AGENCIA MONETARIA DA
AFRICA DO OESTE

WEST AFRICAN
MONETARY AGENCY

AGENCE MONETAIRE
DE L'AFRIQUE DE L'OUEST

English Version

ECOWAS MACROECONOMIC CONVERGENCE REPORT FOR 2021

Freetown, August 2022

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ABBREVIATIONS AND ACRONYMS

AfDB	African Development Bank
AFRISTAT	African Statistical Observatory Office
AfCFTA	African Continental Free Trade Area
BCEAO	Central Bank of West African States
BCRG	Central Bank of Guinea
BCV	Bank of Cabo Verde
BoG	Bank of Ghana
BOAD	West African Development Bank
BSL	Bank of Sierra Leone
CBDC	Central Bank Digital Currency
CBG	Central Bank of The Gambia
CBL	Central Bank of Liberia
CBN	Central Bank of Nigeria
CET	Common External Tariff
COG	Committee of Governors
EBID	ECOWAS Bank for Investment and Development
ECB	European Central Bank
EMCP	ECOWAS Monetary Cooperation Programme
EMDEs	Emerging Market and Developing Economies
EPA	Economic Partnership Agreement
FESPACO	Ouagadougou Pan-African Film and Television Festival
Ghana CARES	Ghana COVID-19 Alleviation and Revitalisation of Enterprises Support
GDP	Gross Domestic Product
GIABA	Inter-governmental Action Group against Money Laundering in Africa
GFCF	Gross Fixed Capital Formation
IDA	International Development Association
IMF	International Monetary Fund
LERP	Liberia Economic Recovery Plan
MCSP	Macroeconomic Convergence and Stability Pact
MPR	Monetary Policy Rate

NDA	Net Domestic Assets
NFA	Net Foreign Assets
NGO	Non-Governmental Organisation
NPLs	Non-Performing Loans
PNDES	National Economic and Social Development Plan
PAG	Government Action Programme
SDR	Special Drawing Rights
SSA	Sub-Saharan Africa
WAEMU	West African Economic and Monetary Union
WAMZ	West African Monetary Zone
WABA	West African Bankers Association
WAHO	West African Health Organisation
WAMA	West African Monetary Agency
WAMI	West African Monetary Institute
WAUA	West African Unit of Account

ACKNOWLEDGEMENTS

The Macroeconomic Convergence Report for 2021 was prepared by a team of economists and statisticians at the Multilateral Surveillance Department (MSD) with support from staff of the Research and Statistics Department (RSD) and Financial Integration Department (FID) under the leadership of Momodu Bamba Saho, Director General, West African Monetary Agency (WAMA). The project was directed by Dr Mawuli Gaddah, Director, MSD. The write-up and editorial were led by Dr. Gaddah and Dr. Andalla Dia, Chief Economist. Associate editors include: Alhassane Mariame Diallo (Chief Economist), Dr Dominic Zaan Agba (Senior Economist), P Mah Kruah (Economist), Kamaldeen Ajala (Economist) and Eleazar Kabra Joel (Statistician), as well as Mrs Sylvia Carpenter (Bilingual Secretary) who provided secretarial services to the team.

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The Report utilises data and other useful information provided by Member Central Banks, Ministries, Departments and Agencies (MDAs), National Coordinating Committees (NCCs) and Regional/ Multilateral Institutions. We acknowledge the immense 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 Prospective, 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, 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; Ministry of Finance, Sierra Leone and Ministry of Economy and Finance, Togo. The NCCs made it possible to interface with other State Departments and Agencies, while the Economic Community of West African States (ECOWAS) Commission and the West African Economic and Monetary Union (WAEMU) Commission 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 International Monetary Fund (IMF).

The Report also benefitted from the thorough reviews by some staff members from sister departments of the Agency, as well as the constructive guide provided by the Director of Financial Integration Department (FID), Dr Grade Momele Kipré and Director of Research and Statistics Department (RSD), Dr Udoma Johnson Afangideh and Legal Counsel, Lester Ohemeng. Lastly, we acknowledge the logistical and administrative services rendered by Dr Sigismund C. Mbbah-Offor (Chief Accountant) and Mrs Olukemi T. Lawal (Administrator), and a host of others who contributed in diverse ways.

FOREWORD

As part of monitoring, coordinating and implementing the ECOWAS Monetary Cooperation Programme (EMCP), WAMA publishes the annual Macroeconomic Convergence Report after biannual multilateral surveillance missions. The report reviews the state of convergence within the ECOWAS region in 2021, as well as the prospects, as required under the protocol for the creation of the Agency in its articles 3, 4, and 9 and the provisions of additional Act A/SA.01/12/15 amending Decision No A/DEC.03/06/12 on the Macroeconomic Convergence and Stability Pact (MCSP).

It should be recalled that the Authority of ECOWAS 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 to establish 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 re-affirms these objectives as stated in Article 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 1993 as an autonomous and specialised body of ECOWAS charged with the responsibility of promoting the EMCP objectives. The establishment of WAMA resulted from the transformation of the 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 mechanism for the multilateral surveillance of the economic and financial policies of ECOWAS Member States created in 2001 and the MCSP adopted in 2012. Essentially, the programme empowers WAMA to conduct biannual joint multilateral surveillance missions with the ECOWAS Commission and the West African Monetary Institute (WAMI) in ECOWAS Member States. The surveillance missions allow for assessing the state of macroeconomic convergence of Member States. It provides the opportunity to interact with Member States' relevant authorities on their economic policies with relevance to harmonisation and affords the validation of selected macroeconomic data for convergence assessment. WAMA, thus, provides detailed information on macroeconomic developments in Member States and proffers economic policy options in its annual convergence report.

The MCSP was revised in 2015, setting the convergence criteria to six (6), including four (4) primary criteria and two (2) secondary criteria to be met by December 31, 2019, and the eventual launch of the ECOWAS single currency in 2020. The assessment of the state of macroeconomic convergence of Member States found that the 2020 deadline for the convergence phase was not met due to macroeconomic difficulties and the exceptional circumstances prevailing in Member States due to the COVID-19 pandemic. Therefore, a new roadmap and a new MCSP were developed and submitted to the Ministerial Committee and adopted by the Authority of Heads of State and Government to guide the implementation of the EMCP. The new Pact was adopted on June 19, 2021, setting 2027 as the new deadline for the launch of the ECO. The Authority cautiously declared 2020 and 2021 exceptional years and suspended the regular convergence compliance assessment to allow countries to ensure lasting compliance with the convergence criteria during the next phase. However, Member States' performance vis-à-vis the convergence criteria outlined in this report was for information purposes only.

The year 2021 witnessed a rebound in global economic growth following significant progress with vaccine rollouts and unprecedented fiscal policy support. However, inflationary pressures heightened, primarily driven by strong demand, rising commodity and energy prices and the emergence of the Delta and Omicron variants of COVID-19, which triggered uncertainties and deepened supply shortages during the period. The outlook shows a downgrade of global growth for 2022 premised on the economic slowdown in China following the more drastic ‘Zero-Tolerance COVID-19 policy’, the Russia-Ukraine war, which caused further disruption to supply chains, and tighter global financial conditions. Global inflationary pressures are expected to intensify in 2022, induced by rising energy and food prices. Developments in the region mimicked global economic development, with improved growth accompanied by increased inflationary pressures. Thus, this report highlights the challenges facing the region and proffers recommendations to accelerate and sustain economic recovery.

On this note, I congratulate the staff of the West African Monetary Agency for the diligence exhibited in compiling this 2021 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. Therefore, I solicit more collaboration with all relevant stakeholders towards fulfilling WAMA's mandates and fast-tracking the ECOWAS single currency roadmap of activities.

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

EXECUTIVE SUMMARY

The policy response to mitigate the socio-economic impact of the COVID-19 pandemic on households and businesses resulted in the erosion of fiscal space and increased debt vulnerabilities, especially in Emerging Market and Developing Economies (EMDEs) as well as low-income countries, including the ECOWAS region. Nonetheless, the global economy rebounded with 6.1 percent expansion in 2021 from the 3.1 percent contraction recorded in 2020, driven by the easing of COVID-19 containment measures—re-opening of borders and resumption of economic activities—combined with significant progress with vaccine administration. However, global inflationary pressures intensified, reaching 4.7 percent from 3.2 percent in 2020, partly reflecting supply disruptions, rising energy cost and high demand for goods and services. Inflation in advanced economies and the EMDEs rose to 3.1 percent and 5.9 percent in 2021 from 0.7 percent and 3.1 percent, respectively, in 2020. The medium-term prospects for growth and inflation are premised on the lingering effects of COVID-19 and the Russia-Ukraine war which are creating major setbacks to the global recovery process. Consequently, global growth is projected to moderate to 3.6 percent in 2022 and 2023, while inflation in the advanced economies and EMDEs is also expected to reach 5.7 percent and 8.7 percent, respectively, in 2022.

On the regional front, growth in most ECOWAS Member States surpassed its pre-COVID levels. GDP growth in the region rebounded to 4.2 percent in 2021 from a contraction of 0.8 percent in 2020 and is projected to reach 4.6 percent in 2022 on the back of robust growth in the various sectors. However, inflationary pressures persisted in the region, with average inflation reaching 13.2 percent in 2021 compared to 11.1 percent in 2020, driven by exchange rate depreciation, supply chain disruptions, rising energy and food prices as well as deteriorating security situations in the region. Inflation is projected to rise further to 13.5 percent in 2022, reflecting uncertainties surrounding the Russian-Ukraine war, China's 'Zero Tolerance COVID-19 Policy' and the region's deteriorating security situation.

Despite the lingering effects of the COVID-19 pandemic which still pose significant risks to public finances, the overall fiscal performance in 2021 showed some improvement, reflecting a slowdown in COVID-related expenditures and improved revenue collection across Member States. Consequently, the overall budget deficit (excluding grants) of the ECOWAS region fell marginally to 5.1 percent of GDP, from 5.2 percent of GDP in 2020. In the WAMZ, the budget deficit was 4.5 percent of GDP in 2021 compared to 4.7 percent of GDP in 2020. In the WAEMU, the deficit stood at 7.1 percent of GDP in 2021, compared to 7.6 percent of GDP in 2020. Similarly, in Cabo Verde, the deficit declined to 10.2 percent of GDP from 13.5 percent in 2020. Public debt in the region, however, worsened to 33.3 percent of GDP from 27.7 percent in 2020. In the WAMZ, public debt rose to 26.8 percent of GDP in 2021 from 23.1 percent in 2020. In the WAEMU, public debt increased to 54.8 percent of GDP from 50.2 percent of GDP in 2020. In Cabo Verde, although high at 155.3 percent of GDP, it moderated from 155.6 percent of GDP in 2020.

Monetary policy stance in the region was generally supportive of the recovery process. The Central Bank of Nigeria (CBN) and the Bank of Ghana (BoG) retained their policy rates at 11.5 percent and 14.5 percent, respectively. Similarly, the policy rate of the BCEAO remained unchanged at 2.0 percent throughout 2021, since its review in June 2020. Given the expected impacts of the Russia-Ukraine war and the downgrading of macroeconomic projections for 2022, central banks in the region are being proactive in tweaking their policy rates to ensure price stability while safeguarding economic growth. For instance, in May 2022, the CBN adjusted its policy rate by 150 basis points to 13.0 percent from 11.5 percent while the BoG also adjusted the policy rate by 250 basis points in March and a further 200 basis points in May, bringing the rate to 19.0 percent from 14.5 percent.

External sector performance in 2021 improved as the overall Balance of Payments (BOP) recorded an improved surplus of 0.6 percent of GDP compared to 0.1 percent of GDP in 2020, driven mainly by the significant improvement in the regional trade balance following the re-opening of borders in most Member States. Nigeria's stronger than expected trade performance and increased inflows of IMF’s SDR allocations in most Member States spurred the observed outcome. The prospects for the region point to a worsening in the external position in 2022 with a BOP deficit, estimated at 0.8 percent of GDP.

On macroeconomic convergence, performance improved slightly in 2021 as the number of Member States that satisfied at least three (3) out of the four (4) Primary Convergence Criteria increased to eleven (11) from ten (10) in 2020. With respect to the Secondary Convergence Criteria, the number of countries that met the criterion on nominal exchange rate variation declined to fourteen (14) from fifteen (15) in 2020 while that of public debt ratio declined to nine (9) from ten (10) in 2020.

INTRODUCTION

1. This report was prepared by the West African Monetary Agency (WAMA) in collaboration with the ECOWAS Commission and the West African Monetary Institute (WAMI), following the joint multilateral surveillance missions (ECOWAS Commission, WAMA and WAMI) in the Member States from April 6 to May17, 2022, and the subsequent data reconciliation meeting held from May 23 - 27, 2022 in Nasarawa State, Nigeria. The report also takes into account, updated data received from various Member States.

2. The report assesses the economic and financial performance of ECOWAS Member States in 2021 and prospects for 2022. It also examines the status of macroeconomic convergence of Member States during the period under review and the outlook for 2022, as well as proposes policy recommendations for the consideration of Member States. This report was prepared in accordance with the Protocol establishing WAMA (Decision A/Dec. 4/7/92 of the Authority of Heads of State and Government) in its articles 3, 4, and 9 and the provisions of Supplementary Act A/SA.01/12/15 amending Decision No. A/DEC.03/06/12 on the MCSP.

