment measures

**Table 6.5: Status of Macroeconomic Convergence in Ghana**

	Target	2018	2019	2020	2021*
<b>Primary Criteria</b>		<b>1</b>	<b>2</b>	<b>1</b>	<b>1</b>
i) Budget Deficit/GDP (including grants)	≤ 3percent	3.5	4.1	10.2	8.7
ii) Inflation (average)	< 5 percent	9.8	8.7	9.9	8.9
iii) Budget Deficit Financing	≤ 5percent	12.9	0.0	46.7	33.5
iv) Gross External Reserves (in months of import)	≥ 3 months	3.6	4.1	4.1	4.2
<b>Secondary Criteria</b>		<b>2</b>	<b>2</b>	<b>1</b>	<b>0</b>
i) Nominal Exchange Rate Stability	± 10percent	-7.0	-9.9	-7.7	-8.5
ii) Public Debt/GDP	≤ 70percent	57.6	62.4	76.1	81.5
<b>Number of Criteria Met</b>		<b>3</b>	<b>4</b>	<b>2</b>	<b>1</b>

Source: Ghana Ministry of Finance, Bank of Ghana, Ghana Statistical Service, IMF projections\*; WAMA Projection

363. On secondary criteria, Ghana met one (1) criterion in 2020 compared to two (2) in 2019, the country met the target on nominal exchange rate variation (7.7 percent) in 2020 and missed the public debt to GDP ratio (76.1 percent).

### 6.3. Prospects

364. Real GDP growth is projected at 4.8 percent in 2021, driven by a rebound in mining and services. Inflation is expected to remain around the central bank's target of 8 percent by end-2021. The projection was made at the end of Ghana- IMF Article IV consultation virtual meeting. The COVID-19 Alleviation Revitalisation Enterprises Support (CARES) program has the potential to be transformative and inclusive for the Ghanaian economy, bolstered by its emphasis on SMEs and digitalisation.
365. The budget deficit on commitment basis, including grants is projected to narrow to 8.7 percent of GDP, while public debt to GDP is projected to increase to 81.5 percent in 2021.
366. The adjustment measures announced in the budget for 2021 focuses more on efforts to improve revenue mobilisation than expenditure rationalisation. This is due to the need to sustain the stimulus programs introduced to ameliorate the impact of the pandemic on businesses and individuals. To this end, new revenue measures were announced in the budget to boost revenue.
367. Consistent with the projected global recovery in 2021, oil prices are projected to grow at 30 percent in 2021 from their low in 2020, in part reflecting the Organisation of the Petroleum Exporting Countries (OPEC), including Russia and other non-OPEC oil exporters, supply curbs.

#### **6.4. Conclusions and Recommendations**

368. The COVID-19 pandemic curtailed Ghana's economic growth significantly. Real GDP growth was estimated to decline from 6.5 percent in 2019 to 0.4 percent in 2020, due to contraction of the industrial sector (Mining and quarrying and crude oil), Hotels and Restaurants, Forestry and Logging sub sectors in 2020 and deteriorated global economic reality for the year under review. Inflationary pressures persisted at end period to 10.4 percent in 2021 from 7.9 percent in 2019, due to COVID-19 pandemic related disruptions in supply chains and expansionary monetary policy aimed at mitigating the economic impacts of the COVID-19 pandemic. The overall deficit balance on (commitment basis, including grants) widened to 10.2 percent of GDP, compared to 4.1 percent of GDP in 2019. As a result of the shortfall in revenue from weak economic activities and unexpected increased health spending due to COVID-19 pandemic. The current account recorded a deficit of 3.0 percent of GDP in 2020 compared with a deficit of 2.8 percent of GDP in 2019, due to fall in oil prices.
369. In view of the developments in 2020 and the prospects for 2021, the Ghanaian relevant authorities are urged to consider the following recommendations:
- i. Ensure sustained effort in curbing the spread of the deadly COVID-19 pandemic so as to fully return the economy to normalcy.
  - ii. Grant support to the private sector to aid small scale firms that are moribund and struggling to return to business.
  - iii. Focus on deepening reforms that create jobs, strengthen growth, encourage investments, and enhance competitiveness with a view of boosting production capacity and therefore accelerating the growth of the real sector.
  - iv. Support people in the near term, especially women, youth and other vulnerable groups, to foster the country's inclusive productivity growth and competitiveness.
  - v. Implement reforms that address digital infrastructure gaps and make the digital economy more inclusive.
  - vi. Deepen fiscal consolidation anchored around debt and debt service reduction to create space for social, health, and development spending, as pointed out in the 2021 budget.
  - vii. Implement reforms towards effective and efficient collections energy bills to achieve substantial savings to ensure the financial viability of the energy sector and productivity.



## 7. GUINEA

370. In 2020, the economic policy objectives of the government of Guinea included: (i) the continuation of the 2016-2020 PNDES implementation; (ii) the preservation of macroeconomic balances as part of the economic and financial programme, supported by the IMF's Extended Credit Facility (ECF); (iii) the consolidation of the excellent performance of the agricultural sector; and (iv) the closing of the financing and completion of the Souapiti hydroelectric project. All of these objectives are based on the promotion of strong and quality growth to improve the well-being of Guineans and on the structural transformation of the economy, while putting the country on the path of sustainable development.
371. Despite a turbulent socio-political climate in 2020, and the impact of COVID-19 pandemic, the economy recorded acceleration in growth at 7.0 percent compared with 5.6 percent in 2019. Against the backdrop of a slight increase in prices, this growth, which is one of the highest in the region, had been driven by the resumption of operations in the mining sector and the improvement in power supply, which had been spared by the negative effects of COVID-19. Average annual inflation was estimated at 10.6 percent in 2020, compared with 9.5 percent in 2019.
372. In the fiscal sector, the overall fiscal deficit (including grants) deteriorated from 0.9 percent of GDP in 2019 to 2.0 percent in 2020, as recurrent expenditure increased, however, the fiscal deficit remained within region's threshold. Public debt stock increased from 30.6 percent of GDP in 2019 to 33.8 percent of GDP in 2020.
373. The economy experienced a 23.0 percent increase in broad money supply (M2) at the end of December 2020 due to the growth of NFA and NDA.
374. Changes in the external sector in 2020 showed that the current account balance improved from a deficit of 2.8 percent of GDP in 2019 to a surplus of 38.3 percent of GDP in 2020, mainly due to the increase in the trade account balance. Overall, total transactions with the rest of the world resulted in a surplus balance of GNF792.4 billion (6.6 percent of GDP) compared to GNF724.9 billion in 2019 (6.4 percent of GDP).
375. Concerning macroeconomic convergence, the country met only one of the four primary criteria, (budget deficit) and two secondary criteria (exchange rate stability and public debt), thus, meeting a total of three (3) criteria in 2020 compared to six (6) in 2019.

### 7.1. Sectoral Analysis

#### 7.1.1. Real Sector

376. In 2020, Guinea's economy recorded a real GDP growth rate of 7.0 percent, compared with 5.6 percent in 2019. This growth, which indicates a certain resilience of the Guinean economy in the face of the COVID-19 pandemic, was supported by favourable climatic conditions, support for agricultural inputs and equipment, increased mining activities and improved electricity supply.
377. Growth in 2020 was driven mainly by the secondary and primary sectors, with the service sector declining. As a percent of GDP, the primary, secondary and service sectors accounted for 22.3

percent, 30.0 percent and 35.7 percent in 2020, compared with 22.8 percent, 26.1 percent and 37.8 percent, respectively in 2019.

378. The primary sector grew by 6.1 percent in 2020, compared with 7.6 percent in 2019, due to developments in agriculture and forestry, livestock and fisheries sub-sectors. Growth in agricultural sub-sector was recorded at 5.2 percent from 7.1 percent in 2019, mitigated by decline in forestry and production of export crops due to the effects of COVID-19. The consequences include the loss of large quantities of vegetables, poor sales of produce, lower selling prices, inability to repay debts, weakened resilience and falling incomes for producers. Growth in the Livestock, hunting and related services sub-sector slowed from 8.2 percent in 2019 to 7.8 percent in 2020, due to the sharp contraction in goat and sheep production. The forestry sub-sector recorded a 1.8 percent decline in 2020 compared with a growth of 1.3 percent in 2019, due to difficulties in transporting and exporting certain products to local markets and neighbouring countries because of restrictions imposed as a result of the COVID-19 crisis. The fisheries, fish farming and aquaculture sub-sector grew by 11.5 percent compared with 12.3 percent in 2019, on account of the government's efforts to regulate fishing and restrict illegal fishing.
379. The secondary sector improved by 21.5 percent in 2020, compared with 7.2 percent in 2019, reflecting the robust performance of the extractive industry as well as production and distribution of electricity, gas and water sub-sectors. This growth in the secondary sector was due to the entry into production of new mining companies, the expansion of the production capacity of the Guinea Bauxite Company, Compagnie de Bauxite de Guinée (CBG) and increased investment in the energy sub-sector. The extractive activities sub-sector grew by 34.7 percent, compared with 9.4 percent in 2019, due to the performance recorded in mining, through the increase in the volume of bauxite production, followed by gold and alumina. Similarly, the "production and distribution of electricity gas and water" activity grew by 36.3 percent in 2020, compared with 9.1 percent in 2019. The construction sub-sector also recorded an increase of 8.3 percent in 2020 compared to 3.9 percent in 2019. On the other hand, the manufacturing of food products and beverages and other manufactured products' sub-sectors experienced remarkable slowdowns due, among other things, to the effects of the COVID-19 pandemic, which led to a general drop in activities and disruptions in supply, causing difficulties for importers of inputs.
380. The service sector posted negative growth of 2.3 percent in 2020 compared with an increase of 4.9 percent in 2019, due to the negative impact of COVID-19 pandemic on trade (-10.8 percent), hotels and restaurants (-6.4 percent) and transport (-1.9 percent). The pandemic seriously impacted the hotel and tourism sector, particularly during the systematic closure of the Conakry-Gbessia International airport. However, the public administration activities recorded a 5.2 percent increase in 2020 after a 6.1 percent increase in 2019. Also, the performance of 'posts and telecommunications' increased sharply from 4.6 percent in 2019 to 16.8 percent in 2020, in connection with the extension of the telephone network and broadband internet coverage. Similarly, the market and non-market sectors, which had shown resilience to COVID-19, recorded a slight increase due to the deployment of fibre optics across the country.

381. In sum, the primary, secondary and service sectors contributed 1.1, 7.2 and -1.0 percentage points, respectively to GDP growth in 2020.

**Table 7.1: Trends in GDP and its Components in Guinea**

Items	2017	2018	2019	2020*	2021**						
	Percentage changes					Contribution to GDP					
<b>Real growth rate</b>	<b>10.5</b>	<b>6.4</b>	<b>5.6</b>	<b>7.0</b>	<b>5.2</b>						
<b>Primary sector</b>	4.7	5.3	7.6	6.1	6.9	0.8	<b>0.9</b>	<b>1.3</b>	<b>1.1</b>	<b>1.2</b>	
<b>Secondary sector</b>	24.3	6.9	7.2	21.5	6.7	7.1	<b>2.3</b>	<b>2.4</b>	<b>7.2</b>	<b>2.5</b>	
<b>Service sector</b>	4.3	6.0	4.9	-2.3	3.4	2.0	<b>2.6</b>	<b>2.1</b>	<b>-1.0</b>	<b>1.3</b>	
Taxes net of subsidies	8.4	9.6	-2.2	-4.6	2.4	0.6	<b>0.6</b>	<b>-0.2</b>	<b>-0.3</b>	<b>0.1</b>	
<b>DEMAND</b>	-10.8	1.0	27.3	-56.4	-3.8	-16.4					
Final consumption	4.5	22.3	2.8	-16.3	20.8	4.4	20.9	3.0	-17.1	17.1	
Public	8.2	-4.8	-4.8	-3.0	49.7	2.0	-1.1	-1.0	-0.6	8.5	
Private	3.3	31.3	4.6	-19.2	13.1	2.5	22.0	4.0	-16.5	8.5	
<b>Investments</b>	-39.6	-68.5	337.8	-175.5	77.2	-20.8	-19.7	28.8	-61.9	-19.2	
Gross fixed capital formation	-39.2	26.7	-14.8	0.3	13.3	-21.3	8.0	-5.3	0.1	3.6	
Administration	46.3	68.4	-27.8	21.2	-31.6	4.4	8.7	-5.6	2.9	-4.9	
Private	53.7	-22.3	2.1	-18.8	74.5	8.2	-4.8	0.3	-2.8	8.5	
Households	74.5	-34.1	49.7	-23.3	15.3	4.5	-3.3	3.0	-2.0	0.9	
Variation of stocks	-28.2	2434.7	-125.7	-940.4	44.0	0.5	-27.7	34.0	-62.0	-22.8	
<b>Net External demand</b>	-51.7	-22.8	158.4	-214.8	17.1	26.7	5.1	-25.9	86.0	7.3	
Exportations	73.7	-0.9	-4.4	186.2	13.2	21.5	-0.4	-1.9	72.1	13.6	
Importations	-6.4	-8.1	40.6	-17.6	10.4	-5.2	-5.6	24.0	-13.9	6.3	
<b>Memorandum</b>											
<b>GDP at current prices (billion GNF)</b>	<b>93,833.9</b>	106,845.3	124,110.6	149,992.6	165,129.5						
<b>GDP at constant prices (billion GNF)</b>	<b>60,131.6</b>	64,010.0	67,609.4	72,334.3	76,084.7						
<b>Inflation</b>											
Average inflation	8.8	9.8	9.5	10.6	10.9						
End period	9.6	9.9	9.1	10.6	11.1						

Source: Ministry of Economy and Finance Guinea, WAMA/NCC/MPDE, \* Estimate; \*\* projection

382. On the demand side, there was a decline in final consumption, investment, domestic and foreign demand. Final consumption fell to 16.3 percent compared with growth of 2.8 percent in 2019, mainly due to the sharp fall in private consumption. Investments fell by 175.5 percent compared with an increase of 337.8 percent in 2019. External demand dropped by 214.8 percent in 2020, against a rise of 158.4 percent, due to a drop in imports (17.6 percent) and a massive increase in exports (186.2 percent). The increase in exports was due to the considerable increase in volume and value of non-monetary gold, bauxite, and iron ore exports.

383. Inflationary pressures increased slightly, with end period inflation rising from 9.1 percent in 2019 to 10.6 percent in 2020, while average inflation rose from 9.5 percent to 10.6 percent in 2020. This is mainly due to the shortage of certain food products, notably meat and fish, and the particularities of their distribution channels, as well as the poor state of road infrastructure and the freight costs associated with the disruption of supply channels linked to the COVID-19.

### 7.1.2. Fiscal Sector

384. In 2020, the government's financial operations resulted in an increase in the overall deficit compared to 2019. The overall deficit, including grants, stood at GNF2,997.0 billion (2.0 percent of GDP) in 2020 as against GNF594.6 billion (0.5 percent of GDP) in 2019. The deficit, excluding grants, rose to GNF4,535.9 billion (3.0 percent of GDP) at the end of 2020 as against GNF1,073.9 billion (1.0 percent of) at the end of 2019. The increase in these deficits was due to the rise in total expenditure compared to the situation in 2019.

385. Mobilisation of total revenue and grants in 2020 amounted to GNF19025.2 billion (6.3 percent growth rate), compared with GNF17902.5 billion (12.4 percent growth rate) in 2019, due to the

increases in the amounts of tax revenue and grants. This was mitigated by the decline in revenue from the mining and non-mining sectors and non-tax revenue. However, due to large growth in GDP. Total revenue as percent of GDP declined during the review period. Revenue from the mining sub-sector stood at GNF 2,294.1 billion at the end of 2020 compared with mobilisation of GNF2373.3 billion at the end of 2019, a contraction of 3.3 percent. Non-mining revenue moderately rose by 1.7 percent, amounting to GNF15,192.1 billion in 2020, compared to GNF14,932.6 billion in 2019.

386. Total revenue excluding grants amounted to GNF 17 486.2 billion (11.7 percent of GDP) in 2020, compared with GNF 17,305.9 billion (13.9 percent of GDP) in 2019, which was mainly due to the drop in non-tax revenue and the underperformance recorded in tax revenue. Tax revenue stood at GNF 16724.2 billion (11.2 percent of GDP) in 2020 as against GNF 15,868.7 billion (12.8 percent of GDP) in 2019, an increase of 5.4 percent in 2020. The increase in tax revenue was essentially linked to the performance of taxes on non-mining goods and services and corporate taxes, mitigated by the underperformance of taxes on the mining sector and foreign trade, due to the effects of COVID-19 pandemic, which contributed negatively to the growth of tax revenue.
387. Non-tax revenues declined from GNF1437.2 billion (1.2 percent of GDP) in 2019 to GNF 761.9 billion (0.5 percent of GDP) in 2020, mainly due to the underperformance of other non-tax revenues on miscellaneous products, as well as capital revenues, mitigated by revenues from taxes on royalties and dividends and administrative fees/charges.
388. Grants mobilised stood at GNF1,538.9 billion (1 percent of GDP) at the end of 2020, compared to GNF 593.1 billion (0.5 percent of GDP) at the end of 2019, an increase of 159.5 percent. Grant revenue was made up of 35.6 percent of earmarked grants and 64.4 percent of non-earmarked grants.
389. In 2020, total expenditure and net loans rose by 19.1 percent, amounting to GNF2,222.2 billion (14.7 percent of GDP) in 2020 compared to 8.0 percent growth, amounting to GNF1,847.2 billion (14.9 percent of GDP) in 2019. This development was essentially due to the 34.4 percent increase in recurrent expenditure, mitigated by the 26.1 percent drop in capital expenditure. The rise in recurrent expenditure was due to, the continuation of subsidies in the energy sub-sector on the one hand, and the purchases of goods and services, as well as salaries on the other hand. This increase was attributable, to a lesser extent, to interest on the debt, but also to the implementation of COVID-19 response plan in health, social and economic activities.
390. Capital expenditure fell from GNF 4,544.3 billion (3.7 percent of GDP) in 2019 to GNF 3,357.1 billion (2.2 percent of GDP) in 2020, a decrease of GNF 1,187.2 billion. This decrease, which is linked to the slowdown in major infrastructure works due to COVID-19, was mainly attributable to capital expenditure from internal resources (-58.7 percent).
391. The outstanding public debt increased from GNF 37,981.5 billion (30.6 percent of GDP) in 2019 to GNF 50,725.6 billion (33.8 percent of GDP) in 2020, an increase of 33.6 percent. External debt rose from GNF 22965.0 billion (18.5 percent of GDP) in 2019 to GNF 32284.0 billion (21.5

percent of GDP) in 2020. Domestic debt, at the end of 2020, was estimated at GNF18,441.6 (12.3 percent of GDP) as against GNF15,016.5 billion (12.1 percent of GDP) at the end of 2019, representing a 22.8 percent increase. To strengthen prudent debt management, the authorities set up a one-stop-shop and held training on the WEBEX platform as part of the technical assistance in preparation for the first issue of Treasury bonds in Guinea.

**Table 7.2: Trends in Key Fiscal Indicators in Guinea**

Items	2018	2019	2020	2021	2018	2019	2020	2021
	percent changes				As percent of GDP			
<b>Total revenue and grants</b>	13.8	12.4	6.3	21.2	14.9	14.4	12.7	14.0
Total revenue excluding grants	11.9	20.0	1.0	22.2	13.5	13.9	11.7	12.9
Tax revenue	7.4	16.6	5.4	23.7	12.7	12.8	11.2	12.5
Non-tax revenue	280.2	76.7	-47.0	-10.1	0.8	1.2	0.5	0.4
<b>GRANTS</b>	35.6	-60.7	159.5	10.3	1.4	0.5	1.0	1.0
<b>Total expenditure and net lending</b>	5.7	8.0	19.1	10.8	16.0	14.9	14.7	14.8
Total expenditure	5.4	8.0	15.9	14.6	15.9	14.8	14.2	14.8
Recurrent expenditure	5.3	19.3	34.4	0.5	10.8	11.1	12.4	11.3
Capital expenditure	5.5	-16.1	-26.1	70.3	5.1	3.7	2.2	3.5
External financing (Fine)	81.1	-46.3	24.5	37.9	3.1	1.4	1.5	1.8
Domestic funding (BND)	-35.0	31.4	-58.7	133.2	2.0	2.2	0.8	1.6
<b>Net loans and advances</b>	75.5	-7.5	-37.0	-100.0	0.1	0.1	0.0	0.0
Primary balance	-1 556.8	8.9	14.5	-85.1	7.8	7.3	7.0	0.9
Balance including grants (commitment basis)	-46.2	-50.4	404.0	-55.1	-1.1	-0.5	-2.0	-0.8
Balance excluding grants (commitment basis)	-18.5	-56.0	280.7	-32.9	-2.9	-1.0	-3.0	-1.8
<b>Cash balance</b>	-18.7	-10.4	137.3	-47.2	-1.1	-0.9	-1.7	-0.8
<b>Financing</b>	-39.7	215.5	23.4	-71.1	0.8	2.3	2.3	0.6
With external resources	65.3	-1.1	43.4	-55.3	2.0	1.7	2.1	0.8
With domestic resources	-900.7	-151.4	-41.7	-197.9	-1.2	0.5	0.3	-0.2
<b>Memorandum item</b>								
<b>Public Debt Stock</b>					<b>36.7</b>	<b>30.6</b>	<b>33.8</b>	<b>43.2</b>
External					21.7	18.5	21.5	28.3
Domestic					15.0	12.1	12.3	14.9

Source: Ministry of Economy and Finance of Guinea/NCC

### 7.1.3. Monetary Sector

392. In 2020, monetary policy continued to ease economic conditions to encourage the financing of the Guinean economy in a context marked by COVID-19 pandemic. Indeed, the key rate was lowered from 12.5 percent to 11.5 percent in 2020 in order to encourage banks to reduce the cost of credit to companies affected by the health crisis. Similarly, the reserve requirement rate, which was 16.0 percent since March 3, 2017, was also reduced by one percentage point to provide liquidity to the banking system. All these measures were complemented by the open market operations, with a view to contributing to the control of bank liquidity to limit the effects of the COVID-19 pandemic on economic activity and the financial sector. However, interest rate on Treasury bill has been on the rise from 8 percent to 11.5 percent with a weighted average rate of 9.5 percent. As at 31 December 2020, money supply stood at GNF 37,420.3 billion against GNF30,416.2 billion at the end of 2019, recording an increase of 23 percent due to the simultaneous increase in net external assets, NFA and NDA.
393. The NFA of the banking system increased to 27.4 percent, as against the growth of 37.3 percent in 2019, mainly due to the simultaneous increase in foreign exchange reserves and the net external position of primary banks.
394. Net external assets of the BCRG increased by 12.5 percent at the end December 2020 as against 51.4 percent at the end December 2019 in connection with, among other things, the strengthening of monetary gold assets, the repatriation of export receipts from artisanal gold miners to the

Central Bank, mining receipts and the receipt of budgetary aid from the IMF, the World Bank, the African Development Bank and the European Union.

395. The net external position of depository banks increased by 92.5 percent at the end of December 2020, compared with a fall of 2.3 percent at the end of 2019, linked, on the one hand, to the repatriation of export earnings from mining companies and artisanal gold miners, and, on the other hand, to recourse to the Bilateral Currency Auction Market (BCAM) and the fall in external commitments linked to the repayment of loans from foreign correspondents.

**Table 7.3: Growth in Key Monetary Aggregates in Guinea**

Items	2018	2019	2020	2018	2019	2020
	percent change			Contribution to growth in M2		
<b>ASSETS</b>						
<b>NFA</b>	31.5	37.3	27.4	7.4	10.5	8.6
Central Bank	58.9	51.4	12.5	8.5	10.7	3.2
Depository Bank	-11.5	-2.3	92.5	-1.1	-0.2	5.4
<b>Net Domestic Assets</b>	21.8	14.8	23.2	18.7	14.0	20.6
Net claims on the government	23.3	9.2	35.5	11.5	5.1	17.4
Central Bank	18.5	0.9	18.9	6.5	0.3	5.9
Deposit money banks	35.5	27.6	64.7	4.9	4.7	11.5
Claims on the economy	19.7	22.5	8.0	7.2	8.9	3.2
Central bank	364.6	-31.0	2.9	0.5	-0.2	0.0
Deposit money banks	18.5	23.2	8.1	6.8	9.1	3.2
<b>Other items net (assets+)</b>	166.0	6.9	30.7	-15.8	-1.6	-6.1
<b>LIABILITIES</b>						
<b>MONEY SUPPLY (M2)</b>	10.3	22.9	23.0			
Money supply (M1)	14.1	22.4	20.6			
Cash in circulation	8.0	21.7	30.9			
Transferable deposits	18.6	22.9	13.6			
Quasi-currency	21.1	14.2	38.7			
Foreign Currency deposits	-4.5	28.3	25.7			
<b>Memorandum</b>						
GDP at current prices (billion GNF)	106845.3	124 110. 6	149 992.6			
Speed of money circulation (GDP/M2)	4.32	4.08	4.01			
Loans to the economy/GDP	0.09	0.10	0.09			
Net external assets/M2	0.28	0.31	0.33			
Domestic assets/M2	0.95	0.89	0.89			
Currency in circulation/M2	0.3	0.3	0.3			

Source: BCRG

396. Similarly, NDA increased to 23.2 percent in 2020, compared with growth of 14.8 percent in 2019. This increase is explained by the deterioration of the Treasury's net position with the banking system and the increase in credits to the private sector. Indeed, the Treasury's net position with the banking system stood at GNF 20179.3 billion at the end of 2020, a deterioration of 35.5 percent compared to the end of 2019. This deterioration is explained by a remarkable increase in government expenditure compared to government revenue.
397. Claims on the economy increased to 8.0 percent to stand at GNF 13 009.1 billion at the end of 2020 against 22.5 percent amounting to GNF 12 044.0 billion in 2019 (22.5 percent increase). This was mainly explained by the discounting of public securities and the setting up of credit lines for companies operating in the mining, petroleum products distribution, energy, industry, trade and construction sectors.
398. Narrow money (M1) increased to 20.6 percent in 2020, compared with 22.4 percent in 2019, reflecting the growth of currency in circulation and transferable deposits. Currency in circulation increased by 30.9 percent in 2020, compared with 21.7 percent in 2019, mainly reflecting the

increase in NFA and the deterioration of the Treasury's net position in the banking system. Quasi money increased by 38.7 percent at the end of December 2020, against 14.2 percent for the same period in 2019, while foreign currency deposits increased by 25.7 percent, linked to the increase in customers' deposits operating in the mining, oil, energy and construction sectors.

#### **7.1.4. External Sector**

399. The overall balance of payments in 2020 was estimated to be in surplus by US\$792.4 million (6.6 percent of GDP), compared to a surplus of US\$ 724.9 million (6.4 percent of GDP) in 2019, an increase of US\$ 67.5 million.
400. External sector developments showed that the current account balance improved from a deficit of 2.8 percent of GDP (\$314.6 million) in 2019 to a surplus of 38.3 percent of GDP (\$4582.9 million) in 2020, mainly due to an increase in the trade balance surplus and secondary income.
401. The trade balance surplus increased from 4.2 percent of GDP (US\$ 475.4 million) in 2019 to 48.6 percent of GDP (US\$ 5 821.6 million) in 2020, mainly due to the sharp increase in exports of mining products, particularly non-monetary gold, recorded during 2020. Exports increased from 34.6 percent of GDP in 2019 to 74.4 percent of GDP in 2020, due to considerable increase in volume and value of bauxite, iron and non-monetary gold exported by gold miners. On the other hand, imports rose from 30.5 percent of GDP in 2019 to 25.8 percent of GDP in 2020, particularly the food industry and chemical products imported by resident economic agents.
402. The services balance deficit stood at US\$ 1259.3 million (10.5 percent of GDP) in 2020 compared with US\$ 754.7 million (6.6 percent of GDP) in 2019, mainly due to increased spending on shipping, maintenance and repair services and other business services by Guinean companies.
403. The primary income balance deficit widened to reach US\$ 144.3 million (1.2 percent of GDP) in 2020 from a deficit of US\$ 114.1 million in 2019 (1.0 percent of GDP) as a result of an increase in income paid to non-resident investors and workers by resident companies, including mining companies and the government. The surplus in the secondary income balance was consolidated in 2020, standing at US\$ 164.8 million (1.4 percent of GDP), up from the surplus of US\$ 78.9 million recorded in 2019. This improvement was mainly due to the increase in grants to the government by bilateral and multilateral partners.
404. The capital account balance stood at 1.2 percent of GDP in 2020 (US\$ 138.4 million), up from 0.4 percent of GDP in 2019 (US\$ 40.7 million), due to an increase in project grants to the Guinean government and national NGOs and the rescheduling of existing debts by financial partners. The combined current and capital account balance improved from a deficit of 2.4 percent of GDP (US\$273.9 million) in 2019 to a surplus of 39.4 percent of GDP in 2020 (US\$4,721.3 million), as a result of the combined effects of the improved current and capital account balances.
405. The financial account showed a net acquisition of financial assets of \$3927.7 million at the end of December 2020 compared to a net increase in financial liabilities of \$997.6 million at the end of

2019, linked, among other things, to the increase in cash and foreign deposits of mining companies and artisanal gold miners (other investments).

**Table 7.4: Trends in Key BOP Indicators in Guinea**

Items	2017	2018	2019	2020	2017	2018	2019	2020
	In millions of US\$				As percent of GDP			
<b>Current account</b>	519.4	-190.5	-314.6	4 582.9	5.5	-1.8	-2.8	38.3
Credit	5 190.3	4 537.9	4 483.0	9 368.7	54.6	43.1	39.4	78.2
Debit	4 670.9	4 728.4	4 797.6	4 785.9	49.2	44.9	42.1	40.0
<b>Trade balance</b>	1 111.0	592.4	475.4	5 821.6	11.7	5.6	4.2	48.6
Exportations	4 595.1	3 978.1	3 945.4	8 917.3	48.4	37.8	34.6	74.4
Importations	3 484.1	3 385.6	3 470.0	3 095.7	36.7	32.1	30.5	25.8
<b>Service balance</b>	-703.5	-697.0	-754.7	-1259.3	-7.4	-6.6	-6.6	-10.5
<b>Primary income</b>	-50.6	-181.9	-114.1	-144.3	-0.5	-1.7	-1.0	-1.2
<b>Secondary income</b>	162.5	96.0	78.9	164.8	1.7	0.9	0.7	1.4
<b>Capital Account</b>	145.7	140.4	40.7	138.4	1.5	1.3	0.4	1.2
<b>Current and capital account</b>	665.1	-50.1	-273.9	4721.3	7.0	-0.5	-2.4	39.4
<b>Financing capacity or need</b>	665.1	-50.1	-273.9	4 721.3	7.0	-0.5	-2.4	39.4
<b>Financial account</b>	469.5	-796.0	-997.6	3927.7	4.9	-7.6	-8.8	32.8
Direct investment n.i.a	-576.5	-353.1	-43.4	-171.5	-6.1	-3.4	-0.4	-1.4
Portfolio investments n.i.a	-0.1	-11.4	-5.5	12.0	0.0	-0.1	-0.0	0.1
Other investments	1 046.1	-431.6	-948.7	4 087.3	11.0	-4.1	-8.3	34.1
<b>Errors and omissions, net</b>	1.5	3.8	1.3	-1.2	0.0	0.0	0.0	-0.0
<b>Overall balance</b>	197.0	749.8	724.9	792.4	2.1	7.1	6.4	6.6
<b>Financing the overall balance</b>	197.0	749.8	724.9	792.4	2.1	7.1	6.4	6.6
Reserve assets	76.5	432.9	282.7	125.6	0.8	4.1	2.5	1.1
IMF credits and loans	26.3	45.5	31.7	63.4	0.3	0.4	0.3	0.5
Exceptional funding	94.3	271.3	410.5	603.5	1.0	2.6	3.6	5.0
<b>Memorandum item</b>								
<i>GDP at current prices</i>	9 500.0	10 534.0	11 390.0	11 979.0				
<i>Gross reserves in months of imports</i>	3.1	2.6	4.0	2.8				

Source: BCRG

406. There is a financing capacity of US\$4721.3 million (39.4 percent of GDP) at the end of 2020 against a financing requirement of US\$273.9 million (2.4 percent of GDP) at the end of 2019, linked, among other things, to the strengthening of exceptional financing through the drawing of new loans and reserve assets.

## 7.2. Status of Macroeconomic Convergence

407. Performance in the area of macroeconomic convergence declined compared to 2019. Guinea met only one primary criterion, budget deficit, which was 2.0 percent of GDP at the end of 2020 compared with a deficit of 0.5 percent at the same period in 2019.

**Table 7.5: Status of Macroeconomic Convergence in Guinea**

Criteria	Target	2017	2018	2019	2020*	2021 **
<b>Primary Criteria</b>		02	01	03	01	03
Budget deficit (commitment basis; including grants)	≤ 3percent	2.2	1.1	0.5	2.0	0.8
Average annual inflation rate	≤ 5percent	8.8	9.8	9.5	10.6	10.9
Central bank financing of the budget deficit,	≤ 10percent	4.3	11.8	3.0	10.6	8.0
Gross external reserves in 3 months of import cover	≥ 3	2.0	2.6	4.0	2.8	3.8
<b>Secondary Criteria</b>		02	02	02	02	02
Change in nominal exchange rate	± 10percent	-1.1	3.2	-2.8	-9.6	-1.7
Public debt/GDP ratio	≤ 70percent	35.9	36.7	30.6	33.8	45.8
Total convergence criteria met		04	03	05	03	05

Source: WAMA, IMF -WEO Note: \*estimations \*\* projection



408. It however met the two secondary criteria related to exchange rate stability and public debt. Overall, in 2020, the country met three (3) of the six (6) criteria. In 2021, the country is expected to meet five convergence criteria and miss the criterion on inflation.

### **7.3. Prospects**

409. In spite of the persistent negative impact of the COVID-19 pandemic, the Guinean economy is expected to record relative growth of 5.1 percent in 2021, compared with 7.0 percent in 2020. This will be due to the expected performance of the secondary sector, dominated by mining activities. For 2022, economic growth of 5.5 percent is expected, which should be supported unevenly by all sectors. Economic activities will take place in a context of reduced inflationary pressure and year-on-year inflation is projected to rise from 10.6 percent in 2020 to 10.9 percent in 2021 and 9.5 percent in 2022. In order to maintain this growth, the government's economic policy is intended to be consistent with the major options taken by the National Strategy for the Fight against AIDS (SNLC 2020-2022), as well as the commitments made by the government as part of the new cycle of the Extended Credit Facility programme with the IMF.

410. Budget deficit, including grants, is projected to be 0.8 percent of GDP in 2021, compared with a deficit of 2.0 percent in 2020, as a result of the continued implementation of budget reforms, rationalisation of public expenditure, mobilisation and securing of revenue by stepping up efforts to register, geolocate tax companies, and speed up the implementation of procedures for the remote declaration and payment of taxes and duties (e-tax).

411. In terms of monetary and exchange rate policy, the Central Bank intends to continue the gradual and prudent loosening of its monetary policy, considering the trends in inflation and international reserves. The exchange rate will still be determined based on market mechanisms, and the bank will help the government mobilise financing, notably through public offerings. It is also expected that the key rate and the reserve requirement ratio will be lowered, which will ensure a sufficient level of liquidity in the banking system, as well as compliance with the convergence criteria relating to inflation and import coverage by reserves.

412. In terms of compliance with the convergence criteria, only the annual average inflation rate criterion would not be met. It would be 10.8 percent in 2021, before falling back to 9.4 percent in 2022.

413. The major risks to the medium-term outlook are, among others, the persistence of the COVID-19 pandemic beyond 2020, the re-emergence of other health crises such as the Ebola epidemic or Lassa fever, the continued fall in commodity prices and the lack of broad-based compliance with development agenda of the 4th Republic.

### **7.4. Conclusion and Recommendations**

414. Guinea's economy in 2020 recorded a real GDP growth of 7.0 percent compared to 5.6 percent in 2019. This growth, which indicates a certain resilience of the Guinean economy in the face of the COVID-19 pandemic, was driven to a large extent by the secondary sector, particularly the mining sub-sector.

415. The government's financial operations worsened, with the budget deficit, at GNF 2,997.0 billion (2.0 percent of GDP).
416. Regarding foreign trade, the balance of the current account became a surplus to reach GNF4,582.9 billion dollars, as well as the overall balance that stood at 6.6 percent of GDP.
417. The country met three (3) of the six (6) macroeconomic convergence criteria in 2020.
418. It is expected, however, that in 2021, despite the persistence of the COVID-19 pandemic, a growth rate of 5.1 percent is projected. In compliance with the convergence criteria, only the criterion relating to the annual average inflation rate would not be met. However, the major risks that could compromise the medium-term outlook include the persistence of COVID-19 pandemic beyond 2020, the occurrence of other health crises such as the Ebola epidemic or Lassa fever, the continued fall in commodity prices and lack of massive adherence to the broad guidelines of the 4<sup>th</sup> Republic. In addition, the Guinean economy also faces several challenges, including growth driven mainly by the mining sector, inflationary pressures driven by food products and a low level of credit to the economy.
419. To sustainably strengthen Guinea's macroeconomic situation and convergence conditions, major efforts, including calming the socio-political climate and diversifying the economy, as well as improving the business environment, mobilising tax revenues and controlling expenditure, will be required. These will involve:
- i. Continuing efforts, especially those relating to the mobilisation of resources, for the effective implementation of the National Strategy for the Fight against COVID-19 (SNLC);
  - ii. Continuing efforts to maintain national socio-political stability in order to improve security and a favourable business environment in the country;
  - iii. Continuing efforts to diversify the economy, with particular emphasis on supporting the agricultural and agro-industrial sectors, and strengthening the promotion of export products;
  - iv. Strengthening production, develop infrastructure and improve distribution channels for food products in order to promote the sale of products for export and keep inflation within acceptable limits.
  - v. Pursue ongoing efforts to improve tax revenue mobilisation through continued digitalisation and capacity building of agents in mining taxation, control and tax auditing;
  - vi. Continuing the reforms undertaken in terms of rationalisation of operating expenses and strengthening of budgetary discipline;
  - vii. Strengthening the implementation of provisions relating to the repatriation of export earnings in order to consolidate gross foreign exchange reserves.

## **8. GUINEA BISSAU**

420. Guinea Bissau's economy was significantly hit by COVID-19 health crisis in 2020. After a 4.5 percent growth in 2019, the economy contracted by 1.4 percent in 2020. Inflation averaged 1.5 percent compared to 0.3 percent in 2019. Public finance management worsened with the overall budget deficit (commitment basis including grants) increasing to 9.1 percent of GDP in 2020 against 3.6 percent of GDP in the year ended 2019, as expenditure rose above revenue.
421. In the monetary sector, money supply increased to 9.1 percent in 2020 compared with 0.3 percent in 2019. Reflecting on the asset side, the increase in net external assets was mitigated by the decrease in NDA. External trade was marked by a decline in the economy's financing requirement to stand at 5.0 percent of GDP, down from 6.8 percent of GDP recorded in 2019, supported by the capital account surplus contained by the current account deficit. The country met two primary (2) criteria and all two (2) secondary criteria by the end of 2020, missing the criteria on budget deficit and foreign reserves in months of imports cover.

### **8.1. Sectoral Analysis**

#### **8.1.1. Real Rector**

422. In 2020, the economy shrank to 1.4 percent, compared with 4.5 percent growth recorded in 2019. This decline was mainly linked to the contraction of the services sector.
423. After rebounding by 6.5 percent in 2019, the primary sector slowed by 1.8 percent in 2020, as cashew nut production declined. However, food crop production performed positively, growing by 6.8 percent, due to favourable weather conditions and government support to farmers (distribution of seeds, small equipment kits, insecticides and 62 agricultural tractors). Similarly cereal production rose by 6.4 percent. Despite these outcomes, the fall in cashew nut production by 6.2 percent, resulted in the observed drag in the primary sector's growth.
424. The secondary sector equally slowed down by 1.8 percent, compared with growth of 3.7 percent recorded in 2019. This slowdown was due to the deceleration of activities observed in agro-industry (4.8 percent) and other industries (3.6 percent), in connection with the measures adopted in containing the COVID-19 crisis. However, the construction sector grew to 1.8 percent and the "electricity, water and gas" sector to 3.0 percent.
425. The service sector declined to 6.3 percent in 2020, as against its growth of 3.4 percent in 2019, impacted largely by the COVID-19 pandemic. The sub-sectors most affected by the health crisis were transport and telecommunications as well as "trade, restaurants and hotels", whose value-added fell in 2020 to 9.5 percent and 5.9 percent, respectively.
426. The three sectors contributed 0.6 percent, 0.2 percent and -3.1 percent respectively to economic growth.
427. On the aggregate demand side, the decline in growth was due to lower investment and lower exports. During the health crisis in 2021, growth of final consumption declined to 4.6 percent compared to 7.3 percent in 2019, due to the fall in investment (4.1 percent), and exports of goods

and services (31.3 percent). This deceleration is thought to be associated with the late start of the cashew marketing in 2020.

428. Despite a slight increase, inflation rate remained moderate. Average inflation was 1.5 percent in 2020 compared to 0.3 percent a year earlier. This development was due to the rise in prices of "Food and non-alcoholic beverages" (2.9 percent), "Alcoholic beverages, tobacco and drugs" (2.9 percent), "Communications" (1.9 percent), "Education" (1.5 percent) and "Clothing and footwear" (1.2 percent). The effect of these increases was mitigated by price decreases in 'Housing, water, electricity, gas and other fuels' (6.6 percent), 'Miscellaneous goods and services' (2.9 percent) and 'Recreation and culture' (2.6 percent). The end-of-period inflation rate was 1.5 percent, compared with a deflation of 0.1 percent in 2019.

**Table 8.1: Trends in GDP and its Components in Guinea Bissau**

Item	2018	2019	2020	2018	2019	2020
	Percentage changes			Contribution to growth		
<b>Real GDP</b>	3.4	4.5	-1.4	3.4	4.5	-2.3
<b>Supply</b>						
Primary sector	3.7	6.5	1.8	1.3	2.3	0.6
Secondary sector	9.3	3.7	1.8	1.2	0.5	0.2
Services sector	1.7	3.4	-6.3	0.9	1.7	-3.1
<b>DEMAND</b>						
Final consumption (C)	1.1	7.3	4.6			
Households	1.5	7.8	3.7			
Administration	-0.4	5.0	8.8			
Investments (I)	-36.1	35.0	-4.1			
Gross fixed capital formation	12.4	7.6	-2.8			
Variation of stocks	-5964.4	-29.3	0.6			
Exports	27.5	-2.1	-31.3			
Imports	-8.9	19.0	-9.5			
Gross domestic product	6.7	5.7	2.5			
<b>Memorandum</b>						
GDP (current prices) in billions of CFAF	832.09	9369.19	9716.41			
GDP (constant prices) in billions of CFAF	777.38	812.46	793.79			
Inflation						
Average	0.3	0.3	1.5			
End period	2.4	-0.1	1.5			

Source: BCEAO

### 8.1.2. Fiscal Sector

429. In 2020, the government's budget implementation resulted in a budget deficit due to the fall in revenue associated with the increase in expenditure. The overall budget deficit (commitment basis, excluding grants) increased by 57.3 percent, from 6.5 percent of GDP in 2019 to 10.3 percent in 2020. The budget deficit (commitment basis including grants) stood at 9.1 percent of GDP in 2020 compared to 3.6 percent in 2019.
430. Total revenue and grants increased by 1.9 percent to reach CFAF 132.54 billion (15.4 percent of GDP) in 2020, compared with 1.2 percent amounting to CFAF 130.08 billion (15.1 percent of GDP) in 2019. The rise in grants drove this increase.
431. Budget revenue fell to 5.6 percent amounting to CFAF 99.70 billion (11.6 percent of GDP) in 2020 compared with growth of 7.4 percent in 2019 due to the fall in tax revenue.
432. Tax revenue fell by 14.4 percent to stand at CFAF 67.70 billion (7.9 percent of GDP) in 2020 compared with 2.0 percent amounting to CFAF 79.12 billion (9.2 percent of GDP) in 2019. Non-tax revenue increased by 20.8 percent to CFAF 32.00 billion (3.7 percent of GDP) compared with

27.9 percent amounting to CFAF 26.48 billion (3.1 percent of GDP) in 2019. Grants were consolidated by 34.1 percent to stand at CFAF 32.84 billion (3.8 percent of GDP) in 2020 compared with CFAF 24.48 billion (2.8 percent of GDP) in 2019.

433. Total expenditure and net lending increased to 16.3 percent to stand at CFAF 188.14 billion, representing 21.8 percent of GDP, compared with a decline of 2.7 percent amounting to CFAF 161.81 billion (18.8 percent of GDP) in 2019. This increase is due to the simultaneous increase in current and capital expenditure.
434. Recurrent expenditure rose by 6.1 percent to reach CFAF 131.20 billion (15.2 percent of GDP), reflecting increases in wages and salaries, expenditure on goods and services and interest payments.
435. Wages and salaries rose by 16.5 percent to CFAF 53.00 billion (6.2 percent of GDP) from CFAF 22.8 percent, amounting to 45.48 billion (5.3 percent of GDP) in 2019. Expenditure on goods and services increased by 4.9 percent to CFAF 41.49 billion (4.9 percent of GDP), against CFAF 39.93 billion (4.6 percent of GDP) in 2019. Subsidies and transfers dropped by 8.3 percent to CFAF 27.50 billion (3.2 percent of GDP), compared with CFAF 29.99 billion (3.5 percent of GDP) in 2019.

**Table 8.2: Trends in Key Fiscal Indicators in Guinea Bissau**

Item	2018	2019	2020	2018	2019	2020
	Percentage changes			As percentage of GDP		
Total revenue and grants	-10.5	1.2	1.9	15.5	15.1	15.4
Total revenue	-2.5	7.4	-5.6	11.8	12.3	11.6
Tax revenue	-4.6	2.0	-14.4	9.3	9.2	7.9
Non-tax revenue	6.1	27.9	20.8	2.5	3.1	3.7
Grants	-29.3	-19.2	34.1	3.6	2.8	3.8
Total expenditure and net lending	7.0	-2.7	16.3	20.0	18.8	21.8
Total expenditure	7.0	-2.7	16.3	20.0	18.8	21.8
Recurrent expenditure	5.1	17.2	6.1	12.7	14.4	15.2
Salaries and emoluments	9.6	22.8	16.5	4.4	5.3	6.2
Procurement of goods and services	0.2	6.5	4.9	4.5	4.6	4.9
Transfers and subsidies	8.9	14.8	-8.3	3.1	3.5	3.2
Interests due	-6.0	69.0	6.8	0.6	1.0	1.0
Capital expenditure	10.4	-37.1	43.7	7.3	4.4	6.4
Financed with internal resources	-3.5	-14.1	457.7	0.3	0.2	1.2
Financed with external resources	11.0	-37.9	23.3	7.0	4.2	5.2
OVERALL BALANCE (commitment basis) (excluding grants)	24.6	-17.3	57.3	-8.2	-6.5	-10.3
OVERALL BALANCE (commitment basis) (including grants)	221.8	-15.7	75.3	-4.3	-3.6	-9.1
<b>Public Debt Stock</b>				<b>44.4</b>	<b>40.1</b>	<b>33.2</b>
External				27.4	24.1	27.6
Domestic				17.0	16.0	5.6

Source: Ministry of Finance/NCC, estimates, projection

436. Expenditure on interest payments increased to 6.8 percent, amounting to CFAF 8.24 billion (1.0 percent of GDP) in 2019 to CFAF 8.80 billion (1.0 percent of GDP) in 2020. Capital expenditure was estimated at CFAF 54.84 billion (6.4 percent of GDP) compared with CFAF 38.16 billion (4.4 percent of GDP) in 2019, in line with the implementation of power projects, construction and rehabilitation of roads in Bissau and the highway from the airport to Safim.
437. The total public debt stock grew at 33.2 percent of GDP in 2020 compared with 40.1 percent recorded in 2019. Total public debt servicing stood at 76.6 billion, a significant increase of 464.1

percent compared to 2019. Domestic debt servicing was 76.3 percent of total public debt servicing, reflecting the large share of domestic debt in public debt servicing.

### 8.1.3. Monetary Sector

438. Money supply (M2) increased to 9.1 percent in 2020 against 0.3 percent in 2019, reflecting an increase in net external assets mitigated.
439. After decelerating by 6.7 percent in 2019, NFA rose by 24.2 percent in 2020. This was due to significant increase in NFA of deposit money banks (205.4 percent), contained by the decline in NFA of the Central Bank by 10.7 percent.
440. NDA declined by 13.1 percent compared to an increase of 12.4 percent in 2019, mainly due to the decrease in net claims on the Central Government. Net claims on central government declined by 19.7 percent, compared with an increase of 13.8 percent in 2019. The pace of growth in claims on the economy slowed from 13.8 percent in 2019 to 5.9 percent in 2020.

**Table 8.3: Growth in Key Monetary Aggregates in Guinea Bissau**

	2018	2019	2020	2018	2019	2020
	Percentage changes			Contribution to growth in M2		
<b>ASSETS</b>						
Net Foreign Assets	3.0	-6.7	24.2	2.0	-4.2	14.4
Net Domestic Assets	11.9	12.4	-13.1	4.1	4.5	-5.3
Net Claims on Government	-16.3	13.8	-19.7	-2.9	2.0	-3.2
Claims on the economy	21.5	13.8	5.9	6.3	4.6	2.3
Other items net (3)	-27.8	6.1	-80.5	-2.5	0.4	-5.2
<b>LIABILITIES</b>						
Money supply (M2)	<b>6.1</b>	<b>0.3</b>	<b>9.1</b>			
Narrow money (M1)	4.5	-3.0	8.3			
Currency in circulation	3.4	0.1	4.8			
Overnight deposits	7.5	-11.8	19.6			
Quasi-money	18.5	22.9	13.2			
<i>Memorandum item</i>						
<i>Money supply (M2)/GDP</i>	43.9	42.5	46.3			
<i>Credit to the economy/GDP</i>	14.7	16.1	17.1			

Source: BCEAO

441. Currency in circulation increased to 4.8 percent, compared to 0.1 percent in 2019. Demand deposits increased to 19.6 percent, compared with a decline of 11.8 percent in the previous year. Quasi money rose by 13.2 percent, lower than the 22.9 percent increase recorded in 2019.

### 8.1.4. External Sector

442. The external accounts situation is marked by a decline in the economy's financing requirement from 6.8 percent of GDP in 2019 to 5.0 percent of GDP in 2020, due to surpluses in the primary income account, the secondary income account and the capital account.
443. The current account deficit worsened by 5.7 percent from the previous year to reach 8.2 percent of GDP in 2020. This was due to deteriorating trade, services and primary income balance.
444. The trade balance showed a deficit of CFAF 50.18 billion (5.8 percent of GDP) in 2020 compared with a surplus of CFAF 50.70 billion (5.9 percent of GDP) in 2019. Exports (FOB) fell to 21.7 percent to CFAF 114.1 billion (13.2 percent of GDP) compared with CFAF 145.70 billion (16.9 percent of GDP) in 2019, mainly due to the drop in cashew exports. Imports (FOB) fell by

16.4 percent to CFAF 164.28 billion (19.1 percent of GDP) in 2020 from CFAF 196.40 billion (22.8 percent of GDP) in 2019.

445. The services account showed a deficit of CFAF 69.7 billion (8.1 percent of GDP), as compared to a deficit of CFAF 72.64 billion (8.4 percent of GDP) in 2019, resulting in particular from the decline in travel services (44.6 percent).
446. Primary income account showed a surplus of CFAF 13.30 billion (1.5 percent of GDP) in 2020, compared with a surplus of CFAF 15.54 billion (1.8 percent of GDP) in 2019.
447. Secondary income account recorded a surplus of CFAF 36.10 billion (4.2 percent of GDP), up from a surplus of CFAF 33.08 billion (3.8 percent of GDP) in 2019, driven by the increase in budgetary aid and migrant transfers.
448. The capital account grew to 68.2 percent posting a surplus of CFAF 27.00 billion (3.1 percent of GDP) against CFAF 16.34 billion (1.9 percent of GDP) in 2019, in connection with the increase in non-financial assets and capital transfers.

**Table 8.4: Trends in Key BOP Indicators in Guinea Bissau**

Item	2018	2019	2020	2018	2019	2020
	In billions of CFAF			As percentage of GDP		
CURRENT ACCOUNT	-25.05	-74.72	-70.48	-3.0	-8.7	-8.2
1- Goods and services	-38.70	-123.34	-119.88	-4.7	-14.3	-13.9
Goods	30.73	-50.70	-50.18	3.7	-5.9	-5.8
Export of goods FOB incl.:	188.59	145.70	114.10	22.7	16.9	13.2
Cashew nut	140.21	130.66	102.00	16.9	15.2	11.8
Fish and shrimps	0.00	0.70	0.60	0.0	0.1	0.1
Timber	44.87	0.03	0.00	5.4	0.0	0.0
Other products	3.52	14.30	11.50	0.4	1.7	1.3
Import of goods FOB	-157.87	-196.40	-164.28	-19.0	-22.8	-19.1
Food products	-64.28	-68.70	-70.30	-7.7	-8.0	-8.2
Other daily consumer goods	-10.61	-16.20	-16.82	-1.3	-1.9	-2.0
Services	-69.42	-72.64	-69.70	-8.3	-8.4	-8.1
Primary income	-28.41	15.54	13.30	-3.4	1.8	1.5
Secondary income	42.05	33.08	36.10	5.1	3.8	4.2
CAPITAL ACCOUNT	23.41	16.34	27.00	2.8	1.9	3.1
Incl. capital transfers	23.80	16.34	27.00	2.9	1.9	3.1
CURRENT AND CAPITAL ACCOUNT	-1.64	-58.38	-43.48	-0.2	-6.8	-5.0
Financial account	-19.59	-46.60	-95.77	-2.4	-5.4	-11.1
Direct investment	-11.65	-41.76	-11.50	-1.4	-4.9	-1.3
Portfolio investment	-18.24	-17.64	-38.50	-2.2	-2.1	-4.5
Financial derivatives	0.00	0.00	0.00	0.0	0.0	0.0
Other investments	10.30	12.80	-45.77	1.2	1.5	-5.3
Errors and omissions net	-4.04	-3.52	0.00	-0.5	-0.4	0.0
Overall balance	13.91	-15.30	52.29	1.7	-1.8	6.1
Memorandum item						
Average exchange (US \$)	555.63	585.95	575.60			
End period exchange rate (US \$)	574.81	592.43	549.95			
External reserves stock (in months of import cover)	4.6	5.2	6.5			

Source: WAMA, BCEAO

449. The financial account showed an increase in net liabilities of CFAF 95.77 billion (11.1 percent of GDP) in 2020, against CFAF 46.60 billion (5.4 percent of GDP) in 2019. Direct investment flows stood at CFAF -11.50 billion (1.3 percent of GDP) in 2020, compared with CFAF -41.76 billion (4.9 percent) in 2019. Net portfolio investment showed a negative balance of CFAF 38.50 billion (4.5 percent of GDP) in 2020, against a negative balance of CFAF 17.64 billion (2.1

percent of GDP) in 2019. Other net investments were valued at CFAF -45.77 billion (5.3 percent of GDP), whereas they had a positive balance of CFAF billion (1.5 percent of GDP) in 2019.

## 8.2. Status of Macroeconomic Convergence

450. Guinea Bissau did not improve its performance under the macroeconomic convergence criteria in 2020. As in the previous year, it met 5 criteria.
451. Guinea Bissau met three primary criteria, namely: the annual average inflation rate (1.5 percent), central bank financing of the budget deficit (0.0 percent) and gross external reserves in months of imports of goods and services (6.5), missing out on the criterion on the budget deficit to GDP ratio (9.1 percent).
452. Guinea Bissau performed well by meeting both criteria i.e., exchange rate variation (1.0 percent) and public debt to GDP ratio (63.3 percent).

**Table 8.5: Status of Macroeconomic Convergence in Guinea Bissau**

Criteria	Target	2018	2019	2020	2021
<b>Primary criteria</b>		<b>03</b>	<b>03</b>	<b>03</b>	<b>03</b>
Budget deficit (commitment basis, including grants)	≤3 percent	4,3	3,6	9,1	4,5
Annual average inflation	≤5 percent	0,5	0,2	1,5	3,0
Financing of the budget deficit by the central bank	≤10 percent	0,0	0,0	0,0	0,0
Gross external reserves in months of import coverage	≥3 months	4,8	5,5	6,5	5,0
<b>Secondary criteria</b>		<b>02</b>	<b>02</b>	<b>02</b>	
Changes in nominal exchange rate	±10 percent	2,6	-2,9	1,0	-1,6
Debt to GDP ratio	≤70 percent	44,4	40,1	33,2	52,8
Number of convergence criteria met		<b>05</b>	<b>05</b>	<b>05</b>	<b>05</b>

Source: From BCEAO data

## 8.3. Prospects

453. Projections for the real sector indicates a growth rate of 3.3 percent in 2021. The achievement of this objective will be supported by the implementation of major projects in most sectoral activities, including the ongoing rehabilitation of basic infrastructure, the implementation of certain projects under the National Development Plan (2020-2023), and the rehabilitation of urban roads in two regions, with financing from BOAD.
454. Average inflation would be contained within 3.0 percent over the projection period. However, high international oil and food prices would be a risk factor.
455. In terms of fiscal performance, the government intends to continue its efforts to increase revenue, particularly tax revenues, and to control recurrent expenditure. Despite these measures, budget deficit is expected to reach 6.8 percent of GDP in 2021 but will gradually decline to below 3.0 percent of GDP from 2024.
456. The country is expected to meet five (5) convergence criteria by the end of 2021, missing out on the budget deficit to GDP ratio criterion.

## 8.4. Conclusion and Recommendations

457. The analysis of the macroeconomic performance situation shows that Guinea Bissau recorded an economic contraction of 2.3 percent in 2020, reflecting a weak performance of the primary and secondary sectors and a decline in performance of the tertiary sector. The changes in price index were contained at a relatively moderate level of 1.5 percent average annual growth.



458. The government's financial operations resulted in a significant deterioration in the main budgetary balances, driven by public expenditure and the fall in tax revenues. Budget deficit including grants stood at 6.5 percent of GDP against 10.3 percent of GDP for the budget deficit excluding grants.
459. The external accounts situation was characterised by the reduction in the economy's financing requirement to 5.0 percent of GDP against 6.8 percent in 2019, this is due to surpluses in the primary income, secondary income and capital accounts.
460. Money supply (M2) grew by 9.1 percent compared to the previous year, driven by the increase in net external assets mitigated by the decrease in NDA.
461. The country maintained its macroeconomic convergence performance from 2019, meeting five criteria, missing out on the criterion relating to budget deficit.
462. In view of this situation, to strengthen economic growth and achieve an improvement in the main budgetary balances, it is recommended that the Guinea Bissau authorities should take the following measures:
- i. implement COVID-19 response plan to revive the economy, especially in sectors heavily affected by the pandemic
  - ii. Continue to consolidate socio-political stability to support economic recovery efforts;
  - iii. continue to promote the diversification of the productive base in order to reduce the country's dependence on cashew exports; and
  - iv. improve tax revenue collection to improve budget balances, particularly through efficient management of the tax and customs administrations.

## 9. LIBERIA

463. Based on the Pro-poor Agenda for Prosperity and Development, PAPD (2018-2023), the Government of Liberia's macroeconomic policy emphasis for 2020 focused on stimulating economic growth through the creation of jobs and income security, investing in public infrastructure and providing the needed skills to young people for high productivity and national development. Greater emphasis is placed on self-sustainability through value addition in manufacturing and agriculture for domestic consumption. Also, the macroeconomic target for 2020 include the near-term enhancement of human capital and infrastructural developments, as well as human safety and security through the provision of qualified teachers for schools, doctors and drugs for hospitals, assurance of national security as well as improving community and farm to market road network. Again, with the advent of COVID-19, the policy focus was largely on human safety and security, as well as the prevention of severe output loss.
464. The economy experienced challenges in 2020, occasioned mainly by the fallouts of COVID-19 health and economic crises. Real GDP growth, therefore, stood at -3.0 percent compared to -2.5 percent in 2019. Average inflation moderated to 17.4 percent from 26.9 percent, mainly due to fall in demand and favourable global oil price as well as relative stability in the foreign exchange market.
465. Developments in the fiscal sector in 2020 indicate more than a proportionate increase in total revenue and grants occasioned by grants and other receipts in support of the pandemic containment measures. Thus, the overall balance, including grants increased to a surplus of 2.4 percent of GDP compared to 0.9 percent<sup>3</sup> in 2019. Excluding grants, the overall balance recorded a lower surplus of 1.0 percent of GDP, from 0.9 percent<sup>4</sup> of GDP in the previous year. Despite the overall improvement in fiscal operations, recurrent expenditure rose during the review period, occasioned by increases in wages and salaries as well as interest payments.
466. Consistent with moderating inflation, the Central Bank of Liberia (CBL), reduced its policy rate to 25.0 percent in May 2020, from 30.0 percent. However, the high level of credit denominated in US dollar continues to weaken the credit channel of monetary policy transmission. Broad money supply growth moderated to 5.2 percent in the 12 months ended December 2020 from the 19.8 percent recorded at end-December 2019. The slowdown was mainly brought about by slowdown in NDA.
467. Developments in the external sector were notably marked by improvements in the current and capital accounts. However, the overall BOP recorded a deficit of 2.6 percent of GDP, reflecting an increase in the reserve assets. Gross external reserves slightly improved to 2.5 months of imports cover (US\$294.4 million) from 2.3 months (US\$252.5 million) in 2019.
468. Liberia's performance under the macroeconomic convergence scale in the period under review improved by two (2) criteria compared to 2019. The country met two (2) of the four primary

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<sup>3</sup> The GDP figures reported in the 2020 CBL annual report which forms the basis of 2020 EMCP report are higher than GDP figures in previous EMCP submissions due rebasing. Thus, overall balances and other calculations that use the revised GDP numbers have changed consistent with the revised or rebased GDP.

<sup>4</sup> No Grants reported for 2019

convergence criteria (budget deficit and central bank financing of the budget deficit) and all secondary criteria (exchange rate stability and public debt-GDP ratio).

## **9.1. Sectoral Analysis**

### **9.1.1. Real Sector**

469. The Liberian economy in 2020 experienced new and lingering effects of pre-existing challenges that weakened the task of delivering on the country's development agenda, the PAPD. Hence, real GDP growth contracted by 3.0 percent in the reporting period against a lower contraction of 2.5 percent recorded in 2019, largely on account of the subdued performance of the services sector, which occurred due to COVID-19 mitigation measures that led to the closure of many businesses.
470. Growth in the primary sector was recorded at 6.0 percent, compared to a contraction of 0.2 percent in 2019, due to expansions in the agriculture and forestry subsectors. Outputs of agriculture and forestry rose by 6.4 percent and 4.6 percent in the reporting period, respectively, against 2.2 percent and -7.5 percent in 2019, supported to some extent by an International Development Association (IDA) credit of US\$25.0 million for the Small-holders Agriculture Transformation and Agri-business Revitalisation Project (STAR-P) of Liberia. The fund approved in January 2019 is expected to benefit 17,500 small-holder farmers and is intended to address critical market failures limiting the development of rice, oil palm and horticulture value chains.
471. Activity in the secondary sector (industry) fell by 1.3 percent against the growth rate of 2.0 percent in 2019, mainly on account of slow growth in mining and further contractions in construction and electricity & water supplies. Output level in the mining subsector slowed by 1.7 percent in 2020 against 13.2 percent growth recorded in the preceding year. The contractions in construction and electricity & water supply stood at -10.0 percent and -9.0 percent, respectively, from -8.0 percent and -5.0 percent in 2019, despite donors supports to provide electricity to vulnerable residents of Monrovia and its environs during the peak of the COVID-19 lockdown. Output in the manufacturing sector was flat (zero growth) during the reporting period from a negative output growth of 10.5 percent occasioned by COVID-19 lockdown that closed businesses.
472. Output in the tertiary sector further contracted by 13.1 percent, compared to a lower contraction of 7.5 percent in 2019, reflecting reductions in transportation & communication, trade & hotels financial and government services. Transportation & communication dipped by 12.0 percent from a lower contraction of 3.5 percent in 2019. Similarly, outputs of trade & hotels, financial and government services were recorded at -21.0 percent, -9.0 percent and -9.0 percent, respectively, from -7.0 percent, -5.0 percent and -26.8 percent in 2019. These contractions were exacerbated by the COVID-19 domestic and international restrictions.
473. In terms of sectoral contributions to real GDP growth, the primary sector accounted for 2.2 percentage points in the review period compared to -0.1 percentage point in 2019. The secondary sector contributed -0.3 percentage points against 0.5 percentage point in 2019, and the

contribution of the tertiary sector stood at -4.9 percentage points in 2020 from -2.9 percentage points in the preceding year. As a share of GDP, the primary, secondary and tertiary sectors account for 40.3 percent, 26.4 percent and 33.3 percent in 2020 compared to 36.9 percent, 25.9 percent and 37.2 percent, respectively, in 2019.

**Table 9.1: Trends in GDP and its Components in Liberia**

Item	2018	2019	2020*	2021**	2018	2019	2020	2021**
	Percentage Change				Contribution to Growth			
<b>Real GDP</b>	1.2	-2.5	-3.0	3.6	1.2	-2.5	-3.0	3.6
<b>SUPPLY</b>								
Primary Sector	0.6	-0.2	6.0	3.1	0.2	-0.1	2.2	1.4
Secondary Sector*	8.8	2.0	-1.3	2.6	2.0	0.5	-0.3	1.0
Tertiary Sector	-2.4	-7.5	-13.1	3.9	-1.0	-2.9	-4.9	1.2
<b>DEMAND</b>								
Final Consumption	na	na	na	na				
Household	na	na	na	na				
Government Consumption	na	na	na	na				
Investment	na	na	na	na				
Private Investment	na	na	na	na				
Government Investment	na	na	na	na				
Net External Demand	na	na	na	na				
Exports	na	na	na	na				
Imports	na	na	na	na				
<b>Memorandum</b>								
GDP (Current Prices, Million US\$)	3,264.2	3,080.3	3,037.3	3,363.0				
GDP (Constant Prices, Million US\$)	3,264.2	3,182.1	3,087.7	3,186.6				
<b>Inflation</b>								
Average	23.4	26.9	17.4	8.6				
End-Period	28.5	20.3	13.1	11.9				

Source: Central Bank of Liberia, GDP has been rebased (2018 = 100) \* Estimate \*\* Projection

474. Inflationary pressures moderated in 2020 but remained elevated. Average inflation declined to 17.4 percent at end-2020 from 26.9 percent in 2019. Similarly, end-period inflation fell to 13.1 percent from 20.3 percent at end-2019. The reduction in inflation was mainly on account of reductions in aggregate demand and price of petroleum products as well as relative stability in the foreign exchange market.