3. It should be recalled that the EMCP was adopted in 1987 with the main objective of creating a single currency to be managed by a common Central Bank. However, due to macroeconomic difficulties and exceptional circumstances prevailing in Member States occasioned by the COVID-19 pandemic, the 2020 timeline for the convergence phase did not materialise. Therefore, a new Roadmap for the Launch of the ECO and a MCSP were developed and adopted by the Authority of Heads of State and Government at its 59th Ordinary Session on June 19, 2021, in Accra, Ghana, to guide the process of creating the single currency in 2027. Under the MCSP, the new convergence phase spans the period January 1, 2022 to December 31, 2026 while the stability phase starts from January 1, 2027.

4. Accordingly, both 2020 and 2021 were declared exceptional years to allow countries to better organise themselves to ensure lasting compliance with the convergence criteria during the next convergence phase, which ends on December 31, 2026. Exceptional years in the MCSP context means compliance with the convergence criteria is waived. Therefore, Member States' compliance with the macroeconomic convergence criteria is not obligatory.

5. This report is organised in two parts. Part I analyses the overall macroeconomic performance and assesses the status of convergence as at end-December 2021. It has three sections. Section 1 highlights the macroeconomic developments at the global level, Section 2 examines the evolution of the economic and financial situation within the ECOWAS region, and Section 3 assesses the Member States' performance against the macroeconomic convergence criteria. Part II accesses the economic and financial situation in the individual Member States, proffering country-specific recommendations.

PART 1 : REGIONAL ANALYSIS

I. GLOBAL ECONOMIC ENVIRONMENT

6. The emergence of the COVID-19 pandemic in early 2020 and the fiscal measures introduced by countries around the world to save lives, protect jobs and livelihoods and mitigate the impact of the pandemic on the economy have led to unprecedented increase in fiscal deficit and public debt levels. According to the World Bank,[1] total global debt—government and private—rose by 30 percentage points of GDP to 263 percent of GDP in 2020—the largest single-year increase in five decades. In Emerging Market and Developing Economies (EMDEs), total debt reached over 200 percent of GDP, and in advanced economies, total debt exceeded 300 percent of GDP in 2020. Global government debt recorded its fastest single-year jump since 1970 to its highest level in half a century—99 percent of GDP. It reached 123 percent of GDP in advanced economies, the highest since 1970, and 63 percent of GDP in EMDEs, the highest since 1987. Although the fiscal pressures from the COVID-19 pandemic are gradually dissipating, the effect of the pandemic remains in the form of debt vulnerabilities amplified by the difficulty of restructuring debt in the face of high debt levels and significant changes in the structure of debt markets. While economic recovery has started quite well in 2021, the mutating strains of the COVID-19 virus and the Russia's invasion of Ukraine have exacerbated the supply chain disruptions and threaten to derail the recovery process.

1.1. Economic Growth

7. The global economy rebounded in 2021, following the significant progress with vaccine rollouts and the re-opening of economies around the world. Consequently, global GDP grew by 6.1 percent, the highest in five (5) decades, compared to the 3.1 percent contraction recorded in 2020. Growth in advanced economies stood at 5.2 percent, against the contraction of 4.5 percent in 2020 (Figure 1). In the United States, growth was estimated at 5.7 percent in 2021 compared to the 3.4 percent contraction recorded in 2020, largely reflecting a surge in household consumption, a robust increase in business investment and the impact of the new US$1.2 trillion Infrastructure Investment and Jobs Act. Similarly, growth rates in the Euro Area, Japan and the United Kingdom were estimated at 5.3 percent, 1.6 percent, and 7.4 percent in 2021, against the contraction of 6.4 percent, 4.5 percent, and 9.3 percent in 2020, respectively, mainly reflecting the continuous and increasing access to vaccines, policy supports and favourable financial conditions.

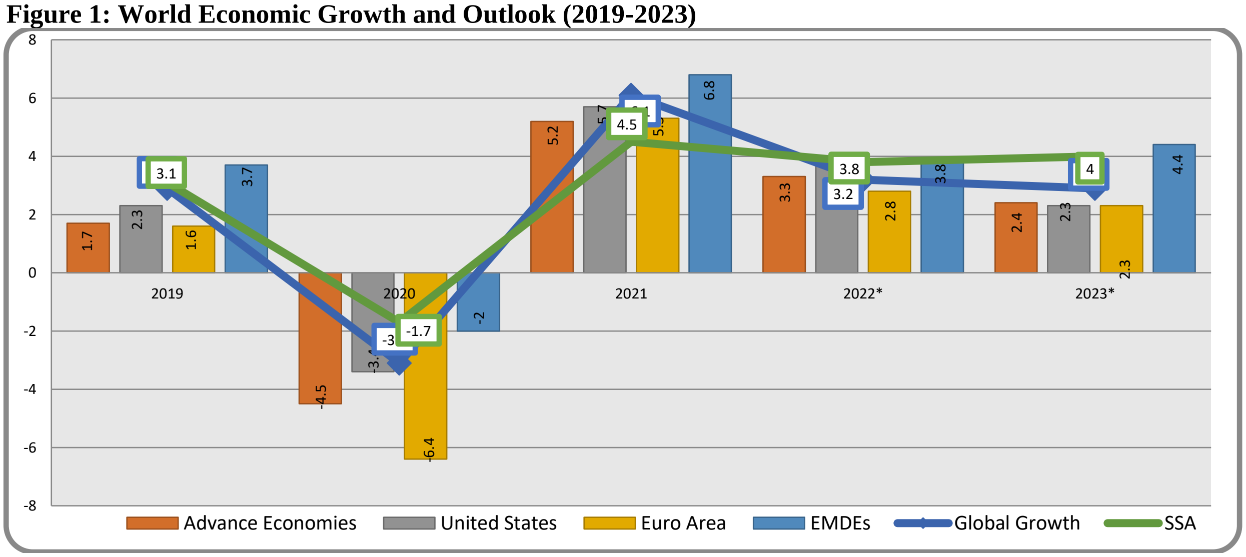
8. Growth in the EMDEs was estimated at 6.8 percent in 2021 compared with the 2.0 percent contraction recorded in 2020, propelled by improved activity for commodity exporters in the group and stronger-than-anticipated domestic demand in parts of Emerging and Developing Asia (EDA) and Emerging and Developing Europe (EDE). The EDA region topped the group with a growth rate of 7.3 percent in 2021 from the 0.8 percent contraction recorded in 2020, largely influenced by impressive growth outcomes from the Maldives, India and China.

9. Sub-Saharan African (SSA) economies have been heavily hit by the pandemic, particularly oil-exporting, tourism-dependent, and other natural resource-dependent economies. There were legitimate concerns about the uncertainty surrounding the region's growth prospects, given the

[1] Kose, M. Ayhan, Peter Nagle, Franziska Ohnsorge, and Naotaka Sugawara (2021): What Has Been the Impact of COVID-19 on Debt? Turning a Wave into a Tsunami. World Bank Policy Research Working Paper 9871, November 2021

emergence of the deadlier Delta variant and more transmissible Omicron variant of COVID-19, coupled with the limited progress with vaccine rollout. Nonetheless, SSA recorded a growth rate of 4.5 percent in 2021 compared to the 1.7 percent contraction in 2020, anchored on policy support, rising commodity prices, and improved economic activity on the back of re-opening of economies and improved vaccinations, particularly in the second half of the year. The Nigerian economy grew by 3.4 percent in 2021 compared with the contraction of 1.9 percent recorded in 2020, driven by the recovery in non-oil sectors and higher oil prices. Angola made a recovery of 0.7 percent in 2021, effectively ending its five-year recession streak—because of falling investments and recurring technical problems in the oil sector—driven mainly by the non-oil sector as commerce and agriculture recovered strongly to above pre-pandemic levels. Growth in South Africa was estimated at 4.9 percent in 2021, reflecting policy support, a better-than-expected pick-up in economic activity, and level effects from the recent update to its national accounts. Iron ore, gold and diamond-rich economies such as Botswana and Ghana recorded growth rates of 12.5 percent and 5.4 percent in 2021 from the -8.7 percent and 0.5 percent in 2020, respectively. Similarly, the year also saw tourism-dependent economies, such as Rwanda and Seychelles, recording impressive growth rates of 10.2 and 8.0 percent from the contractions of 3.4 percent and 7.7 percent in 2020, respectively.

Figure 1: World Economic Growth and Outlook (2019-2023)



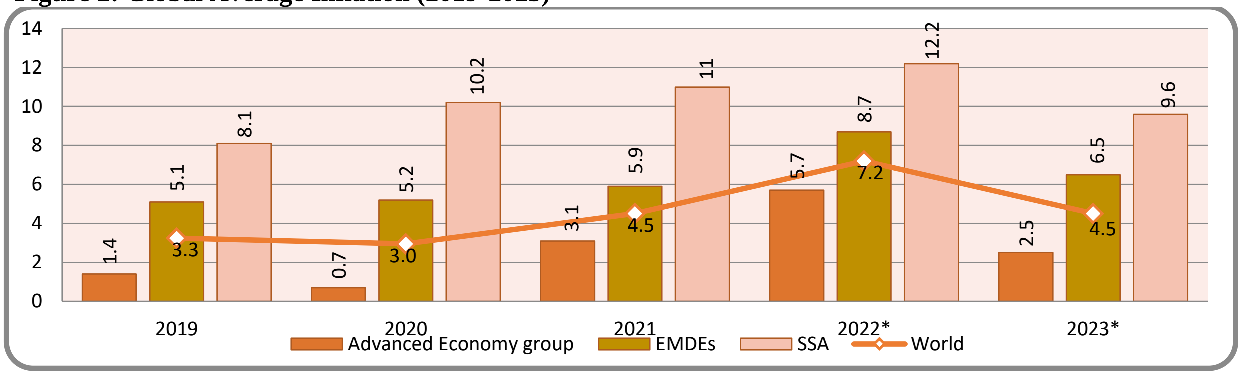
Source: IMF World Economic Outlook April 2022 Edition *Projections.

1.2. Inflation

10. Although the global economy recovered faster than anticipated, global inflationary pressures also intensified in 2021, primarily driven by strong demand, rising commodity prices and the emergence of the Delta and Omicron variants of the COVID-19 virus, which triggered uncertainties and deepened supply chain constraints. Consequently, headline inflation in advanced economies accelerated to a historic high of 3.1 percent in 2021 from 0.7 percent in 2020, triggering interest rate hikes in 2022 and reversal of the accommodative policies put in place to stimulate recovery from the pandemic (Figure 2). In the United States, inflation reached a historic high of 4.7 percent in 2021 from 1.2 percent in 2020. The Euro Area recorded inflation rates of 2.6 percent from 0.3

percent in 2020, while Japan went further into deflation (-0.3%), which moderated the group's overall inflation outlook. Inflation in EMDEs increased to 5.9 percent from 5.2 percent in 2020. In EDA, headline inflation moderated to 2.2 percent from 3.1 percent in 2020, driven by the moderation in China's inflation rate to 0.9 percent from 2.4 percent in 2020—the lowest over two decades.

Figure 2: Global Average Inflation (2019-2023)



Source: IMF World Economic Outlook *projections.

11. In SSA, headline inflation increased to 11.0 percent from 10.2 percent in 2020, reflecting rising prices of food items, which make up 40 percent of the region's consumption basket, and rising commodity prices, droughts and export restrictions in major food exporters, as well as global supply shortages (Figure 2). The countries with the highest inflation rates include Zimbabwe (98.5% in 2021 from 557.2% in 2020), Angola (25.8% from 22.3% in 2020), Ethiopia (26.8% from 20.4% in 2020), Zambia (20.5% from 15.7% in 2020) and to a lesser extent, Botswana (6.7% from 1.9% in 2020). In Nigeria, average inflation accelerated to 17.0 percent in 2021, well above the 13.2 percent recorded in 2020, due mainly to domestic security challenges and global supply bottlenecks. Similarly, inflation in South Africa rose to 4.5 percent in 2022 from 3.3 percent in 2020 due to the combined hike in food and energy prices. In Zimbabwe, inflation declined significantly to 98.5 percent in 2021 from 557.2 percent in 2020.

1.3. Monetary Policy and Global Financial Conditions

12. The COVID-19 mitigation measures introduced in 2020 somewhat altered investors' risk perception as most portfolio investors threatened to move out of the EMDEs, including the SSA, to safeguard their investments. Global financial conditions have been broadly supportive during the initial phases of the pandemic as monetary authorities of most economies adopted accommodative policy stance by keeping policy rates low to boost liquidity, stabilise the financial system and restore confidence. As part of its broad measures to support the economy during the COVID-19 pandemic, the Federal Reserve, at two meetings in March 2020, rapidly lowered the target range for the federal funds rate to near zero percent. The swifter-than-expected rate cut was designed to prevent credit crunch and financial market disruptions during the global financial crisis. This move by the Federal Reserve also helped avoid the reversal of capital in EMDEs.

13. However, global financing conditions began to tighten in the second half of 2021 as prospects of strong growth and higher inflation expectations pushed up borrowing costs in advanced economies,

especially as the Federal Reserve signalled hiking interest rates in 2022 in the face of the price and wage pressures. Similarly, the European Central Bank (ECB) announced the end of its asset purchase programme under the Pandemic Emergency Purchase Programme in March 2022. Major central banks' expectations of higher policy rates have driven up long-term bond yields while spreads on sovereign bonds have widened, especially for emerging market and frontier economies with weak fundamentals.