### 9.1.2. Fiscal Sector

475. Fiscal operation during the review period reflected significant increases in grants and receipts occasioned by donor supports towards the COVID-19 mitigation activities. Consequently, total revenue and grants increased to 20.5 percent of GDP (US\$629.9 million) from 13.8 percent of GDP (US\$439.0 million) in 2019.

476. Total domestic revenue increased slightly from 12.8% of GDP (US\$475.4 million) to 19.2% of GDP (US\$472.8 million), mainly due to growth. income and profit taxes, following the timely remittance of Government withholding taxes on wages and salaries. Tax revenue rose to 12.8 percent of GDP (US\$393.1 million) from 11.1 percent of GDP (US\$351.2 million) mainly due to growth of taxes on income and profits which increased to 5.8 percent of GDP from 4.4 percent of GDP in 2019 as result of the timely remittance of government withholding taxes on salaries and wages. Non-tax revenue rose to 6.4 percent of GDP (US\$195.3 million) in 2020 from 2.8 percent of GDP (US\$87.8 million) attributed to the increases in property income and other contingency receipts. Grants stood at 1.4 percent of GDP (US\$41.5 million).

477. On the other hand, total expenditure and net lending increased during the review period to 18.2 percent of GDP (US\$557.4 million), above the 14.9 percent of GDP (US\$467.1 million) recorded in 2019, attributed to growth in recurrent expenditure.
478. Recurrent expenditure went up to 16.3 percent of GDP (US\$500.4 million) from 14.5 percent of GDP (US\$462.1 million) attributed to increase in wages which was likely due to the increased efforts at combating the health and security related challenges. As a result, US\$32.8 million<sup>5</sup> was proposed for re-appropriation in the recast national budget for COVID-19 responses. Wages and salaries and interest payments on public debt grew to 8.9 percent of GDP and 1.6 percent of GDP from 8.0 percent of GDP and 0.9 percent of GDP, respectively, in 2019. Capital expenditure in the reporting period rose to 1.9 percent of GDP (US\$57.0 million), from 0.2 percent of GDP (US\$5.0 million) on account of acquisition of fixed assets in the period.

**Table 9.2: Trends in Key Fiscal Indicators in Liberia**

	2018	2019	2020	2021*	2018	2019	2020	2021*
	percent Change				percent of GDP			
Total Revenue and Grants	5.5	-15.0	43.5	-20.6	15.8	13.8	20.5	16.1
Domestic Revenue	2.3	-12.1	34.0	-25.6	15.3	13.8	19.2	14.1
Tax Revenue	0.2	-11.0	11.9	-10.5	12.1	11.1	12.8	11.3
Taxes on Income & Profits	14.3	-13.3	28.6	-31.3	4.9	4.4	5.8	4.0
International Trade Taxes	-6.3	-13.8	4.9	-9.9	5.6	5.0	5.4	4.8
taxes on goods and services	-4.8	-3.3	-5.6	50.8	1.5	1.5	1.5	2.2
other tax revenue	-46.9	280.2	-44.9	237.1	0.1	0.2	0.1	0.4
Non-Tax Revenue	11.1	-16.2	122.3	-56.0	3.2	2.8	6.4	2.8
Property Income	9.9	52.2	5.6	na	1.4	2.2	2.4	0.0
Administrative fees & fines	-14.9	-5.7	-16.8	na	0.5	0.5	0.5	0.0
other receipts	30.0	na	na	na	1.2	0.0	3.5	0.0
Grants	260.8	na	na	49.3	0.5	0.0	1.4	2.0
Total Expenditure and net lending	-3.1	-11.4	19.3	-8.1	16.2	14.7	18.2	16.5
Total Expenditure	-3.1	-11.4	19.3	-8.1	16.2	14.7	18.2	16.5
Recurrent Expenditure	-2.5	-10.4	8.3	-2.9	15.8	14.5	16.3	15.6
Salaries and wages	33.8	-20.1	8.1	6.6	9.7	8.0	8.9	9.4
Interest Payments	221.1	10.7	78.8	-46.2	0.8	0.9	1.6	0.9
Domestic	236.9	34.0	63.5	na	0.4	0.6	1.0	0.0
External	203.2	-18.7	110.8	na	0.3	0.3	0.6	0.0
Expenses on goods & service and transfers	-39.0	4.4	-2.4	-5.3	5.3	5.7	5.7	5.4
Capital Expenditure	-25.2	-56.9	1040.0	-54.4	0.4	0.2	1.9	0.8
Domestically financed	-25.2	-56.9	1048.2	-53.0	0.4	0.2	1.9	0.9
Externally financed								
Net lending					0.0	0.0	0.0	0.0
Overall Bal (Commit Basis, Incl Grants)					-0.3	-0.9	2.4	-0.4
Overall Bal (Commit Basis, Excl Grants)					-0.9	-0.9	1.0	-2.4
Primary Balance					-0.1	0.0	2.6	-1.5
<b>Public Debt Stock</b>					<b>28.8</b>	<b>40.0</b>	<b>52.1</b>	<b>51.4</b>
External					20.7	26.8	31.1	30.7
Domestic					8.1	13.2	21.0	20.7

Source: Ministry of Finance and Development Planning, Liberia, NCC. IMF Country Report No. 21/9 on Liberia; \*IMF Projections

479. In view of the increase in grants and other contingent receipts, the overall budget deficit (including grants) recorded a surplus of 2.4 percent of GDP (US\$72.6 million) from a deficit of 0.9 percent of GDP (US\$28.1 million) in 2019. Excluding grants, the overall balance also recorded a surplus of 1.0 percent of GDP (US\$31.0 million) against a deficit of 0.9 percent of GDP (US\$28.1 million) as there was no record of grants in 2019.
480. The stock of public debt at end-December 2020 rose to 52.1 percent of GDP (US\$1,596.8 million), from 40.0 percent of GDP (US\$1,270.6 million) at end-December 2019, due to the increases in both domestic and external debts. The external component rose to 31.1 percent of

<sup>5</sup> The New Dawn Local Daily @ <https://thenewdawnliberia.com/house-passes-recast-national-budget/>

GDP (US\$953.0 million) from 26.8 percent of GDP (US\$850.8 million) due mainly to increase in multilateral debt, particularly debt owed to the International Development Association, IDA, and African Development Bank, AfDB. The domestic component also increased to 21.0 percent of GDP (US\$643.8 million) compared to 13.2 percent of GDP (US\$419.8 million) on account of debt owed to the financial institutions, as well as the legacy loan owed to the CBL.

### **9.1.3. Monetary Sector**

481. The monetary policy thrust in 2020 was primarily anchored on price and exchange rate stabilities, as well as financial stability. It was also intended to ensure adequate liquidity in the banking system and encourage the use of electronic payments in the economy. The CBL reduced the MPR to 25.0 percent in May 2020 from 30.0 percent, consistent with reducing inflation in 2020. The reduction in the policy rate, which only targets Liberian dollar liquidity, did not have much impact on the lending rate as 92.0 percent of credit to the private sector is denominated in the United States dollar. The high level of credit and deposits denominated in US dollar in the economy continue to weaken the credit channel of monetary policy transmission.
482. The movements in average interest rates remained somewhat mixed in the review period. The main policy rate declined, while the twelve-month time deposits, savings and lending rates remained unchanged at 3.5 percent, 2.1 percent and 12.4 percent, respectively, compared to 2019. There was no issuance of treasury bill in 2020. The stock of credits to the private sector declined in the reporting period to 11.1 percent of GDP (L\$69.6 billion) from 13.5 percent of GDP (L\$79.7 billion) in 2019, due to slowdown in economic activity as a result of COVID-19 restrictions.
483. Reserve money growth slowed at the end of the reporting period to 5.8 percent from 9.6 percent at end-December 2019, due to slow growth of currency in circulation (outside banks) occasioned by the issuance of the CBL bills intended to contract Liberian dollar money supply and give value to the domestic currency. Commercial banks reserve deposits grew by 8.1 percent at end-December 2020 compared to -0.7 percent recorded at end-December 2019, while growth in currency in circulation (Liberian dollar outside banks) slowed to 10.0 percent relative to 13.1 percent growth recorded a year ago. The reduction in the Liberian dollar in circulation outside banks helped to create demand for the domestic currency and, therefore, reduced the depreciating pressure in the foreign exchange market.
484. Broad money supply growth was recorded at 5.2 percent in the 12-month period ended December 2020 compared to 19.8 percent at end-December 2019, influenced mainly by the slowdown of NDA. NDA of the banking system recorded a growth of 6.3 percent at the end of 2020 from an expansion of 22.3 percent recorded at end-December 2019, on account of slowdown of NCG and decline in credit to private sector. The growth of NCG stood at 20.6 percent at end-December 2020 against 53.2 percent in the preceding year. In contrast, credit to the private sector declined by 7.8 percent from an expansion of 11.6 percent at end-December 2019. The slowdown of NCG was consistent with the Extended Credit Facility Programme with the IMF, which required limited financing to the government by the CBL.

485. On the other hand, NFA contracted by 4.1 percent at end-December 2020 from 1.9 percent growth at end-December 2019, mainly occasioned by decline in the NFA of commercial banks, while the NFA of the CBL improved slightly by 5.6 percent, supported by increase in the CBL foreign exchange reserves accumulation.

486. On the liabilities side, the slow growth of broad money supply was induced by narrow money (M1) and quasi money supplies which recorded growths of 11.6 percent and -7.0 percent, respectively, in the 12-month period ended December 2020 from 14.0 percent and 31.7 percent at end-December 2019. The rate of change in M1 was mainly induced by movements of demand deposits and currency in circulation outside the banking system.

**Table 9.3: Growth in Key Monetary Aggregates in Liberia**

	2017	2018	2019	2020	2021*	2017	2018	2019	2020	2021*
	percent Change (YoY)					Contribution to M2 Growth				
<b>ASSETS</b>										
<b>NFA</b>	-55.1	5.5	1.9	-4.1	30.8	-24.8	0.8	0.2	-0.4	2.9
<b>Net Domestic Assets</b>	<b>103.5</b>	<b>36.4</b>	<b>22.3</b>	<b>6.3</b>	<b>11.0</b>	<b>56.9</b>	<b>30.8</b>	<b>19.6</b>	<b>5.6</b>	<b>10.0</b>
Domestic Credit	83.3	33.5	28.4	5.9	0.0	82.6	46.2	39.7	8.8	0.0
NCG	230.7	38.0	53.2	20.6	5.4	49.6	20.5	30.1	14.8	4.4
Claims on Private Sector	42.4	30.7	11.6	-7.8	-6.5	33.0	25.7	9.6	-6.0	-4.4
Other Items Net (OIN)	-58.1	-29.0	-38.7	-5.3	16.6	-25.7	-15.3	-20.1	-3.2	10.0
<b>LIABILITIES</b>										
<b>Broad Money (M2)</b>	<b>32.1</b>	<b>31.7</b>	<b>19.8</b>	<b>5.2</b>	<b>12.9</b>					
Narrow Money (M1)	24.7	33.5	14.0	11.6	18.2					
Currency In Circulation	26.4	21.1	13.1	10.0	6.0					
Demand Deposits	24.0	38.8	14.3	12.1	22.5					
Quasi Money (savings, time & COD)	49.1	28.1	31.7	-7.0	3.2					
<b>MEMORANDUM</b>										
Reserve Money (Growth) (percent)	21.6	17.0	9.6	5.8	(1.7)					
Money Multiplier(M2/RM)	2.4	2.7	3.0	3.0	3.4					
Velocity (GDP/M2)	4.8	4.7	4.9	4.9	3.8					
Credit to Private Sector/GDP (percent)	17.4	17.8	15.8	13.8	14.6					
NFA/M2 (percent)	15.3	12.3	10.4	9.5	11.0					
NDA /M2 (percent)	84.7	87.7	89.6	90.5	89.0					
Currency in Circulation/M2 (percent)	19.5	18.0	17.0	17.7	16.7					

Source: Central Bank of Liberia; \*Projection

487. During the period under review, the banking system, which accounts for over 80.0 percent of the financial system, remained stable, sound and resilient, despite the effect of the pandemic mitigation measures on the financial sector. However, non-performing loans (NPLs) which were negatively affected during the pandemic continued to be of major concern as they continue to affect the industry's profitability. At end-December 2020, the banking industry's gross assets fell by 2.7 percent against an increase of 30.4 percent recorded at end-December 2019. The sector remained liquid as the liquidity ratio (LR) stood at 36.8 percent in the review period compared to 41.9 percent at end-December 2019, well above the minimum regulatory requirement of 15.0 percent. In terms of capital adequacy, all nine (9) banks in the industry recorded capital adequacy ratio (CAR) above the minimum regulatory threshold of 10.0 percent. The industry CAR stood at 31.5 percent at end-December 2020 compared to 27.5 percent at end-2019. However, NPLs ratio rose to 21.2 percent at end of the review period from 16.5 percent at end-2019.

#### 9.1.4. External Sector

488. Developments in the external sector were notably marked by improvements in the current and capital accounts. However, the overall BOP recorded a deficit of 2.6 percent of GDP reflecting an increase in reserve assets, occasioned by growth in foreign exchange holdings of the Central Bank.
489. Merchandise exports (FOB) increased to 19.8 percent of GDP (US\$607.7 million) in the reporting period, from 17.1 percent of GDP (US\$542.9 million), reflecting the increase in iron ore and mineral (gold and diamond) exports. Imports (FOB) also rose in the review period to 32.5 percent of GDP (US\$998.0 million) from 29.4 percent of GDP (US\$933.8 million) mainly reflecting increased importations of non-oil products, including machinery & transports equipment which increased to 7.5 percent of GDP above the 6.6 percent of GDP recorded in 2019. Also, the importations of petroleum products and “other imports” increased in the reporting period to 5.3 percent of GDP and 6.1 percent of GDP, respectively, from 3.6 percent of GDP and 5.2 percent of GDP in 2019.
490. The deficit of the services account widened to 9.9 percent of GDP in the review period from 9.4 percent of GDP in 2019, supported by increases in payments for sea freight and insurance services. On the primary income account, the deficit narrowed to 3.2 percent of GDP (US\$99.5 million) from 3.5 percent of GDP (US\$112.4 million) on account of the decline of investment income, as well as a fall in reinvested earnings. The surplus on the secondary income account grew to 8.1 percent of GDP from 3.8 percent of GDP in 2019, explained by increase in foreign aid flows to the government.
491. Given the improvements in the trade, primary and secondary income accounts, the deficit of the current account narrowed to 17.8 percent of GDP (US\$545.1 million) from 21.4 percent of GDP (US\$680.8 million).
492. The capital account surplus improved to 10.6 percent of GDP (US\$323.8 million) in the review period, from 8.6 percent of GDP (US\$272.4 million) at end-2019, driven by grants inflows from development partners. Given the improvements in both the current and capital account balances, the net borrowing of the combined current and capital accounts reduced to 7.2 percent of GDP (US\$221.3 million) compared to 12.9 percent of GDP (US\$408.3 million) in 2019.
493. The net borrowing of the financial account reduced to 7.5 percent of GDP (US\$231.1 million) in the review period, compared to 7.8 percent of GDP (US\$249.2 million) at end-December 2019, attributed to increase in the acquisition of reserve assets. Foreign direct investment inflows slightly rose to 2.8 percent of GDP from 2.7 percent of GDP in 2019 on account of rise in debt instrument from investors to direct investment enterprises. Other investment (net) also increased to 4.7 percent of GDP, compared to 4.2 percent of GDP at end-2019 due to the disbursement of fund by partners towards COVID-19 mitigation. The balance of reserve assets stood at a surplus of 2.6 percent of GDP (US\$79.0 million) from a deficit of 1.0 percent of GDP (US\$30.6 million), attributed to the rise in the holding of foreign exchange of the Central Bank.



494. Gross external reserves (GER) increased by 16.7 percent to US\$294.4 million in the review period, from US\$252.4 million at end-December 2019. In terms of imports cover, the GER slightly improved to 2.5 months of imports at end-December 2020 from 2.3 months in 2019. Liberian dollar relative to the US dollar depreciated, on average, by 3.1 percent (L\$191.52 per US\$) at end-2020 compared to the depreciation of 29.0 percent (L\$185.80 per US\$) in 2019. The slowdown in the depreciation rate emanated from lower demand for foreign exchange as international trade slowed during the COVID-19 mitigation restrictions. Against the WAUA, the Liberian dollar, on average, depreciated by 4.1 percent (L\$266.63 per WAUA) compared to the depreciation of 26.9 percent in 2019 (L\$256.07 per WAUA).

**Table 9.4: Trends in Key BOP Indicators in Liberia**

	2018	2019	2020	2021*	2018	2019	2020	2021*
	US\$ Millions				percent of GDP			
<b>CURRENT ACCOUNT</b>	<b>-787.1</b>	<b>-680.8</b>	<b>-545.1</b>	<b>-280.6</b>	<b>-24.1</b>	<b>-21.4</b>	<b>-17.8</b>	<b>-9.0</b>
<b>Goods</b>	492.7	-390.9	-390.3	-118.4	15.1	-12.3	-12.7	-3.8
<b>Exports (FOB)</b>	548.5	542.9	607.7	882.0	16.8	17.1	19.8	28.4
Iron ore	145.2	234.6	289.0	432.0	4.4	7.4	9.4	13.9
Rubber	68.4	85.6	82.2	91.8	2.1	2.7	2.7	3.0
Mineral (Diamond & Gold)	257.7	180.4	146.7	328.2	7.9	5.7	4.8	10.6
<b>Imports (FOB)</b>	1041.1	933.8	998.0	1000.4	31.9	29.4	32.5	32.2
Oil products	154.1	115.6	161.6	163.0	4.7	3.6	5.3	5.2
Non-Oil products	887.1	818.2	836.4	837.4	27.2	25.8	27.3	27.0
<b>Services (net)</b>	-320.1	-298.9	-303.1	-303.0	-9.8	-9.4	-9.9	-9.8
Receipts	10.4	11.1	11.7	12.7	0.3	0.3	0.4	0.4
Payments	330.5	310.0	314.7	315.8	10.1	9.8	10.3	10.2
<b>Primary Income</b>	-125.9	-112.4	-99.5	-99.5	-3.9	-3.5	-3.2	-3.2
Income (Credit)	23.2	23.8	21.0	21.8	0.7	0.7	0.7	0.7
Income (Debit)	149.1	136.2	120.4	121.3	4.6	4.3	3.9	3.9
of which: Public interest payments	8.3	7.0	10.8	12.4	0.3	0.2	0.4	0.4
<b>Secondary Income</b>	151.7	121.4	247.8	240.3	4.6	3.8	8.1	7.7
Official Transfers (net)	45.4	13.2	47.0	22.5	1.4	0.4	1.5	0.7
Private Transfers (net)	106.3	108.2	200.8	217.9	3.3	3.4	6.5	7.0
<b>CAPITAL ACCOUNT</b>	316.4	272.4	323.8	212.9	9.7	8.6	10.6	6.9
Capital account (HIPC debt relief)								
Others Capital account	316.4	272.4	323.8	212.9	9.7	8.6	10.6	6.9
<b>CURRENT AND CAPITAL ACCOUNT</b>	<b>-470.7</b>	<b>-408.3</b>	<b>-221.3</b>	<b>-67.7</b>	<b>-14.4</b>	<b>-12.9</b>	<b>-7.2</b>	<b>-2.2</b>
<b>FINANCIAL ACCOUNT</b>	<b>-323.6</b>	<b>-249.2</b>	<b>-231.1</b>	<b>-253.5</b>	<b>-9.9</b>	<b>-7.8</b>	<b>-7.5</b>	<b>-8.2</b>
Foreign Direct Investment (net)	-129.1	-86.7	-87.0	-95.4	-4.0	-2.7	-2.8	-3.1
Portfolio Investment (Net)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other Investment (Net)	-130.7	-132.0	-144.2	-158.1	-4.0	-4.2	-4.7	-5.1
Reserve Assets	-63.8	-30.6	79.0	86.7	-2.0	-1.0	2.6	2.8
<b>Errors and Omissions</b>	147.2	159.1	-9.9	-185.8	4.5	5.0	-0.3	-6.0
<b>OVERALL BALANCE</b>	63.8	30.6	-79.0	-86.7	2.0	1.0	-2.6	-2.8
<b>MEMORANDUM</b>								
<b>Gross Reserves</b>	287.2	252.4	294.4	322.8				
Gross Reserves (months of imports)	2.4	2.3	2.5	2.7				
Average Exchange Rate (L\$/WAUA)	201.8	256.1	266.6	288.8				
End-period Exchange Rate (L\$/WAUA)	219.1	259.6	236.2	258.6				
Average Exchange Rate (L\$/US\$)	144.1	185.8	191.5	177.7				
End-period Exchange Rate (L\$/US\$)	144.8	187.9	190.6	178.0				

Source: Central Bank of Liberia; \*Projection

## 9.2. Status of Macroeconomic Convergence

495. At end-2020, Liberia improved in performance under the primary convergence scale by sustaining compliance on the budget deficit criterion and meeting central bank financing criterion, slipping on the average inflation and gross external reserves criteria. Liberia met all two (2) criteria on the secondary convergence scale – exchange rate stability and public debt.

**Table 9.5: Status of Macroeconomic Convergence in Liberia**

CRITERIA	Target	2017	2018	2019	2020	2021*
<b>Primary Criteria</b>		<b>01</b>	<b>01</b>	<b>01</b>	<b>02</b>	<b>02</b>
Budget deficit (commitment basis, including grants)	≤ 3percent	1.7	0.3	0.9	-2.4	0.4
Average annual inflation rate	≤ 5percent	12.4	23.4	26.9	17.4	8.6
Central Bank financing of Budget Deficit	≥ 10percent	47.9	33.9	27.9	0.0	0.0

Gross external reserves	≥ 3 months	2.3	2.4	2.2	2.5	2.7
<b>Secondary Criteria</b>		<b>01</b>	<b>01</b>	<b>01</b>	<b>02</b>	<b>02</b>
Nominal exchange rate variation	± 10percent	-18.3	-22.6	-21.4	-3.5	-8.3
Public debt to GDP ratio	≤ 70percent	25.8	28.8	40.0	52.1	51.4
Total Convergence Criteria Met		02	02	02	04	04

Source: CBL, IMF, WAMA and IMF WEO Projection; \*Projection

### 9.3. Prospects

496. Real GDP in Liberia is projected to recover in 2021 to 3.6 percent, driven largely by recoveries in construction, mining and services sub-sectors. Given the proactive monetary policy stance and the relative stability in the exchange rate, inflationary pressure is expected to moderate further to a single digit (around 8.6 percent on average) despite the IMF projection of 10.9 percent for 2021. However, the gradual increase in global oil price poses an upside risk to the single-digit inflation forecast. Relative to fiscal performance in 2021, the Liberian Authority and IMF are hopeful that with the continual implementation of the Extended Credit Facility (ECF) Programme, domestic revenue mobilisation is expected to increase and sustained, while expenditure is expected to be controlled and rationalised within the framework of the ECF.
497. In terms of Liberia's performance on the macroeconomic convergence criteria, the country's current performance is expected to be sustained in 2021. However, if the single-digit inflation target is permissible, the country's performance under the convergence profile is likely to improve, to comply with three primary criteria, budget deficit, central bank financing and inflation, due to gradual lessening of economic challenges supported by adherence to the ECF programme with the IMF.

### 9.4. Conclusion and Recommendations

498. Economic growth remained negative during the review period as growth was estimated at -3.0 percent in 2020. This outcome was mainly attributed to the subdued performance in the tertiary sector. Inflationary pressure declined to 17.4 percent at end-2020, occasioned by the decline in demand, relative stability in the exchange rate and reduction in price of petroleum. The overall fiscal balance (including grants) recorded a surplus of 2.4 percent of GDP, largely due to greater increase of grants in support of the Government efforts during the global pandemic.
499. Given the economic situation in Liberia, particularly the contraction in the services sector, high dollarisation of the economy, less than expected domestic revenue mobilisation and the effects of challenges related to COVID-19 pandemic, the government is encouraged to:
- i. strengthen the health sector;
  - ii. fast-track implementation of the expenditure rationalisation strategies while working with partners through the ECF programme to enhance domestic revenue mobilisation;
  - iii. demonstrate stronger commitment in the implementation of the roadmap to de-dollarisation;
  - iv. intensify efforts aimed at promoting economic diversification to enhance productions in all sectors of the economy; and
  - v. create a robust economic buffer through a foreign exchange reserve accretion that will help the economy absorb exogenous economic shock when it arises.

## **10. MALI**

500. The orientations of Mali's economic policy in 2020 were strongly influenced by the country's socio-political, security, and health situation in the country. The country's short-term priorities focused on controlling the effects of the COVID-19 health crisis on the economic and health situations while ensuring macroeconomic stability. The country's economic policy objectives are defined within the country's economic and financial program supported by the Extended Credit Facility of the International Monetary Fund (IMF).
501. Mali's economy slowed down by 2.0 percent in 2020, amidst COVID-19 pandemic and the security crisis worsened due to socio-political tensions, which prompted the installation of a political transition. This decline in activity was felt mainly in the primary sector, which contracted by 6.8 percent in 2020. In this context, the inflation rate averaged 0.5 percent, after it had declined by 3.0 percent in 2019. The COVID-19 response plan impacted the country's fiscal position, which has continued to deteriorate, with an overall budget deficit (commitment basis excluding grants) of 10.3 percent of GDP compared with 3.5 percent in 2019. This situation is attributed to the decline in revenue coupled with the increase in total expenditure. The conduct of monetary policy resulted in the acceleration of monetary aggregates. The money supply grew by 22.2 percent in 2020 compared with 9.0 percent in 2019, driven by net external and domestic assets. External trade needed an injection of CFAF 150.88 billion (or 1.5 percent of GDP), due to the current account deficit contained by the capital account surplus.
502. The country met three primary criteria and all the secondary criteria by the end of 2020. The only criterion not met was budget deficit on commitment basis, including grants.

### **10.1. Sectoral Analysis**

#### **10.1.1. Real Sector**

503. In 2020, real GDP contracted by 2.0 percent compared with growth of 4.5 percent in 2019. This contraction in real GDP is essentially explained by the impact of the health, security and socio-political crises, which have had a devastating impact on all sectors of the national economy.
504. The primary sector was strongly impacted by the effects of the health crisis, posting a decline of 6.8 percent in 2020 compared with growth of 4.1 percent in 2019. This underperformance is accentuated mainly by the crisis in the cotton sector, which has hit producers' prices, and by the late availability of inputs. Export of agricultural products and food production has fallen by 79.3 percent and 5.6 percent respectively. In contrast, livestock and hunting increased by 2.4 percent and fishing by 1.9 percent.
505. After two years of relatively high growth, the secondary sector slowed down to 0.3 percent in 2020, mainly due to the contraction of construction activities and the poor performance of the "metal casting" branch. The 'smelting' sector recorded growth of 0.1 percent, mainly due to the increase in modern gold production. The electricity and water sub-sector recorded an increase of 10.2 percent, due to improvement in energy supply. The agri-food industry grew by 5.4 percent.

506. The service sub-sector did not consolidate its 2019 performance due to the health crisis. The sub-sector's performance nosedived to 0.2 percent in 2020 compared to 5.6 percent in 2019. Performance in the "hotel and restaurant", and "trade" sub-sectors fell by 12.5 percent and 4.2 percent respectively. In contrast, the transport and communications sub-sector grew by 2.9 percent, benefiting from the effects of increasing innovation in the telecommunications sector.
507. The three (3) sub-sectors contributed -2.2 percent, 0.1 percent and 0.1 percent respectively to economic growth.

**Table 10.1: Trends in GDP and its Components in Mali**

	2018	2019	2020	2021	2018	2019	2020	2021
ITEM	Percentage change				Contribution to growth			
<b>Real GDP</b>	4.7	4.8	-1.6	4.3	4.7	4.8	-2.0	4.4
<b>Supply</b>								
Primary sector	6.0	4.1	-6.8	7.5	1.9	1.3	-2.2	2.3
Secondary sector	5.3	3.8	0.3	2.1	1.0	0.7	0.1	0.4
Tertiary sector	3.7	5.6	0.2	3.5	1.9	2.8	0.1	1.8
<b>DEMAND</b>								
Final consumption (C)	2.8	3.8	1.4	3.2				
Households	3.0	3.8	1.5	3.3				
Administration	2.0	4.0	1.0	2.5				
Investments (I)	-10.8	12.5	-19.1	10.4				
Gross Fixed Capital Formation	-0.9	6.3	-3.3	4.8				
Variation of stocks	-82.8	274.5	-208.0	-49.6				
Exports	-0.1	2.3	0.5	1.1				
Imports	-12.1	5.9	-3.2	2.5				
<b>MEMORANDUM ITEM</b>								
GDP (constant prices) in billions of CFAF	5174.9	5421.5	5313.2	5548.6				
GDP (constant prices) in billions of CFAF	9482.0	10125.6	9976.0	10571.98				
<b>Inflation</b>								
Average	1.9	-3.0	0.5	1.5				
End period	0.8	-3.3	0.7	1.7				

Source: BCEAO CNC \* estimation, \*\* projection

508. The contraction in aggregate demand stems from lower investment and a slowdown in exports. Final consumption grew by 1.4 percent in 2020, well below the 3.8 percent growth recorded in 2019. Investment declined by 19.1 percent compared to a 12.5 percent increase in 2019. The growth rate of exports of goods and services decreased from 2.3 percent in 2019 to 0.5 percent in 2020. Imports declined by 3.2 percent, as against 5.9 percent increase in 2019.
509. Average inflation increased to 0.5 percent in 2020, compared to a decrease of 3.0 percent in 2019. Prices of hotels and restaurants, food and non-alcoholic beverages, clothing and footwear and education rose to 3.1 percent, 2.3 percent, 2.2 percent and 2.2 percent respectively. On the other hand, prices of "communication" (-14.3 percent), "recreation and culture" (-6.5 percent), "alcoholic beverages, tobacco and drugs" (-3.2 percent) and "transport" (-3.2 percent) fell. The end-of-period inflation rate rose by 0.7 percent, as against deceleration to 3.3 percent in 2019.

### 10.1.2. Fiscal Sector

510. Management of the fiscal sector in 2020 was characterised by a decline in the overall budgetary balance, as total revenue and grants dropped, coupled with a significant increase in total expenditure, accentuated by COVID-19 health, security and socio-political crises. The overall budget deficit (commitment basis, excluding grants) increased to 78.3 percent or 6.3 percent of

GDP in 2020 from 3.6 percent in 2019. Budget deficit (commitment basis including grants) reached 5.0 percent of GDP in 2020 compared to 1.7 percent of GDP in 2019.

511. Total revenue and grants fell to 5.7 percent amounting to CFAF 2049 billion (20.5 percent of GDP) in 2020, compared with 47.3 percent to stand at CFAF 2173.3 billion (21.5 percent of GDP) in 2019. This was caused by the simultaneous decline in current revenue and grants. Total revenue fell to 3.2 percent to stand at CFAF 1919 billion (19.2 percent of GDP) in 2020, as against an increase to 45.9 percent in 2019. This decline was caused by fall in tax and non-tax revenue. Tax revenue fell to 3.9 percent amounting to CFAF 1437 billion (14.4 percent of GDP) in 2020 from 32.9 percent amounting to CFAF 1495.8 billion (14.8 percent of GDP) in 2019. Non-tax revenue decreased to 0.3 percent, amounting to CFAF 67.00 billion (0.7 percent of GDP), compared with an increase to 20.5 percent, to stand at CFAF 67.2 billion (0.7 percent of GDP) in 2019. Grants decreased to 32.0 percent, amounting to CFAF 130.00 billion (1.3 percent of GDP) in 2020, compared with an increase of 63.4 percent, which add up to CFAF 191.3 billion (1.9 percent of GDP) in 2019.
512. Total expenditure and net loans increased to 8.7 percent to reach CFAF 2548.04 billion, representing 25.5 percent of GDP in 2020, compared with CFAF 2343.9 billion (23.1 percent of GDP) in 2019. This increase was due to the spike in current expenditure. Recurrent expenditure rose from CFAF 1280.6 billion (12.6 percent of GDP) in 2019 to CFAF 1574 billion (15.8 percent of GDP), representing an increase of 22.9 percent. This was largely due to government spending on health and socio-economic responses to the COVID-19 pandemic. Wages and salaries rose by 19.0 percent amounting to CFAF 615.00 billion (6.2 percent of GDP) in 2020, compared with 9.7 percent increase which stood at CFAF 516.7 billion (5.1 percent of GDP) in 2019, mainly due to the efforts made by the government to improve workers' living conditions and the implementation of the recruitment programme for the various bodies. Expenditure on goods and services increased to 9.4 percent, amounting to CFAF 321.00 billion (3.2 percent of GDP) in 2020, compared with CFAF 293.4 billion (2.9 percent of GDP) in 2019. Subsidies and transfers increased to 41.1 percent, amounting to CFAF 517.00 billion (5.2 percent of GDP) in 2020, compared with 17.1 percent which sum up to CFAF 366.4 billion (3.6 percent of GDP) in 2019.
513. Expenditure on interest payments reached CFAF 121.00 billion (1.2 percent of GDP), compared with the sum of CFAF 104.1 billion (1.0 percent of GDP) in 2019. Capital expenditure stood at CFAF 583.00 billion (5.8 percent of GDP) compared with the sum of CFAF 658 billion (6.5 percent of GDP) in 2019, a decrease of 11.4 percent.
514. As at 31 December 2020, the outstanding public debt stood at CFAF 4 717.5 billion (47.3 percent of GDP), compared with CFAF 4,106.0 billion (40.6 percent of GDP) as at 31 December 2019, an increase of 14.9 percent. This increase was mainly due to the rise in domestic debt. It includes domestic debt for CFAF 1 691.0 billion (35.8 percent of total outstanding debt) and external debt for CFAF 3 026.5 billion (64.2 percent of total).

**Table 10.2: Trends in Key Fiscal Indicators in Mali**

	2018	2019	2020	2021	2018	2019	2020	2021
Item	Changes in percent				Percentage of GDP			
Total revenue and grants	-17.5	47.3	-5.7	13.4	15.6	21.5	20.5	22.0
Total revenue	-17.4	45.9	-3.2	7.9	14.3	19.6	19.2	19.6
Tax revenues	-16.8	32.9	-3.9	8.5	11.9	14.8	14.4	14.8
Non-tax revenue	-55.9	20.5	-0.3	20.0	0.6	0.7	0.7	0.8
Grants	-18.8	63.4	-32.0	94.1	1.2	1.9	1.3	2.4
Total expenditure and net loans	-5.8	21.7	8.7	16.1	20.3	23.1	25.5	28.0
Total expenditure	-6.0	21.6	8.7	16.1	20.4	23.2	25.6	28.0
Recurrent expenditure	3.2	12.3	22.9	6.1	12.0	12.6	15.8	15.8
Salaries and emoluments	8.9	9.7	19.0	23.3	5.0	5.1	6.2	7.2
Procurement of goods and services	-8.5	7.7	9.4	25.4	2.9	2.9	3.2	3.8
Transfers and subsidies	4.2	17.1	41.1	-27.8	3.3	3.6	5.2	3.5
Interests due	12.9	24.0	16.2	12.6	0.9	1.0	1.2	1.3
Interest due on domestic public debt	19.0	28.4	-100.0		0.6	0.7	0.0	0.9
Interest due on public external debt	2.7	15.6	-100.0		0.3	0.3	0.0	0.4
Capital expenditure	-21.6	7.0	-11.4	50.0	6.5	6.5	5.8	8.3
Financed from internal resources	-11.9	-0.5	-13.2	37.3	4.9	4.6	4.0	5.2
Financed from external resources	-42.1	31.2	-7.0	78.6	1.5	1.9	1.8	3.0
Overall balance (commitment basis, excluding grants)	41.8	-36.1	73.8	41.3	-6.0	-3.6	-6.3	-8.4
Overall balance (commitment basis, including grants)	76.1	-62.1	192.5	27.5	-4.7	-1.7	-5.0	-5.6
<b>Public Debt Stock</b>					<b>36.9</b>	<b>40.6</b>	<b>47.5</b>	<b>47.5</b>
External					24.0	23.1	30.3	25.8
Domestic					12.9	17.5	17.2	21.7

Source: BCEAO/WAEMU/Ministries of Finance/AMAO/CNC, \* estimation, \*\* projection

### 10.1.3. Monetary Sector

515. Money supply (M2) rose to 22.2 percent from 9.0 percent in 2019, driven by increased NFA and higher NDA.

516. NFA showed an increase of 78.1 percent in 2020, following an increase of 84.3 percent in 2019. This increase is linked to the improvement in the NFA of the Central Bank and deposit banks. The NFA of the Central Bank increased by 67.4 percent, compared with 88.7 percent for the NFA of deposit banks.

517. NDA increased to 8.9 percent in 2020, compared to a decline of 0.7 percent in 2019. This increase was as a result of the simultaneous increase in NCG and claims on the economy. Net claims on central government accelerated by 72.0 percent in 2020, compared to a decline of 37.1 percent in 2019. Claims on the economy strengthened by 5.5 percent in 2020 compared to 4.1 percent in 2019.

**Table 10.3: Trends in Key Monetary Aggregates in Mali**

	2018	2019	2020	2018	2019	2020
ASSETS	Percentage changes			Contribution to growth in M2		
Net Foreign assets	50.1	84.3	78.1	4.4	9.6	15.1
Net Domestic Assets	10.8	-0.7	8.9	9.9	-0.6	7.2
Net Claims on Government	65.7	-37.1	72.0	8.6	-7.1	7.9
Claims on the economy	3.0	4.1	5.5	3.1	3.9	4.9
Other net items (3)	-222.0	65.7	-168.3	-3.9	-1.2	4.8
LIABILITIES						
Money supply (M2)	14.2	9.0	22.2			
Money in the narrow sense (M1)	10.6	8.7	23.9			
Currency circulation	11.2	24.2	51.1			
Demand deposits	10.4	3.2	12.3			
Quasi-currency	24.0	9.7	18.2			
<b>Memo item</b>						
Money supply (M2)/GDP	28.9	29.5	36.7			
Credits to the economy/GDP	27.0	26.3	28.2			

Source: BCEAO

518. Growth in money supply was mainly associated with increases in currency in circulation and deposits. Growth in currency in circulation stood at 51.1 percent, compared with 24.2 percent in 2019. Demand deposits improved by 12.3 percent, following an increase of 3.2 percent in 2019. Quasi-currency grew by 18.2 percent compared with 9.7 percent in 2019.

#### 10.1.4. External Sector

519. In 2020, Mali's external accounts showed a deficit in current and capital account of 150.88 billion (1.5 percent of GDP), linked to the current account deficit contained by the capital account surplus. The current account showed a deficit balance of CFAF 375.23 billion (3.8 percent of GDP) in 2020 compared with a deficit of CFAF 755.10 billion (7.5 percent of GDP) in 2019. This situation was due to deficits in the trade balance, services and primary income accounts.
520. The trade balance showed a deficit of CFAF 99.67 billion (1.0 percent of GDP) in 2020 compared with a deficit of CFAF 373.57 billion (3.7 percent of GDP) in 2019. Exports (FOB) rose to CFAF 2,258.3 billion (22.6 percent of GDP) in 2020, compared with CFAF 2 153.39 billion (21.3 percent of GDP) in 2019. Imports (FOB) were valued at CFAF 2357.97 billion (23.6 percent of GDP) in 2020 compared with CFAF 2526.96 billion (25.0 percent of GDP) in 2019. The services account recorded a deficit of CFAF 998.13 billion (10.0 percent of GDP), following a deficit of CFAF 866.55 billion (8.6 percent of GDP) in 2019, caused mainly by the decline in travel services (46.8 percent).
521. The deficit in primary income account fell from CFAF 407.52 billion (4.0 percent of GDP) in 2019 to stand at CFAF 317.62 billion (3.2 percent of GDP) in 2020.

**Table 10.4: Trends in Key BOP Indicators in Mali**

ITEM	2018	2019	2020	2018	2019	2020
	In billions of CFAF			As percent of GDP		
CURRENT ACCOUNT	-459.91	-755.10	-375.23	-4.9	-7.5	-3.8
Goods and services	-1052.47	-1240.13	-1097.80	-11.1	-12.2	-11.0
Goods	-212.60	-373.57	-99.67	-2.2	-3.7	-1.0
Export of goods FOB including:	1991.43	2153.39	2258.31	21.0	21.3	22.6
Cotton	270.72	256.84	149.86	2.9	2.5	1.5
Shea Butter Almond	5.45	0.00	21.04	0.1	0.0	0.2
Livestock	108.39	123.60	68.32	1.1	1.2	0.7
Skins and leather	4.57	0.00	4.59	0.0	0.0	0.0
Gold	1388.36	1566.07	1833.27	14.6	15.5	18.4
Other goods	213.94	206.88	181.22	2.3	2.0	1.8
Import of goods FOB	-2204.03	-2526.96	-2357.97	-23.2	-25.0	-23.6
Foodstuffs	-374.95	-352.42	-412.64	-3.95	-3.48	-4.14
Other current consumer goods	-300.06	-309.44	-382.14	-3.2	-3.1	-3.8
Services	-839.87	-866.55	-998.13	-8.9	-8.6	-10.0
Primary income	-283.38	-407.52	-317.62	-3.0	-4.0	-3.2
Secondary income	875.94	892.55	1040.18	9.2	8.8	10.4
CAPITAL ACCOUNT	132.96	113.94	224.36	1.4	1.1	2.2
Incl. capital transfers	139.04	119.30	224.36	1.5	1.2	2.2
CURRENT AND CAPITAL ACCOUNT	-326.95	-641.16	-150.88	-3.4	-6.3	-1.5
Financial account	-400.66	-871.44	-591.32	-4.2	-8.6	-5.9
Direct investment	-259.40	-502.75	-162.53	-2.7	-5.0	-1.6
Portfolio investments	-118.61	-152.80	-120.54	-1.3	-1.5	-1.2
Financial derivatives	0.00	0.00	0.00	0.0	0.0	0.0
Other investments	-22.65	-215.89	-308.26	-0.2	-2.1	-3.1
Errors and omissions net	35.81	33.92	0.00	0.4	0.3	0.0
Overall total	109.52	264.20	440.45	1.2	2.6	4.4
Memorandum item						
Average exchange rate (US \$)	555.62	585.95	575.59			
End period exchange rate (US \$)	574.81	592.43	549.95			
External reserve stock (in months of imports)	4.6	5.2	6.5			

Source: WAMA, BCEAO

522. The secondary revenue account showed a surplus of CFAF 1040.18 billion (10.4 percent of GDP) in the year ended 2020 compared with a surplus of CFAF 892.55 billion (8.8 percent of GDP) in 2019, driven by increased budgetary support to contain the effects of the health crisis. The capital account improved by 96.9 percent to reach a surplus of CFAF 224.4 billion (2.2 percent of GDP) in 2020, compared with a surplus of CFAF 113.94 billion (1.1 percent of GDP) in 2019, due to the increase in capital transfers. The financial account balance stood at CFAF -591.32 billion in 2020, from CFAF -871.44 billion the previous year, corresponding to an increase in liabilities.

## 10.2. Status of Macroeconomic Convergence

523. The macroeconomic convergence situation indicates that Mali has met 3 primary criteria and two secondary criteria by the end of 2020. Mali's performance evaluation compared to previous year has dropped from six (6) criteria to five (5) criteria satisfied.

524. Mali met three primary criteria, namely the annual average inflation rate (0.5 percent), zero financing of budget deficit by the central bank (0.0 percent) and gross external reserves in months of imports of goods and services (6.5). On the other hand, the country did not meet the criterion on the budget deficit to GDP ratio (5.0 percent).

525. Mali performed well, meeting both secondary criteria: the exchange rate variation (1.0 percent) and the public debt to GDP ratio (63.3 percent).

**Table 10.5: Status of Macroeconomic Convergence in Mali**

Criteria	Target	2018	2019	2020	2021
<b>Primary criteria</b>		<b>3</b>	<b>4</b>	<b>3</b>	<b>3</b>
Budget deficit (commitment basis, including grants)	≤3 percent	4.7	1.7	5.0	5.6
Annual average inflation rate	<10 percent	1.9	-3.0	0.5	3.0
Financing of the budget deficit by the Central Bank	≤10 percent	0.0	0.0	0.0	0.0
Gross external reserves in months of imports	≥ 3	4.8	5.5	6.5	5.0
<b>Secondary Criteria</b>		<b>02</b>	<b>02</b>	<b>02</b>	<b>02</b>
Change in nominal exchange rate	±10 percent	2.6	-2.9	1.0	-1.6
Debt to GDP ratio	≤70 percent	36.9	40.6	47.5	47.5
<b>Total convergence criteria met</b>		<b>05</b>	<b>06</b>	<b>05</b>	<b>05</b>

Source: WAMA

## 10.3. Prospects

526. As part of implementing the measures contained in the new Strategic Framework for Economic Recovery and Sustainable Development (CREDD 2019-2023), the government is targeting a growth rate of 4.4 percent in 2021 to be driven by all three sectors of the economy. This economic growth could have an impact on price trends, with the inflation rate reaching 1.5 percent in 2021. In terms of fiscal sector, budget revenue increased by 7.9 percent and total expenditure by 16.1 percent, with the result that the budget deficit (including grants) rose to 6.0 percent of GDP in 2021.

527. In terms of macroeconomic convergence, the country is projected to maintain its performance of meeting five convergence criteria at the end of 2021. It would not meet the criterion relating to budget deficit to GDP ratio, due to the increase in expenditure as part of economic recovery efforts during the COVID-19 pandemic.



#### **10.4. Conclusion and Recommendations**

528. The analysis of Mali's economic and financial situation shows a contraction of 2.0 percent growth rate compared with 4.5 percent in 2019, mainly due to the effects of the health, security and socio-political crises. Inflation remained relatively low (0.5 percent).
529. The execution of the State's financial operations resulted in a decline in the main budget balances. Overall budget deficit (commitment basis, excluding grants) stood at 6.3 percent of GDP, compared with 5.0 percent of GDP for the budget deficit (commitment basis including grants).
530. External trade showed a financing requirement of CFAF150.88 billion, representing 1.5 percent of GDP, this is due to the current account deficit contained by the capital account surplus.
531. Growth in money supply (M2) increased by 22.2 percent against 9.0 percent in 2019, due to the strengthening of net external assets and an increase in NDA.
532. In terms of macroeconomic convergence, the country met five criteria and missed the budget deficit to GDP ratio criterion.
533. To foster economic recovery and improve performance in the context of macroeconomic convergence, the Malian authorities are urged to:
- i. continue the implementation of the health and socio-economic response to COVID-19 crisis;
  - ii. create the conditions to restore the territorial integrity and the security of goods and people, as well as the consolidation of social cohesion;
  - iii. implement reforms to broaden the tax base, improve the organisational performance of tax and customs administrations and fight fraud and corruption.

## **11. NIGER**

534. In 2020, Niger's economy slowed to 1.2 percent, reflecting the negative impact of the COVID-19 pandemic. The contraction of the service sector and the slump in secondary sector growth contributed largely to this slowdown, while average inflation rose to 2.9 percent, following a deflation of 2.5 percent in 2019. The government's financial operations showed an overall budget deficit (commitment basis, excluding grants) of 12.8 percent of GDP, compared with a deficit (commitment basis, including grants) of 5.8 percent, reflecting a drop in tax revenue combined with a significant increase in expenditure. Niger's external trade showed a financing requirement of CFAF 671.22 billion, representing 8.4 percent of GDP, while the current account deficit was contained by the capital account surplus. Growth in monetary aggregates was characterised by a 17.0 percent increase in broad money supply (M2), resulting from an increase in NDA, mitigated by the deterioration in NFA.
535. In terms of macroeconomic convergence, the country could not improve its performance compared to 2019. It met three (3) primary criteria and all two (2) secondary criteria, missing out on budget deficit to GDP ratio.

### **11.1. Sectoral Analysis**

#### **11.1.1. Real Sector**

536. The Nigerien economy slowed to 1.2 percent from a growth of 5.9 percent in 2019, heavily impacted by the COVID-19 health crisis, causing a deterioration in the secondary sector. In spite of the unfavourable situation, the primary sector grew at a rate of 3.9 percent compared with 3.4 percent in 2019. Continued investment under the 3N Initiative and the MCC as well as the agricultural activities, whose performance is partly attributed to high rainfall, explained the limited impact of the pandemic on this sector.
537. Growth in the secondary sector slowed to 0.3 percent, compared to 8.7 percent in 2019. This was attributable to a decline in mining and manufacturing activities. Despite the difficult overall environment, construction and electricity, water and gas grew by 2.3 percent and 4.4 percent respectively in 2020. In contrast, Mining and quarrying, and manufacturing contracted by 1.2 percent and 0.2 percent respectively during the same period. The service sector declined by 0.6 percent, following growth of 6.6 percent in 2019. This decline was due to a fall in trade activities of 1.5 percent, hotels and restaurants by 1.0 percent and financial activities by 1.0 percent. Communication activities grew by 6.5 percent, while the transport sub-sector grew by 1.2 percent.
538. In terms of contributions to economic growth, the three sectors contributed 1.4, 0.1 and negative 0.3 percentage points, respectively.
539. On the demand side, final consumption slow down by 1.3 percent compared to 4.9 percent in 2019, linked to 0.7 percent and 4.1 percent slow growths in private and government consumptions. Growth of investment subsided by 4.1 percent following an increase of 11.1 percent in 2019. Net exports further decreased by 9.0 percent after deterioration of 10.2 percent in

2019, attributed to an acute decline in export. The slide fall in import payments helped to mitigate the slump in net external demand.

540. Average inflation was 2.9 percent, compared to a deflation of 2.5 percent in 2019. This rise in inflation was due to price increases in most sectors, notably, 'food and non-alcoholic beverages' (5.7 percent), 'hotels and restaurants' (3.9 percent) and 'alcoholic beverages, tobacco and drugs' (2.2 percent). The increase was mitigated by price declines in 'recreation and entertainment' (2.4 percent) and 'Miscellaneous goods and services' (2.0 percent). The end period inflation was 3.1 percent in 2020 compared with a deflation of 2.3 percent recorded in 2019.

**Table 11.1: Trends in GDP and its Components in Niger**

Item	2018	2019	2020*	2018	2019	2020*
	Percentage variation			Contribution to growth		
<b>Real GDP</b>	7.1	5.9	1.2			
<b>Supply</b>						
Primary sector	7.8	3.4	3.9	2.8	1.2	1.4
Secondary sector	5.8	8.7	0.3	1.2	1.8	0.1
Service sector	7.2	6.6	-0.6	3.1	2.8	-0.3
<b>DEMAND</b>						
Final consumption (C )	6.2	4.9	1.3			
Households	6.5	4.3	0.7			
Administration	4.8	8.1	4.1			
Investments (I)	18.6	11.1	4.8			
Gross Fixed Capital Formation	17.6	11.9	5.9			
Variation of stocks	141.9	-36.7	-100.0			
Net Exports	-23.2	-10.3	-9.0			
Exports	-4.3	1.1	-14.0			
Imports	9.4	6.2	-0.7			
GDP	6.7	5.7	2.5			
<b>Memorandum item</b>						
GDP (current prices) in billions of CFAF	7138.64	7610.43	7972.29			
GDP (constant prices) in billions of CFAF	6810.39	7210.15	7294.45			
<b>Inflation</b>						
Average	2.8	-2.5	2.9			
End period	1.2	-2	3.1			

Source: BCEAO data \*-Estimate

### 11.1.2. Fiscal Sector

541. The government's budget implementation for 2020 showed a worse outturn in its overall balances. The overall budget deficit (commitment basis, excluding grants) widened to 12.8 percent of GDP, compared with 10.3 percent of GDP in 2019. Including grants, the overall budget deficit (commitment basis) stood at 5.8 percent in the review period compared with 3.5 percent in 2019. This was in line with the decline in total revenue and an increase in total expenditure.
542. Total revenue and grants slowed to 17.3 percent of GDP (CFAF 1382.00 billion) in 2020, against 17.9 percent of GDP (CFAF 1362.5 billion) in 2019. This slowdown was occasioned by the underperformance of domestic revenue despite the rise in grants. Total revenue fell to 10.3 percent of GDP (CFAF 823.00 billion) in 2020, from 11.1 percent of GDP (CFAF 848.5 billion) in 2019 as a result of the decline in tax revenue mitigated by the slight increase in non-tax revenue. Tax revenue contracted to stand at 9.2 percent of GDP (CFAF735.00 billion) from 10.3 percent of GDP (CFAF783.7 billion) in 2019. However, non-tax revenue increased to 0.9 percent of GDP (CFAF 73.00 billion) compared with 0.7 percent of GDP (CFAF 50.9 billion) in 2019.

Grants stood at 7.0 percent of GDP (CFAF 559.00 billion) compared with 6.8 percent of GDP (CFAF 514.00 billion) in 2019.

543. On the expenditure side, total expenditure and net lending rose to 23.1 percent of GDP (CFAF 1,842 billion), compared with 21.4 percent of GDP (CFAF 1,631.80 billion) in 2019. This increase was attributed to the simultaneous increase in current and capital expenditure. Current expenditure increased to 10.1 percent of GDP (CFAF 806.00 billion) from 9.1 percent of GDP (CFAF 691.40 billion) in 2019. This increase was caused by a rise in expenditure on goods and services as well as subsidies and transfers. Expenditure on goods and services increased to stand at 1.8 percent of GDP (CFAF 141.00 billion), compared with 1.4 percent of GDP (CFAF 109.00 billion) in 2019. Subsidies and transfers also increased to 3.6 percent of GDP (CFAF 287.00 billion) compared with 3.0 percent of GDP (CFAF 225.4 billion) in 2019. On the other hand, wages and salaries and interest payments remained unchanged at 3.7 percent of GDP and 1.0 percent of GDP, respectively, the same as levels recorded in 2019. Capital expenditure was recorded at 12.2 percent of GDP (CFAF 971.0 billion) compared to 11.9 percent of GDP (CFAF 908.4 billion) in 2019.

**Table 11.2: Trends in Key Fiscal Indicators in Niger**

	2018	2019	2020*	2021**	2018	2019	2020*	2021**
	Percentage change				As percentage of GDP			
Total revenue and grants	26.2	5.5	1.4	14.1	18.1	17.9	17.3	18.1
Total revenue	26.7	-1.6	-3.0	23.5	12.1	11.1	10.3	11.7
Tax revenue	27.0	-0.5	-6.2	29.4	11.0	10.3	9.2	10.9
Non-tax revenue	37.4	-23.8	43.4	-10.6	0.9	0.7	0.9	0.7
Grants	25.3	19.8	8.8	0.2	6.0	6.8	7.0	6.4
Total expenditure and net loans	19.1	8.4	12.9	6.5	21.1	21.4	23.1	22.5
Total expenditure	19.1	8.4	10.4	8.8	21.1	21.4	22.6	22.5
Recurrent expenditure	7.6	0.5	16.6	8.6	9.6	9.1	10.1	10.0
Salaries and emoluments	1.4	3.2	4.9	7.5	3.8	3.7	3.7	3.7
Procurement of goods and services	28.6	-18.7	29.4	7.1	1.9	1.4	1.8	1.7
Transfers and subsidies	-1.2	5.9	27.3	8.8	3.0	3.0	3.6	3.6
Interests due	35.5	10.5	9.8	14.4	0.9	1.0	1.0	1.1
Interest due on domestic public debt	38.5	13.1	2.9	1.7	0.6	0.7	0.7	0.6
Interest due on public external debt	29.3	4.7	26.1	38.9	0.3	0.3	0.4	0.4
Capital expenditure	33.0	13.8	6.9	9.2	11.2	11.9	12.2	12.2
Financed with internal resources	44.2	9.1	13.3	-20.9	5.0	5.2	5.6	4.0
Financed with external resources	25.1	17.6	2.0	34.6	6.1	6.8	6.6	8.1
OVERALL BALANCE (commitment basis) (excl. grants)	10.4	21.8	30.1	-7.3	-9.0	-10.3	-12.8	-10.8
OVERALL BALANCE (commitment basis) (incl. grants)	-10.9	25.7	70.8	-16.5	-3.0	-3.5	-4.8	-4.4
Public Debt Stock					38.8	41.5	41.9	44.6
External					24.4	23.8	29.9	29.8
Domestic					14.4	17.7	12.0	14.8

Source: WAMA, Ministry of Finance, CNC, \* estimation, \*\* projection

544. The stock of public debt in Niger in 2020 was recorded at 41.9 percent of GDP compared to 41.5 percent of GDP in 2019. Total public debt servicing increased by 29.4 percent to stand at CFAF 716.4 billion, compared to 2019. Domestic debt servicing was 89.0 percent of total public debt servicing.

### 11.1.3. Monetary Sector

545. Broad money supply (M2) increased by 17.0 percent, following an increase of 15.1 percent in 2019. This was due to an improvement in NDA, mitigated by a decline in NFA.

546. NFA declined by 12.7 percent, after an improvement of 98.2 percent in 2019, resulting from the simultaneous decline in the NFA of the Central Bank and deposit banks. The net external assets of the Central Bank declined by 15.1 percent compared with an increase of 77.7 percent in 2019. The NFA of deposit banks fell by 6.4 percent compared with an increase of 186.2 percent in 2019.
547. NDA increased by 46.1 percent, following a decline of 18.5 percent in 2019. This increase was the result of combined increase in NCG and claims on the economy. NCG accelerated by 636.5 percent, following a 90.4 percent decline in 2019. Claims on the economy improved by 8.6 percent compared to 13.0 percent in 2019.

**Table 11.3: Growth in Key Monetary Aggregates in Niger**

	2018	2019	2020	2018	2019	2020
ASSETS	Percentage changes			Contribution to growth on M2		
Net Foreign Assets	-26,0	98,2	-12,7	-9,9	28,2	-6,3
Net Domestic Assets	12,5	-18,5	46,1	7,8	-13,-1	23,3
Net Claims on Government	130,8	-90,4	636,5	13,5	-22,0	12,9
Claims on the economy	-4,5	13,0	8,6	-3,5	9,8	6,4
Other items net	23,5	-12,1	-99,5	1,2	-0,8	-4,9
LIABILITIES						
Money supply (M2)	-2,1	15,1	17,0			
Money in the narrow sense (M1)	-0,7	13,1	15,3			
Banknote in circulation	-2,0	9,8	9,9			
Transferable deposits	0,8	16,7	20,9			
Quasi-money	-7,6	23,3	23,7			

Source: BCEAO

548. Increase in the components of broad money supply was reflected by the rise in currency in circulation and deposits. Banknotes in circulation increased by 9.9 percent, following an increase of 9.8 percent in 2019. Demand deposits increased by 20.9 percent compared with 16.7 percent in 2019. Quasi money remained unchanged at 23.7 percent in 2020.

#### 11.1.4. External Sector

549. Niger's foreign trade in 2020 was characterised by a financing requirement of 8.4 percent of GDP (CFAF 671.22 billion), after a financing deficit of 7.2 percent of GDP (CFAF 550.81 billion) in 2019. This financing requirement was associated with the current account deficit, which was contained by capital account surpluses.
550. The current account deficit stood at 13.8 percent of GDP (CFAF 1097.95 billion) compared with a deficit of 12.1 percent of GDP (CFAF 921.31 billion) in 2019, reflecting the deterioration in trade balance, services account and primary income. The balance of trade deficit widened to 10.0 percent of GDP (CFAF 794.4 billion), following a deficit of 9.2 percent of GDP (CFAF 703.16 billion) in 2019. Exports (FOB) fell to 7.2 percent of GDP (CFAF 574.3 billion) from 8.7 percent of GDP (CFAF 659.73 billion) in 2019, mainly due to lower exports of oil and livestock. Imports (FOB) rose slightly (0.4 percent) to CFAF 1,368.8 billion (17.2 percent of GDP). The balance of services deficit widened to 6.8 percent of GDP (CFAF 540.3 billion) from 6.2 percent of GDP (CFAF 473.6 billion), mainly due to the decline in travel services.
551. The primary income account deficit remained flat at 1.5 percent of GDP compared to 2019, driven mainly by interest payments on debt. The secondary income account showed a surplus of 4.5 percent of GDP (CFAF 359.4 billion). Compared with a surplus of 4.8 percent of GDP

(CFAF 368.43 billion) in 2019, the drop was linked to the decline in remittances and budgetary aid received.

552. The capital account grew by 15.2 percent compared with 2019 to reach 5.4 percent of GDP (CFAF 426.7 billion) in 2020, in line with the increase in other capital transfers.

553. The financial account showed a net acquisition of financial assets of 7.4 percent of GDP (CFAF 586.9 billion) in 2020 compared with an acquisition of 11.5 percent of GDP (CFAF 873.2 billion) in 2019.

**Table 11.4: Trends in Key BOP Indicators in Niger**

ITEMS	2018	2019	2020	2018	2019	2020
	In billions of CFAF			As percentage of GDP		
<b>CURRENT ACCOUNT</b>	-902.61	-921.31	-1097.95	-12.6	-12.1	-13.8
1- Goods and services	-1065.65	-1176.72	-1334.71	-14.9	-15.5	-16.7
Goods	-599.50	-703.16	-794.42	-8.4	-9.2	-10.0
Export of goods FOB	668.22	659.73	574.35	9.4	8.7	7.2
Others	157.73	142.66	106.46	2.2	1.9	1.3
Import of goods FOB	-1267.71	-1362.88	-1368.76	-17.8	-17.9	-17.2
Food products	-397.56	-419.14	-455.17	-5.57	-5.51	-5.71
Other daily consumer goods	-227.53	-231.19	-240.73	-3.19	-3.04	-3.02
Petroleum products	-73.89	-81.26	-63.17	-1.04	-1.07	-0.79
Intermediary goods	-360.79	-372.90	-367.78	-5.05	-4.90	-4.61
Capital goods	-456.11	-547.21	-537.28	-6.4	-7.2	-6.7
Other imports	-81.74	-65.86	-61.94	-1.1	-0.9	-0.8
Services	-466.15	-473.57	-540.29	-6.5	-6.2	-6.8
Primary income	-107.06	-113.01	-122.60	-1.5	-1.5	-1.5
Secondary income	270.09	368.43	359.35	3.8	4.8	4.5
<b>CAPITAL ACCOUNT</b>	346.58	370.50	426.73	4.9	4.9	5.4
Incl. capital transfers	303.26	320.94	375.74	4.2	4.2	4.7
<b>CURRENT AND CAPITAL ACCOUNT</b>	-556.04	-550.81	-671.22	-7.8	-7.2	-8.4
Financial account	-446.32	-873.24	-586.88	-6.3	-11.5	-7.4
Direct investment	-237.41	-401.42	-195.51	-3.3	-5.3	-2.5
Portfolio investments	-79.25	-155.73	-45.50	-1.1	-2.0	-0.6
Financial derivatives	0.00	0.00	0.00	0.0	0.0	0.0
Other investments	-129.66	-316.09	-345.88	-1.8	-4.2	-4.3
Errors and omissions net	-4.21	-4.49	0.00	-0.1	-0.1	0.0
Overall balance	-113.93	317.94	-84.34	-1.6	4.2	-1.1
Memorandum item						
Average exchange rate (US \$)	555.63	585.95	575.59			
End period exchange rate (US \$)	574.81	592.43	549.95			
External reserves (in months of import cover)	4.6	5.2	6.5			

Source: BCEAO

## 11.2. Status of Macroeconomic Convergence

554. Niger met three primary criteria and the two secondary criteria by the end of 2020. The country's performance was as follows:

**Table 11.5: Status of Macroeconomic Convergence in Niger**

Criteria	Target	2018	2019	2020	2021
<b>Primary criteria</b>		<b>04</b>	<b>03</b>	<b>03</b>	<b>03</b>
<b>Budget deficit (commitment basis, including grants)</b>	≤3 percent	3.0	3.5	4.8	4.0
Average annual inflation	≤5 percent	2.8	-2.5	2.9	3.0
Zero financing of budget deficit by the central bank	≤10 percent	0.0	0.0	0.0	0.0
Gross external reserves in months of import cover	≥ 3	4.8	5.5	6.5	5.0
<b>Secondary criteria</b>		<b>02</b>	<b>02</b>	<b>01</b>	<b>02</b>
Changes in nominal exchange rate	±10 percent	2.6	-2.9	-1.6	-1.6
Debt-GDP ratio	≤70 percent	38.8	41.5	41.9	44.6
Number of criteria met		<b>06</b>	<b>05</b>	<b>04</b>	<b>05</b>

Source: From BCEAO data

555. Niger met three primary criteria, namely the annual average inflation rate (3.0 percent), central bank financing of the budget deficit (0.0 percent) and gross external reserves in months of imports of goods and services (6.5). It, however did not meet the criterion on budget deficit to GDP ratio (5.8 percent).
556. Niger met both criteria: the exchange rate variation (1.0 percent) and the public debt to GDP ratio (43.6 percent).

### **11.3. Prospects**

557. Notwithstanding the impact of the COVID-19 pandemic on the economy, growth prospects are good. The economy is projected to grow by 6.9 percent in 2021. This would be supported by all sectors of the economy. Inflation is expected to rise slightly to 1.8 percent in 2021.
558. Various fiscal sector reforms introduced by the Nigerien government will make it possible to increase revenue and control public spending, thereby improving budget indicators. The budget deficit (commitment basis, including grants) would decrease by 16.5 percent and the deficit (commitment basis, excluding grants) by 7.3 percent, to reach 4.4 percent of GDP and 10.8 percent of GDP, respectively in 2021.
559. This outlook shows that, in terms of macroeconomic convergence, the country would meet only five convergence criteria by the end of 2021. The criterion relating to budget deficit (commitment basis, including grants) would not be met, as it is expected to stand at 4.4 percent of GDP at the end of 2021.

### **11.4. Conclusion and Recommendations**

560. The assessment of Niger's economic and financial situation showed that the Nigerien economy was affected by the health crisis of COVID-19, indicating a slowdown of 1.2 percent in 2020. Despite this situation, the primary sector remained more resilient than other sectors, recording growth of 3.9 percent.
561. The government's financial operations witnessed an overall budget deficit (commitment basis, excluding grants) of 12.8 percent of GDP, compared to 10.3 percent in 2019. Including grants budget deficit (commitment basis) was recorded at 5.8 percent from 3.5 percent in 2019.
562. External trade generated a financing requirement of CFAF 671.22 billion (8.4 percent of GDP), in connection with the current account deficit, which was contained by the capital account surplus.
563. Growth in broad money supply (M2) accelerated by 17.0 percent, reflecting an improvement in NDA mitigated by the deterioration in net external assets. NDA increased by 46.1 percent, following a decline of 18.5 percent in 2019.
564. The country met three primary and two secondary criteria. The primary criterion that it missed was budget deficit as a percentage of GDP.
565. In view of this situation, the Nigerien authorities are urged to take the following measures to return to strong economic growth and fiscal consolidation:

- i. continue efforts to ensure a secure environment conducive for the development of economic activities;
- ii. improve the mobilisation of internal resources through the modernisation of the tax and customs administrations, the fight against fraud and corruption and the broadening of the tax base, notably by reducing exemptions.