1.4. Global Trade

14. The volume of world merchandise (goods and services) rose by 10.1 percent in 2021 despite temporary disruptions that led to the 7.9 percent contraction recorded in 2020. In line with global trends, trade volumes improved in advanced economies and EMDEs as exports grew by 9.4 percent and 11.6 percent from -6.3 percent and -1.1 percent, respectively, in 2020. Similarly, imports improved by 9.5 percent and 11.8 percent in 2021 from the contractions in 2020 for advanced economies and EMDEs, respectively. Overall, the improvements in global trade reflected increasing global demand, commodity and oil price recovery, and improved tourism and cross-border services as the COVID-19-induced recession tapered out gradually.

1.5. Commodity Prices

15. International commodity prices fluctuated unevenly in 2021, generally trending upward, reflecting stronger demand as economies re-opened. Oil prices (year-on-year) rose significantly by 67.3 percent, a rebound from the decline of 32.7 percent in 2020. Prices of non-fuel primary commodities followed closely, resulting in a 26.8 percent growth on average compared to a 6.8 percent growth in 2020. The prices of metals increased by 46.8 percent from 3.5 percent in 2020, and that of agricultural raw materials rose by 15.8 percent from -3.3 percent in 2020. The price of cocoa relative to 2020 remained unchanged, while gold, iron-ore, urea and wheat prices rose by 1.7, 48.5, 110.9 and 36.1 percent, respectively.

Table 1.1: Prices of Selected Primary Commodities

	2019	2020	2021	2022m4*
Non-Fuel Index	108.7	116.0	146.2	174.3
Food Index	99.4	101.0	127.5	160.2
Wheat ($/mt)	201.7	231.6	315.2	495.3
Beverage Index	84.2	87.1	106.9	124.0
Cocoa ($/kg)	2.3	2.4	2.4	2.5
Agricultural Raw Materials Index	101.5	98.2	113.7	123.2
Cotton ($/kg)	1.7	1.6	2.2	3.42
Metals Index	135.1	139.8	205.4	194.0
Gold ($/toz)	1,392.0	1,770.0	1,800.0	1,937
Iron Ore ($/dmt)	93.8	108.9	161.7	151.3
Oil Index	144.2	96.1	157.5	246.2
Crude oil, Average ($/bbl)	61.4	41.3	69.1	103.4
Urea ($/mt)	245.3	229.1	483.2	925.0

Sources: IMF's Primary Commodity Price System (PCPS), April 2022; World Bank Commodity Price Data (The Pink Sheet); * Actual as at April 2022

1.6. Medium-Term Prospects

16. The medium-term prospects for growth and inflation are premised on the length of the Russia-Ukraine war and the continuous sanctions against Russia by the West. The spillover effects of the war could be grave, manifesting through commodity markets, trade, and, to some extent, financial

markets. Apart from the costly humanitarian crisis, the war has further increased commodity prices and intensified supply chain disruptions, triggering inflationary pressures, a major setback to the global recovery from the pandemic. The volume of world merchandise (goods and services) is projected to decline to 5.0 percent and 4.4 percent in 2022 and 2023, respectively, due to the Russia-Ukraine war, which has disrupted major trading routes, the U.S.-China tensions, Brexit, as well as other political threats to the world economy. The projections for the advanced economies and EMDEs mirror the world's projections as exports and imports are expected to rise by 5.0 percent and 6.1 percent respectively in advanced economies and 4.1 percent and 3.9 percent, respectively, in EMDEs in 2022.

17. In the SSA, the ratification of the African Continental Free Trade Area (AfCFTA) by 54 out of the 55 members presents an opportunity that could reduce the adverse global economic impact on the region. Thus, trading under the rules of the AfCFTA will deepen intra-African trade and spur the development of the regional value chain. With regards to commodity prices, the outlook indicates price pressures may persist till the end of the year. While the price of iron-ore fell to US$152.1 per dry metric tonne in March 2022 and further to US$151.3 per dry metric tonne in April 2022, prices of other commodities, namely, urea, cotton, gold, cocoa, and wheat have risen to US$925.0 per metric tonne, US$3.42 per kg, US$1,937.0 per toz, US$2.5 per kg and US$495.3 per metric tonne, in April 2022, respectively. Also, crude oil prices rose to US$103.4 per barrel and US$112.4 per barrel in March and April 2022, respectively.

18. Consequently, in its April 2022 World Economic Outlook, the IMF revised global growth forecasts downwards to 3.6 percent in 2022 and 2023, from 4.4 percent and 3.8 percent, respectively, in its January 2020 forecasts. In advanced economies, growth is expected to slow down to 3.3 percent and 2.4 percent in 2022 and 2023, respectively. Growth rates for EMDEs have also been downgraded by 1.0 and 0.3 percentage points in 2022 and 2023 to 3.8 percent and 4.4 percent in 2022 and 2023, respectively. A severe double-digit drop in GDP (-35.5%) is expected in Ukraine, while a deep contraction (-8.5%) is expected in Russia due to sanctions and European countries' decisions to scale back energy imports. In SSA, economic performance is projected to moderate to 3.8 percent in 2022 before strengthening to 4.0 percent in 2023. Growth in Nigeria and South Africa is projected to moderate to 3.4 and 1.9 percent in 2022 and further to 3.1 and 1.4 percent in 2023, respectively.

19. Inflation across several world economies is expected to continue its upward trend in the near term, as commodity prices continue to rise on the international markets—both fuel and nonfuel. Consequently, global inflation is expected to peak at 8.3 percent in 2022 before moderating to 5.7 percent in 2023. Inflation in advanced economies and EMDEs is projected to reach to 6.6 percent and 9.5 percent in 2022 before moderating to 3.3 percent and 7.3 percent, respectively, in 2023. Similarly, inflationary pressures in SSA are expected to rise to 12.2 percent in 2022 before moderating to 9.6 percent in 2023, due to increasing demand associated with the sustained rebound in global output growth, amid lingering supply constraints reflecting the impact of the war in Ukraine.

20. In response to the rising inflationary pressures amplified by the Russia-Ukraine war, many central banks have begun tightening monetary policy or signalling a more aggressive future stance. To sustain inflationary pressures and a strong labour market, the United States Federal Reserve has raised the target range for the federal funds rate in March, May and June 2022, bringing the rate to 1½ - 1¾ percent, and signalled further increases to rein inflation. The Fed also ceased net asset purchases and began reducing its securities holdings. Less accommodative monetary policy in the United States is likely to prompt tighter global financial conditions, putting pressure on EMDEs' currencies while borrowing becomes more expensive worldwide, thereby further straining public finances. For countries with high foreign currency debt, tighter financial conditions, exchange rate depreciation, and higher imported inflation will lead to challenging monetary and fiscal policy trade-offs. The introduction of Central Bank Digital Currency (CBDC) in some central banks will bring a new dimension to monetary policy from 2022. However, the success of the innovation depends on effective monitoring of the risks and macro-financial impacts associated with a CBDC.

II. MACROECONOMIC AND FINANCIAL DEVELOPMENTS IN ECOWAS

2.1. Overview

21. The macroeconomic policy thrust in ECOWAS Member States has largely been focused on strengthening economic growth and poverty alleviation by implementing policies to enhance domestic revenue mobilisation, expenditure rationalisation, employment generation, and infrastructure developments as well as technological innovation. However, with the emergence of the COVID-19 pandemic in early 2020, the policy direction, during the period, drifted largely towards maintaining human safety and mitigating the impact of the pandemic on the economies of Member States. Consequently, the region entered into a recession in 2020, occasioned by sharp declines in oil prices and near collapse of the Services sector.

22. In 2021, the ECOWAS regional economy rebounded to its pre-COVID growth levels due to the recovery of commodity prices and reopening of economies as Member States ramped up tests and vaccinations against the pandemic leading to the gradual easing of restrictions. GDP grew by 4.2 percent in 2021 compared to the contraction of 0.8 percent in 2020 and against the SSA average growth rate of 4.5 percent[2]. Inflation, however, remained elevated in 2021, occasioned by increased food and ex-pump prices of petroleum products as well as high exchange rate pass-through. Average inflation rose to 13.2 percent in 2021 from 11.1 percent in 2020 while end-period inflation moderated to 12.9 percent at end-December 2021 from 13.1 percent at end-December 2020.

23. Fiscal performance improved slightly as the overall fiscal deficit (excluding grants) narrowed to 5.1 percent of GDP in 2021 from 5.2 percent of GDP in the preceding year, on the back of efforts by Member States to boost revenue mobilisation while streamlining expenditures. Including grants, the deficit also fell to 4.6 percent of GDP from 4.8 percent of GDP in 2020. However, the stock of public debt rose to 33.3 percent of GDP in 2021 from 27.7 percent of GDP in 2020, mainly due to increased borrowing by some Member States to support critical sectors of the economy, including the provision of healthcare infrastructure and fiscal stimulus to businesses. The debt service relief provided by the IMF in 2020 under its Catastrophe Containment and Relief Trust (CCRT), somehow helped mitigate the debt stock spike on Member States.

24. With regard to monetary policy implementation, Member Central Banks adopted policy stance which mainly aimed at spurring economic activity while maintaining low inflation. Most Member Central Banks kept the policy rate unchanged during the review period.

25. The performance of the external sector varied across Member States as the aggregate current account deficit of the Community narrowed to 1.4 percent of GDP in 2021 from 3.4 percent of GDP in 2020. Similarly, the overall balance of payments surplus improved to 0.6 percent of GDP from 0.1 percent of GDP in 2020, supported mainly by improved trade in goods and services.

[2] IMF Regional Economic Outlook, SSA, March 2022. The report put Nigerian growth at 3.6 percent.

2.2. Real Sector

Output Level and Drivers

26. In 2021, the regional economy rebounded after a year of recession. This performance was partly due to the partial relaxation of the COVID-19 restrictions which facilitated the resumption of trade. Consequently, real GDP grew by 4.2 percent compared to the contraction of 0.8 percent in 2020,[3] occasioned by recovery across sectors, particularly the Services sector. However, growth remained uneven and fragile across Member States.

27. Sectoral analysis indicates that regional growth was supported by the tertiary (services) sector, which expanded by 6.0 percent in 2021 compared to a contraction of 1.3 percent in 2020. The secondary sector grew by 1.7 percent in the review period following a contraction of 3.2 percent in 2020 while the primary sector slowed to 2.5 percent in 2021 from 3.2 percent in 2020.

28. In the WAMZ, growth stood at 3.7 percent in 2021 compared to -1.4 percent in 2020, mainly buttressed by positive output growth in all Member States, particularly in Nigeria where real GDP sprang to 3.4 percent from a contraction of 1.9 percent in 2020. The economic performance in Nigeria was largely attributed to recovery in crude oil prices, government support to critical sectors and resumption of trade following the relaxation of COVID restrictions.

29. In Ghana, the growth momentum gathered steam in 2021, with real GDP growth of 5.4 percent compared to 0.5 percent in 2020, occasioned by recoveries in services and agriculture bolstered by government support through the Ghana COVID-19 Alleviation and Revitalization of Enterprises Support (GhanaCARES Obaatan pa) Programme. Guinea's growth has fallen short of its strong performance recorded during the pandemic, standing at 4.9 percent in 2021 against 7.0 percent in 2020, due to the lingering effects of the COVID-19 pandemic. In Liberia, real GDP growth was 4.2 percent compared to a contraction of 3.0 percent in 2020, induced by the recoveries across sectors, particularly, increased mining (gold) output. Similarly, in Sierra Leone, growth rebounded to 3.8 percent in 2021 from a negative growth of 2.2 percent in 2020, occasioned by recoveries in mining, trade and agriculture. Growth in The Gambia stood at 4.3 percent, higher than the revised growth of 0.6 percent in 2020. The economic performance in The Gambia resulted from the backdrop of increased output in the Services sector, particularly increased travel and tourism coupled with growth in agriculture.

30. In the WAEMU, economic activity was also vibrant, propelled by the easing of the COVID-19 restrictions and the resumption of international trade. GDP growth in the sub-region accelerated to 6.0 percent in 2021 from 1.8 percent, a year earlier, reflecting strong performance as most economies recorded growth rates above 5.0 percent in 2021. Output in Côte d'Ivoire and Senegal the sub-region's two major economies expanded by 7.4 percent and 6.1 percent, respectively, compared to the growth rates of 2.0 percent and 1.3 percent in 2020, mainly occasioned by recoveries in services on the supply side and private consumption from the demand side. Similarly, the output levels in Benin, Burkina Faso, Guinea Bissau and Togo expanded to (7.2%, 6.9%, 6.4% and 5.5%) in 2021 from (3.8%, 1.9%, 1.5% and 1.8%), respectively in 2020. Economic activities

[3] 2020 regional growth was revised to -0.8 % from -1.1 % based on recent data

of these four countries were largely bolstered by increases in agriculture and services (Benin) as well as agriculture and household consumption (Burkina Faso, Guinea Bissau and Togo).

31. The 3.1 percent growth recorded in Mali in 2021 was mainly induced by expansion in services, particularly, trade (4.6% from 0.8% in 2020) and investments (24.5%, from -18.9% in 2020). The recovery in Niger was sluggish in 2021, recording a growth rate of 1.3 percent compared to 3.6 percent in 2020, mainly induced by severe reduction in rainfall which led to a decline of 39.0 percent in rain-fed cereal production.

32. As the pandemic-related measures were relaxed and travel and tourism picked up, Cabo Verde, a tourism-dependent economy, returned to its pre-COVID growth trajectory. Growth stood at 7.0 percent in 2021, from a sharp contraction of 14.8 percent in 2020, supported by tourism-related services, transport, financial and real estate services as well as public administration (Table 1.2).