## 12. NIGERIA

566. Nigeria anchored its 2020 macroeconomic thrust on fiscal consolidation; investing in critical infrastructure, human development, and institutions; incentivising private sector investment, and enhancing social investment programs. The focus is expected to sustain the economy on the growth path recorded since the 2016/17 recession. As the COVID-19 pandemic shocks altered most projections in economic policy documents, the Federal Government responded with a renewed focus on delivering on its set objectives and policies that directly address the menace in line with the new economic realities. Consequently, Nigeria predicated a new spirited guide on restoring sustainable growth, investing in the people, building a globally competitive economy, and enhancing social investment programs. To achieve this, the Federal Executive Council (FEC) approved the adjusted 2020 budget, reviewed the 2020 – 2022 Medium Term Expenditure Frameworks (MTEF/FSP), and developed the Nigerian Economic Sustainability Plan (NESP). Other steps included drafting the proposed Medium-Term National Development Plans (MTNDP 2020 – 2025 and MTNDP 2026-2030) and the Nigeria Agenda 2050. These positive steps gained from the desire to ensure a bright and prosperous future for all Nigerians as envisioned in the 'Change Mantra' of the current administration.
567. Economic activities in Nigeria contracted in 2020 due to the border closure measures adopted globally to fight the COVID-19 pandemic, which shocked the world economies. Despite the Federal Government and CBN's policies and interventions, nearly all the mainstream economy's sub-sectors performed poorly. Consequently, the real GDP in 2020 resulted in a contraction by 1.9 percent compared with the 2.3 percent expansion in 2019.
568. Falling retained revenue available for the Federal government with rising expenditure worsened budget deficit in 2020. Similarly, total revenue and grants shrank in the period. Also, public debt stock remained on an upward trend in 2020 because of increased domestic and external debt stocks.
569. The monetary policy objective of the CBN was aimed at containing inflation and boosting economic growth in 2020. The MPR end-December, 2020 stood at 11.5 percent from the 13.5 percent fixed in January 2020. Growth in broad money (M3) for the 12 months ending December 2020 accelerated considerably due to expansion in NDA.
570. External sector performance in 2020 improved as the overall BOP recorded a deficit of 0.4 percent of GDP compared to 0.9 percent of GDP in 2019, driven mainly by the improvement in all the accounts except the current account balance. The stock of gross external reserves deteriorated in 2020 due to increased demand for foreign exchange to finance imports and maturing bills to service public debt. Despite the decline, it remained well above the minimum threshold of three months of imports cover.
571. With regards to performance on the macroeconomic convergence, Nigeria satisfied one (1) out of the four (4) primary criteria but met the two (2) secondary criteria in 2020.

572. Overall, the macroeconomic outcome for Nigeria in 2020 shows that the economy remained weak amidst low crude-oil prices, lingering COVID-19 pandemic, nationwide insecurity and other structural factors. However, with the gradual positive growth that sets in from the fourth quarter of the year, there is some ray of hope.

## **12.1. Sectoral Analysis**

### **12.1.1. Real Sector**

573. Domestic economic activity relapsed in 2020, following COVID-19 containment measures. It contracted by 1.9 percent, relative to the 2.3 percent growth recorded in 2019. The outcome in the period altered the slow and steady growth trend since 2017 when the economy exited recession. Except for the agricultural sector, which showed resilience with a growth rate of 2.2 percent, output in the manufacturing and industry sectors declined sharply. Thus, the contraction in real GDP in 2020 was driven mainly by the 5.8 and 2.2 percent negative growths recorded in the industry and services sectors.

574. Compared with the 2.4 percent growth recorded in 2019, the change in the agricultural sector in 2020 was low, but encouraging given the shortage in the supply of agricultural produce as a result of the continued farmers insecurity challenges and restriction of movement that characterised the period, especially in the second half of the year. The positive outcome recorded in the sector, despite glaring challenges, can be attributed to the successes of the various agricultural intervention schemes of the Central Bank of Nigeria (CBN) and the Federal Government. Also, the sector showed resilience due to: some COVID-19 containment measures such as border closure, which restricted the free flow of foreign products; classification of the industry as essential and its resultant lockdown exemptions; and the bulk demand for farm outputs to meet the palliative needs of the citizenry, during the duration of the national lockdown policy.

575. In the industrial sector, the worst hits were the construction and mining & quarrying sub-sectors. They contracted by 7.7 and 8.5 percent, compared with the 1.8 and 4.6 percent expansion in 2019, respectively. Nationwide lockdown policy was responsible for the observed trend as contractors and extractive industries could not mobilise labour for production in the period. Although the second half of the year witnessed a massive expansion in the construction sub-sector as contractors and workers moved to sites, following the suspension of nationwide lockdown, the contraction in the first half somehow counter-balanced the substantial growth. However, mining & quarrying sub-sector activities sunk further in the second half of the year despite the decline in COVID-19 cases and the apparent suspension of the lockdown policy. This outcome cannot be unconnected to the insecurity in most parts of the country, which became intense.

576. Although the services sector contributed to domestic output contraction in 2020, it housed the sub-sector with the highest expansion rate. The information and communication sub-sector grew by 13.2 percent, compared with 9.2 percent expansion in 2019, despite COVID-19 associated challenges. This development can be attributed to the fact that human and vehicular movement restrictions in the first half of the year negatively impacted businesses with a physical presence but promoted those with an online presence. The need for continued economic and social

interaction virtually on the web-space the world over necessitated large-scale innovations in the ICT sub-sector, leading to the apparent expansion of the sector in that period. However, the increase in the second half of the year was relatively minute. It exhibited an inverse relationship with business growth with a physical presence and the winding down of social and business interaction on the web-space due to the easing of countrywide lockdown policy.

577. In terms of share by sector, the tertiary sector (services) remained dominant, accounting for 52.4 percent of GDP. The primary sector (agriculture) and the secondary sector (industry) accounted for the balance of 47.6 percent in the proportion of 26.2 and 21.4 percent, respectively.

**Table 12.1: Trends in GDP and its Components in Nigeria**

Economic Activity	2018	2019	2020	2021*	2018	2019	2020
	percent Change				Contribution to Growth Rate		
<b>Real GDP Growth Rate</b>	<b>1.9</b>	<b>2.3</b>	<b>-1.9</b>	<b>3.4</b>			
<b>SUPPLY</b>							
<b>Primary Sector (Agriculture)</b>	<b>2.1</b>	<b>2.4</b>	<b>2.2</b>		0.5	0.6	0.5
<b>Secondary Sector (Industry)</b>	<b>1.9</b>	<b>2.3</b>	<b>-5.8</b>		0.4	0.5	-1.3
o/w Mining and Quarrying	1.1	4.4	-8.5		0.1	0.4	-0.8
o/w Crude Petroleum	1.0	4.6	-8.9		0.1	0.4	-0.8
Manufacturing	2.1	0.8	-2.8		0.2	0.1	-0.2
Construction	2.3	1.8	-7.7		0.1	0.1	-0.3
<b>Tertiary Sector (Services)</b>	<b>1.8</b>	<b>2.2</b>	<b>-2.2</b>		1.0	1.2	-1.2
o/w Trade	-0.6	-0.4	-8.5		-0.1	-0.1	-1.4
<b>DEMAND</b>							
Final Consumption	na	na	na				
Household	na	na	na				
Government Consumption	na	na	na				
Investment	na	na	na				
Private Investment	na	na	na				
Government Investment	na	na	na				
Net External Demand	na	na	na				
Exports	na	na	na				
Imports	na	na	na				
<b>GDP at Constant 2010 prices (N' Billion)</b>	69,799.9	71,387.8	70,014.37	72,394.86			
<b>GDP at current market prices (N' billion)</b>	129,086.9	145,639.1	154,252.3	195,338.61			
<b>Inflation Rates</b>							
Average	12.1	11.4	13.2	16.0			
End-Period	11.4	12.0	15.8	14.5			

Source: National Bureau of Statistics (NBS), Nigeria: (\*) Preliminary

578. Nigeria witnessed a rising price level in 2020 as inflationary pressures persisted. The COVID-19 containment measures and the lingering insecurity in addition to the 'ENDSARS' protests in October 2020 led to a shortage of farm produce, which exacerbated food prices. The year also witnessed flood in many food-producing regions. Also, there was an imbalance between demand and supply across other sectors. In addition, the increase in the pump price of premium motor spirit (PMS), the VAT increment implementation from 5.0 to 7.5 percent and the implementation of stamp duty charges contributed to heightening prices in the year. Businesses transferred the burden through price increases of goods and services to consumers. From an exogenous perspective, exchange rate pass-through effects on domestic prices equally worsened inflation position in 2020. The resultant effect was the change in the year-on-year consumer price index on food from 14.9 percent in January to 15.2 percent in June 2020 and 19.6 percent in December 2020. In the same light, the year-on-year headline inflation rose from 12.1 percent in January to 12.3 percent in March and April 2020, a-piece. It reached 12.6 percent in June 2020 and settled at 15.8 percent in December 2020, representing a 30-month highest since May 2018. Also, the average inflation rate rose from 11.4 to 13.2 percent between 2019 and 2020, respectively. This outcome is a sharp contrast compared with the trend in 2019, which witnessed easing inflation

from 11.4 percent in January to 11.2 percent in June 2019 before it rose gradually from that period till date.

### **12.1.2. Fiscal Sector**

579. The Federal Government's proposed 2020 annual budget against global and domestic conditions maintains an expansionary fiscal stance. The proposed annual total expenditure for 2020 fiscal operations at ₦10.59 trillion surpassed the ₦8.83 trillion proposed in 2019. However, in the wake of the events that characterised 2020 – COVID-19 saga, the Federal Executive Council (FEC) on May 12, 2020, approved an amended 2020 Appropriation Act to reflect new realities. The adjustment strengthened its expansionary stance in readiness to tackle the menace of COVID-19. Consequently, with the approved adjusted total expenditure for 2020 at ₦9.97 trillion and the adjusted revenue at ₦5.37 trillion, the 2020 FG fiscal stance resulted in a budget deficit of ₦4.60 trillion.
580. Given that Nigeria depends mostly on crude-oil exports as a significant source of government revenue, COVID-19 containment measures, which altered international trade, affected government prosperity in 2020. The period witnessed a near collapse in the global oil demand due to the effect of the COVID-19 pandemic. Crude-oil price declined from an average of US\$66.7 per barrel (PB) in January 2020 to US\$14.3 PB in April 2020. As a result, major oil cartels such as the OPEC and other mega oil producing Nations (OPEC+) agreed on oil production cuts to install effective demand and shore up crude oil prices. Despite the corrective step, the Bonny Light crude, which is the reference oil for Nigeria at US\$27.9 PB in May 2020, remained below the US\$57.0 PB benchmark in the 2020 annual budget of the Federal Government of Nigeria. Thus, with the aid of what-if analysis, the economic team found the compelling need to adjust the pre-COVID-19 budgetary rule. Consequently, the team reviewed the 2020 budget and its major assumptions to reflect the new economic realities. The adjustments included: the review of the oil price benchmark from US\$57.0 PB to US\$28.0 PB; crude-oil production from 2.2 mbpd to 1.8 mbpd; and exchange rate from ₦305/\$1 to ₦360/\$1.
581. The aftermath of the global oil price developments was the decline in Federation revenue driven by the fall in tax revenue - oil and non-oil revenue components. However, the budgetary adjustments limited the severity of the oil revenue shortfall. With Bonny Light crude-oil price rebounding at US\$40.3 PB in June 2020 and US\$50.3 PB in December 2020, which was US\$12.3 PB and US\$22.3 PB above its adjusted benchmark a-piece, the adjusted 2020 oil-reference-price-rule puts the government at an advantage in the monetisation of crude-oil proceeds. Similarly, the Federation benefitted from accretion to buffers account for revenue shortfall given that the prevailing market exchange rate depreciated persistently compared with the adjusted exchange rate benchmark.
582. The Federation revenue (gross) in 2020 declined to 6.0 percent of GDP (₦9,303.2 billion) from 6.7 percent of GDP (₦9,819.8 billion) in 2019, occasioned by dips in tax and non-tax revenue, which accounted for 73.7 percent and 26.3 percent, respectively, of the total federally collected revenue. Nigeria did not receive grants in the period under consideration.

583. Tax revenue stood at 4.4 percent of GDP (N6,856.5 billion) from 5.0 percent of GDP (N7,246.0 billion) in 2019. Similarly, Non-tax revenue was recorded at 1.6 percent of GDP (N2,446.7 billion) from 1.8 percent of GDP (N2,573.8 billion) in 2019. The oil and non-oil components of the tax revenue accounted for 40.9 and 59.1 percent, respectively.
584. The decline in tax revenue was due to the shortfall in its oil component, the PPT and Royalty collections which declined by 9.2 percent compared with 2019 collections despite budgetary adjustments. From an institutional perspective, customs services and the FIRS collections for 2020 fell short of 2019 collections. The closure of borders, especially in the first half of 2020, shrunk customs revenue for the period, while the restriction of movement and the skeletal operations of businesses affected corporations' tax returns. Although tax revenue declined, the rise in revenue from the Value Added Tax (VAT) doused its severity. VAT revenue increased by 25.4 percent due to the increase in the VAT rate from 5.0 to 7.5 percent and the expansion of the VAT-able items, swelling its tax base. The development in VAT collection was concentrated in the second half of 2020 when the new policy had fully crystallised.
585. Similarly, non-tax revenue declined to 1.6 percent of GDP in 2020 compared to 1.8 percent of GDP in 2019, on account of reductions in Crude-oil & Gas Sales as well as FG Independent revenue.
586. Of the total Federation revenue (net), the Federal Government retained 2.5 percent of GDP (N3,781.8 billion) in 2020 compared to 3.2 percent of GDP (N4,689.3 billion). The decline in FG retained revenue came from the backdrop of development in the oil sector, particularly reduction in oil revenue. The sum represents 52.68 percent share from the Federation Account, 15.0 percent share from the VAT pool account, and the rest from declared surpluses of government corporations aggregated into Federal government independent revenue.
587. The Federal Government's lower retained revenue, which necessitated expenditure rationing throughout 2020, negatively affected the 2020 budgetary operation. Despite the COVID-19 spending requirements, Federal government expenditure rose to N9,684.4 billion in 2020 from N9,454.3 billion recorded in 2019.
588. Recurrent, Capital and Transfers at N7,987.5 billion, N1,268.9 billion, and N428.1 billion constitute 82.5, 13.1, and 4.4 percent of the total expenditure. Compared with the 71.3 percent recurrent expenditure proportion to aggregate spending in 2019, the 82.5 percent in the current year reflects budget adjustment or prioritisation switch to meet COVID-19 management. Thus, recurrent expenditure rose by 18.6 percent from the N6,736.8 billion recorded in 2019, while capital expenditure fell by 44.6 percent from N2,289.0 billion.
589. While the non-debt recurrent expenditure accounted for 58.2 percent of the total recurrent expenditure, interest payment accounted for the balance of 41.8 percent, underscoring the importance of reflating the economy through spending. Consequently, 'Wages and salaries' at N2,827.6 billion in 2020 was 23.6 percent higher than the N2,288.6 billion in 2019. Similarly, Pension payments at ₦359.6 billion in 2020 rose by 17.0 percent from the ₦307.4 billion recorded in 2019.

590. The lower retained revenue and stable total expenditure due to the government's expansionary fiscal policy to fight the ravaging COVID-19 resulted in an overall fiscal deficit of 3.8 percent of GDP (N5,902.6 billion) compared to 3.3 percent of GDP (N4,765.0 billion) in 2019. Overall, the position resoundingly upheld the Federal Government's expansionary fiscal stance in 2020.
591. The Federal government debt, including the contingent liabilities of State governments at the end-December 2020, amounted to 17.5 percent of GDP (N28,729.5 billion) compared with 15.6 percent of GDP (N22,754.0 billion) at end-December 2019. Domestic debt comprised 55.8 percent of the total, while external debt accounted for the balance of 44.2 percent.
592. This development was based on new borrowings from the International Monetary Fund (IMF) emergency financial assistance of US\$3,500 million to support the 2020 budget and the 'new issue' of domestic debt instruments, namely the FGN Bonds, Promissory notes, and FGN Sukuk. Consequently, multilateral loans rose by US\$5,273.26 million or 41.7 percent from the level at end-December 2019, and bilateral loans rose by US\$211.98 million or 5.5 percent. There were new issues in 2020 regarding FGN Bond, ₦1,318.4 billion; Promissory notes, ₦226.4 billion; and FGN Sukuk, ₦162.6 billion.

**Table 12.2: Trends in Key Fiscal Indicators in Nigeria**

Fiscal Operations	2018	2019	2020	2018	2019	2020	2021*
	Percentage Change			As Percent of GDP			
<b>Total Revenue and Grants</b>	<b>28.4</b>	<b>2.9</b>	<b>-5.3</b>	<b>7.4</b>	<b>6.7</b>	<b>6.0</b>	<b>7.5</b>
Retained Revenue available for Fed Govt	7.1	21.0	-19.4	3.0	3.2	2.5	2.5
<b>Total Revenue</b>	<b>28.4</b>	<b>2.9</b>	<b>-5.3</b>	<b>7.4</b>	<b>6.7</b>	<b>6.0</b>	<b>7.5</b>
Tax Revenue	51.2	-1.0	-5.4	5.7	5.0	4.4	5.5
PPT & Royalty 1/	106.8	-17.0	-9.2	2.9	2.1	1.8	2.3
Corporate Tax	18.5	14.5	-12.0	1.1	1.1	0.9	1.2
Customs 2/	13.3	16.4	-8.8	0.7	0.7	0.6	0.8
Value Added Tax	13.9	7.9	25.4	0.8	0.8	1.0	1.2
Stamp Duty	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Education Tax	178.8	81.4	-59.6	0.1	0.2	0.1	0.1
Non-tax revenue	-14.3	15.8	-4.9	1.7	1.8	1.6	2.0
Crude Oil and Gas Sales 3/	-20.2	3.4	-2.9	1.4	1.3	1.2	1.5
Other Oil Revenue 4/	-76.5	1212.3	-17.2	0.0	0.1	0.1	0.1
FG Independent Revenue	39.5	41.0	-6.8	0.3	0.4	0.3	0.4
National Info. Tech. Dev. (NITDF)	750.6	72.7	-87.9	0.0	0.0	0.0	0.0
<b>Grants</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>Total Expenditure and Net Lending</b>	<b>-5.4</b>	<b>25.4</b>	<b>2.4</b>	<b>5.8</b>	<b>6.5</b>	<b>6.3</b>	<b>6.3</b>
Total Expenditure	-5.4	25.4	2.4	5.8	6.5	6.3	6.3
Recurrent Expenditure	-12.5	24.8	18.6	4.2	4.6	5.2	5.0
<i>Non-Debt</i>	-28.4	32.3	8.5	2.5	2.9	3.0	2.7
<i>Wages &amp; Salaries</i>	12.0	9.5	23.6	1.6	1.6	1.8	1.7
<i>Pension</i>	80.2	-29.4	17.0	0.3	0.2	0.2	0.3
<i>Overhead</i>	-70.5	136.8	-13.6	0.6	1.2	0.9	0.7
<i>Interest Payment</i>	31.1	13.5	36.2	1.7	1.7	2.2	1.5
<i>Domestic</i>	27.4	7.3	39.1	1.4	1.4	1.8	1.3
<i>External</i>	61.2	53.4	23.3	0.2	0.3	0.4	0.2
Capital/Investment Expenditure	24.1	36.1	-44.6	1.3	1.6	0.8	1.3
<i>Domestically Financed</i>	24.1	36.1	-44.6	1.3	1.6	0.8	1.3
<i>Externally Financed</i>	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Transfers	3.6	-6.1	-0.1	0.4	0.3	0.3	0.5
<b>Net Lending</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
Primary balance (deficit/surplus excl. grants)	-44.5	54.0	10.8	-1.2	-1.6	-1.7	-2.3
<b>Budget deficits/surplus (Including grants)</b>	<b>-15.8</b>	<b>30.1</b>	<b>23.9</b>	<b>-2.8</b>	<b>-3.3</b>	<b>-3.8</b>	<b>-4.0</b>
Commitment basis	-15.8	30.1	23.9	-2.8	-3.3	-3.8	-3.8
<b>Total Public Debt Stock</b>	<b>11.7</b>	<b>10.8</b>	<b>26.3</b>	<b>15.9</b>	<b>15.6</b>	<b>17.5</b>	<b>20.9</b>
<i>Domestic</i>	1.5	11.7	12.3	9.9	9.8	9.8	13.0
<i>External</i>	33.6	9.5	19.8	6.0	5.8	7.7	7.9

Source: Federal Ministry of Finance, Nigeria

### 12.1.3. Monetary Sector

593. The CBN in 2020 aimed at containing inflation and support economic growth. The Apex Bank set an implicit target of a 6 – 9 percent change in the Consumer Price Index (CPI). Consequently, it deployed the Open Market Operation (OMO) as an instrument for liquidity management. Others were the cash reserve ratio and interventions in the real sector and foreign exchange market.
594. In the heat of the COVID-19 pandemic, the MPC members in May 2020 voted for the MPR to be reduced by 100 basis points to 12.5 percent from the 13.5 percent since March 2019. The rate was reviewed downward by another 100 basis points to 11.5 percent in November 2020 to reflect economic realities. Also, the Committee examined the asymmetric corridor and adjust to +100/-700 basis points around the MPR while maintaining cash reserve requirement (CRR) at 27.5 percent and Liquidity Ratio (LR) at 30 percent.
595. Broad money supply (M3) grew by 10.8 percent at end-December 2020 relative to 6.4 percent at end-December 2019 and was driven by the increase in NDA in the banking system, despite the slow growth. NDA rose by 8.2 percent at the end-December 2020, from 38.3 percent at the end of the corresponding period of 2019, due to increased NCG and claims on the private sector. Consequently, NDA contributed approximately 6.2 percent to the growth in M3. Similarly, NFA rose by 23.4 percent above the contraction of 49.8 percent at end-December 2019, explained by a 9.6 percent increase in NFA of the Central Bank and an improvement of 34.7 percent in the NFA of other depository corporations. Thus, NFA contributed approximately 3.6 percent to growth in M3.

**Table 12.3: Growth in Key Monetary Aggregates in Nigeria**

Monetary Aggregates	2018	2019	2020	2018	2019	2020	2021*
	Percentage Change			Contribution to M3 Growth			
<b>ASSETS</b>							
NFA	7.8	-49.8	23.4	2.6	-16.9	3.6	-8.2
Net Domestic Assets	19.5	38.3	8.2	10.4	23.0	6.2	22.1
Domestic Credit	9.6	29.0	15.9				
NCG	32.4	105.4	22.8				
Claims on Private Sector	5.8	13.1	13.3				
Other Items Net (OIN)	-10.7	3.4	44.3				
<b>LIABILITIES</b>							
Broad Money Supply (M3)	15.0	6.4	10.8				
Money Supply (M2)	10.5	9.2	30.6				
Narrow Money (M <sub>1</sub> )	9.7	2.4	50.0				
Currency in Circulation	7.0	6.0	23.4				
Demand Deposits	10.4	1.5	56.3				
Quasi Money	11.0	13.6	19.2				
<b>MEMORANDUM ITEMS</b>							
Reserve Money Growth	10.7	20.9	50.9				
Money Multiplier(M3/RM)	4.6	4.0	2.9				
Velocity of Money (GDP/M3)	3.9	4.2	4.0				
Credit to Private Sector/GDP (Percent)	5.8	13.1	13.3				
Currency in Circulation/M3 (Percent)	5.8	5.8	6.5				
Currency-to-Deposits (Percent)	22.5	23.4	18.5				
NFA/M3 (Percent)	7.8	-49.8	23.4				
NDA/M3 (Percent)	10.7	20.9	50.9				

Source: Central Bank of Nigeria (CBN)

596. Reserve money grew by 50.9 percent at end-December 2020, compared to 20.9 percent at end-December 2019, mainly driven by deposit money banks' reserves. Similarly, currency outside banks grew by 23.4 percent in 2020 over 2019.

#### **12.1.4. External Sector**

597. Performance in Nigeria's external sector was adversely affected by the fluctuation in crude oil price in 2020 due to COVID-19 containment measures. The border closure in most countries resulted in the decline in remittances, global crude-oil price, and export earnings, especially in oil-exporting nations. However, Q3 and Q4 witnessed sluggish recovery, reducing the adversity of the sector.

598. The overall BOP narrowed to a 0.4 percent of GDP (US\$1.66 billion deficit) in 2020, compared to a 0.9 percent of GDP (US\$4.49 billion deficit) in 2019, owing to the widening of the current account deficit.

599. The current account deficit widened to 3.9 percent of GDP (US\$16.98 billion) during the review period, compared to 3.1 percent of GDP (US\$14.63 billion) in 2019. The poor performances in merchandise trade and services accounts have a direct impact on the current account outcome.

600. The balance of trade worsened to a deficit of 3.8 percent of GDP (US\$16.40 billion) in 2020, compared to a surplus of 0.6 percent of GDP (US\$2.87 billion) in 2019. Although imports declined in 2020, its rate is low compared to the fall in export, despite the continued import restriction policies in 2020, accounting for the poor trade account balance.

601. Export receipts declined drastically to 8.4 percent of GDP (US\$35.9 billion) in 2020, from 13.7 percent of GDP (US\$64.98 billion) in 2019, owing to the drop in oil and non-oil exports. Oil and gas exports decreased by 7.3 percent GDP from 11.5 percent of GDP in 2019, and non-oil exports declined to 1.1 percent of GDP from 2.2 percent in 2019. The closure of the border to contain COVID-19 and the persistent depreciation of the Naira accounted for the low export earnings. Oil and gas exports constituted 87.4 percent of export receipts, with non-oil exports representing the balance of 12.6 percent, during the review period, compared to 83.9 percent and 16.1 percent for oil and gas and non-oil exports, respectively, in 2019.

602. The import bill fell to 12.2 percent of GDP (US\$52.35 billion) from 13.1 percent of GDP (62.1 billion) in 2019, attributable to a fall in oil and non-oil imports. The closure of the border to reduce the COVID-19 prevalence halted the importation of goods and services, except for essentials, medical equipment, and associated services. Oil imports fell short of its level in 2019 by 33.7 percent to US\$7.30 billion and non-oil imports by 11.8 percent to US\$45.04 billion during the year. Non-oil imports remained dominant, accounting for 86.0 percent of the total, while oil import accounted for the balance of 14.0 percent.

603. As a result of the COVID-19 containment measures that characterised most of 2020, travels and other business services were grounded till the later part of the year. Following the aftermath of the COVID-19 first wave, the rush to travel impacted services positively towards year-end and reduced the initial adverse effect. Consequently, the balance in the services accounts resulted in a deficit of 3.7 percent of GDP (US\$15.84 billion) in 2020, compared to 7.1 percent of GDP



(US\$33.76 billion) in 2019. Similarly, the income account deficit (net) improved by 3.7 percent of GDP (US\$15.83 billion) during the review period, from 7.1 percent of GDP (US\$33.76 billion) in 2019. However, current transfers (net) fell by 20.3 percent to a surplus of US\$21.02 billion in 2020, from a surplus of US\$26.37 billion during 2019.

604. The net outflows or net lending of the financial account reduced to 0.8 percent of GDP (US\$3.41 billion from 3.6 percent of GDP (US\$16.95 billion) in 2019, arising from the decline in other investment (net), which dropped to 1.0 percent of GDP (US\$4.29 billion) in 2020 from 2.5 percent of GDP (US\$11.84 billion) in 2019. Portfolio investment (net) recorded a net borrowing from the rest of the world, 0.8 percent of GDP (US\$3.6 billion) compared to net lending of 0.7 percent of GDP (US\$3.1 billion) occasioned by inflows of investment into government securities. Also, the net lending of direct investment (net) rose slightly to 0.6 percent of GDP from 0.4 percent of GDP in 2019.
605. The stock of gross international reserves declined by 4.2 percent to US\$36.48 billion. However, due to the reduction in imports, gross reserves in months of imports cover rose 6.4 months of imports in 2020, from US\$38.09 billion (4.8 months of imports cover for goods and services) in 2019. The depletion of gross international reserves emanated from the slump in crude oil prices due to the COVID-19 pandemic, limiting foreign exchange inflow.

**Table 12.4: Trends in Key BOP Indicators in Nigeria**

External Sector Indicators	2018	2019	2020	2021*	2018	2019	2020	2021*
	In Million US\$				As Percent of GDP			
<b>Current Account Balance</b>	<b>6,260.6</b>	<b>-14,627.0</b>	<b>-16,975.9</b>	<b>-10,800.0</b>	<b>1.5</b>	<b>-3.1</b>	<b>-3.9</b>	<b>-2.2</b>
<b>Trade balance</b>	<b>20,467.3</b>	<b>2,867.5</b>	<b>-16,401.8</b>	<b>-4,600.0</b>	<b>4.9</b>	<b>0.6</b>	<b>-3.8</b>	<b>-1.0</b>
Merchandise Exports (FOB)	61,221.0	64,977.6	35,944.2	50,500.0	14.6	13.7	8.4	10.5
Oil and Gas	56,555.5	54,511.1	31,401.4	38,900.0	13.5	11.5	7.3	8.1
Non-Oil	4,665.6	10,466.4	4,542.8	11,600.0	1.1	2.2	1.1	2.4
Merchandise Imports (FOB)	-40,753.7	-62,110.0	-52,345.9	-55,100.0	-9.7	-13.1	-12.2	-11.4
Oil	-11,566.4	-11,025.1	-7,304.4	-8,000.0	-2.8	-2.3	-1.7	-1.7
Non-Oil	-29,187.3	-51,085.0	-45,041.5	-47,100.0	-6.9	-10.7	-10.5	-9.8
Services (Net)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Income (Net)	-26,065.9	-33,761.0	-15,839.5	-19,800.0	-6.2	-7.1	-3.7	-4.1
Current Transfers (Net)	-12,275.0	-10,102.8	-5,757.0	<b>-10,400.0</b>	-2.9	-2.1	-1.3	-2.2
<b>Capital Account</b>	-	-	-	-	-	-	-	-
<b>Financial Account (Net)</b>	<b>-9,815.0</b>	<b>16,945.7</b>	<b>3,409.7</b>	<b>3,200.0</b>	<b>-2.3</b>	<b>3.6</b>	<b>0.8</b>	<b>0.7</b>
Direct Investment (net)	616.6	2,019.8	2,723.15	1,900.00	0.1	0.4	0.6	0.4
Portfolio Investment (net)	-2,285.9	3,090.9	-3,602.3	700.0	-0.5	0.7	-0.8	0.1
Other Investment (net)	-8,145.7	11,835.0	4,288.88	600.00	-1.9	2.5	1.0	0.1
Errors and Omissions	-6,161.1	-6,808.3	11,901.4	0.0	-1.5	-1.4	2.8	0.0
<b>Overall Balance</b>	<b>-9,715.5</b>	<b>-4,489.7</b>	<b>-1,664.8</b>	<b>-7,600.0</b>	<b>-2.3</b>	<b>-0.9</b>	<b>-0.4</b>	<b>-1.6</b>
Financing	<b>9,715.5</b>	<b>4,489.7</b>	<b>1,664.8</b>	<b>7,600.0</b>	2.3	0.9	0.4	1.6
<b>MEMORANDUM ITEMS</b>								
Average Exchange Rate (₦/US\$)	306.1	306.9	358.8					
End-period Exchange Rate (₦/US\$)	307.0	307.0	381.0					
Stock of External Reserves (Millions US\$)	42,594.8	38,092.7	36,476.9	21,800.0				
Stock of External Reserves (Months of Import)	7.6	4.8	6.4	3.5				

Source: Central Bank of Nigeria (CBN); (\*) Preliminary

606. The Naira was relatively unstable against major international currencies, particularly the US dollar at both the inter-bank and Bureau-de-Change (BDC) foreign exchange market segments. Despite the low foreign inflow in 2020, there was a persistent increase in the demand for dollars due to market speculation, particularly in the BDC's segment. Consequently, Naira depreciated against the US dollar by 14.5 percent to an average of ₦358.81/US\$1 in 2020, from ₦306.92/US\$1 in 2019. Against the WAUA, it depreciated by 9.7 percent from an average of

₦423/WAUA in 2019 to ₦469/WAUA in 2020. Also, it depreciated at the BDC segment by 22.2 percent to ₦465.00/US\$1 at end-December 2020, from ₦362.00/US\$1 at end-December-2019.

## 12.2. Status of Macroeconomic Convergence

607. Nigeria satisfied two (2) out of four (4) primary criteria: gross international reserves, while it failed to meet the inflation, fiscal deficit and central bank financing criteria. However, the country met all two (2) secondary criteria; the public debt and the exchange rate variation criteria.
608. At the inflation rate of 13.2 percent, Nigeria was unable to satisfy the inflation criterion. Supply-side constraints due to the lockdown and land-border closure policies were responsible for the double-digit inflation in the review period.
609. Also, at 3.8 percent, the country could not meet the fiscal deficit to GDP ratio criterion due to excessive expenditure in the stride to contain COVID-19 and reflate the economy.
610. Likewise, central bank financing of government fiscal deficit of previous year's tax revenue was 38.5 percent, thereby missing the prescribed benchmark of at most 10 percent.
611. However, having recorded 6.4 months of imports, Nigeria satisfied the gross external reserves criterion, beyond the benchmark of 3 months of imports cover.
612. At 9.7 percent depreciation, the country's exchange rate variation criterion was satisfied as it was within the  $\pm 10.0$  percent fluctuation band in the review period.
613. Nigeria attained the criterion on public debt as a percent of GDP of not more than 70.0 percent, having recorded 17.5 percent of GDP.

**Table 12.5: Status of Macroeconomic Convergence in Nigeria**

Convergence Criteria	Target	2017	2018	2019	2020	2021**
<b>Primary Criteria</b>		<b>3</b>	<b>2</b>	<b>2</b>	<b>2</b>	<b>3</b>
i. Budget Deficit / GDP	$\leq 3$ percent	-3.8	-2.8	-3.3	-3.8	-4.0
ii. Annual Average Inflation	$\leq 5$ percent	15.4	11.4	12.0	13.2	16.0
iii. Central Bank Financing of Budget Deficit	$\leq 10$ percent	0.0	18.7	67.4	38.5	0.00
iv. Gross External Reserves	$\geq 3$ mths Imp	12.9	7.6	4.8	6.4	3.5
<b>Secondary Criteria</b>		<b>2</b>	<b>2</b>	<b>2</b>	<b>2</b>	<b>2</b>
i. Nominal Exchange Rate Stability	$\pm 10$ percent	0.3	-2.0	2.2	-9.7	-2.3
ii. Public Debt / GDP	$\leq 70$ percent	16.0	15.9	15.6	17.5	20.9
<b>Number of criteria met</b>		<b>5</b>	<b>4</b>	<b>4</b>	<b>4</b>	<b>5</b>

Sources: Federal Ministry of Finance, Central Bank of Nigeria, NBS, IMF & WAMA; (\*) Preliminary; (\*\*) Projections#

## 12.3. Prospects

614. The outlook for 2021 depends on the impact of the various intervention measures put in place by the fiscal and monetary authorities to stimulate productivity and output growth and improve livelihoods. It also depends on how well the Nigerian economic handlers manage the downside risks. With several coronavirus vaccines ready to be delivered globally, there is a strong possibility of the pandemic fizzling out before mid-2021, thereby boosting the prospects of increased business activities with multiplier effects on the four main sectors of the economy. Below are the specific outlooks:
615. The 2020 real GDP contraction is expected to reverse to a 3.4 percent expansion in 2021 based on the assumption that the COVID-19 pandemic would dissipate along with its restrictive measures

giving way to economic activities to thrive in 2021. However, its certainty would also depend on the ability of the government to maintain peace and provide adequate security across the country, failure of which could worsen growth with a possibility of a looming recession.

616. Inflationary pressure would worsen in 2021 and remain within double-digit forecasted at an average of 16.0 percent due to the expected slow growth. The observed trend in broad money (M3) staying on an expansionary path since 2017 due to the monetary policy stance of the CBN strengthened this view. Also, the fiscal stimulus aimed at cushioning the effect of the pandemic has contributed to money supply which remains inflationary, coupled with security challenges, causing farmers to produce less than market need, and other structural factors, thereby elevating food prices, and general price level.
617. Government revenue is expected to improve slightly in 2021, projected at 7.5 percent of GDP compared with the 6.0 percent of GDP in 2020, given the rebound in the global oil market. Also, the tax component of government revenue is expected to improve due to expansion in the tax net aided by introducing the Finance Act 2019. Although COVID-19 is expected to grow at a declining rate in 2021, government expenditure would rise considerably. The expected rise in government expenditure would reflect continuous government efforts at tackling COVID-19 in addition to the need to meet the backlog of capital expenditure suspended in 2020. The total government spending for 2021, however, is projected to remain at 6.3 percent of GDP. As a result, the overall balance is likely to result in a deficit, forecast at 3.8 percent of GDP.
618. Growth in public debt is expected from external and domestic sources due to new borrowings and estimated at 20.9 percent of GDP.
619. The 2021 fiscal year is expected to witness more activities in the external sector. However, imports would continue to dominate despite continued government import restriction programme. The depressed global output may negatively impact remittances inflows. Consequently, the overall balance is expected at an estimated -1.6 percent in 2021.
620. On the macroeconomic convergent front, Nigeria's performance in 2021 would improve by one point. The country is expected to satisfy two (2) of the four (4) primary criteria (gross external reserves and central bank financing of budget) and the two (2) secondary criteria (nominal exchange rate stability and public debt) in 2020. It is anticipated that the criteria on the budget deficit and annual average inflation would be missed. The assumption that the country would move one point better on convergence is predicated on the expectation of full implementation of the CBN Act, section 38 1-3(a-c) that expressly bar the CBN from financing the previous year's deficit if government is yet to repay the existing overdraft.

#### **12.4. Recommendations**

621. Given the preceding, we recommend as follows:
  - i. The government should seek urgent collaboration in combating insurgency in Nigeria to allow for all citizens' safety. This step would ensure an enabling environment and allow businesses to thrive.

- ii. While raising some tax rates is a welcome development to fast-track economic recovery, such policies should have safety nets to cushion the possible negative impact on the poor and vulnerable.
- iii. The CBN should tighten its monetary stance against the existing long, accommodating monetary policy to control the rising double-digit inflation. The CBN should fully implement the CBN Act, section 38 1-3(a-c) on CBN financing of the government deficit, limiting budget financing at the end of a fiscal year to zero.
- iv. The Federal Ministry of Finance (FMF) should remain committed to implementing the revised medium-term expenditure framework (MTEF) in line with the changing nature of the economy's shocks.
- v. Government should sustain expenditure rebalancing a little longer to provide some relief. In particular, it should reduce non-essential recurrent spending where fiscal multipliers are relatively low. However, additional resources could also be generated via the accommodation of additional external borrowing and the floating of trending corobonds within the FMF's purview and the Debt Management Office (DMO).
- vi. The government should sustain the joint CBN/FG intervention funds, given its ability to overhaul the economy in the medium to long term. However, given the ease in obtaining the funds, possible risks of non-repayment should be analysed and tackled.
- vii. The speculators' activities and existing multiple exchange rate regimes have put the nation's external position in a poor state. Policies to harmonise the long multiple rate practice would cripple the activities of speculators and institute sanity in the exchange rate market for Nigeria's macroeconomic stability. Non-political interference to allow the CBN to exercise its full autonomy becomes essential in implementing such a policy.
- viii. The authorities must pursue the diversification of the economy to avoid future oil price shocks' pitfalls.
- ix. We advocate continuous policy adjustment and reforms for Nigeria to sustain macroeconomic stability and lift growth.

## 13. SENEGAL

622. The year 2020 was challenging for the Senegalese economy due to the severe shock caused by the COVID-19 pandemic. Many measures had been taken by the government to contain and limit the negative effects of COVID-19. Thus, after a growth of 4.4 percent in 2019, GDP decrease by 1.5 percent in 2020, due to the contraction of the services sector. The economic activity took place in a context of rising inflation, with 2.5 percent in 2020 compared to 1.02 percent a year earlier. The fiscal sector deficit stood at 6.4 percent of GDP at the end of December 2020, compared with 3.9 percent in 2019. This deficit widening was due to a sustained increase in public spending, as part of efforts to fight against the COVID-19 pandemic, combined with a contraction in internal resources. The situation of monetary institutions at the end of December 2020, compared with that at the end of December 2019, showed a 12.3 percent increase in broad money, mainly supported by increase in domestic claims. The external accounts also recorded an overall deficit of 6.4 percent of GDP as the current account deficit increased.
623. In terms of macroeconomic convergence, the country met five (5) criteria in 2020, three (3) of which were primary criteria.

### 13.1. Sectoral Analysis

#### 13.1.1. Real Sector

624. Real GDP growth was recorded at 1.5 percent in 2020 compared to 4.4 percent in 2019, due to the negative impact of the COVID-19 health crisis on sectors of the economy, notably transport, tourism and trade.
625. The primary sector grew at 15.9 percent in 2020, compared with 4.5 percent in 2019, mainly due to the strong performance of the fisheries and agricultural sub-sectors. The agricultural sub-sector benefitted from favourable weather conditions with a good spatial and temporal distribution of rain. The government also provided farmers with inputs and agricultural materials to boost productivity.
626. The secondary sector was heavily impacted by the pandemic, resulting in a disruption of the supply chain for goods and services. The growth rate stood at 0.1 percent from 3.7 percent in 2019, driven by performances in mining, energy, as well as buildings and construction.
627. Value added in the services sector contracted by 1.4 percent compared with growth of 4.6 percent in 2019, due to the negative effects of COVID-19, which affected all subsectors, particularly transport (-3.5) and accommodation and catering (-18.7). On the other hand, trade activities were less affected by the pandemic with a growth of 2.0 percent compared to 5.6 percent in 2019. Banking, insurance and other financial services experienced a sharp slowdown from 12.0percent growth in 2019 to 1.2 percent growth in 2020
628. In total, primary, secondary and service sectors contributed to GDP growth in 2020 by 2.3, 0.0 and -0.8 percent points, respectively.
629. On the demand side, consumption rose by 3.5 percent in 2020, while investment contracted by 2.0 percent. On the foreign trade side, imports rose by 6.4percent, driven by increased imports of

food and pharmaceuticals. Exports of goods and services are down by 2.3 percent in 2020, in line with the slowdown in economic activity.

**Table 13.1: Trends in GDP and its Components in Senegal**

	2018	2019	2020	2021*	2018	2019	2020	2021*
Growth rate		4.4	1.5	5.0	6,2	4,4	1.5	5.0
SUPPLY	Percentage change				Contribution to GDP Growth			
<b>Primary sector</b>	8,1	4,5	15,9	4,1	1,2	0,7	0,7	2,3
<b>Secondary sector</b>	6,6	3,7	0,1	8,8	1,5	0,9	0,0	2,0
<b>Service sector</b>	5,7	4,6	-1,4	3,9	1,2	2,9	-0,8	2,4
DEMAND								
Final consumption (C)	4,5	5,5	-1,7	5,0				
Households	4,8	4,5	-4,8	4,9				
Administration	3,5	10,6	13,3	5,1				
Investments (I)	12,4	1,3	-11,6	8,8				
Gross Fixed Capital Formation	13,7	5,1	-3,0	8,2				
A = (C + I) = Absorption [domestic]	6,8	3,4	2,0	2,1				
Export (+XS)	8,2	6,2	-0,8	12,1				
Import (-MS)	9,0	2,7	-12,2	-0,5				
<b>Memorandum items</b>								
Current GDP	12840,1	13655,37	14184,90	14991				
Constant GDP	12614,9	13170,3	13367809,	13862				
Inflation								
Average	0,5	1,0	2,5	1,9				
End period	1,1	0,7	1,1	2,5				

Sources: BCEAO/WAMA

630. Average annual inflation reached 2.5 percent in 2020 compared with 1.02 percent in 2019. This increase in consumer prices was mainly due to the rise in the prices of certain food products and non-alcoholic beverages, building materials and transport. Year-on-year inflation stood at 1.09 percent compared with 0.66 percent in 2019.

### 13.1.2. Fiscal Sector

631. At the end of 2020, budget management showed a deficit of 6.4 percent (including grants) compared with a deficit of 3.9 percent in 2019. This was linked to a sustained increase in public spending, amidst the fight against the COVID-19 pandemic, coupled with a contraction in domestic resources. Total revenue and grants was recorded at 20.5 percent of GDP (CFAF 2842.7 billion) from 20.4 percent of GDP in 2019 reflecting a strong mobilisation of grants (2.3 percent of GDP from 1.6 percent of GDP in 2019), mitigated, however, by contraction in domestic revenue which declined to 18.2 percent of GDP (CFAF 2,518.2 billion) below the 18.8 percent of GDP (CFAF 2,564.5 billion) in 2019 due to a drop in both tax and non-tax revenue. Tax and non-tax revenue fell 17.1 percent of GDP and 0.9 percent of GDP from 17.6 percent of GDP and 1.1 percent of GDP, respectively in 2019 occasioned by the under performance of their respective components.

632. Total expenditure and lending was recorded at 26.4 percent of GDP (CFAF 3,745.6 billion), from 24.4 percent of GDP (CFAF 3,326.1 billion) The increase in expenditure was due to the rise in current expenditure of 17.1 percent, combined with the increase in capital expenditure (+9.3 percent).

**Table 13.2: Trend in Fiscal indicators and key Components in Senegal**

	2018	2019	2020	2018	2019	2020
	In billions of CFAF			As percentage of GDP		
Revenue and grants	2425.5	2789.1	2842.7	18.9	20.4	20.5
Total revenue	2169	2564.5	2518.2	16.9	18.8	18.2
- Budget revenue	2137.5	2564.5	2498.2	16.6	18.8	18.0
Tax revenue	1990.4	2410	2366.9	15.5	17.6	17.1
Non-tax revenue	147	154.5	131.3	1.1	1.1	0.9
- FSE	31.6	0		0.2	0.0	0.0
- Exceptional receipts			20	0.0	0.0	0.1
Grants	256.4	224.6	324.5	2.0	1.6	2.3
Tax	19.5	16.7	194.7	0.2	0.1	1.4
Capital	236.9	207.9	129.8	1.8	1.5	0.9
Total expenditure and lending	2902.9	3326.19	3745.6	22.6	24.4	27.1
Recurrent expenditure	1870.7	2165.9	2429.1	14.6	15.9	17.5
Salary and emoluments	682	733.27	804.1	5.3	5.4	5.8
Interest on public debt	263.2	271.2	289.5	2.0	2.0	2.1
External	210.3	232.9	251.8	1.6	1.7	1.8
Domestic	52.8	38.3	37.7	0.4	0.3	0.3
Other recurrent expenditure	925.5	1161.5	1335.5	7.2	8.5	9.6
Supplies, maintenance and others	305.5	281.1	405	2.4	2.1	2.9
Transfers and subsidies	620	880.4	930.4	4.8	6.4	6.7
Capital expenditure	1032.3	1160.2	1316.6	8.0	8.5	9.5
Financed internally	514.6	560.5	757.6	4.0	4.1	5.5
Financed externally	517.7	599.8	559	4.0	4.4	4.0
Overall balance including grants (Central Govt and non-financial public sector entities)	-477.5	-537.1	-902.9	-3.7	-3.9	-6.4
Overall balance excluding donations (-)	-733.9	-762	-1227.4	-5.7	-5.6	-8.9
<b>Public Debt Stock</b>				<b>61.2</b>	<b>57.3</b>	<b>63.8</b>
External				61.2	57.3	62.8
Domestic				13.3	9.6	8.7

Sources: BCEAO/WAMA

633. At the end of December 2020, the total public debt stock was estimated at 9046.8 billion in 2020, compared with 8231.8 billion a year earlier, an increase of 9.9percent over the period. It represented 63.8percent of GDP in 2020 in connection with the significant loans granted in the context of the fight against COVID-19. External debt service in 2020 represented 20.0percent of budgetary revenues and 15.2percent of exports of goods and services, compared with the respective ceilings of 22percent and 25.0percent used in the public debt sustainability analysis.

### 13.1.3. Monetary Sector

634. At the end of December 2020, the monetary situation was marked by an increase in the money supply of 12.3 percent from 8.2 percent in 2019, mainly in relation to the increase in domestic claims (+18.4 percent compared to December 2019). Domestic claims increased under the impetus of the growth of credits to the economy and the improvement of the Government's Net Position.

635. This increase in overall liquidity was reflected in the components through an 11.9 percent increase in bank deposits and 17.5 percent increase in currency in circulation. NFA contracted by 4.6 percent against 8.0 percent in 2019 due to decrease in foreign currency resources collected by the central bank as export earnings.

**Table 13.3: Growth in Key Monetary Aggregates in Senegal**

Outstanding amounts in billions of CFA francs	Dec.-18	Dec.-19	Dec.-20	Dec.-18	Dec.-19	Dec.-20
Item	Percentage Change			Contribution to M2		
<b>Money supply (M2)</b>	14.1	8.2	12.3			
<b>M1</b>	15.5	10.0	13.7			
Banknote circulation	15.4	9.5	17.5			
Transferable deposits	15.5	10.2	11.9			
Other deposits included in the money supply (1)	11.3	4.3	9.2			
Counterpart to Money Supply						
<b>Net Foreign Assets</b>	40.7	8.0	-4.6	11.4	2.8	-1.6
BCEAO	48.4	25.4	-20.4	8.3	5.7	-5.3
Banks	28.6	-23.2	41.8	3.1	-2.9	3.7
<b>Domestic receivables</b>	2.9	8.7	18.4	2.9	7.8	16.6
Net claims on Central Government	17.2	19.1	157.1	1.5	1.7	15.4
Claims on the economy	1.6	7.5	1.5	1.4	6.1	1.2
<b>Non-monetary liabilities (2)</b>	12.5	13.7	15.6	2.5	2.7	3.3
<b>Other items net (3)</b>	-29.4	-7.6	-14.0	-2.3	-0.4	-0.6

Sources: BCEAO/WAMA

### 13.1.4. External Sector

636. Senegal's external trade for year 2020 showed an overall deficit of 1.5 percent of GDP, compared with a surplus of 1.1 percent of GDP the previous year. This performance was due to an increase in the current account deficit.

**Table 13.4: Trends in Key BOP Indicators in Senegal**

ITEM	2018	2019	2020	2018	2019	2020
	(Amount in billions of CFAF)			As percentage of GDP		
Current account transactions	-1230.4	-1112.1	-1739.3	-9.6	-8.1	-12.6
Goods and services	-2040.1	-1953.6	-2827.0	-15.9	-14.3	-20.4
Balance of goods	-1886.4	-1687.7	-1957.8	-14.7	-12.4	-14.1
Export of goods FOB incl.:	2147.4	2594.4	2226.3	16.7	19.0	16.1
Fish products	316.5	330.8	311.4	2.5	2.4	2.3
Groundnut products	63.6	153.1	158.3	0.5	1.1	1.1
Phosphoric acid	194.6	194.3	176.9	1.5	1.4	1.3
Petroleum products	304.0	477.7	244.6	2.4	3.5	1.8
Gold	350.8	403.4	425.4	2.7	3.0	3.1
Import of goods FOB	-4033.8	-4282.1	-4184.1	-31.4	-31.4	-30.2
Balance of services	-153.7	-265.9	-869.2	-1.2	-2.0	-6.3
Primary income	-333.8	-383.8	-303.0	-2.6	-2.8	-2.2
Including interest on debts	-210.3	-232.9	-243.9	-1.6	-1.7	-1.8
Secondary income	1143.5	1225.3	1390.8	8.9	9.0	10.1
- Public administration	34.7	-11.8	230.8	0.3	-0.1	1.7
- Other sectors	1108.8	1237.1	1160.0	8.6	9.1	8.4
Incl. remittances	1271.6	1393.2	1464.1	9.9	10.2	10.6
b- Capital account	244.8	216.6	274.8	1.9	1.6	2.0
Acquisition/disposal of non-financial assets	-3.0	-3.1	0.0	0.0	0.0	0.0
Capital transfer	247.8	219.7	274.8	1.9	1.6	2.0
c. Current and capital account balance	-985.6	-895.5	-1464.5	-7.7	-6.6	-10.6
d- Financial account	-1508.1	-1036.9	-1260.3	-11.8	-7.6	-9.1
Direct investment	-441.6	-582.6	-753.5	-3.4	-4.3	-5.4
Portfolio investment	-858.9	-60.8	-196.5	-6.7	-0.5	-1.4
Other investments	-207.6	-393.5	-310.3	-1.6	-2.9	-2.2
Errors and omissions net	2.0	5.1	0.0	0.0	0.0	0.0
Overall balance	524.5	146.5	-204.2	4.1	1.1	-1.5
Change in Net Foreign Assets	-527.2	-146.5	204.2			
Coverage: Export b&s/Import b&s(percent)	59.0	63.6	49.2			
Degree of openness: (Export b&s+ Import b&s)/(2*PIB) (percent)	30.8	32.2	30.0			
Current balance/GDP (percent)	-9.6	-8.1	-12.6			
Current account balance excluding grants/GDP (percent)	-9.7	-8.0	-14.0			
Current account balance excluding public grants (CFAF billion)	-1249.9	-1094.1	-1934.3			
Foreign direct investment/GDP (percent)	3.4	4.3	5.4			
FDI growth rate (percent)	50.3	31.9	29.3			

Source : BCEAO/WAMA \* estimations \*\*provisions



637. The current account deficit widened to 12.6 percent of GDP (US\$ 1,739.3 million) in 2020, as against 8.1 percent of GDP (US\$ 1,112.1 million) in 2019, mainly due to an increase in the deficit of goods and services, linked in particular to a sharp rise in the deficit of services which was induced, among other things, by the decline in travels. The deficit on merchandise trade balance widened to 14.1 percent of GDP from 12.4 percent of GDP in 2019 as a result of a more than proportionate decline in exports (16.1 percent of GDP from 19.0 percent of GDP in 2019) compared to imports (30.2 percent of GDP from 31.4 percent of GDP in 2019). The effect of such decline was mitigated by improvements in the balances of primary and secondary income, which benefitted from budgetary support. Primary income account deficit improved to 2.2 percent of GDP from 2.8 percent in 2019. Similarly, the surplus balance of the secondary income improved to 10.1 percent of GDP from 9.0 percent of GDP in 2021 on account of increase in current transfer towards public administrative support.
638. The balance of the capital account stood at 2.0 percent of GDP (US\$274.8 million) in 2020 against 1.6 percent of GDP (US\$216.6 million) in 2019. This improvement was possible on the backdrop of general government and other capital transfers.

### 13.2. Status of Macroeconomic Convergence

639. Senegal met five (5) criteria in 2020, three (3) of which were primary criteria, namely those relating to inflation, budget deficit financing by the central bank and gross foreign exchange reserves. On the other hand, the country continues to experience difficulties controlling the budget deficit which stood at 6.5 percent of GDP against 3.9 percent in 2019. This deviation from the initial deficit is the result of the consequences of COVID-19, in addition to the measures taken by the authorities to relieve households and vulnerable businesses.

**Table 13.5: Status of Macroeconomic Convergence in Senegal**

	Target	2016	2017	2018	2019	2020	2021
<b>Primary criteria:</b>		3	4	3	3	3	3
i. Budget deficit/GDP (incl. grants)	≤ 3 percent	3.3	3.0	3.7	3.9	6.4	5.0
ii. Inflation (average)	≤ 10 percent	0.8	2.2	0.5	1.0	2.5	3.0
iii. Central bank financing of budget deficit	≤ 10 percent	0.0	0.0	0.0	0.0	0.0	0.0
iv. Gross foreign exchange reserves	≥ 3 months Imports	4.0	4.1	4.8	5.5	6.5	5.0
<b>Secondary criteria</b>		2	2	2	2	2	2
i) Nominal exchange rate stability	± 10 percent	0.4	-2.1	-2.6	-2.9	1.0	-1.6
ii) Total outstanding debt as a percent GDP	≤ 70 percent	43.8	47.2	61.2	57.3	62.8	65.3
<b>Number of criteria met</b>		5	6	5	5	5	5

Source: BCEAO/WAMA

640. With regard to the secondary criteria, all was met. The outstanding public debt was estimated at 62.8 percent of GDP at end-December 2020, below the 70 percent threshold retained in the multilateral surveillance framework. The nominal exchange rate appreciated by 1.0 percent against the WAUA at the end of December 2020 compared to a depreciation of 2.8 percent in the same period in 2019. This variation was within the threshold of +/- 10 percent retained in multilateral surveillance framework.

### 13.3. Prospects

641. In 2021, economic activity should pick up again following an imminent end to the crisis favoured by the vaccination campaign against the Coronavirus and remain on a new path of sustained

growth due to a more favourable internal and external environment. It will return to growth path also due to the relaunch of structural investments as part of the continued implementation of the projects and programs of the PES in its second phase of the adjusted and accelerated priority action plan. The consolidation of achievements through reforms, in particular, phase III of the PREAC, the second phase of the "compact with Africa", the medium-term revenue strategy (SRMT), for a restoration of budgetary margins, the modernisation of the administration (PAMA), and the development of PPPs would help maintain the dynamism of economic activity. PAP 2A also focuses on strengthening the private sector through the gradual modernisation of the economy and the optimisation and pooling of private sector support instruments, the development of agricultural production and the pharmaceutical industry in particular. Overall, economic activity is expected to increase by 5.2 percent compared to 1.5 percent in 2020. In terms of public finances, budget management will continue to support the various social sectors, as well as the growth-generating productive sectors, and the budget deficit is expected to be 5 percent of GDP in 2021.

#### **13.4. Conclusion and Recommendations**

642. In 2020, the Senegalese economy recorded positive growth due to the impressive performance of the agricultural sector, which mitigated the effects of the health crisis. However, the medium-term outlook would indicate a rapid return to very strong growth, in connection with the forthcoming exploitation of oil and gas fields. Fiscal consolidation is expected as early as 2023.
643. In order to consolidate achievements and improve performance, the Senegalese authorities are urged to take the following measures:
  - i. improves the conditions for increased private investment and efficiency of public investment in order to achieve the objectives of reviving growth after the negative effects of COVID-19;
  - ii. ensure proper implementation of PAP 2A;
  - iii. continue to implement policies to support and increase the productivity of the agricultural sector;
  - iv. strengthen efforts to increase tax revenue mobilisation by broadening the tax base, rationalising of expenditure, improving the organisational performance of tax and customs administrations, and combating fraud and corruption;
  - v. continue to improve the business climate to increase the attractiveness of FDI and improve the quality of public investment; and strengthen public debt management.

## 14. SIERRA LEONE

644. The macroeconomic thrust of the Government of Sierra Leone for 2020 is titled “Fiscal Consolidation for Human Capital Development and Job Creation”. Whilst the government focus on scaling-up investments in human capital development, it also lays out strategies and targeted interventions to develop skills and create jobs for her citizens, especially women and youth. This will create the workforce required for greater labour market participation and reduce poverty and inequality. Accordingly, the government of Sierra Leone prioritised fiscal consolidation for human capital development and job creation, enhanced by a thriving private-sector whilst leveraging on science and technology.
645. Sierra Leone’s real GDP growth nosedived to -2.2 percent in 2020 from 5.5 percent recorded in 2019. This development was occasioned by COVID -19 global pandemic, which affected nearly all countries, including Sierra Leone. Total and partial lockdowns had tremendous negative effects on the people's social and economic lives, leading to a marginal performance of the industrial, agricultural, trade and foreign sector activities, among others. Inflationary pressures increased during the year, mainly explained by shortages in production and supply of food, shortages in imports of consumables and other goods, loose monetary policy stance and underperformed fiscal efforts due to the lockdown.
646. The budget deficit (including grants) deepened to 5.62 percent in 2020, from 3.12 percent of GDP in 2019. This reflects a contraction in total revenue and grants, coupled with increase in total expenditure and net lending during the period under review.
647. The Bank of Sierra Leone (BSL) in 2020 reduced its MPR to 14.0 percent to encourage unhindered flow of credit to the private sector in an effort to rebuild the losses incurred during the lockdowns in 2020. Broad Money’s (M2) growth for the 12-month period ended, December 2020, increased to 38.2 percent from 14.3 percent recorded in December ended 2019. This growth was mainly attributed to the expansion in both NDA and NFA.
648. The overall balance of payment of Sierra Leone recorded a reduced surplus balance of US\$4.5 million in 2020 as against US\$21.2 million recorded in the year ended 2019. This decline in surplus is attributed to the country's national lockdowns and the export sector's inability to perform optimally, leading to a reduced financial inflow in the country. The Leone weakened against the US dollar both on average and end-period terms in 2020, primarily due to persistent high demand for foreign exchange to facilitate import payments.
649. On the macroeconomic convergence front, Sierra Leone’s performance declined in 2020. The country satisfied three (3) convergence criteria; one (1) primary and two (2) secondary, and missed out on the annual average inflation, the ratio of fiscal deficits including grants to GDP and central bank financing of fiscal deficits as percentage of previous year’s tax revenue during the review period 2020.

## 14.1. Sectoral Analysis

### 14.1.1. Real Sector

650. Sierra Leone's real GDP growth nosedived to -2.2 percent in 2020 from 5.5 percent recorded in 2019. This development was occasioned by COVID-19 global pandemic, which affected almost all countries in the world, including Sierra Leone. Total and partial lockdowns had tremendously negative effects on the social and economic lives of the people leading to marginal performance of the industrial, agricultural, trade and foreign sector activities, among others.
651. In 2020 agricultural growth rate contracted to 2.5 percent from 5.6 percent in 2019, due to low demand and unavailability of agricultural inputs as a result of national lockdown strategy adopted to quell the pandemic. Despite the ravaging COVID-19 with its attendant impacts, agricultural sector did not record negative growth because of the support received from the government, even distribution of rainfall across the country and the resilience of the farming population in Sierra Leone.
652. The secondary sub-sector of the economy plunged to -22.6 percent in 2020 compared to 10.9 percent growth rate achieved in 2019. This poor performance is again, due largely to the global and national lockdowns as a key strategy to defeat the deadly COVID-19.
653. GDP in the tertiary sector also indicated a growth of -3.2 percent in 2020 compared to the growth rate of 4.0 percent in 2019 and 4.1 percent in 2018. This development was also due largely to the national and global lockdowns, among other reasons which affected the hospitality industry, educational and other forms of consultancy services.

**Table 14.1: Trends in GDP and its Components in Sierra Leone**

Item	Percentage Change				Contribution GDP			
	2018	2019	2020*	2021**	2018	2019	2020*	2021**
Real GDP	3.5	5.5	-2.2	3.0				
SUPPLY								
Primary	3.9	5.6	2.5		1.9	2.7	1.3	
Secondary	-2.5	10.9	-22.6		-0.2	0.9	-2.1	
Tertiary	4.1	4.0	-3.2		1.5	1.4	-1.2	
DEMAND								
Final Consumption	na	na	na	Na				
Household								
Government Consumption								
Investment	na	na	na	Na				
Private Investment								
Government Investment								
Net External Demand	na	na	na	Na				
Exports								
Imports								
Memorandum Items								
GDP (Current prices) billions of leones	32,416.6	37,911.0	41,364.0	48,505.1				
GDP (Constant prices) billions of	9699.1	1010233.8	10013.2	10307.2				
Inflation								
Period Average	16.0	14.8	15.4	12.3				
End period	14.3	13.9	10.4	13.3				

Source: SSL, WAMA, IMF; Notes: Percentage contribution does not add up to the growth rates of GDP except the value of net taxes is added and FISIM is subtracted

654. Average inflation in 2020 was 15.5 percent as against 14.8 percent recorded in the preceding year 2019. This is due to contraction of production activities globally which has created some level of scarcity that affect prices of goods and services globally and Sierra Leone in particular. However,

the end period inflation was 10.4 percent at end-December 2020 as against 13.9 percent for end-December 2019.

#### **14.1.2. Fiscal Sector**

655. Government fiscal operations suffered a setback in 2020 due to the COVID-19 pandemic followed by global and national lockdowns truncating economic, financial and fiscal activities. The budget deficit, including grants deepened to 5.6 percent of GDP in 2020, from 3.12 percent in 2019. Similarly, the budget deficit (excluding grants) worsened to 11.2 percent of GDP in 2020, from 6.5 percent of GDP in the preceding year. The expansion in the budget deficit reflected the decrease in total domestic revenue, coupled with increases in total expenditure and net lending during the period.
656. Total revenue and grants grew to 19.0 percent of GDP (Le7.8 trillion), from 17.7 percent of GDP (Le 6.6 trillion) in 2019. However, domestic revenue decreased to 13.4 percent of GDP in 2020 from 14.3 percent in 2019. This development was driven by decreases in tax and non-tax revenue. Tax and non-tax revenue decreased to 10.4 and 2.8 percent of GDP in 2020, respectively relative to 11.2 and 3.2 percent of GDP in 2019. The decline in tax revenue was underpinned by decreases in receipts from income, goods and services, as well as customs and excise taxes during the year, partly due to the health pandemic. This development undermined the fiscal authority's policy measures such as streamlining operations at the country's ports and upgrading from the use of ASYCUDA++ to ASYCUDA World. It equally undermined government's policy of subsidy removal and the implementation of the TSA which would have improved government's revenue generation capacity.
657. Grants received in 2020 rose to 0.06 percent of GDP from 0.03 percent of GDP in 2019. The increase reflected disbursements for budgetary support and project grants during the review period.
658. Total expenditure and net lending increased by 28.8 percent compared to the corresponding period of 2019, mainly explained by the increase in expenditure on goods and services.
659. Recurrent expenditure rose by 22.0 percent in 2020 compared to 2019 and represented 17.2 percent of GDP in 2020 relative to 15.4 percent of GDP in 2019. This development is primarily due to increases in public spending on wages and salaries, and subsidies and transfers.
660. Capital expenditure as a percentage of GDP increased to 7.4 percent of GDP in 2020 compared to 5.4 percent of GDP in 2019. The increase was mainly occasioned by rise in external financing for capital investment projects. Externally financed capital expenditure amounted to 4.2 percent of GDP in 2020 compared to 3.0 percent of GDP in 2019. On the other hand, the domestic financed capital expenditure was 3.2 percent of GDP in 2020 relative to 2.4 percent in 2019.
661. Public debt stock grew to 69.0 percent of GDP as at end-December 2020, compared to 61.0 percent of GDP as at end-December 2019. This increment was attributed to growth in both domestic and external debt. Domestic and external debt accounted for 20.0 percent of GDP and 49.0 percent of GDP at end-December 2020, from 17.0 percent of GDP and 44.0 percent of GDP as at end-December 2019, respectively.