Table 1.2: Trends in Real GDP Growth in ECOWAS

	2018	2019	2020	2021*	2022**
ECOWAS	**3.0**	**3.1**	**-0.8**	**4.2**	**4.6**
WAEMU	**6.3**	**5.6**	**1.8**	**6.0**	**6.0**
BENIN	6.7	6.9	3.8	7.2	6.9
BURKINA FASO	6.7	5.7	1.9	6.9	6.7
COTE D'IVOIRE	6.9	6.2	2.0	7.4	6.9
GUINEE BISSAU	3.4	4.5	1.5	6.4	4.6
MALI	4.7	4.8	-1.2	3.1	2.0
NIGER	7.0	5.9	3.6	1.3	7.0
SENEGAL	6.2	4.4	1.5	6.1	5.5
TOGO	5.0	5.5	1.8	5.5	5.9
WAMZ	**2.3**	**2.7**	**-1.4**	**3.7**	**4.2**
GAMBIA, THE	6.8	6.2	0.6	4.3	6.8
GHANA	6.2	6.5	0.5	5.4	3.7
GUINEA	6.4	5.6	7.0	4.9	5.7
LIBERIA	1.2	-2.5	-3.0	4.2	4.5
NIGERIA	1.9	2.3	-1.9	3.4	4.2
SIERRA LEONE	3.5	5.5	-2.0	4.1	3.8
CABO VERDE	**4.5**	**5.7**	**-14.8**	**7.0**	**5.2**

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

Structure of Economies

33. The tertiary (services) sector stands as the largest sector in the region's economy, accounting for 53.5 percent of GDP in 2021, higher than the 52.5 percent share in 2020. The primary sector, which is largely made up of agriculture, accounted for 24.2 percent of GDP in 2021 and stands as the second largest sector in the review period. The secondary (industrial) sector, which predominantly includes mining, manufacturing and construction subsectors constituted 22.3 percent of GDP in the year under review. In the WAEMU zone, the three sectors (primary, secondary and tertiary), accounted for 20.5 percent, 21.4 percent and 58.1 percent of the WAEMU GDP in 2021 respectively, while in the WAMZ, they constituted 25.4 percent, 22.6 percent and 52.0 percent of GDP of the zone, respectively.

34. Regarding the sectors' contributions to the Community's growth rate of 4.2 percent in 2021, the primary sector accounted for 0.6 percentage point, the secondary sector contributed 0.3 percentage point while the tertiary or Services sector made up the lion share of 3.3 percentage points. The implication of this sectoral analysis is that since a larger proportion of the regional GDP comprises

activities in the Services sector whose value addition essentially involve international and cross border activities, the regional economy is susceptible to exogeneous shocks.

Table 1.3: Sector Share of GDP and Contribution to Growth

	2018	2019	2020	2021	2022	2018	2019	2020	2021*	2022**
	Sector Share of GDP					Sector Contribution to Growth Rate				
ECOWAS						**3.0**	**3.1**	**-0.8**	**4.2**	**4.8**
Primary	24.4	24.3	24.6	24.2	24.4	0.7	0.7	0.7	0.6	1.3
Secondary	23.0	23.1	22.9	22.3	22.5	0.8	0.8	-0.7	0.3	1.3
Tertiary	52.8	52.8	52.5	53.4	52.8	1.5	1.6	-0.8	3.3	2.1
WAEMU						**6.3**	**5.6**	**1.8**	**6.0**	**6.1**
Primary	21.7	21.2	21.4	20.5	20.4	1.5	0.9	0.8	0.2	1.1
Secondary	20.4	20.9	21.0	21.4	21.6	1.0	1.5	0.4	1.4	1.6
Tertiary	57.9	57.8	57.7	58.1	58.0	3.8	3.2	0.6	4.4	3.4
WAMZ						**2.3**	**2.7**	**-1.4**	**3.7**	**4.4**
Primary	24.9	24.9	25.6	25.4	25.6	0.6	0.6	0.7	0.7	1.4
Secondary	23.4	23.4	23.5	22.6	22.8	0.7	0.7	-1.0	0.0	1.2
Tertiary	51.7	51.7	50.9	52.0	51.5	1.0	1.3	-1.1	3.0	1.8
CABO VERDE						**4.5**	**5.7**	**-14.8**	**7.0**	**5.2**
Primary	6.1	6.4	5.6	5.8	na	-1.4	-0.4	-0.3	0.3	na
Secondary	21.9	24.1	21.3	22.2	na	1.9	1.4	-0.4	2.5	na
Tertiary	72.0	69.5	73.1	72.0	na	4.1	4.7	-14.1	4.2	na

Sources: Central Banks; WAMA; *Provisional **Projections

Inflation

35. During the review period, inflationary pressures persisted in the region, mostly reflecting high exchange rate pass-through effects, high and increasing energy and transport costs as well as increased food prices. The composite end-period inflation of the Community stood at 12.9 percent at end-December 2021 compared to 13.1 percent in the same period of 2020.

36. In the WAEMU zone, end-period inflation nearly doubled to 4.9 percent at end-December 2021, from 2.7 percent at end-December 2020. The acceleration in the general price level, observed in all the countries of the Union, was essentially influenced by the prices of food products, particularly, cereals, fruit and vegetables, tubers as well as fishery products. The highest levels of inflation (end-period) were reported in Mali (6.3%), Burkina Faso (5.9%), Togo (5.8%), Guinea Bissau (5.6%) and Cote d'Ivoire (5.2%).

37. In the WAMZ, inflationary pressures remained elevated occasioned by exchange rate pass-through and increased food and ex-pump fuel prices. End-period inflation in the zone stood at 15.1 percent at end-December 2021 compared to 15.2 percent at end-December 2020. In Nigeria, inflation (end-period) stood at 15.6 percent compared to 15.8 percent at end-December 2020. Sierra Leone witnessed the highest rate of inflation in the WAMZ at end-December 2021, recording 17.9 percent from 10.5 percent due to increased prices of essential commodities. Inflationary pressures in Ghana and Guinea at end-December 2021 stood at 12.6 percent and 12.5 percent compared to 10.4 percent and 10.6 percent in 2020, respectively, reflecting increased food prices in Guinea and increase food and ex-pump prices of fuel in Ghana. Liberia and The Gambia ended the year with relatively moderate inflation rates of 5.5 percent and 7.6 percent, compared with 13.1 percent and 5.7 percent at end-December 2020, respectively. The moderation of inflation in Liberia was as a result of the relatively tight monetary policy stance and the strengthening of the domestic currency. The inflation situation in The Gambia occurred on the back of increased food and fuel prices as well as high freight cost.

38. Average inflation in the region accelerated to 13.2 percent from 11.1 percent due to increased food and fuel prices as well as high exchange rate depreciation. At the sub-regional level, average inflation in the WAEMU was 3.6 percent compared to 2.3 percent in the preceding year, while it was recorded at 16.0 percent from 12.7 percent in the WAMZ. Similarly, in Cabo Verde, average inflation stood at 1.9 percent, compared to 0.6 percent a year earlier, while end-period inflation was 5.4 percent due to increased transport cost and food prices.

Table 1. 4: Inflation (end of period)

	2018	2019	2020	2021*	2022**
ECOWAS	**9.6**	**9.7**	**13.1**	**12.9**	**12.4**
WAEMU	**0.8**	**-0.2**	**2.7**	**4.9**	**3.5**
BENIN	-0.2	0.5	2.5	3.3	4.6
BURKINA FASO	0.9	-3.2	3.8	5.9	4.0
COTE D'IVOIRE	0.6	1.6	2.4	5.2	4.2
GUINEE BISSAU	2.4	-0.1	1.4	5.6	0.7
MALI	0.8	-3.3	2.5	6.3	4.0
NIGER	1.2	-2.0	3.1	4.3	5.0
SENEGAL	1.1	0.7	2.5	3.3	0.8
TOGO	1.7	0.1	2.9	5.8	0.2
WAMZ	**11.3**	**11.7**	**15.2**	**15.1**	**14.8**
GAMBIA, THE	6.4	7.7	5.6	7.6	8.5
GHANA	9.4	7.9	10.4	12.6	28.5
GUINEE	9.9	9.1	10.6	12.5	13.5
LIBERIA	28.5	20.3	13.1	5.5	12.3
NIGERIA	11.4	12.0	15.8	15.6	13.0
SIERRA LEONE	14.3	13.9	10.5	17.9	16.7
CABO VERDE	**3.6**	**2.8**	**-0.9**	**5.4**	**2.5**

Sources : Central Banks, WAMA, WAEMU Commission, IMF *Provisional **Projections

2.3. Fiscal Sector

39. The region witnessed an improved fiscal performance in 2021 due to declines in COVID-19-related expenditures as Member States relaxed measures adopted to fight the pandemic. Consequently, the budget deficit (excluding grants) declined to 5.1 percent of GDP in 2021, from 5.2 percent of GDP in 2020. In the WAMZ, the deficit declined to 4.5 percent of GDP in 2021, from 4.7 percent of GDP in 2020, likewise in the WAEMU, the ratio declined to 7.1 percent of GDP in the review period, from 7.6 percent of GDP in 2020.

40. In the WAEMU zone, the budget deficit (excluding grants) declined in five (5) Member States while it slightly increased in the remaining three. In Cote d'Ivoire, it declined by 0.6 percentage point to 5.5 percent of GDP in 2021 due to a fall in wages & salaries and transfers & subsidies as well as increase in tax revenue. In Senegal, it fell by 1.6 percentage points to 7.1 percent of GDP due to decline in Transfers and subsidies. Budget deficit (excluding grants) also declined in Guinea Bissau, Mali and Togo, largely on account of the reductions in transfers payments and use of goods and services. However, it rose in Benin, Burkina Faso and Niger due mainly to increased capital expenditures.

41. In the WAMZ, the improvement in the overall fiscal position was also reflected in the improved fiscal performance in most Member States due to reduced fiscal pressures resulting from the reduction in COVID-related expenditures as well as the easing of the pandemic restrictions. Four countries (The Gambia, Ghana, Guinea and Sierra Leone) in the zone witnessed reductions in their

fiscal deficits (excluding grants). Liberia and Nigeria recorded slight deteriorations in their overall fiscal balances. However, Liberia remained well below the regional threshold.

42. In Nigeria, the overall fiscal deficit (excluding grants) rose slightly to 3.9 percent of GDP in 2021 from 3.8 percent of GDP in 2020, mainly reflecting a 98.8 percent rise in capital expenditure during the period. The growth in recurrent expenditure moderated to 8.7 percent in 2021 compared to a growth of 18.6 percent in 2020. In Liberia, the overall fiscal balance rose to a deficit of 1.1 percent of GDP in 2021, from a surplus of 0.8 percent of GDP in 2020 mainly due to a 107.1 percent increase in interest payment on public debt. In Ghana, Guinea, Sierra Leone and The Gambia, the deficit reduced to 8.8 percent of GDP, 2.4 percent of GDP, 11.8 percent of GDP and 7.4 percent of GDP from 10.8 percent of GDP, 4.0 percent of GDP, 11.5 percent of GDP and 10.7 percent of GDP in 2020, respectively, occasioned by the combined effect of increase in tax revenue and slowdown in recurrent expenditure.

43. In Cabo Verde, the fiscal balance improved mainly attributable to the drop in total expenditure which outweighed the decline in domestic revenue. The deficit (excluding grants) was equivalent to 10.2 percent of GDP in 2021 compared to 13.5 percent of GDP in 2020.

44. Including grants, the aggregate fiscal balance of the Community also declined to a deficit of 4.6 percent of GDP in 2021 against 4.8 percent of GDP in 2020. In the WAEMU, the deficit stood at 5.5 percent of GDP compared to 5.7 percent of GDP in 2020 while the WAMZ recorded a deficit equivalent to 4.4 percent of GDP compared to a deficit of 4.6 percent of GDP recorded in 2020.

Table 1.5: Budget Deficit (excluding grants) as percent of GDP in ECOWAS

	2018	2019	2020	2021*	2022**
ECOWAS	**3.3**	**3.5**	**5.2**	**5.1**	**4.3**
WAEMU	**5.1**	**4.2**	**7.6**	**7.1**	**6.8**
BENIN	3.5	1.6	6.4	6.7	6.4
BURKINA FASO	6.7	4.6	8.2	8.3	8.0
COTE D'IVOIRE	3.7	3.1	6.1	5.5	5.3
GUINEA BISSAU	7.9	7.5	13.1	11.0	8.9
MALI	6.0	3.6	6.6	5.5	5.2
NIGER	9.0	10.4	12.1	13.4	12.5
SENEGAL	5.7	5.6	8.7	7.1	7.8
TOGO	3.3	1.6	9.2	6.8	8.1
WAMZ	**2.9**	**3.4**	**4.7**	**4.5**	**3.5**
GAMBIA, THE	11.8	8.2	10.7	7.4	13.7
GHANA	3.9	4.4	10.8	8.8	6.5
GUINEA	2.9	1.0	4.0	2.4	2.8
LIBERIA	0.8	0.9	0.8	1.1	0.0
NIGERIA	2.8	3.3	3.8	3.9	3.1
SIERRA LEONE	7.4	6.3	11.5	11.8	8.2
CABO VERDE	**4.1**	**5.0**	**13.5**	**10.2**	**7.6**

Sources: Central Banks, WAMA, WAEMU Commission, IMF *Provisional **Projections

Public Debt Stock

45. The stock of public debt of the region was equivalent to 33.3 percent of GDP at as end-December 2021 compared to 27.7 percent of GDP at end-December 2020, influenced mainly by the increased borrowing during COVID-19 and concessional advances to some Member States by development partners for strategic interventions and balance of payments supports as well as strategic bailout by government to key domestic institutional sectors.