**Table 14.2: Trends in Key Fiscal Indicators in Sierra Leone**

	2018	2019	2020*	2021**	2018	2019	2020*	2021**
Item	percent change				percent of GDP			
Total Revenue and Grants	27	30.5	17.2	18.7	15.8	17.7	19.0	19.4
Domestic Revenue	33.6	21.5	2.4	16.5	13.7	14.3	13.4	
Tax Revenue	24.1	20.2	1.4	28.4	10.8	11.2	10.4	11.4
Non-Tax Revenue	77.7	26.3	-4.3		2.9	3.2	2.8	2.0
Grants	-0.4	89.1	78.9	9.6	0.02	0.03	0.06	5.3
Total Expenditure and net Lending	6.6	14.7	28.8	11.7	0.2	0.2	0.3	23.5
Total Expenditure	6.3	14.7	-85.5	12.7	21.1	20.9	2.8	23.5
Recurrent Expenditure	15.2	22.0	22.0	2.3	14.7	15.4	17.2	15.1
Wages & Salaries	8.8	25.8	26.1	7.6	6.4	6.9	8.0	7.3
Goods and Services	-1.3	10.4	21.1	-18.3	3.3	3.1	3.5	2.4
Subsidies and Transfers	31.1	25.5	29.6	9.1	2.2	2.4	2.9	2.7
Total interest payments	-9.7	24.4	7.3	5.7	2.8	3.0	3.0	2.7
Domestic Interest	-36.5	25.4	7.0	4.6	2.5	2.7	2.7	2.4
Foreign Interest	13.0	15.7	9.7	14.6	0.3	0.3	0.3	0.3
Capital Expenditure	-9.7	-2.0	48.2	27.9	6.4	5.4	7.4	8.1
Foreign Loans and Grants	NA	-18.9	49.5	57.3	4.4	3.0	4.2	5.6
Domestic	-36.5	33.4	46.5	-10.3	2.1	2.4	3.2	2.5
Lending minus Repayment	NA	NA	NA	NA	0.0	0.0	0.0	0.0
Budget Deficit (incl. Grants)	27.7	-32.0	97.0	-13.4	-5.3	-3.1	-5.6	-4.2
Budget Deficit (excl. Grants)	21.6	2.3	87.6	-1.9	-7.4	-6.5	-11.2	-9.2
Domestic primary balance	-90.0	127.9	609.3	-56.4	-0.3	-0.6	-4.1	-1.5
<b>Public Debt Stock</b>					<b>58.7</b>	<b>61.0</b>	<b>69.0</b>	<b>71.3</b>
External					41.2	44.0	49.0	48.8
Domestic					17.5	17.0	20.0	22.5

Source: Ministry of Finance, Sierra Leone, IMF, WAMA

### 14.1.3. Monetary Sector

662. The MPC met on 18<sup>th</sup> March 2020 and resolved to reduce the MPR by 150 basis points from 16.50 percent in February 2020 to 15.00 percent in March 2020. Similarly, the Lending and Deposit Facility rates were also reduced by 150 basis points from 20.50 percent and 13.50 percent to 19.00 percent and 12.00 percent, respectively. However, the interbank rate increased from 18.77 percent in February 2020 to 18.50 percent in March 2020. The commercial banks' average lending and savings deposits rates remained unchanged at 21.35 percent and 2.38 percent, respectively.
663. Broad money supply (M2) growth for the 12-month period ended December 2020, was 38.2 percent compared to 14.3 percent recorded in December 2019. This growth rate was mainly attributed to the expansion in both NDA and NFA.
664. NFA grew from 10.5 percent at end 2019 to 49.4 percent at end 2020. It is projected to grow at 10.7 percent in 2021 as stability of economic activities return in the country. The sharp increase in NFA resulted from increase in foreign assets and reduction in foreign liabilities of the BSL at the end of December 2020.
665. At end-December 2020, NDA growth stood at 34.4 percent against 15.6 percent in 2019. This development is due largely to increases in claims on government and claims on the private sector. NFA and NDA contribution to broad money (M2) development in the year ended December 2020 were 12.4 and 25.8 percent, respectively. At end-2021 NFA and NDA contribution to M2 is projected at 2.9 percent and 6.6 percent, respectively.

666. The increase in broad money supply (M2) was impacted by both narrow money supply and quasi money. The increase in M1 was influenced by the expansion in both currency in circulation and demand deposits.

**Table 14.3: Growth in Key Monetary Aggregates in Sierra Leone**

Item	2018	2019	2020*	2021**	2018	2019	2020*	2021**
<b>Assets</b>	<b>Percentage Change</b>				<b>Contribution to M2 Growth</b>			
NFA	-10.6	10.5	49.4	10.7	-3.5	2.7	12.4	2.9
Net Domestic Assets	26.9	15.6	34.4	9	18	11.6	25.8	6.6
Net Claims on Government	21.1	19.9	36.8	36	14.2	14.1	27.4	26.5
Claims on private sector	31.7	28.4	3.1	26.7	6.2	6.4	0.8	5.1
Other items, net (assets +)	6.9	30.6	9.7	120.2	-1.6	-6.7	-2.4	-23.8
<b>Liabilities</b>								
Broad money (M2)	14.5	14.3	38.2	9.5				
Narrow money (M1)	12	17.5	49.9					
Currency with public	13.2	17.8	37.6					
Demand deposits	10.8	17.2	62.6					
Quasi money (incl. For. Curr. Deps.)	16.6	11.6	27.8					
<b>Memorandum</b>								
Reserve money (12 months change in percent)	6.5	12.4	54.8					
Money multiplier (M2+/RM)	3.1	3.1	2.8					
Money multiplier (M2+/RM)	3.1	3.1	2.8					
NFA growth	-10.6	10.5	49.5					
NDA growth	26.9	15.6	34.4					
Currency-to-deposit ratio (percent)	30.2	31.4	31.2					

Source: BSL, IMF, WAMA

#### 14.1.4. External Sector

667. The external sector performance declined in 2020 due largely to the reduced performance of the export sub-sector, the negative impact of the import sub-sector, and decrease of net income as well as underperformance of the financial accounts balance among other reasons. The overall BOP of Sierra Leone was a reduced surplus balance of US\$4.5 million in 2020 as against US\$21.2 million recorded in the year ended 2019. This decline in surplus is attributed to the national lockdowns in the country and the inability of the export sector to perform optimally leading to reduced financial inflows in the country.

668. The current account balance improved to a deficit of 15.0 percent of GDP in 2020 from 22.2 percent of GDP in the year ended 2019. This development is explained by decrease in imports and improvements in net transfers despite the global COVID-19 pandemic. The export component of BOP underperformed compared to the year ended 2019. The export item of the BOP account declined in contribution to GDP at 14.2 percent in 2020 relative to 16.2 percent contribution to GDP in 2019.

669. The income account (net) deficit worsened marginally at US\$69.5 million in 2020 against US\$69.3 million in 2019. The deterioration in income account (net) was mainly attributed to higher payments for investment liabilities. Net Current transfers increased to 8.4 percent of GDP in 2020, from 5.6 percent of GDP in 2019, occasioned by increase in official transfers.

670. The capital accounts improved to 3.0 percent of GDP in 2020, from 2.0 percent of GDP in 2019, on account of improvement in capital transfers

671. Transactions in the financial account balance declined to 7.1 percent of GDP in 2020, from 13.1 percent of GDP (US\$539.0 million) in 2019, primarily driven by decrease in direct investment

inflows (net). Direct and portfolio investment inflows (net) decrease amounting to 6.1 percent of GDP in 2020 relative to 8.3 percent of GDP recorded in 2019.

**Table 14.4: Trends in Key BOP Indicators in Sierra Leone**

Item	2018	2019	2020*	2021**	2018	2019	2020*	2021**
	US \$ (millions)				As percent of GDP			
Current Account Balance	-761.8	-915.4	-629.9	-629.3	-8.2	-22.2	-15.0	-14.2
Trade Balance	-570.8	-720.9	-620.0	-469.1	-12.9	-17.5	-14.7	-10.6
Exports (fob)	639.2	667.1	596.5	832.5	14.6	16.2	14.2	18.8
Imports (fob)	-1210.0	1388.0	-1221.5	-1301.6	-27.6	33.7	-29.1	-29.4
Services (net)	-304.9	-355.4	-288.9	-3536.0	-6.7	-8.6	-6.9	-80.0
Income (net)	-68.8	-68.3	-69.5	73.8	-2.4	-1.7	-1.7	1.7
Current Transfers (net)	182.6	229.1	353.4	-267.2	13.8	5.6	8.4	-6.0
Capital and Financial Account Balance	257.4	620.5	384.5	483.4	10.3	15.1	9.1	10.9
Capital Account (net)	66.3	81.5	125.2	87.5	3.0	2.0	3.0	2.0
Financial account (net)	191.2	539.0	296.9	290.2	7.3	13.1	7.1	6.6
Foreign Direct and portfolio investment	250.5	342.5	256.9	269.2	4.9	8.3	6.1	6.1
Other investment (net)	-59.3	196.9	40.0	20.9	2.4	4.8	1.0	0.5
Errors and Omissions	480.7	316.1	250.1	0.0	-3.2	7.7	5.9	0.0
Overall Balance	-23.7	21.2	4.5	20.9	-1.1	0.5	0.1	0.5
Financing	23.7	-21.2	-4.5	145.9	1.1	0.5	-0.1	3.3
Memorandum Items								
Gross External Reserves	481	507	677	695	-9.9	5.4	33.5	2.7
Months of Imports Cover	3.2	3.8	4.7	4.7				
Average Exchange Rate	7,932.0	9,016.0	9,830.3	9,830				

Source: BSL and IMF Prov data. WAMA

672. The gross international reserves grew by 33.5 percent at end-December 2020, from 5.4 percent at end-December, 2019, largely due to increased financial inflows. Accordingly, gross external reserves in months of imports cover rose to 4.7 percent during the review period, 2020 from 3.8 percent in 2019, mainly explained by decline in imports of goods and services. Similarly, the annual average exchange rate of the Leone weakened against the US dollar to 9.0 percent in 2020 compared to 8.3 percent depreciation of the Leone recorded in 2019.

## 14.2. Status of Macroeconomic Convergence

673. The performance of Sierra Leone on the macroeconomic convergence criteria declined in 2020. The country achieved (3) convergence criteria (one- primary and two-secondary) in 2020 compared to four (4) (two -primary and two -secondary) in 2019. In 2020, the primary criteria satisfied by the country is gross external reserves (in months of import cover) as well as two (2) secondary criteria, ratio of public debt to GDP and exchange rate stability.

**Table 14.5: Status of Macroeconomic Convergence in Sierra Leone**

Convergence Criteria	Target	2018	2019	2020*	2021**
<b>Number of primary criteria satisfied</b>		<b>01</b>	<b>2</b>	<b>1</b>	<b>1</b>
Fiscal Deficit including grants/GDP (percent GDP)	≤3percent	5.3	3.1	5.6	4.2
Inflation (Period Average)	≤ 5percent	16.0	14.8	15.4	12.3
Central Bank Financing of Fiscal Deficit as percent of previous year's tax revenue	≤10percent	15.2	1.5	47.0	20.0
Gross External Reserves (in months of import cover)	≥3 months	3.2	3.8	4.7	4.7
<b>Number of secondary criteria satisfied</b>		<b>2</b>	<b>2</b>	<b>2</b>	<b>1</b>
Exchange Rate stability	±10percent	-8.7	-9.7	-9.2	-9.5
Public Debt/GDP (percent)	≤70percent	58.7	61.0	69.0	70.3
<b>Total number of criteria satisfied</b>		<b>3</b>	<b>4</b>	<b>3</b>	<b>2</b>

Sources: WAMA (\*) Preliminary; (\*\*) Projections



### **14.3. Prospects**

674. The outbreak of the COVID-19 pandemic has given rise to a weaker economy in Sierra Leone due to restriction of people and goods as measures for combating COVID-19. The government was proactive in containing the dangerous effects of the virus. In spite of the measures, so much socio-economic losses were incurred in 2020 which led to recession. As the country recovers from the health pandemic, it is projected that growth will hit 3.0 percent in 2021 as against -2.2 percent in 2020. The projection implies that the economy should bounce back to a growth path in 2021. It is also projected that inflationary pressure will moderate in 2021 as production activities are restored globally given that borders are being opened and the lockdown has been relaxed. Although, end-period inflation is projected at 13.3 percent, average inflation will moderate to 12.3 percent in 2021.
675. Fiscal operations is expected to gradually return to near normal in 2021, mainly due to the success of the country in the fight against the impact of COVID-19. Consequently, the budget deficit is projected to narrow to -4.2 percent of GDP in 2021 from -5.6 percent in 2020. Public debt would increase at 70.3 percent of GDP due to the worsened deficit caused by the pandemic.
676. In light of the above, Sierra Leone's performance on the macroeconomic convergence front is projected to remain at the same level in 2021 as the country struggles out of recession. The country is projected to satisfy only one primary criterion (import cover) and the two secondary criteria in 2020, the ratio of public debt to GDP and exchange rate stability.

### **14.4. Conclusion and Recommendations**

677. The economy of Sierra Leone weakened due to the COVID-19 pandemic as series of lockdowns were implemented to contain the deadly virus. Diversification to iron-ore and other forms of mining activities, increased investment in agriculture, expansion of non-traditional exports and efficiency gains from policy reforms are the ways to jumpstart the economy again. However, there are downside risks to growth, stemming from low manufacturing and iron ore production, inadequate investment in agriculture and global uncertainty related to the COVID-19 pandemic.
678. The implementation of sound fiscal consolidation measures, on revenue mobilisation and expenditure rationalisation, contributed to reduce economic waste and central bank financing of government activities. Nevertheless, fiscal operations remained challenged by large arrears and high cost of servicing domestic debt, high exchange rate risk and its impact on servicing external debt as well as the impact of the health pandemic. Additionally, the domestic debt market remained shallow with the absence of medium to long term debt instruments.
679. MPR reduction to encourage credit flow to the private sector has led to increase in inflation. Inflation remained in double digits, stemming from exchange rate pass-through to domestic prices given the strong import demand and limited inflows from exports.
680. Gross external reserves position grew at end-December, 2020 and remained well above the minimum level of three (3) months of imports cover. Nonetheless, the economy's capacity to absorb external shocks remained low due largely to lack of diversification, driven by the over-reliance on the main primary export commodities.

681. Relative to macroeconomic convergence, the country recorded a decline in performance as it met three criteria. (1) primary criteria (gross reserves in months of import cover), and two secondary criteria (public debt and exchange rate stability) during the review period. However, rising consumer prices and depreciation of the Leone remained major challenges during the review period.

682. In light of the macroeconomic situation in 2020, the authorities are advised to:

- i. continue to rationalise public expenditure by cutting on non-essential public spending and redirect outlays toward COVID-19 recovery efforts
- ii. continue efforts in promoting the growth of agriculture and its value chain. Government should also promote and encourage the survival of small and medium scale enterprises given their challenges in the post pandemic period;
- iii. diversify the economy and reduce over reliance on the mining sub-sector of the economy especially iron ore and reduce economic shocks. This can be achieved by exploring agriculture and its value chain for exports so as to ensure exchange rate stability and improved foreign exchange earnings;
- iv. sustain the promotion of private sector investment in energy to help minimise disruptions as means of attracting foreign direct investment;
- v. continue to implement fiscal consolidation measures in order to create fiscal space for spending in priority sectors, and strengthen public financial management such as the continued implementation of the Single Treasury Account and minimisation of domestic borrowing; and
- vi. improve the domestic debt market through the introduction of instruments with medium-to-long term maturities to reduce foreign currency risk and debt service burden.

## 15. TOGO

683. Macroeconomic performance was negatively affected by the health crisis in 2020 as elsewhere in the world. Pre-pandemic real GDP growth for 2020 was projected at 5.5 percent and later revised to 3.0 percent. However, initial provisional data indicate an economic growth rate of 0.7 percent which was later revised to 1.8 percent compared with 5.5 percent in 2019. Weak growth of the services sector which had been the main driver of growth, largely contributed to the performance of output in the year. Inflation nevertheless remained moderate, albeit above the 2019 level.
684. The Togolese government has since 2016 embarked on the policy of reducing the budget deficit (on a commitment basis, including grants), which fell from 6.1 percent of GDP in 2016 to 0.9 percent of GDP in 2019 and an initial forecast of 1.9 percent for 2020. However, the impact of COVID, both in terms of additional COVID-related expenditure such as support for vulnerable populations, subsidies for water and electricity, the provision of basic products, and the deferral of corporate taxes, exacerbated the budget deficit. Nevertheless, the government has stated its intention to reduce the deficit to below 3 percent of GDP by 2024-2025.
685. The monetary situation was characterised by an 11.4 percent increase in money supply, as against 4.5 percent recorded in 2019, as NFA increased by 33.5 percent against 30.0 percent in 2019 contrary to domestic claims which declined by 2.0 percent against 6.2 percent in 2019, under the effect of the contraction in the growth of claims on the economy, including the decline in claims on public non-financial companies and the decline in the growth rate of claims on the private sector.
686. The deficit in the current account of the BOP worsened, reaching over five times that of 2019, whereas it had fallen a year earlier; this was due to a worsening deficit on the balance of goods and services, which rose by 31.9 percent compared with only 0.4 percent in 2019. The overall balance recorded surplus as in 2019, up by 43.7 percent to reach 5.7 percent of GDP.
687. The country met three primary criteria but missed out on the criterion on budget deficit. It also met the two secondary criteria during the period under review, making a total of five (5) convergence criteria satisfied by the Country. The outlook indicates that in 2021 the country will maintain the level of performance in 2020. Sectoral Analysis

### 15.1.1. Real Sector

688. The economy declined under the effect of the recession in the global economy resulting from COVID-19 health and economic crisis. Growth stood at 1.8 percent in 2020<sup>6</sup> compared with 5.5 percent in 2019, due to the poor performance in the services sector, which had been the engine of growth prior to pandemic. However, the primary sector performed relatively well, recording a growth of 4.0 percent.
689. Indeed, the primary sector benefited from good agricultural production despite the containment measures that were detrimental to economic activity in other sectors. Thus, growth rose from 1.9

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<sup>6</sup> The provision growth rate of 1.8 percent for 2020 was the improved provisional number after an initial estimate of 0.7 percent

percent in 2019 to 4.0 percent in 2020, contributing 1.2 percentage points to growth compared with 0.4 percentage points in 2019.

690. The secondary sector recorded moderate growth at only 0.8 percent in 2020 compared with 6.5 percent in 2019. This was due to a counter-performance in two areas of activity, namely the "energy and water" and "manufacturing industries". Thus, the production of electricity and water recorded a 7.4 percent drop in value added in 2020 against an increase of 10.6 percent in 2019, while manufacturing industries recorded a paltry growth of 0.1 percent against 6.3 percent in 2019. There was, however, a significant increase in value-added in Mining and quarrying (31.0 percent) compared to a decline of 14.1 percent, as well as in construction and public works, which recorded an increase in value-added of 2.3 percent compared to 13.1 percent in 2019. The sector contributed only 0.5 percentage point to growth in 2020 compared with 1.4 percentage points recorded in 2019.
691. The tertiary sector recorded a slight increase of 0.1 percent in 2020 compared with 4.5 percent in 2019 due to the poor performance of trade and transport sectors. The lockdown imposed during the early stages of the pandemic had a profound impact on transport and trade, which are predominant in urban areas. Trade recorded a 3.1 percent drop in value-added as against an increase of 4.2 percent in 2019, while transport witnessed a fall in value-added by 1.4 percent against an increase of 4.5 percent the previous year. However, banking and insurance recorded an increase in value-added of 1.6 percent against 5.1 percent in 2019 as well as other non-market services which grew by 1.2 percent against 5.1 percent in 2019. In summary, the tertiary sector contributed 0.1 percentage points compared to 3.7 percentage points in 2019. Duties and taxes fell, contributing -0.4 percentage points to real GDP growth.
692. Growth on the demand side was driven mainly by gross fixed capital formation and net exports of goods and services. Gross fixed capital formation increased to 21.3 percent in 2020 against 20.2 percent in 2019. Net exports of goods and services increased to 3.6 percent as against 1.0 percent in 2019, while imports of goods and services recorded an increase of 4.1 percent in 2020 as against 1.2 percent in 2019. Final consumption, however contracted by 3.9 percent against an increase of 2.0 percent in 2019. This was due to the decline in private final consumption (of households and non-profit institutions serving households) during the health crisis that affected economic activity during the year. In contrast, final consumption by government rose by 1.4 percent compared to the previous year when it fell by 2.9 percent.
693. Inflation averaged 1.8 percent in 2020 compared to 0.7 percent in 2019, due to the increase in the prices of "food and non-alcoholic beverages", "communication" and "alcoholic beverages, tobacco and drugs". Indeed, due to the health crisis and the containment measures, the prices of food products went up by 3.4 percent against a decrease of 0.5 percent in 2019, the cost of communication increased by 4.6 percent against a decrease of 2.6 percent in 2019 as well as alcoholic beverages, tobacco and narcotics whose prices increased by 4.5 percent against only 1.3 percent in 2019.

**Table 15.1: Trends in GDP and its Components in Togo**

	2018	2019	2020*	2021**	2018	2019	2020*	2021**
Item	percent Changes				As contribution to Growth			
<b>Real GDP</b>	5.0	5.5	1.8	4.8	5.0	5.5	1.8	4.8
<b>SUPPLY</b>								
Primary sector	3.2	1.9	4.0	4.6	0.7	0.4	1.2	0.7
Secondary sector	3.9	6.5	0.8	4.8	0.8	1.4	0.5	0.8
Tertiary sector	6.6	4.5	0.1	4.	3.4	3.7	0.1	3.4
ITD and domestic VAT	2.2	18.7	-4.2	6.0				
<b>Demand</b>								
Final consumption	5.7	2.0	-3.9	5.8				
Public consumption	23.1	-2.9	1.4	0.1				
Private consumption	2.8	3.0	-4.9	6.9				
Gross fixed capital formation	16.8	20.2	21.3	2.5				
Net export								
Export of goods and services	2.0	1.0	3.6	3.5				
Import of goods and services	5.3	1.2	4.1	4.6				
<b>MEMORANDUM ITEM</b>								
GDP (current price) billions of CFAF	3950.4	4230.6	4300.9	4580.2				
GDP (constant prices) billions of CFAF	3915.4	4129.2	4157.9	4355.1				
Deflator (percent)	1.3	1.5	1.0	1.7				
Average inflation	0.9	0.7	1.8	3.0				
End period inflation	1.7	0.1	2.9	1.7				

Source: BCEAO/WAMA (\*) estimation (\*\*) Projection

### 15.1.2. Fiscal Sector

694. The government's amended the law on the fiscal sector for the implementation of anti-COVID measures. The Togolese government quickly implemented the "Novissi" programme, which sought to provide the most vulnerable individuals and families with monthly financial support during the state of emergency by distributing financial resources without compensation, i.e., a sum of almost 12 billion CFA francs (around 18 million euros). As a result, the commitment-based budget deficit, including grants, increased to 7.1 percent of GDP, compared with -0.9 percent in 2019. The cash-based deficit also stood at 7.1 percent of GDP while the primary balance was in deficit of 4.8 percent of GDP in 2020 against a surplus of 1.8 percent of GDP in 2019.
695. The situation of the state's financial authorities was not favourable during the year due to revenue losses resulting from COVID-19 control measures and the mitigation of its economic implications. Tax revenue therefore grew by a meagre 1.2 percent compared to 3.6 percent in 2019. This slight increase was the result of a 4.6 percent rise in tax compared with 14.5 percent. The tax burden (tax revenue to nominal GDP) rose from 14.8 percent of GDP in 2019 to 15.2 percent of GDP in 2020. On the other hand, non-tax revenues fell by 5.0 percent compared to a greater decline of 35.0 percent in 2019. Grants also fell by 16.3 percent compared to an increase of 15.6 percent in 2019.
696. Total expenditure and net lending rose sharply by 50.1 percent in 2020 compared to a decline of 4.5 percent in 2019 as a result of the sharp rise in current and capital expenditure during the year. Recurrent expenditure recorded an increase of 18.2 percent in 2020 against 6.2 percent in 2019, linked to purchases of goods and services, transfers and grants, interest on debt and salaries and wages, which rose by 27.9 percent, 18.8 percent, 16.6 percent and 9.4 percent in 2020 respectively against 0.3 percent, 5.2 percent, 22.0 percent and 6.2 percent in 2019.

697. In terms of financing the deficit on a cash basis, which main source remained external resources, notably loans, went up by 97.8 percent, and other sources of external financing, rose by 8.9 percent. Domestic financing, which accounted for only 28 percent of the total deficit financing also increased by 186.0 percent, especially financing from the non-bank sector.

**Table 15.2: Trends in Key Fiscal Indicators in Togo**

Item	2018	2019	2020	2021**	2018	2019	2020	2021**
	Percentage changes (percent)				As percent of GDP			
<b>RECEIPTS AND GRANTS</b>	<b>7,4</b>	<b>7,4</b>	<b>0,7</b>	<b>12,4</b>	<b>19,4</b>	<b>19,4</b>	<b>19,2</b>	<b>20,3</b>
<b>BUDGET INCOME</b>	<b>6,2</b>	<b>5,9</b>	<b>3,6</b>	<b>1,2</b>	<b>16,7</b>	<b>16,5</b>	<b>16,8</b>	<b>16,0</b>
Tax revenues	-2,9	14,5	4,6	0,2	13,8	14,8	15,2	14,3
Non-tax revenues	84,6	-35,0	-5,0	10,5	2,8	1,7	1,6	1,7
GRANTS	19,6	15,6	-16,3	91,8	2,7	2,9	2,4	4,3
<b>TOTAL EXPENDITURE AND NET LENDING</b>	<b>9,9</b>	<b>-4,5</b>	<b>50,1</b>	<b>-7,1</b>	<b>20,0</b>	<b>17,8</b>	<b>26,3</b>	<b>22,9</b>
<b>TOTAL EXPENDITURE</b>	<b>9,9</b>	<b>-4,5</b>	<b>50,2</b>	<b>-7,1</b>	<b>20,0</b>	<b>17,8</b>	<b>26,3</b>	<b>22,9</b>
RECURRENT EXPENDITURE	8,1	6,2	18,2	-3,9	14,9	14,7	17,1	15,5
Wages and salaries	3,9	7,1	9,4	5,3	5,1	5,1	5,5	5,4
Purchases of goods and services	0,8	0,3	27,9	-16,8	5,1	4,7	6,0	4,7
Transfers and grants	12,8	5,2	18,8	-5,4	2,9	2,9	3,4	3,0
Interest due	44,7	22,0	16,6	10,0	1,8	2,0	2,3	2,4
Interest on domestic debt	58,9	25,1	12,0	5,4	1,6	1,8	2,0	2,0
Interest on external debt	-10,9	1,0	56,6	38,1	0,2	0,2	0,3	0,4
<b>CAPITAL EXPENDITURE</b>	<b>15,6</b>	<b>-35,7</b>	<b>203,8</b>	<b>-13,8</b>	<b>5,1</b>	<b>3,1</b>	<b>9,2</b>	<b>7,4</b>
Financed with internal resources	-32,2	-89,7	2772,9	-11,8	1,8	0,2	4,9	4,0
Financed with external resources	86,9	-6,4	51,0	-16,2	3,3	2,9	4,3	3,4
NET LENDING	-134,4	-567,7	-168,7	-100,0	0,0	0,0	0,0	0,0
<b>OVERALL BALANCE (commitment basis) (including grants)</b>	<b>195,3</b>	<b>-395,8</b>	<b>-546,5</b>	<b>-60,3</b>	<b>-0,6</b>	<b>-0,9</b>	<b>-7,0</b>	<b>-5,9</b>
<b>OVERALL BALANCE (base engagement)</b>	<b>33,8</b>	<b>-57,9</b>	<b>649,1</b>	<b>-21,9</b>	<b>-3,3</b>	<b>-1,3</b>	<b>-9,5</b>	<b>-6,9</b>
<b>PRIMARY BALANCE</b>	<b>-165,5</b>	<b>615,8</b>	<b>-369,9</b>	<b>-31,1</b>	<b>0,3</b>	<b>1,8</b>	<b>-4,8</b>	<b>-3,1</b>
<b>OVERALL BALANCE (cash basis)</b>	<b>50,8</b>	<b>-57,3</b>	<b>712,1</b>	<b>-60,3</b>	<b>-2,2</b>	<b>-0,9</b>	<b>-7,1</b>	<b>-2,6</b>
FINANCING	50,8	-57,3	712,1	-60,3	2,2	0,9	7,1	2,6
Domestic financing	-6,3	-297,4	186,0	-72,6	1,3	-2,3	2,0	0,5
External financing	715,3	263,8	60,5	-55,5	1,0	3,2	5,1	2,1
<b>Public Debt Stock</b>					<b>55,5</b>	<b>51,9</b>	<b>58,6</b>	<b>59,2</b>
External					20,2	29,5	22,8	26,6
Domestic					35,3	22,4	35,8	32,6

Source: WAEMU/WAMA (\*\*\*) Projection

698. Public debt at the end of December 2020 stood at CFAF 2,555.5 billion, or 58.6 percent of GDP, compared with 51.9 percent in 2019. It comprised 80.5 percent of debt denominated in non-fluctuating currencies (CFAF and Euro). However, the public debt portfolio was influenced by fluctuations in certain major currencies, namely: the US dollar (6.9 percent); the CNY renminbi yuan (6.4 percent), and the Special Drawing Rights (SDR), the IDB (IDI) and ADB (UCF) units of account "SDR (SDR)-IDI-UCF" (5.1 percent).

699. The outstanding external debt stood at CFAF 981.3 billion at the end of December 2020 (38.4 percent of the portfolio), i.e., 22.8 percent of GDP, including 48.8 percent of commitments to multilateral creditors, 47.6 percent to commercial creditors and 3.6 percent to bilateral creditors.

700. Outstanding domestic debt was made up of loans denominated in CFA francs, amounting to CFAF1,574.2 billion at the end of December 2020. This outstanding debt is made up of debt securities (84.1 percent), loans from BOAD and other local banks (10.5 percent) as well as arrears payable for 5.4 percent.

### 15.1.3. Monetary Sector

701. The monetary situation was characterised by increase in the money supply of 11.4 percent against 4.5 percent in 2019. Its component of "Transferable deposits" increased sharply by 21.3 percent against 7.4 percent in 2019 as well as "Other deposits included in the money supply" which rose by 10.2 percent against 3.9 percent in 2019. As for currency in circulation, it recorded a decline of 3.9 percent against 1.0 percent in 2019. This decline in currency in circulation contrasted with a sharp increase in "Liabilities to other depository institutions" (bank reserves) resulted in an increase in the monetary base of 14.7 percent against 9.9 percent in 2019. Thus, the money multiplier fell slightly to 3.6 from 3.7 in 2019. The economy's liquidity ratio, which is the ratio of money supply to GDP, increased to 46.7 percent from 42.6 percent of GDP at the end of 2019.

702. With regards to counterparts of money supply, domestic claims (NCG and claims on other sectors) fell by 2.0 percent in 2020 as against 6.2 percent at the end of 2019. This change in domestic claims was linked to the evolution of the government's commitments to the banking system which fell by 70.1 percent, reflecting an improvement in the net position of the public sector vis-à-vis the banking system. On the other hand, claims on the economy slowed (0.3 percent in 2020 against 6.2 percent in 2019). This slight increase was beneficial to the private sector, as the banking system's claims on the sector rose by 2.5 percent compared with 4.1 percent in 2019. The ratio of claims on the economy to GDP (measuring the private sector's access to credit) fell slightly, as in 2019, to 30.4 percent of GDP compared with 30.8 percent of GDP at the end of 2019.

**Table 15.3: Growth in Key Monetary Aggregates in Togo**

	2 018	2 019	2 020	2 018	2 019	2 020
Item	<i>percent changes</i>			<i>Contribution to growth in money supply</i>		
<b>Offsets to money supply</b>						
<b>Net Foreign Assets</b>	2.8	30.0	33.5	<b>1.0</b>	<b>9.8</b>	<b>13.6</b>
<b>Domestic claims</b>	6.9	-6.2	-2.0	<b>5.9</b>	<b>-5.1</b>	<b>-1.5</b>
Net claims on central government	26.4	-78.7	-70.1	2.8	-9.5	-1.7
Claims on the economy	4.1	6.2	0.3	3.1	4.3	0.2
<b>Other items, net</b>	<b>-47.3</b>	<b>-45.6</b>	<b>-35.6</b>	<b>2.4</b>	<b>-0.1</b>	<b>-0.7</b>
<b>Money supply (M2)</b>	9.3	4.5	11.4			
Money supply M1	7.0	5.1	12.4			
Cash in circulation	12.5	1.0	-3.9			
Transferable deposits	4.1	7.4	21.3			
Other deposits included in money supply	12.1	3.9	10.2			
<b>M2/GDP (percent)</b>	43.7	42.6	46.7			
<b>Claims on the economy/GDP (percent)</b>	31.0	30.8	30.4			
<b>NFA/M2 (percent)</b>	32.6	40.5	48.5			
<b>Domestic debts /M2 (percent)</b>	83.1	74.6	65.6			
<b>Cash in circulation/M2 (percent)</b>	19.4	18.8	16.2			
<b>M2/Broad money (monetary multiplier)</b>	3.9	3.7	3.6			

Source: BCEAO/WAMA. Note: The growth of money supply was obtained by adding the contributions of NFA and domestic claims and subtracting the contributions of non-monetary liabilities and other items net.