46. In the WAEMU, total public debt at end-December 2021 rose to 54.8 percent of GDP from 50.2 percent of GDP in the preceding year. Public debt increased in all Member States of the sub-region during the review period. Domestic debt of the Union increased to 20.3 percent of GDP from 17.3 percent of GDP at end-December 2020 while the external debt component rose to 34.5 percent of GDP at end-December 2021 from 33.0 percent of GDP a year ago.

47. In the WAMZ, the stock of public debt rose to 26.8 percent of GDP at end-December 2021 from 23.1 percent of GDP at end-December 2020, largely reflecting rising debt situations in most Member States. Public debt increased in Nigeria to 18.7 percent of GDP at end-December 2021 from 17.5 percent of GDP in 2020 due to new concessional loans from multilateral and bilateral sources during the period. In Ghana, the stock of public debt rose to 76.6 percent of GDP from 74.4 percent of GDP at end-December 2020, reflecting net issuances of domestic instruments to pay down the cost incurred from the crystallisation of contingent liabilities in the energy sector and the financial sector bailout. In Guinea, Liberia and Sierra Leone, public debt stocks stood at 41.2 percent of GDP, 49.8 percent of GDP and 79.8 percent of GDP as at end-December 2021 compared to 46.0 percent of GDP, 52.6 percent of GDP and 73.9 percent of GDP, respectively, at end-December 2020. The decline in debt stock in Guinea is partly due to debt relief under the IMF CCRT. In Liberia, public debt increased by 8.7 percent in nominal value due to additional concessional advances but as percent of GDP it declined to due to base-drift effect. Similarly, in Sierra Leone the nominal value of public debt rose by 15.3 percent, whilst in The Gambia, the debt stock rose by 8.1 percent to D85,750.5 million (81.7% of GDP) in 2021 from D79,348.6 million (85.0% of GDP) at end-December 2020, mainly on account of domestic debt accumulation through issuance of securities.

48. Cabo Verde has the highest debt ratio in the Community. The country, recorded a debt-to-GDP ratio of 155.3 percent in 2021 compared to 155.6 percent of GDP in 2020, influenced by concessional advances primarily and fiscal support towards vulnerable sectors (Table 1.6).

Table 1.6: Total Public Debt (Percent of GDP)

	2018	2019	2020	2021*	2022**
ECOWAS	**23.0**	**23.7**	**27.7**	**33.3**	**35.1**
WAEMU	**41.4**	**44.7**	**50.2**	**54.8**	**55.4**
BENIN	41.1	41.3	46.1	49.8	49.5
BURKINA FASO	37.3	42.2	46.9	55.4	53.3
COTE D'IVOIRE	36.0	38.8	47.6	51.7	54.4
GUINEA BISSAU	44.4	58.2	69.9	74.1	73.9
MALI	36.9	40.6	47.3	50.6	53.1
NIGER	38.8	41.5	44.4	50.8	51.2
SENEGAL	54.8	60.3	63.2	67.2	64.6
TOGO	55.5	51.9	58.6	61.7	59.7
WAMZ	**20.0**	**20.2**	**23.1**	**26.8**	**29.1**
GAMBIA, THE	82.4	80.3	85.0	81.7	77.3
GHANA	57.6	62.4	74.4	76.6	78.5
GUINEA	42.5	42.9	46.0	41.2	39.1
LIBERIA	28.8	42.0	52.6	49.8	59.0
NIGERIA	15.9	15.6	17.5	18.7	20.9
SIERRA LEONE	57.4	72.9	73.9	79.8	72.9
CABO VERDE	**131.3**	**130.4**	**155.6**	**155.3**	**132.0**

Sources : Central Banks, WAMA, WAEMU Commission, IMF *Provisional **Projections

2.4. Monetary Sector

49. In 2021, the central banks of the Community maintained an accommodative monetary policy stance to support the economic recovery process in the context of the persistence of the COVID-19 pandemic. Key rates remained unchanged in most of the Member Central Banks.

50. In the WAEMU, the BCEAO maintained an accommodative monetary policy stance by keeping the policy rate at 2.0 percent in 2021. The minimum key bid rate for liquidity injection tender operations on the money market and the marginal lending window rate were maintained at 2.0 percent and 4.0 percent, respectively, since June 2020. Also, the reserve requirement coefficient applicable to banks in the Union remained unchanged at 3.0 percent. In addition, the BCEAO continued with fixed-rate, full-service auctions at all traditional tender windows. It opened a special window with 6-month and 12-month maturity and full service for the refinancing of Recovery Bonds (OdR) and Support and Resilience Bonds (BsR) and continued the rating of companies in order to allow banks to have a larger pool of private bills eligible for BCEAO counters.

51. In the WAMZ, the CBN maintained the MPR at 11.5 percent in 2021, after a reduction of 100 basis points in the third quarter of 2020. In addition, the asymmetric corridor was maintained at +100/ -700 basis points around the policy rate while the cash reserve ratio (CRR) and the minimum liquidity ratio (LR) remained unchanged at 27.5 percent and 30.0 percent, respectively, at end-December 2021. Other administrative tools have been deployed to manage liquidity.

52. At the BoG, the policy rate remained unchanged at 14.5 percent while other administrative measures were taken. The BSL also maintained its policy rate at 14.0 percent for most part of 2021, but was raised by 25 basis points in December, signalling a tight stance in the face of growing inflationary pressures. In The Gambia, the policy rate remained unchanged at 10.0 percent and reserve requirements were reduced in order to inject more liquidity into the economy. The CBL slightly lowered the policy rate to 20.0 percent in August 2021 as part of measures to support economic growth forecasts as well as improve liquidity in Liberian dollars. The BCRG maintained the key rate at 11.5 percent and the reserve requirement coefficient at 16.0 percent, in order to contain inflationary pressures. In addition, the BCRG continued its liquidity injection programme to enable banks to continue granting credit to the private sector. It has set up, in coordination with the budgetary authorities, a subscribers' guide for treasury bonds issued on the Treasury Securities market in the Republic of Guinea. It has also set up the operating mode agreement relating to the preparation and organisation of Treasury bond issues on the market.

53. The BCV, also maintained an accommodative monetary policy stance instituted since April 1, 2020, when the policy rate was reduced by 150 basis points to 0.25 percent. In addition, the permanent liquidity transfer facility rate and the permanent liquidity absorption facility rate were reduced to 0.5 percent and 0.05 percent from 4.50 percent and 0.10 percent, respectively. Similarly, the rediscount rate and reserve requirement rate were reduced to 1.0 percent and 10.0 percent from 5.50 percent and 13.0 percent, respectively.

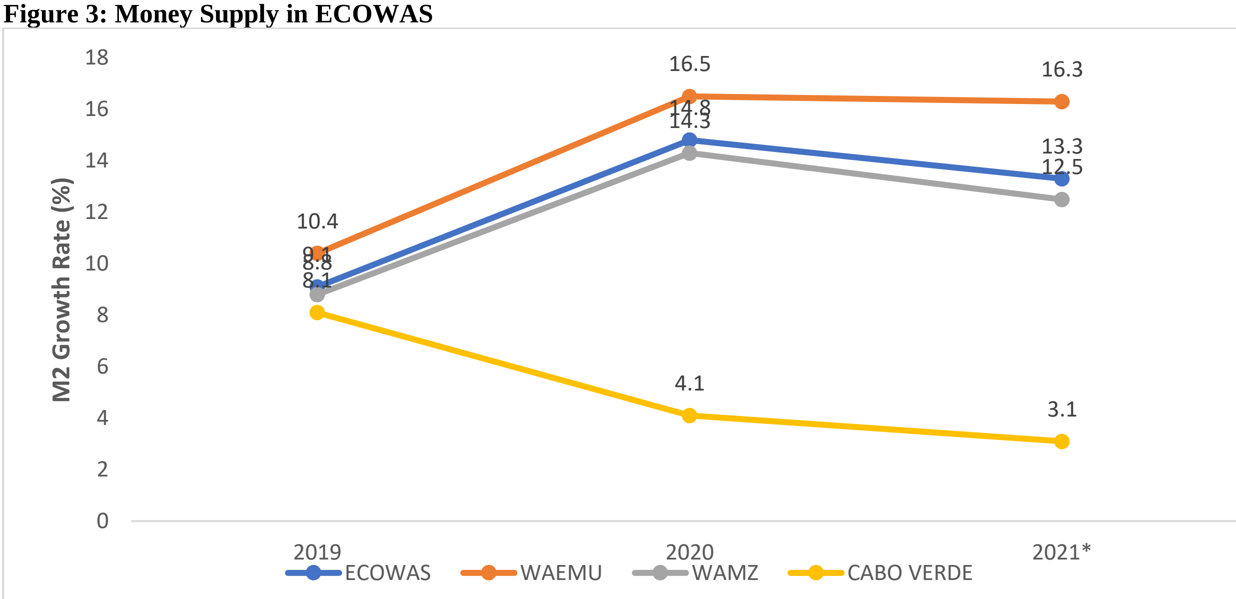
54. The trend in Treasury bills rate was mixed in ECOWAS Member Central Banks, as WAEMU, The Gambia, Ghana, Liberia and Sierra Leone saw Treasury bills rate declined to 2.0 percent, 0.72

percent, 12.5 percent, 4.0 percent and 3.7 percent in 2021 from 2.9 percent, 2.8 percent, 14.1 percent, 6 percent and 3.8 percent, respectively, in 2020. On the other-hand, Treasury bills rates marginally increased in Guinea to 12.0 percent from 11.5 percent in 2020 induced by increased government participation in the domestic money market. However, the rate on Treasury bills remained unchanged in Cabo Verde at 1.0 percent in the review period. Trends in nominal interest rates in ECOWAS Member States are presented in Appendix Table A1.

Trends in Monetary Aggregates

55. The growth of broad money supply moderated to 13.3 percent at end-December 2021 from 14.8 percent at end-December 2020, due to a slowdown in growth rates of both NFA and NDA across the region (Figure 3). In the WAEMU, the growth in money supply moderated to 16.3 percent in 2021 from 16.5 percent in 2020. This was due to the decrease in the growth rate of NDA in most of the Member States within the bloc, with the exception of Burkina Faso and Togo which recorded a slight increase during the review period. Furthermore, the marginal decline in money supply in the WAEMU was due to sudden slowdown in claims on Government (net) to 26.8 percent in 2021, from 52.1 percent in 2020.

Figure 3: Money Supply in ECOWAS



Sources: WAMA, Member Central Banks *Provisional

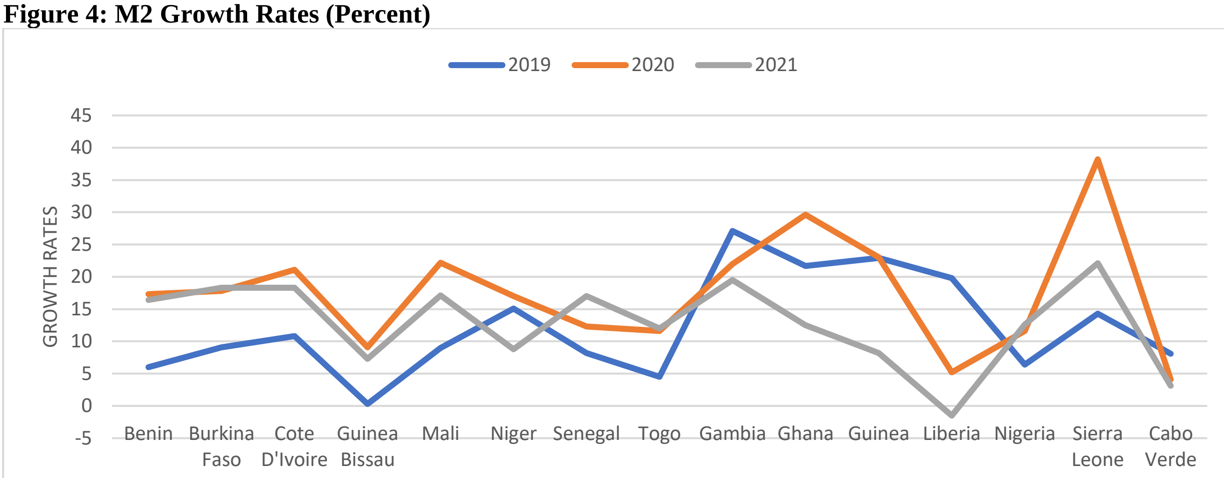
56. Growth in money supply slowed in Benin, Cote d'Ivoire, Guinea Bissau, Mali, Niger and Senegal to 16.4 percent, 18.3 percent, 7.3 percent, 17.1 percent, 8.8 percent 17.0 percent in 2021 from 17.3 percent, 21.1 percent, 9.1 percent, 22.2 percent, 17.0 and 12.3 percent in 2020, respectively. This was mainly due to net claims on government. However, the growth of money supply in Burkina Faso and Togo marginally increased to 18.3 percent and 12.0 percent in 2021 from 17.8 percent and 11.6 percent in 2020, respectively, reflecting developments in NFA and claims on the economy.

57. In the WAMZ, broad money supply growth also moderated to 12.5 percent in 2021 from 14.3 percent in 2020. This slowdown in the growth rate of money supply in the WAMZ was due to a decline in the NFA within the sub-region. Furthermore, most of the Member States experienced a

decline in the growth rates of aggregate money supply except Nigeria, which recorded an increase due to a rise in claims on the economy. Liberia recorded a contraction in money supply as a result of negative growth in net claims on government (-24.1 percent) and claims on the private sector (-11.4 percent).

58. Growth in money supply slowed in The Gambia, Ghana, Guinea and Sierra Leone to 19.5 percent, 12.5 percent, 8.2 percent, and 22.1 percent in 2021 from 22.0 percent, 29.6 percent, 23.0 percent and 38.2 percent in 2020, respectively. However, growth in broad money supply increased slightly in Nigeria in the review period, mainly influenced by domestic claims on the economy, which grew by 17.2 percent (Figure 4).

Figure 4: M2 Growth Rates (Percent)



Sources: Member Central Banks and WAMA

59. In Cabo Verde, growth in broad money supply slowed to 3.1 percent in 2021 relative to 4.1 percent in 2020, occasioned by a 0.6 percent decline in net claims on government in 2021 as compared to a negative growth of 25.6 percent in 2020 (Figure 4).

2.5. External Sector

60. The external sector performance improved during the period under review on the back of general improvements in the overall balance of payments.

Current Account

61. The current account deficit narrowed to 1.4 percent of GDP in 2021 from 3.4 percent of GDP in 2020, mainly reflecting improvements in the trade balance of some Member States.

62. In the WAEMU, the current account deficit deteriorated to 5.2 percent of GDP in 2021 from 4.2 percent in 2020, due to worsening in the balances of primary and secondary income accounts. In Benin, Mali, Niger, Senegal and Togo, the current account position worsened to -4.4 percent of GDP, -7.3 percent of GDP, -14.0 percent of GDP, -11.9 percent of GDP and 2.3 percent of GDP, in 2021, from -1.7 percent of GDP, -2.2 percent of GDP, -13.2 percent of GDP, -10.9 percent of GDP and -0.3 percent of GDP in 2020, respectively. Conversely, in Guinea Bissau, the current account position improved, recording a lower deficit of 2.2 percent of GDP in 2021 compared to -2.4 percent of GDP in 2020, due largely to an improvement in the goods and services accounts.

However, in Cote d'Ivoire the current account position remained unchanged at a deficit of 3.2 percent of GDP in 2021

63. In the WAMZ, the current account deficit narrowed to 0.3 percent of GDP in 2021 from 3.3 percent of GDP in 2020, due to a general improvement in the goods, services and income accounts in most Member States. In Nigeria, the current account deficit declined to 0.4 percent of GDP in 2021 from 3.7 percent of GDP in 2020, mainly on account of improved trade balance. On the other hand, Ghana, Liberia and Sierra Leone recorded current account deficits of 3.2 percent of GDP, 17.4 percent of GDP and 14.7 percent of GDP in 2021, compared to deficits of 3.1 percent, 14.0 percent and 6.8 percent of GDP recorded in 2020, respectively due to a deterioration in their trade balances. However, in The Gambia, the current account balance remained unchanged at -4.7 percent of GDP in 2021.

64. In Cabo Verde, the current account deficit narrowed to 13.2 percent of GDP in 2021 from 16.5 percent of GDP in 2020, largely attributed to improvement in trade balance (Table 1.7).

Table 1.7: Current Account Balance– Percent of GDP

	2019	2020	2021*	2022**
ECOWAS	**0.8**	**-3.4**	**-1.4**	**-2.6**
WAEMU	**-5.1**	**-4.2**	**-5.2**	**-2.9**
BENIN	-4.0	-1.7	-4.4	-5.0
BURKINA FASO	-3.3	4.2	4.1	4.1
COTE D'IVOIRE	-2.3	-3.2	-3.2	-3.3
GUINEA BISSAU	-8.4	-2.4	-2.2	-5.1
MALI	-7.5	-2.2	-7.3	-6.3
NIGER	-12.2	-13.2	-14.0	15.0
SENEGAL	-8.1	-10.9	-11.9	-12.7
TOGO	-0.8	-0.3	-2.3	-2.7
WAMZ	**-3.0**	**-3.3**	**-0.3**	**-2.5**
GAMBIA, THE	-2.0	-4.7	-4.7	-2.7
GHANA	-2.8	-3.1	-3.2	-3.4
GUINEA	-2.8	18.5	32.0	-
LIBERIA	-21.4	-14.0	-17.4	-18.4
NIGERIA	-2.9	-3.7	-0.4	-2.2
SIERRA LEONE	-14.9	-6.8	-14.7	-13.6
CABO VERDE	**0.2**	**-16.5**	**-13.2**	**-8.1**

Sources: WAMA and Member States' Central Banks; Reconciled Data; *Provisional **Projections

Overall Balance of Payments

65. In ECOWAS, the overall BOP position improved in the review period, recording an increase in surplus to 0.6 percent of GDP from 0.1 percent of GDP in 2020. This improvement largely reflected the improved current account position across the region following the reopening of economies worldwide.

66. In the WAEMU, the BOP surplus improved to 2.7 percent of GDP in 2021, from 2.1 percent of GDP in 2020 due to an improvement in trade among most Member States, following global recovery from COVID-19 pandemic. As percentage of GDP, the BOP position of Benin, Burkina Faso, Cote D'Ivoire, Niger and Senegal improved to 6.1 percent, 6.7 percent, 2.8 percent, 1.5 percent and 0.5 percent in 2021 from 3.4 percent, 4.6 percent, 1.7 percent, -1.0 percent, and 0.6 percent, in 2020, respectively. However, in Guinea Bissau, Mali, and Togo the BOP balances worsened to 0.6 percent of GDP, -0.5 percent of GDP and 2.4 percent of GDP in 2021 from 5.7 percent of GDP, 4.5 percent of GDP and 5.5 percent of GDP in 2020, respectively. (Table 1.8).

67. In the WAMZ, the BOP position indicates an improvement to a surplus of 0.1 percent of GDP in 2021 from a deficit of 0.2 percent of GDP in 2020. This was due largely to improvement in the BOP position in Nigeria and Ghana. In Nigeria, the BOP improved to a surplus of 0.1 percent of GDP in 2021 compared to a deficit of 0.4 percent of GDP in 2020 due mainly to marked improvement in the current account. In Ghana, the BOP position strengthened to a surplus 0.6 percent of GDP in 2021 from a surplus of 0.5 percent of GDP in 2020, attributed to the increase in the capital and financial accounts arising from the gradual rebound of the economy from the COVID-19 pandemic. In Sierra Leone, the BOP recorded a surplus of 3.6 percent of GDP in 2021 compared to 0.1 percent of GDP in 2020. However, in Guinea, The Gambia, and Liberia, the BOP balance deteriorated to 0.3 percent of GDP, -3.4 percent of GDP and -11.5 percent of GDP in 2021 from 5.3 percent of GDP, -4.1 percent of GDP and -2.6 percent of GDP, respectively in 2020, reflecting a deterioration of trade.

68. In Cabo Verde, the BOP position strengthened to 1.1 percent of GDP in 2021 from a deficit of 1.3 percent of GDP in 2020. This outcome was as a result of improvement in trade in post COVID-19 pandemic period, which resulted to a consolidation of capital account surpluses (Table 1.8).

Table 1.8: Overall Balance of Payments – Percent of GDP

	2019	2020	2021*	2022**
ECOWAS	**1.8**	**0.1**	**0.6**	**-0.8**
WAEMU	**1.6**	**2.1**	**2.7**	**1.4**
BENIN	0.5	3.4	6.1	0.9
BURKINA FASO	0.7	4.6	6.7	3.4
COTE D'IVOIRE	1.4	1.7	2.8	1.3
GUINEA BISSAU	-1.7	5.7	0.6	1.9
MALI	2.6	4.5	-0.5	0.2
NIGER	4.2	-1.0	1.5	0.2
SENEGAL	1.1	-0.6	0.8	2.1
TOGO	4.0	5.5	2.4	2.1
WAMZ	**-0.6**	**-0.2**	**0.1**	**-1.4**
GAMBIA, THE	4.4	-4.1	-3.4	-5.3
GHANA	2.0	0.5	0.6	0.1
GUINEE	5.2	5.3	0.3	-
LIBERIA	1.0	-2.6	-11.5	-1.1
NIGERIA	-0.9	-0.4	0.1	-1.6
SIERRA LEONE	0.5	0.1	3.6	-6.0
CABO VERDE	**7.4**	**-1.3**	**1.1**	**-5.6**

Sources: WAMA and Member Central Banks; Reconciled Data; *Provisional **Projections

2.6. Prospects[4]

69. The macroeconomic prospects in the region in 2022 appear favourable. Growth is projected at 4.8 percent bolstered by further recovery across sectors in the region. The primary, secondary and tertiary sectors are expected to grow by 5.6 percent, 5.8 percent and 4.2 percent, respectively in 2022. However, these projections are contingent upon early cessation of the Russian-Ukraine war, the ease of new COVID-19 outbreak in China and the improved security conditions in some Member States, including Nigeria, Burkina Faso, Mali and Niger. This growth prospect is expected to occur in the environment of elevated inflation due to rising food and fuel prices amplified by the Russia-Ukraine war. The global economic shocks caused by the ongoing war is hitting the region at a time when Member States are still recovering from the COVID-19 pandemic shock and with

[4] This Overview above and prospects are for the entire Macro Chapter

limited fiscal space. These adverse developments have since triggered exchange rate depreciation and a surge in inflation. Average inflation in the region is projected at 13.5 percent in 2022. Transport cost which feeds into the prices of essential commodities is expected to rise sharply, worsening the inflationary pressures in the region.

70. The overall fiscal deficit is expected to improve further as the budget deficit (excluding grants) is projected to reduce to 4.3 percent of GDP in 2022 occasioned by fiscal consolidation and further reduction of COVID-induced expenditure pressure on government operations in the region. However, the public debt vulnerability is expected to remain elevated due to additional concessional advances to some Member States.

71. The monetary policy stance of Member Central Banks is expected to be tightened, induced by rising inflation on the back of increases in food and ex-pump prices of fuel in the region. On the external front, the current account deficit is anticipated to widened to 2.6 percent of GDP on the back of weak exports of primary commodities and increased imports.

III. STATUS OF MACROECONOMIC CONVERGENCE IN ECOWAS

3.1. Introduction

72. The new Roadmap for the Launch of the ECO, as approved by the Authority of Heads of State and Government, requires Member States to meet all the Primary Convergence Criteria by 2026.

73. 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 emphasise debt sustainability and nominal exchange rate stability. The Primary and Secondary Convergence Criteria are as follows:

Primary Criteria

i. Ratio of budget deficit (including grants and on commitment basis) to GDP: the ratio should be less than or equal to 3.0 percent;
ii. Average annual inflation: less than or equal to 5.0 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.

Secondary Criteria

i. Nominal exchange rate variation: stable (±10 percent vis a vis the WAUA); and
ii. Ratio of total public debt-to-GDP: less than or equal to 70 percent.

74. This section reviews the performance of ECOWAS Member States on the Macroeconomic Convergence Criteria adopted by the Authority of ECOWAS Heads of State and Governments in 2015. It should be recalled, however, that with the new MCSP adopted during the 59th Ordinary Session of the Authority of ECOWAS Heads of State and Government held in Accra, Ghana on June 19, 2021, 2020 and 2021 have been declared exceptional years to allow countries to ensure sustainable attainment of the convergence criteria during the next convergence phase, 2024-2026. Therefore, the status of macroeconomic convergence provided in this report is for information purposes only.

3.2. Overview of the Performance of ECOWAS Members States

75. The economies of ECOWAS Member States recovered to pre-COVID-19 growth paths in 2021, underpinned by policy support, recovery of commodity prices, easing of COVID-19 restrictions and reopening of economies following the steady rise in the vaccines rollout which helped restore confidence. Real GDP in the region rebounded to 4.2 percent in 2021 from the contraction of 0.8 percent recorded in 2020. Inflationary pressures, however, remained elevated in the region due to the global supply chain disruptions and rising oil and food prices.

76. The unprecedented fiscal stimulus to mitigate the impact of the pandemic on businesses and households also led to a steady rise in budget deficits and public debt levels, raising concerns for debt sustainability in the region. Most countries in the region have already embarked on fiscal consolidation to bring down the budget deficit and public debts to sustainable levels while central banks have also been proactive in adjusting policy rates to rein in inflation. Nonetheless, the

performance on the Primary Convergence Criteria improved in the review period while that of the Secondary Convergence Criteria deteriorated.

3.3. Summary of the Macroeconomic Convergence

77. The assessment of Member States' compliance with the Macroeconomic Convergence Criteria for the year under review revealed that:

- no Member State satisfied all the six (6) convergence criteria in 2021. However, the number of countries that met at least five (5) convergence criteria was eight (8) in 2021, same as in 2020; and
- no Member State met all the four (4) Primary Convergence Criteria in 2021. However, the number of Member States that satisfied at least three (3) Primary Convergence Criteria increased from ten (10) in 2020 to eleven (11) in 2021.

78. Despite the improvement in the aggregate fiscal balance, Member States' individual performance deteriorated in 2021 as the number of countries that met this criterion declined from three (3) to two (2) in 2020. However, Member States' performance on central bank financing of the budget deficit criterion increased to thirteen (13) in 2021 from eleven (11) in 2020. Performance on the gross external reserves criterion also improved in the review period as the number of countries that satisfied it increased to fifteen (15) in 2021 from thirteen (13) in 2020. The number of Member States that satisfied the average inflation criterion, however, remained unchanged at nine (9) between 2020 and 2021 (Table A4).