703. NFA at the end of 2020 recorded an increase of 33.5 percent as against 30.0 percent at the end of 2019. This was due to the sharp rise in the NFA of banks which increased by 87.8 percent in 2020 against a decline of 2.4 percent in 2019 while the NFA of the central bank declined by 71.7 percent against an increase of 265.3 percent in 2019. Non-monetary liabilities (composed of shares and other equity in depository institutions and their non-monetary liabilities to other

sectors) recorded an increase of 9.9 percent in 2020 as against 13.9 percent at the end of 2019, while other net items fell by 35.6 percent.

704. Regarding contribution to growth in money supply, NFA contributed 13.6 in 2020 percentage points against 9.8 percentage points in 2019. The contribution of domestic claims to growth in money supply was -1.5 percent in 2020 compared with -5.1 percent in 2019, while non-monetary liabilities and other net items contributed 1.3 and 0.6 percent respectively.

#### 15.1.4. External Sector

705. The external sector recorded an improvement of the current account balance of CFAF 431.4 billion against CFAF -68.4 billion in 2019 and stand at 4.0 percent of GDP in 2020 against 0.8 percent of GDP in 2019. The deterioration was due to the increase in the balance of goods deficit at CFAF 12.7 billion against CFAF 2.0 billion in 2019. Although, export balance declined, it was not as much as the decline in imports, thereby accounting for the balance of goods account. The decline in both import and export was caused by the drop in global demand.

706. The surplus of the balances of the services, primary and secondary income accounts declined in 2020 against the surpluses recorded in 2019. The service account surplus fell by 58.2 percent in 2020 against an increase of 8.7 percent in 2019, while the primary income account fell by 47.8 percent against an increase 20.7 percent in 2019, due to the rise in interest on the external public debt. The secondary income account was down by 7.4 percent in 2020 against an increase of 29.5 percent in 2019, due to the decline in income from other sectors.

**Table 15.4: Trends in Key BOP Indicators in Togo**

Item	2017	2018	2019	2020*	2017	2018	2019	2020*
	<i>In percentage change</i>				<i>As percent of GDP</i>			
Current account transactions	-78.3	83.0	-68.4	431.4	-1.5	-2.6	-0.8	-4.0
Balance of goods	-34.6	16.3	2.0	12.7	-10.1	-11.0	-10.5	-11.6
Export of goods FOB	-3.7	1.5	3.0	-6.1	-10.1	-11.0	-10.5	-11.6
Import of goods FOB	-18.6	7.2	2.6	1.8	-26.0	-26.2	-25.1	-25.1
Import of goods CIF	-18.6	7.8	4.2	1.8	-29.4	-29.8	-29.0	-29.0
Balance of services	-2.8	5.6	8.7	-58.2	2.2	2.2	2.2	0.9
Primary income	-88.8	270.2	20.7	-47.8	0.1	0.3	0.3	0.2
Secondary income	14.9	0.8	29.5	-7.4	6.3	5.9	7.2	6.5
Capital account	-13.5	24.3	-3.3	30.4	3.8	4.4	4.0	5.2
Current and capital account balance	-189.6	-14.4	88.1	-64.4	2.3	1.8	3.2	1.1
Financial account	-148.5	-23.8	-150.6	554.7	2.1	1.5	-0.7	-4.5
Direct investments	-139.1	-298.4	-227.2	-194.7	-1.9	3.5	-4.2	3.9
Portfolio investments	-210.0	-48.0	160.1	-105.8	4.8	2.3	5.6	-0.3
Other investments	-83.9	499.5	-47.0	282.6	-0.8	-4.4	-2.2	-8.1
Net errors and omissions	-188.4	32.6	-3.4	-100.0	0.1	0.1	0.1	0.0
Overall balance	-83.7	68.7	898.3	43.7	0.3	0.4	4.0	5.7
<b>MEMORANDUM</b>								
<i>Average exchange rate (1 US\$)</i>	581,9370	555,6266	585,9512	575,5978				
<i>End of period exchange rate (1 US\$)</i>	546,9499	558,6493	588,8605	569,8306				
<i>External debt stock as percent of exports</i>								
<i>External debt stock as percent of GDP</i>								
<i>Coverage rate: Export bus/Import b&amp;s(percent)</i>	76.0	73.1	73.7	65.0				
<i>Degree of openness: (Export b&amp;s+ Import b&amp;s)/(2*GDP) (percent)</i>	28.8	28.3	27.2	25.2				

Source: BCEAO/WAMA (\*) estimation (\*\*): Projection

707. The capital account balance amounted to a surplus of CFAF 30.4 billion in 2020 against CFAF -3.3 billion in 2019. The financial account balance rose sharply to a surplus of CFAF 554.7 billion



in 2020 against CFAF -150.6 billion in 2019. Direct investment and portfolio investment fell to CFAF -194.7 billion and CFAF -105.8 billion, respectively in 2020, compared to CFAF -227.2 billion and CFAF 160.1 billion in 2019.

708. The overall balance was in surplus of CFAF 43.7 billion in 2020 against CFAF 898.3 billion in 2019. It stood at 5.7 percent of GDP in 2020 against 4.0 percent of GDP in 2019.

### 15.2. Status of Macroeconomic Convergence

709. The country met three (3) primary criteria, namely the criteria on the inflation rate, the financing of the budget deficit by the central bank and external reserves in months of import cover. However, the criterion on budget deficit was not met. The two secondary criteria, nominal exchange rate stability and total debt-to-GDP ratio were met. The debt ratio, however decreased after a revaluation of GDP. Indeed, Togo rebased its GDP in September 2020, leading to a 36.5 percent revaluation of the latter, taking 2016 as the base year.

710. The budget deficit, including grants was 7.1 percent of GDP compared to 0.9 percent of GDP in 2019. This increase was due to increased spending in response to the demands of the health crisis. According to the outlook for 2021, this deficit would decline to 2.6 percent of GDP in line with the decrease in extra-budgetary anti-COVID expenditure. Average inflation was 1.8 percent, compared with 0.7 percent in 2019, due to the rise in the price of food products and other essential commodities. With regard to financing of the budget deficit by the Central Bank, no WAEMU country benefits from central bank assistance to finance the budget deficit. The level of reserves stood at 6.5 months of imports in 2020 against 5.5 months in 2019 for the Union, thus ensuring that each Member State had adequate import cover of at least three months.

**Table 15.5: Status of Macroeconomic Convergence in Togo**

	Target	2017	2018	2019	2020*	2021**
<b>Primary criteria:</b>		<b>4</b>	<b>4</b>	<b>4</b>	<b>3</b>	<b>3</b>
i. Budget deficit/GDP (including grants)	≤ 3percent	0.2	0.6	0.9	7.0	5.9
ii. Inflation (average)	≤ 5percent	-0.2	0.9	0.7	1.8	3.0
iii. Financing of the budget deficit by the central bank	≤ 10percent	0.0	0.0	0.0	0.0	0.0
iv. Gross foreign exchange reserves (WAEMU)	≥ 3 months of import	4.1	4.8	5.5	6.5	5.0
<b>Secondary criteria</b>		<b>1</b>	<b>2</b>	<b>1</b>	<b>2</b>	<b>1</b>
i. Nominal exchange rate stability	± 10percent	2.10	2.6	-2.9	1.0	-1.6
ii. Total debt as percent of GDP	≤ 70percent	73.9	55.5	51.9	58.6	59.2
<b>Number of criteria met</b>		<b>5</b>	<b>6</b>	<b>6</b>	<b>5</b>	<b>4</b>

Sources: BCEAO, WAEMU, WAMA \*Estimation \*\*Projections

### 15.3. Prospects

711. The 2021-2025 period would witness the implementation of the economic recovery plan after the COVID-19 health crisis. Under the National Development Plan (NDP), the recovery strategy would seek to consolidate the results obtained at the macroeconomic level and in terms of structural reforms over the last five (5) years. Thus, economic activities would evolve in a national context marked by the implementation of priority projects and reforms planned by the Government through the implementation of major logistical infrastructures, the development of agricultural, manufacturing and extractive industry transformations as well as the strengthening of the social base.

712. Real GDP growth is expected to average 5.9 percent between 2021 and 2025, after 1.8 percent in 2020. Average inflation is expected to be 1.5 percent, reflecting a moderate change in the general level of prices in line with the regular supply of food products to the markets.
713. In terms of fiscal management, Togo has adopted the programme-budget approach to fiscal management in order to improve revenue collection and expenditure control. Tax reforms will focus on continued modernisation of tax administration, the creation of an attractive tax environment for private investment, ensuring tax equity and fairness and offering quality services to economic operators. The government's objective in terms of controlling public spending will focus on effectiveness and efficiency in strategic choices and management of budget allocations through the operationalisation of programme budgets throughout the public administration with a view to results-based management. Thus, budgetary revenue would be between 15 percent and 17 percent of nominal GDP over 2021-2025, or 16 percent on average per year. As for total expenditure, it would average 21.8 percent of GDP. Under these conditions, the overall balance, including grants, would go from -7.1 percent in 2020 to -2.6 percent in 2025.

#### **15.4. Conclusion and Recommendations**

714. The Togolese economy felt the shocks of the health and economic crisis as everywhere else in the world during the year 2020. Economic activity slowed down with a negative impact on other sectors such as the fiscal sector. Thus, the economic boom that began a few years earlier slowed down with a loss of growth of almost 4 percentage points compared to the previous year. Fiscal sector management was also hit by the anti-COVID measures, which resulted in a widening of the budget deficit, including grants, from 1.6 percent of GDP in 2019 to 7.1 percent of GDP in 2020.
715. Foreign trade resulted in a widening current account deficit and an overall surplus BOP. Monetary policy was accommodative with strong growth in the monetary base benefiting the private sector through credit expansion during the year. The performance in meeting the convergence criteria of the monetary programme is broadly satisfactory as the country has met five out of six criteria with the exception of the criterion on the budget deficit.
716. To consolidate achievements and improve performance to meet the convergence criteria, the Togolese authorities are urged to take the following measures:
- i. Sustain the fight against COVID-19 to help the economy bounce back to its track of growth.
  - ii. Continue to strengthen the business climate to encourage increased international private capital and private sector activity;
  - iii. Continue to implement policies to support and increase the productivity of the agricultural sector;
  - iv. Strengthen tax revenue collection, including tax arrears, and broaden the tax base through innovative actions, in particular the use of new communication technologies;

- v. Optimise current expenditure and continue to prioritise innovative projects, while ensuring the efficiency of public capital expenditure;
- vi. Ensure the implementation of the debt strategy set out in the 2012-2025 Medium Term Debt Strategy.

## GENERAL CONCLUSION AND RECOMMENDATIONS

717. The year 2020 was marked by the global health crisis which negatively impacted global growth with adverse consequences for developing economies like those of ECOWAS.
718. Growth of real GDP in the ECOWAS was estimated to have contracted by 1.1 percent in 2020 compared to the growth rate of 3.1 percent in 2019, explained by the negative impact of the pandemic on general economic activity. The contraction of economic activity in the region was premised on mitigation measures instituted to curb the spread of the COVID-19 virus and its impacts on human lives and different sectors of the economies of Member States. Consequently, consumptions, investments and net external demand dropped leading to sharp reductions in crude oil prices, travel and tourism, financial and other services among others. However, growth is projected to rebound to 3.8 percent in 2021, premised on the waning of the impact of the COVID-19.
719. Despite the decline in crude oil prices, average inflation accelerated to 11.2 percent in 2020 from 9.3 percent in 2019 and is expected to reach 13.3 percent in 2021. The acceleration of inflationary pressures was mainly induced by relative increase in prices of food and transportation during the lockdowns. Similarly, end-period inflation rose to 13.0 percent against the 9.7 percent recorded in 2019.
720. The aggregated overall budget deficit of the region (excluding grants) was equivalent to 5.0 percent of GDP in the reporting period compared to 3.5 percent of GDP in 2019. Including grants, the deficit stood at 4.5 percent of GDP from 3.2 percent a year earlier. This development followed the combined effect of decline in revenue and increase in expenditure. The rise in spending was intended to salvage Member States economies from severe outputs loss, shield the financial system from collapse and protect human lives.
721. The stock of public debt, as a percent of GDP rose to 27.7 percent in 2020 from 24.1 percent in 2019, reflecting the increase in both the domestic and external debt components of Member States.
722. Member Central Banks implemented policies, striking a balance between controlling inflation and providing liquidity to banking system and the economy as a whole. In so doing, Member States Central Banks eased monetary policy across the region in 2020 to help spur economic activity in the face of low aggregate demand experienced during the COVID-19 pandemic. Growth in broad money supply expanded to 13.6 percent from 8.5 percent at end-December 2019, mostly induced by expansion of NCG in some Member States and a surge in NFA in others. The significant rise in net claims on government in a number of countries during the reporting period led to central bank financing of the budget deficit in those economies during the period.
723. Development in external sector was less favourable in 2020 due mainly to worsening of current account balance couple with the worsening of primary and secondary income balances in some Member States. This situation was anchored on reduction in trade of most Member States.

Declines in direct investments inflow and other investments also had a negative impact on the external sector of the region. Projection of the sector shows that the current account deficit is expected to moderate to 3.2 percent of GDP in 2021 from 3.6 percent in 2020.

724. Assessment of the status of primary macroeconomic convergence in 2020 indicates that the performance on budget deficit significantly worsened as only two (2) Member States met the criterion. Furthermore, performance on central bank financing of the budget deficit and gross reserves in months of imports slipped during the review period due to financing needs caused by the pandemic. On the other hand, performance on average inflation remained unchanged due to lower oil price during the review period. Considering the secondary criteria, improvement was made by Member States with regards to nominal exchange rate stability while performance on public debt dropped.
725. Regarding 2021 projections, the overall performance under the macroeconomic convergence profile is expected to remain challenged as none of the Member State would meet all six (06) convergence criteria in 2021 compared to none in 2020, reflecting the lingering effect of COVID-19 on Member States.
726. Two (02) countries (Guinea and Liberia) are expected to satisfy the criterion on budget deficit in 2021, performance on central bank financing of the budget deficit is expected to improve. Ghana, Liberia, and Sierra Leone are expected to miss the benchmark due to the impact of COVID-19 financing gaps which may not be entirely closed in 2020. Regarding average inflation, performance is projected to be maintained in 2021. With respect to gross external reserves, fourteen (14) Member States would meet the target in 2021, an expected improvement over thirteen (13) Member States in 2020.
727. Projections for the secondary criteria show that all fifteen (15) Member States are expected to satisfy the target on exchange rate stability. On the public debt criterion, performance would likely slip further in 2021 as eleven (11) countries are expected to comply with the target against twelve (12) in 2020. The projected drop in the compliance level will be occasioned by the prolonged effect of the pandemic.
728. In a nutshell, real GDP growth in the Community is expected to rebound in 2021 to 3.8 percent from a contraction of -1.1 percent, supported by expected recoveries in all sectors, especially the industry and services sectors supported by proactive fiscal and monetary policy stance. Despite these positive outlooks, Member States would continue to face a number of challenges including:
- I. the over-reliance on industrial (mining) and service sectors which together made up 74.8 percent of GDP in 2020 from 75.8 in 2019. This shows that a larger proportion of the Community's output depends on external economic activities and international prices making the region susceptible to external shocks. In addition, growth remains non-inclusive to boost employment and aggregate demand as less investments are made into the agricultural sector which are domestically driven and involves large segment of the economy;

- II. revenue underperformance underpinned by challenges including poor implementation of appropriate tax reforms aimed at broadening the tax base necessary to mobilise the needed amount of domestic revenue;
- III. public debt stock, though, well below the threshold in most Member States, the rising trend of interest payment on debt remain a concern;
- IV. The financial sector remained generally safe and sound, however, high non-performing loans in some Member States suggest weakness in credit management practices within the sector;
- V. The significant rise in the net claims on government in some Member States increases the chance of central bank financing of the budget deficit beyond the prescribed limit; and
- VI. The Pandemic showed in clearly the inadequate access to health care services in most Member countries, if not all, due to underfunding and mismanagement of available resources have serious implications for productivity and economic development in the Community.

729. In response to the aforementioned challenges facing Member States, the following recommendations should be considered:

- I. Sustain efforts aimed at curbing the spread of the COVID-19 virus to facilitate speedy return to normalcy, whilst providing adequate infrastructure and facilities to improve access to health-care;
- II. Create adequate buffers to help minimise economic shocks and support accelerated all-inclusive growth by:
  - a) Encouraging investments and value-addition to raw materials, especially, in agriculture and mining whilst encouraging consumption of domestically produced goods; and
  - b) Supporting private sector productivity, especially of small and medium-scale enterprises, by addressing bottlenecks related to energy supply as well as access to capital.
- III. Enhance revenue by digitising tax collection mechanisms and strengthening related internal controls to minimise revenue leakages and identifying enterprises in the informal sector for tax purposes;
- IV. Strengthen implementation and monitoring of medium-term expenditure frameworks to ensure stricter rationalisation of spending on goods and services and minimisation of tax exemptions and subsidies; and
- V. Vigorously pursue effective debt management strategies to stabilise public debt.

730. In addition, specific recommendations have been made for each Member State in addition to the general recommendations formulated in the regional analysis. The appendix summarises these recommendations.

## APPENDIX 1: DASH BOARD OF RECOMMENDATIONS MADE TO MEMBER STATES

COUNTRIES	RECOMMENDATIONS
<b>BENIN</b>	<ul style="list-style-type: none"> <li>i. Sustain the fight against COVID-19 to help the economy bounce back to its track of growth</li> <li>ii. Supporting the private sector by improving the business climate to create employment opportunities;</li> <li>iii. Pursue the consolidation of public finances by improving the quality of public spending, particularly capital spending, and by implementing major infrastructure projects included in the 2017-2021 GAP more effectively and efficiently;</li> <li>iv. Improving the business environment to attract foreign direct investment; ensuring technology transfer and promotion of the private sector;</li> <li>v. Strengthen public-private partnership and improve investment conditions;</li> <li>vi. Accelerate Benin's digital transformation in order to ensure the availability of very high-speed internet throughout the country.</li> </ul>
<b>BURKINA FASO</b>	<ul style="list-style-type: none"> <li>i. implement actions outlined in the COVID-19 response plan to revive the economy, particularly in sectors heavily affected by the pandemic.</li> <li>ii. continue actions to combat terrorism and violent extremism;</li> <li>iii. improve the level of budgetary revenue collection to improve budgetary balances, notably through efficient management of the tax and customs administrations, broadening the tax base and combating tax evasion; and</li> </ul>
<b>CABO VERDE</b>	<ul style="list-style-type: none"> <li>i. Sustain the fight against COVID-19 to help the economy bounce back to its track of growth</li> <li>ii. Develop strategies for strong and inclusive economic growth;</li> <li>iii. implement rapid economic rescue measures, mainly aimed at providing essential liquidity and protecting populations hit by the sudden loss of income;</li> <li>iv. continue ongoing projects to ensure the development and modernisation of the agricultural sector through the improvement of irrigation systems in order to reduce the vulnerability of this sector to climate shocks;</li> <li>v. ensure rigorous monitoring of public debt management, especially external debt, which has been increasing exponentially since the dollar began to appreciate against the country's local currency.</li> </ul>
<b>COTE D'IVOIRE</b>	<ul style="list-style-type: none"> <li>i. Sustain the fight against COVID-19 to help the economy bounce back to its track of growth</li> <li>ii. promote the easing of the tense socio-political climate;</li> <li>iii. continue efforts to collect budgetary revenue by combating fraud and corruption and broadening the tax base, in particular by rationalising VAT exemptions and the tax measures provided for in the mining code and the investment code;</li> <li>iv. control public spending and improve its quality.</li> </ul>
<b>GAMBIA</b>	<ul style="list-style-type: none"> <li>i. roll out small and medium scale credit opportunities to assist cottage firms to bounce back to business and grow the economy given the negative effect of COVID-19;</li> <li>ii. reform the agricultural sector by initiating effective irrigation schemes to mitigate the negative impact of unreliable rainfall, delays and shifting weather patterns, land reforms, increase investments in agro-industries like forestry;</li> <li>iii. sustain remarkable pace of revenue collection innovations;</li> <li>iv. accelerate expenditure rationalisation policies with the aim of reducing recurrent expenditure like personnel emoluments in particular;</li> <li>v. instrument effective debt management policies aimed at slowing the growth of the stock of public debt and external borrowing;</li> <li>vi. take necessary measures aimed at permanently containing the effects of COVID-19 on the population and tourism sector as the sector is likely to be reopened for international tourist</li> </ul>

COUNTRIES	RECOMMENDATIONS
	activities; and vii. increase investments in tourism, as well as products and services diversification in order to attract high calibre tourists.
<b>GHANA</b>	i. Sustain the fight against COVID -19 to help the economy bounce back to its track of growth ii. Ensure sustained effort in curbing the spread of the deadly COVID-19 pandemic so as to fully return the economy to normalcy. iii. Grant support to the private sector to aid small scale firms that are moribund or struggling to return to the business. iv. Focus on deepening reforms that create jobs, strengthen equitable growth, encourage investment, and enhance competitiveness with a view of boosting production capacity and therefore accelerating the growth of the real sector. v. Support people in the near term, especially women, youth and other vulnerable groups to fosters the country's inclusive productivity growth and competitiveness. vi. Implement reforms that address digital infrastructure gaps and make the digital economy more inclusive. vii. Deepened Fiscal consolidation and anchored around debt and debt service reduction to create space for social, health, and development spending, as pointed out in the 2021 budget. viii. Implement reforms towards effective and efficient collections of cost of energy to achieve substantial savings to ensure financial viability of the energy sector and productivity and a driver of public debt.
<b>GUINEA BISSAU</b>	i. implement COVID-19 response plan to revive the economy, especially in sectors heavily affected by the pandemic Continue to consolidate socio-political stability to support economic recovery efforts; ii. continue to promote the diversification of the productive base in order to reduce the country's dependence on cashew exports; iii. improve tax revenue collection in order to improve budget balances, in particular through efficient management of the tax and customs administrations.
<b>GUINEA</b>	i. Continuing efforts, especially those relating to the mobilisation of resources, for the effective implementation of the National Strategy for the Fight against COVID-19 (SNLC); ii. Continuing efforts to maintain national socio-political stability in order to improve security and a favourable business environment in the country; iii. Continuing efforts to diversify the economy, with particular emphasis on supporting the agricultural and agro-industrial sectors, and strengthening the promotion of export products; iv. Strengthening production, develop infrastructure and improve distribution channels for food products in order to promote the sale of products for export and keep inflation within the limits imposed by the ECOWAS convergence pact. v. Pursue ongoing efforts to improve tax revenue mobilisation through continued digitalisation and capacity building of agents in mining taxation, control and tax auditing; vi. Continuing the reforms undertaken in terms of rationalisation of operating expenses and strengthening of budgetary discipline; vii. Strengthening the implementation of provisions relating to the repatriation of export earnings in order to consolidate gross foreign exchange reserves.
<b>MALI</b>	i. Sustain the fight against COVID -19 to help the economy bounce back to its track of growth ii. Continue the implementation of the health and socio-economic response to COVID-19 crisis; iii. create the conditions to restore the territorial integrity and the security of goods and people, as well as the consolidation of social cohesion;



COUNTRIES	RECOMMENDATIONS
	<ul style="list-style-type: none"> <li>iv. Implement reforms to broaden the tax base, improve the organisational performance of tax and customs administrations and fight fraud and corruption.</li> </ul>
<b>NIGER</b>	<ul style="list-style-type: none"> <li>i. Sustain the fight against COVID -19 to help the economy bounce back to its track of growth</li> <li>ii. continue efforts to ensure a secure environment conducive for the development of economic activities;</li> <li>iii. improve the mobilisation of internal resources through the modernisation of the tax and customs administrations, the fight against fraud and corruption and the broadening of the tax base, notably by reducing exemptions.</li> </ul>
<b>SENEGAL</b>	<ul style="list-style-type: none"> <li>i. Sustain the fight against COVID -19 to help the economy bounce back to its track of growth</li> <li>ii. continue to implement policies to support and increase the productivity of the agricultural sector;</li> <li>iii. strengthen efforts to increase tax revenue mobilisation by broadening the tax base, rationalising of expenditure, improving the organisational performance of tax and customs administrations, and combating fraud and corruption;</li> <li>iv. improve the quality of public investment;</li> <li>v. strengthen public debt management</li> </ul>
<b>TOGO</b>	<ul style="list-style-type: none"> <li>i. Sustain the fight against COVID -19 to help the economy bounce back to its track of growth Continue to strengthen the business climate to encourage increased international private capital and private sector activity;</li> <li>ii. Continue to implement policies to support and increase the productivity of the agricultural sector;</li> <li>iii. Strengthen tax revenue collection, including tax arrears, and broaden the tax base through innovative actions, in particular the use of new communication technologies;</li> <li>iv. Optimise current expenditure and continue to prioritise innovative projects, while ensuring the efficiency of public capital expenditure;</li> <li>v. Ensure the implementation of the debt strategy set out in the 2012-2025 Medium Term Debt Strategy.</li> </ul>
<b>LIBERIA</b>	<ul style="list-style-type: none"> <li>i. Sustain the fight against COVID -19 to help the economy bounce back to its track of growth</li> <li>ii. fast-track implementation of the expenditure rationalisation strategies while working with partners through the ECF programme to enhance domestic revenue mobilisation;</li> <li>iii. demonstrate stronger commitment in the implementation of the roadmap to de-dollarisation;</li> <li>iv. intensify efforts aimed at promoting economic diversification to enhance productions in all sectors of the economy;</li> <li>v. strengthen the health sector; and</li> <li>vi. create a strong economic buffer through a foreign exchange reserve accretion that will help the economy absorb exogenous economic shock when it arises.</li> </ul>
<b>NIGERIA</b>	<ul style="list-style-type: none"> <li>i. Sustain the fight against COVID -19 to help the economy bounce back to its track of growth</li> <li>ii. The government should seek urgent collaboration in combating insurgency in Nigeria to allow for all citizens' safety. This step would ensure an enabling environment and allow businesses to thrive.</li> <li>iii. While raising some tax rates is a welcome development to fast-track economic recovery, such policies should have safety nets to cushion the possible negative impact on the poor and vulnerable.</li> <li>iv. The CBN should tighten its monetary stance against the existing long, accommodating monetary policy to control the rising double-digit inflation. The CBN should fully implement the CBN Act, section 38 1-3(a-c) on CBN financing of the government deficit, limiting budget</li> </ul>

COUNTRIES	RECOMMENDATIONS
	<p>financing at the end of a fiscal year to zero.</p> <ul style="list-style-type: none"> <li>v. The Federal Ministry of Finance (FMF) should remain committed to implementing the revised medium-term expenditure framework (MTEF) in line with the changing nature of the economy's shocks.</li> <li>vi. Government should sustain expenditure rebalancing a little longer to provide some relief. In particular, it should reduce non-essential recurrent spending where fiscal multipliers are relatively low. However, additional resources could also be generated via the accommodation of additional external borrowing and the floating of trending corobonds within the FMF's purview and the Debt Management Office (DMO).</li> <li>vii. The government should sustain the joint CBN/FG intervention funds, given its ability to overhaul the economy in the medium to long term. However, given the ease in obtaining the funds, possible risks of non-repayment should be analysed and tackled.</li> <li>viii. The speculators' activities and existing multiple exchange rate regimes have instead put the nation's external position in a poor state. Policies to harmonise the long multiple rate practice would cripple the activities of speculators and institute sanity in the exchange rate market for Nigeria's macroeconomic stability. Non-political interference to allow the CBN to exercise its full autonomy becomes essential in implementing such a policy.</li> <li>ix. In the medium-term, the COVID-19 crisis should serve as a helpful reminder for Nigeria to diversify her economy to avoid future oil price shocks' pitfalls. It is also a wake-up call to amplify the over flogged view that the success of economic reformation in Nigeria depends mainly on a holistic approach to addressing the infrastructural deficit, especially electric power and road infrastructure.</li> <li>x. We advocate continuous policy adjustment and reforms for Nigeria to sustain macroeconomic stability and lift growth.</li> </ul>
<p><b>SIERRA LEONE</b></p>	<ul style="list-style-type: none"> <li>i. Sustain the fight against COVID-19 to help the economy bounce back to its track of growth</li> <li>ii. continue efforts in promoting the growth of agriculture and its value chain. Government should also promote and encourage the survival of small and medium scale enterprises given their challenges in the post pandemic period;</li> <li>iii. diversify the economy and reduce over reliance on the mining sub-sector of the economy especially iron ore and reduce economic shocks. This can be achieved by exploring agriculture and its value chain for exports so as to ensure exchange rate stability and improved foreign exchange earnings;</li> <li>iv. sustain the promotion of private sector investment in energy to help minimise disruptions as means of attracting foreign direct investment;</li> <li>v. continue to implement fiscal consolidation measures in order to create fiscal space for spending in priority sectors, and strengthen public financial management such as the continued implementation of the Single Treasury Account and minimisation of domestic borrowing;</li> <li>vi. continue to rationalise public expenditure by cutting on non-essential public spending and redirect outlays toward COVID-19 recovery efforts; and,</li> <li>vii. improve the domestic debt market through the introduction of instruments with medium-to-long term maturities to reduce foreign currency risk and debt service burden.</li> </ul>

## APPENDIX II: METHODOLOGY OF CONSTRUCTION OF MACROECONOMIC CONVERGENCE CRITERIA INDEX

Parametric and non-parametric approaches exist for the construction of composite indices. Non-parametric approach allocates weights, which are determined subjectively based on expert knowledge of the relative importance of each indicator or sub index to the country or region. These include statistical and empirical normalization methods. The conference board method dwells on symmetric changes without allocating any weight. The parametric approach on the other hand uses common factors or principal component analysis to allocate weights.

### 1. Statistical Normalization Method

Under the non-parametric approach, the statistical normalization method is used to construct convergence index following a standard three step-approaches found in several literature which reduce the multidimensional data into one aggregated index (IMF, 2006). The three steps are

- (i) normalization of variables;
- (ii) aggregation of normalized variables into the sub-indices representing a particular functional area; and
- (iii) aggregation of the sub-indices into final index.

In this section, a number of choices should be made when constructing a composite index. These are

- (i) which data to use for the sub-indices;
- (ii) how to treat missing data;
- (iii) normalization and treatment of outliers;
- (iv) functional form of aggregator; and
- (v) what weight to attach to different sub-indices.

We compute the macroeconomic convergence index, as follow:

$$Z_t = \frac{(X_t - U_t)}{S} \dots\dots\dots(1)$$

$Z_t$  is the normalized figure and  $X_t$  is the indicator  $x$  during the period under study.  $U_t$  and  $S$  are mean and standard deviation, respectively. The zero mean helps to prevent aggregation distortions that may come up due to differences in means of the various indicators (Udom and Doguwa, 2015). This method was used to compute  $z$ -values for the variables used in assessing macroeconomic convergence in ECOWAS, which constitute four primary and two (2) secondary criteria.  $Z$  values can be positive or negative. The method helps to reduce volatility of the convergence criteria scaling it to zero mean and one unit variance.

The formula for statistical normalization method is as follows:

$$MCCI_{t,ww} = W_p \sum_{i=1}^4 \Theta_i Z_i + W_s \sum_{i=1}^2 \Theta_i Z_i \dots \dots \dots (2)$$

Where

$$\sum_{r=p,s} w_r = 1 \dots \dots \dots (3)$$

The weights of 0.9 and 0.1 are allocated to primary and secondary criteria based on expert knowledge. Countries that consistently meet primary criteria are ready to be admitted into the monetary union, which makes it to attract higher weight of 90 per cent than the secondary criteria with 10 per cent. Despite the importance attached to primary criteria, we observed that exchange rate stability which is one of the secondary criteria is also very key for the adoption of common currency. The summation of the weights is one (PCC=0.9 and SCC=0.1). The weight of individual in each sub-index is normalized as:

$$\theta_i = \frac{u_i}{\sum_{i=1}^n u_i} \dots \dots \dots (4)$$

**Step-By-Step Procedure**

1. Calculate mean and standard deviation for all the variables to be covered under primary and secondary criteria
2. Compute Z-score (Xi-Mean/Standard deviation) for each variable at each period to generate the z-score series
3. Find the average of the z-scores for each criteria group and multiply by the weight of the group to generate each group's index
4. Obtain the aggregate index by summing up all the two (2) indices through process three (3) above.
5. Procedure four (4) above gives MCCI for each period, which can be graphed to observe the trend.

## 2. Empirical Normalization Method

This approach is similar to that used by the UNDP to compute Human Development Index. The result is expressed on a scale of 0 (the worst possible result) to 1 (the best possible result). It is described as the simplest and performs linear transformation of the data while preserving the relationships between the original values. The indicators are normalized so as to put them on the same scale before the computation of composite index. AfDB, AU and UNECA used this method to construct Africa Regional Integration Index in 2016.

### Step-By-Step Basis: case of Africa Regional Integration

Step 1: Construct Index

Base indicators are standardized first. Each indicator is transformed using the formula below:

$$Y_{ij}^t = \frac{X_{ij}^t - \min_i}{\max_i - \min_i}$$

Step 2: Construct a Dimensional Composite Index

The dimensional composite index for the 5 dimension is calculated by an arithmetic mean of the sub-indices.

$$C_{kj}^t = \frac{1}{m} \sum_{i=1}^{m_k} y_{ij}^t$$

Step 3: construct a final composite ARII

The regional integration index is derived from an arithmetic mean of the five dimensional indices, translating that, the five dimensions are equally weighted.

$$IIRA_j^t = \frac{1}{5} \sum_{k=1}^5 C_{kj}^t$$