79. With respect to the Secondary Convergence Criteria, performance deteriorated slightly in 2021 compared to 2020, as the number of countries that met the criterion on nominal exchange rate variation declined from fifteen (15) in 2020 to fourteen (14) in 2021. Similarly, that of public debt-to-GDP ratio declined from eleven (11) in 2020 to ten (10) in 2021 (Table A4).

Table 1.9: Number of Countries that Met the Convergence Criteria in ECOWAS

CRITERIA	TARGET	2019	2020	2021*	2022**
Primary Criteria					
Budget deficit (commitment basis, including grants)	≤3%	9	3	2	2
Average annual inflation rate	≤5%	9	9	9	6
Central bank financing of budget deficit	≤10%	14	11	13	15
Gross external reserves	≥3	14	13	15	15
Secondary Criteria					
Nominal exchange rate variation	±10%	14	15	14	na
Ratio of public debt to GDP	≤70%	13	11	10	10

Sources: WAMA, ECOWAS; *Provisional **Projections

3.4. Analysis of Performance by Criteria

3.4.1. Primary Criteria

Budget Deficit (Including Grants) / GDP ≤ 3 percent

80. The region witnessed a generally improved fiscal performance in the year under review. The overall fiscal deficit (including grants) fell to 4.6 percent of GDP in 2021 against 4.8 percent of GDP in 2020. In the WAMZ, the deficit, including grants, declined to 4.4 percent of GDP in 2021, from 4.6 percent of GDP in 2020. Likewise, in the WAEMU, the ratio declined to 5.5 percent of GDP

in the review period, from 5.7 percent of GDP in 2020. In Cabo Verde, the fiscal deficit (including grants) was equivalent to 8.0 percent of GDP in 2021 compared to 10.0 percent of GDP in 2020, mainly attributed to the drop in total expenditure. The broadly improved fiscal performance in 2021 was as a result of a general decline in the COVID-related expenditure as Member States relaxed measures adopted to fight the pandemic. Revenues picked up gradually from the drastic drop in 2020, while expenditures moderated, particularly wages and salaries across Member States in the review period.

Table 1.10: Ratio of Budget Deficit to GDP (Including Grants)

Ratio of Overall Budget Deficit to GDP: ≤3%					
	2018	**2019**	**2020**	**2021***	**2022****
ECOWAS	**2.9**	**3.2**	**4.8**	**4.6**	**3.9**
WAEMU	**3.4**	**2.5**	**5.7**	**5.5**	**5.2**
BENIN	2.9	0.5	5.6	5.7	5.5
BURKINA FASO	4.3	3.2	5.2	5.9	5.1
COTE D'IVOIRE	2.9	2.3	5.6	5.0	4.6
GUINEA BISSAU	4.4	3.6	9.3	7.4	5.1
MALI	4.7	1.7	5.5	4.9	4.5
NIGER	3.0	3.6	5.4	5.9	6.6
SENEGAL	3.7	3.9	6.4	6.3	6.2
TOGO	0.6	1.3	7.0	5.1	5.0
WAMZ	**2.8**	**3.3**	**4.6**	**4.4**	**3.5**
GAMBIA, THE	6.0	3.0	2.2	5.3	4.4
GHANA	3.5	4.1	10.5	8.5	7.0
GUINEA	1.1	0.5	3.0	1.8	2.6
LIBERIA	0.3	0.9	-2.2	0.9	0.0
NIGERIA	2.8	3.3	3.8	3.9	3.1
SIERRA LEONE	5.2	3.1	5.8	6.6	3.6
CABO VERDE	**2.7**	**1.8**	**10.0**	**8.0**	**3.6**
No. of Countries that Met the Criterion	**8**	**7**	**3**	**2**	**2**

Sources: WAMA, ECOWAS *Provisional **Projections

81. Despite the generally improved fiscal performance in 2021, only two (2) Member States (Liberia and Guinea) met the criterion in 2021 compared to three (The Gambia, Guinea and Liberia) in 2020. From the preliminary projections for 2022, only a few countries in the WAMZ are expected to meet this criterion in 2022, while no country in the WAEMU is expected to meet the criterion (Table 1.10).

Average Inflation Rate ≤ 5 percent

82. During the review period, inflationary pressures persisted in the region, mostly due to rising energy, fuel and food prices as well as exchange rate depreciation. Consequently, average inflation accelerated to 13.2 percent in 2021 from 11.1 percent in 2020. In the WAEMU, average inflation stood at 3.6 percent in 2021 against 2.3 percent in 2020. In a similar vein, it was 16.0 percent from 12.7 percent in the WAMZ. Average inflation in Cabo Verde stood at 1.9 percent in 2021 from 0.6 percent, a year earlier.

83. However, the performance of Member States on the inflation criterion remained unchanged as nine (9) Member States satisfied the target in 2021, same as in 2020. All the WAEMU countries and Cabo Verde satisfied the criterion, while in the WAMZ, no Member State satisfied the criterion in the review period. This situation is expected to persist in 2022 as inflationary pressures intensify on the back of the Russia-Ukraine war (Table 1.11).

Table 1.11: Average Inflation Rate in ECOWAS Member States

	INFLATION TARGET: ≤ 5 %					
	2017	2018	2019	2020	2021*	2022**
ECOWAS	13.7	10.2	9.4	11.1	13.2	13.5
WAEMU	1.5	1.1	-0.5	2.3	3.6	5.1
BENIN	1.7	0.8	-0.9	3.0	1.7	5.7
BURKINA FASO	4.0	1.9	-3.2	1.9	3.9	6.0
COTE D'IVOIRE	0.4	0.6	0.8	2.4	4.2	4.6
GUINEA BISSAU	1.0	1.4	0.2	1.5	3.3	4.0
MALI	2.9	1.8	-3.0	0.5	3.9	8.0
NIGER	0.2	2.7	-2.5	2.9	3.8	5.0
SENEGAL	1.7	0.5	1.0	2.5	2.2	3.5
TOGO	-0.2	0.9	0.7	1.8	4.5	4.6
WAMZ	16.1	12.0	11.3	12.7	16.0	15.9
GAMBIA, THE	8.1	5.8	7.1	5.6	5.6	8.9
GHANA	14.5	9.8	9.5	9.9	10.0	16.3
GUINEA	8.5	9.8	9.5	10.6	12.6	12.7
LIBERIA	12.5	23.3	27.0	17.4	7.9	10.0
NIGERIA	16.4	12.1	11.4	13.2	17.0	16.0
SIERRA LEONE	16.3	16.0	14.8	13.2	11.9	11.1
CABO VERDE	0.8	1.3	1.1	0.6	1.9	2.3
No. of Countries that Met the Criterion	**9**	**9**	**9**	**9**	**9**	**6**

Sources: WAMA, ECOWAS *Provisional **Projections

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

84. The performance on the central bank financing of budget deficit criterion improved in 2021 as the number of Member States that satisfied the criterion increased to thirteen (13) at end-December 2021 from eleven (11) countries in 2020. In the WAEMU, all Member States satisfied the criterion in 2021, while in the WAMZ only Nigeria and Sierra Leone missed the target (Table 1.12).

Table 1.12: Central Bank Financing of Budget Deficit (Percent of Preceding Year's Tax Revenue)

Central Bank Financing of the Budget Deficit: ≤ 10% of Previous Year Tax Revenue						
	2017	2018	2019	2020	2021*	2022**
ECOWAS	0.3	18.0	0.1	41.0	25.0	13.3
WAEMU	0.0	0.0	0.0	0.0	0.0	0.0
BENIN	0.0	0.0	0.0	0.0	0.0	0.0
BURKINA FASO	0.0	0.0	0.0	0.0	0.0	0.0
COTE D'IVOIRE	0.0	0.0	0.0	0.0	0.0	0.0
GUINEA BISSAU	0.0	0.0	0.0	0.0	0.0	0.0
MALI	0.0	0.0	0.0	0.0	0.0	0.0
NIGER	0.0	0.0	0.0	0.0	0.0	0.0
SENEGAL	0.0	0.0	0.0	0.0	0.0	0.0
TOGO	0.0	0.0	0.0	0.0	0.0	0.0
WAMZ	0.4	21.5	0.2	48.9	32.4	17.3
GAMBIA, THE	33.1	6.7	0.0	0.0	0.0	0.0
GHANA	0.0	12.9	0.0	46.7	0.0	0.0
GUINEA	0.0	0.0	3.0	10.6	1.6	0.0
LIBERIA	47.9	33.9	27.9	0.0	0.0	0.0
NIGERIA	0.0	22.7	67.4	38.5	20.5	0.0
SIERRA LEONE	16.8	15.2	0.7	20.5	20.0	0.0
CABO VERDE	0.0	0.0	0.0	0.0	0.0	0.0
No. of Countries that Met the Criterion	**12**	**11**	**13**	**11**	**13**	**15**

Sources: WAMA, ECOWAS *Provisional **Projections

Gross External Reserves ≥ 3 Months Imports Cover

85. The gross external reserves criterion was met by all the fifteen (15) Member States at end-December 2021 compared with thirteen (13) Member States satisfying the criterion at end-December 2020, reflecting increased financial inflows from the IMF's SDR allocations in some countries and Eurobond inflows in others, and the generally improved external position, as the current account deficit of the Community narrowed to 2.6 percent of GDP in 2021 from 3.3 percent of GDP in 2020 (Table 1.13).

Table 1.13: Gross External Reserves (in Months of Imports Cover)

Gross Ext. Reserves in Months of Imports Cover: ≥3 months						
	2017	2018	2019	2020	2021*	2022**
ECOWAS	**10.6**	**9.4**	**4.8**	**6.1**	**7.5**	**8.1**
WAEMU	**4.1**	**4.6**	**5.2**	**5.9**	**6.6**	**6.2**
WAMZ	**11.9**	**10.3**	**4.7**	**6.1**	**7.7**	**8.6**
GAMBIA, THE	3.2	2.7	4.2	6.1	8.8	11.9
GHANA	4.3	3.6	3.8	4.2	4.0	3.0
GUINEA	2.0	2.6	3.1	2.8	4.9	5.0
LIBERIA	3.7	2.4	2.2	2.7	4.5	4.2
NIGERIA	12.9	11.2	4.8	6.4	8.4	9.6
SIERRA LEONE	4.5	3.1	3.2	5.1	4.3	3.5
CABO VERDE	5.9	5.6	6.9	7.8	7.9	7.9
No. of Countries that Met the Criterion	**14**	**12**	**14**	**13**	**15**	**15**

Sources: Central Banks, WAMA, ECOWAS *Provisional **Projections

3.4.2. Secondary Criteria

Nominal Exchange Rate Variation (± 10%)

86. At end-December 2021, fourteen (14) Member States satisfied the criterion compared to all fifteen (15) Member States in 2020. All WAEMU countries satisfied the criterion. In the WAMZ, only Liberia missed the target in 2021 (Table 1.14). All the regional currencies depreciated, relative to the WAUA, except the Liberian dollar and Guinean franc.

Table 1.14: Nominal Exchange Rate Variation (Local currency against WAUA)

Nominal Exchange Rate Variation (±10%)						
	2017	2018	2019	2020	2021*	2022**
ECOWAS	**-3.1**	**-1.7**	**0.4**	**-7.6**	**-5.4**	**na**
WAEMU	**2.1**	**2.6**	**-2.8**	**1.0**	**-1.5**	**na**
WAMZ	**-4.1**	**-2.5**	**1.1**	**-9.2**	**-6.5**	na
GAMBIA, THE	5.1	5.4	-1.8	-2.5	-1.3	-1.3
GHANA	-8.4	-7.0	-9.9	-6.8	-8.3	18.0
GUINEA	-0.4	-3.2	3.1	2.8	4.2	4.6
LIBERIA	-16.1	-22.6	-20.9	-3.5	12.5	-5.8
NIGERIA	-3.6	-2.0	2.2	-9.7	-6.5	na
SIERRA LEONE	-17.4	-8.7	-9.8	-9.2	-4.1	-9.2
CABO VERDE	2.1	2.6	-2.8	1.0	-1.5	0.0
No of countries that met the criterion	**13**	**14**	**14**	**15**	**14**	**na**

Sources: WAMA, ECOWAS *Provisional **Projections

Public Debt/GDP (≤ 70%)

87. The public debt-to-GDP ratio which was relatively stable in the pre-pandemic period, rose sharply by 4.2 percentage points in 2020 and further by 5.5 percentage points in 2021, reflecting increased borrowings to address the financing gaps created by the COVID-19 pandemic. The significant drop in revenue coupled with the rise in expenditures, mainly COVID-related, necessitated some Member States to issue long term debt securities such as Eurobonds, while others resorted to domestic borrowing to finance the shortfall in the budget. In the WAEMU, the public debt-to-GDP ratio went up by 4.0 percentage points in 2021 and by a total of 10.9 percentage points between 2019 and 2021. In the WAMZ, the debt ratio increased by 3.7 percentage points in 2021 and by a total of 6.6 percentage points between 2019 and 2021. In Cabo Verde, the public debt ratio rose by 25.2 percentage points to 155.6 percent of GDP in 2020 before moderating to 155.3 percent of GDP in 2021. Consequently, the number of Member States that satisfied this criterion dropped to ten (10) at end-December 2021 compared with eleven (11) in the corresponding period of 2020. In the WAEMU, only one country (Guinea Bissau) missed the target while four (4) countries (Cabo

Verde, The Gambia, Ghana, and Sierra Leone) missed the criterion in 2021 in the non-WAEMU zone (Table 1.15).

Table 1.15: Public Debt/GDP

Public Debt/GDP Ratio: ≤ 70%						
	2017	2018	2019	2020	2021*	2022**
ECOWAS	**22.2**	**23.1**	**24.5**	**27.7**	**33.3**	**35.1**
WAEMU	**38.4**	**41.4**	**44.7**	**50.2**	**54.8**	**55.4**
BENIN	39.6	41.1	41.3	46.1	49.8	49.5
BURKINA FASO	37.5	37.3	42.2	46.9	55.4	53.3
COTE D'IVOIRE	33.5	36.0	38.8	47.6	51.7	54.4
GUINEA BISSAU	52.7	44.4	58.2	69.9	74.1	73.8
MALI	35.5	36.9	40.6	47.3	50.6	53.1
NIGER	30.6	38.8	41.5	44.4	50.8	51.2
SENEGAL	48.0	54.8	60.3	63.2	67.2	64.6
TOGO	54.4	55.5	51.9	58.6	61.7	59.7
WAMZ	**18.9**	**19.4**	**20.4**	**23.1**	**26.8**	**29.1**
GAMBIA, THE	80.9	82.4	80.3	85.0	81.7	77.3
GHANA	55.4	57.6	62.4	74.4	76.6	78.5
GUINEA	37.4	42.5	42.9	40.1	41.2	49.6
LIBERIA	42.6	28.8	42.0	52.6	49.8	59.0
NIGERIA	14.7	15.0	15.6	17.5	18.7	20.9
SIERRA LEONE	56.4	57.4	72.9	73.9	79.8	72.5
CABO VERDE	126.0	131.3	130.4	155.6	155.3	132.0
No of countries that met a criterion	**13**	**13**	**13**	**11**	**10**	**10**

Sources: Central Banks, WAMA, ECOWAS *Provisional **Projections

3.5. Prospects

88. Projections indicate that in 2022 no Member State would meet all the Macroeconomic Convergence Criteria, same as in 2021. On the budget deficit, performance will remain the same as in 2021. Guinea and Liberia are expected to satisfy the budget deficit criterion, mainly due to expenditure rationalisation under the IMF's Extended Credit Facility. Performance in central bank financing of the budget deficit is expected to improve in 2022 as all Member States are expected to meet the target. Performance on average inflation is expected to decline to six (6) Member States in 2022 due to the impact of the Russia-Ukraine war. With regards to gross external reserves in months of import cover, all Member States are expected to meet the target in 2022, this will be supported by increased foreign exchange earnings from trade after easing of COVID-19 restrictions. On the public debt criterion, performance by Member States will remain the same as the performance outturn for the year under review.

89. The Russia-Ukraine war is threatening to derail the recovery from the COVID-19 recession by amplifying supply chain bottlenecks and inflationary pressures. Therefore, Member States are encouraged to continue to pursue fiscal consolidation through expenditure rationalisation without jeopardising growth. This calls for the right mix of fiscal and monetary policies through effective coordination between fiscal and monetary authorities.

PART II: REPORT ON THE ECONOMIC AND FINANCIAL SITUATION IN ECOWAS MEMBER STATES

1. BENIN

1.1. Introduction

90. Benin's economic policy objectives are consistent with the 2016-2021 Government Action Programme (PAG), which provides for massive investment in priority sectors of the economy in order to return it to a sustainable growth path. These objectives are also in line with the National Development Plan (NDP) 2018-2025.

91. The main thrusts of this policy include:
    i. modernisation of the traditional sectors of the economy such as agriculture and fisheries;
    ii. development and diversification of innovative sectors such as tourism, digital and the knowledge economy;
    iii. investment in road, port, airport and energy infrastructure to support economic growth and private investment; and
    iv. investment and reforms in the education sector to provide quality and efficient human capital.

92. The government has pursued its COVID-19 response plan and the PAG 2016-2021 in line with the NDP 2018-2025, as well as laying the foundations for the structural transformation of the economy, with a view to ensuring strong, sustainable and wealth-creating economic growth. Against this background, the macroeconomic targets for 2021 were as follows:
    - GDP growth rate of at least 6 percent;
    - Overall fiscal deficit of 5.1 percent of GDP;
    - Average inflation rate of below 3.0 percent; and
    - Outstanding public debt-to-GDP ratio of 43.7 percent.

93. In terms of performance, real GDP grew at 7.2 percent in 2021 against 3.8 percent in 2020, reflecting strong growth performance in all sectors, supported by the opening of Nigeria's borders and the resumption of traffic at the Port of Cotonou. The effective start of construction work on the Benin-Niger pipeline and the intensification of socio-economic infrastructure construction activities also supported growth during the period. The average annual inflation rate was 1.7 percent against 3.0 percent in 2020. The overall budget deficit on commitment basis (excluding grants) widened to 5.7 percent of GDP in 2021 against 4.7 percent in 2020, due to an increase in total expenditure. On the external front, the current account deficit stood at 4.4 percent of GDP in 2021 against 1.7 percent in 2020. Broad money supply grew by 16.4 percent in 2021 compared to 17.3 percent in 2020. The detailed analysis of the sectors is presented below.

1.2. Sectoral Analysis

1.2.1. Real Sector

94. Despite the constraints caused by the COVID-19 pandemic, economic growth was impressive at 7.2 percent in 2021 compared to 3.8 percent in 2020. This performance was largely driven by the more than expected rise in port traffic, the opening of Nigeria's border, the acceleration of the construction of socio-economic infrastructure, rejuvenation of the tourism sector and the general recovery of the global economy.

95. On the supply side, value addition in the primary sector rose by 5.2 percent in 2021 against 1.8 percent in 2020, due to the robust performance of agriculture and fishing. Agriculture grew by 5.2 percent, driven by a 4.8 percent increase in cotton production and 5.2 percent increase in cashew nuts.

96. The secondary (industry) sector recorded a growth rate of 9.1 percent in 2021 compared to 5.2 percent in 2020, supported mainly by the energy, mining and construction sub-sectors. Energy production increased by 7.9 percent, benefiting from the full activity of the new power plant that started operation in August 2019. Construction and public works went up by 17.4 percent, due to the continuation of work on socio-economic infrastructure. Mining and quarrying activities grew by 7.9 percent in relation to the good performance of construction activity, which also boosted the manufacturing sector, particularly the construction materials manufacturing industries.

97. The value added of the tertiary (services) sector showed a growth rate of 7.5 percent in 2021, from 4.5 percent in 2020, on account of the increase in activities in all services subsectors and the easing of COVID-19 restrictive measures. The Transport sub-sector grew by 8.3 percent due to the increase in port activities. Trade also increased by 5.8 percent, on the back of the re-opening of Nigeria's border. ‘Restaurants and hotels’ also recorded an increase of 9.9 percent, following the contraction recorded in 2020, reflecting the gradual return to the pre-lockdown situation. Post and telecommunications’ (8.8%) benefited from the digitalisation of the economy.

98. The contributions of the primary, secondary and Services sectors to GDP growth in 2021 were 1.4, 1.5 and 4.3 percentage points, respectively.

99. On the demand side, growth in 2021 was driven by final consumption and Gross Fixed Capital Formation (GFCF). Final consumption grew by 5.3 percent, driven by its two components, namely, public final consumption and private final consumption. Public final consumption increased by 8.5 percent, as a result of government support to households negatively affected by the COVID-19 crisis. Private final consumption increased by 4.8 percent, in line with the income generated by economic activities and the various transfers received. GFCF increased by 17.8 percent, occasioned by the 29.6 percent increase in public GFCF, mainly due to the implementation of the infrastructure component of the PAG. Private GFCF increased by 15.3 percent, in line with the improvement in the business climate.

100. With regard to foreign trade, exports of goods and services increased by 12.6 percent in 2021 compared to the contraction of 25.0 percent in 2020, driven mainly by exports of cotton and cashew nuts. Imports of goods and services increased by 16.8 percent in 2021 compared to the decline of 19.8 percent in 2020, largely reflecting imports of capital goods.

101. Inflation was generally moderate during the review period. Average annual inflation stood at 1.7 percent in 2021 compared with 3.0 percent in 2020. End period inflation, however, rose marginally to 3.3 percent in December 2021 compared with 2.5 percent in December 2020, reflecting increase in prices of both food and non-food products.

Table 1: Trends in GDP and its Components in Benin

	2019	2020	2021*	2022**	2019	2020	2021*	2022**
Supply	Percentage change				Contributions to GDP Growth (%)			
GDP - Gross Domestic Product	6.9	3.8	7.2	6.9	6.9	3.8	7.2	6.9
Primary sector	5.2	1.8	5.2	4.5	1.5	0.5	1.4	1.2
Secondary sector	13.6	5.2	9.1	11.4	2.0	0.8	1.5	1.9
Service sector (including non-market)	6.0	4.5	7.5	6.7	3.4	2.5	4.3	3.8
- Merchant	4.9	1.8	7.2	5.5	1.8	0.6	2.5	1.9
- Non-market + taxes	7.8	9.4	8.1	8.7	1.6	1.9	1.7	1.9
Demand								
Imports of goods and services	3.4	-19.8	16.8	17.4				
Exports of goods and services	8.6	-25.0	12.6	29.1				
Final consumption	3.8	4.7	5.3	0.9				
Private	3.5	3.2	4.8	2.4				
Public	5.8	14.4	8.5	-7.8				
Investment	10.0	1.9	17.8	16.9				
Gross fixed capital formation	10.4	2.1	17.8	17.3				
Private	16.5	-7.1	15.3	16.5				
Public	-25.9	88.4	29.6	20.8				
Stock variation	-13.5	-17.1	19.8	-18.0				
Inflation								
Annual average	-0.9	3.0	1.7	5.7				
End period	0.5	2.5	3.3	na				

Sources: Ministère de l'Economie et des Finances, BCEAO, WAMA *Provisional **Projections

1.2.2. Fiscal Sector

102. In 2021, the government's fiscal operations showed that the overall fiscal deficit, including grants widened to CFAF563.1 billion (5.7% of GDP) against CFAF425.6 billion (4.7% of GDP) in 2020, a deterioration of CFAF137.6 billion.

103. Total revenue mobilisation (excluding grants) in 2021 increased by 13.5 percent to CFAF1,294.3 billion (13.2% of GDP) compared to CFAF1,142.1 billion (12.7% of GDP) in 2020. This increase was due to improvements in both tax and non-tax revenues. Tax revenue increased by 14.2 percent to CFAF1,080.9 billion (11.0% of GDP) in 2021, driven mainly by income taxes and customs revenues. The increase in income tax revenue was attributed to the implementation of income tax reforms by the authorities. Similarly, improvement in customs revenue also reflected. the implementation of incentive measures by the Customs authority. Non-tax revenue also recorded an increase of 9.9 percent against a decline of 0.3 percent in 2020 due to improvements in collection efficiency arising from ongoing reforms.

104. Grants amounted to CFAF92.0 billion (0.9% of GDP) in 2021 compared to CFAF152.2 billion (1.7% of GDP) a year earlier, a drop of 39.6 percent. The decline in grants was essentially linked to programme grants, which fell by 64.5 percent.

105. Total expenditure and net lending amounted to CFAF1,949.4 billion (19.8% of GDP) in 2021 against CFAF1,719.8 billion (19.1% of GDP) in 2020, an increase of 13.3 percent, driven by the rise in both recurrent and capital expenditures.

106. The increase in current expenditure is mainly due to the rise in interest payments on the public debt and to a lesser extent, transfers and subsidies. Wages and Salaries declined by 2.1 percent compared to an increase of 7.3 percent in 2020. Expenditure on goods and services continued its downward trend, falling by 4.9 percent compared with a decline of 8.0 percent in 2020. Subsidies and transfers grew by 7.3 percent, following an 80.2 percent increase in 2020.

Table 2: Trends in Key Fiscal Indicators in Benin

	2019	2020	2021*	2022**	2019	2020	2021*	2022**
	Change in % of total				Percent of GDP			
Total revenue and Grants	**10.2**	**9.2**	**7.2**	**11.7**	**14.1**	**14.4**	**14.1**	**14.3**
Total revenue	5.8	5.0	13.5	12.6	12.9	12.7	13.2	13.4
Tax revenues	10.1	6.1	14.2	15.1	10.6	10.5	11.0	11.5
Non-tax revenues	-10.3	-0.3	9.9	-0.1	2.3	2.2	2.2	2.0
Grants	106.8	56.0	-39.6	0.0	1.2	1.7	0.9	0.8
Project grants	114.1	-29.8	16.5	-	0.8	0.5	0.6	-
Programme grants	92.5	241.9	-64.5	-	0.4	1.2	0.4	-
Total expenditure and net lending	**-6.1**	**40.3**	**13.3**	**10.5**	**14.5**	**19.1**	**19.8**	**19.8**
Total expenditure	-5.6	39.7	13.4	10.5	14.6	19.1	19.8	19.8
Recurrent expenditure	4.8	21.8	4.5	9.0	10.7	12.2	11.6	11.5
Wages and salaries	3.3	7.3	-2.1	16.2	4.4	4.4	3.9	4.4
Goods and services	10.1	-8.0	-4.9	-	2.6	2.2	1.9	-
Transfers and grants	0.8	80.2	7.3	-	2.1	3.6	3.6	-
Interest payments	6.9	31.0	24.7	-6.8	1.6	2.0	2.2	1.9
Financed domestically	-1.8	-1.0	44.8	-	1.3	1.2	1.6	-
Financed externally	62.6	153.8	-5.3	-	0.3	0.8	0.7	-
Capital expenditure	-25.9	88.4	29.0	12.8	3.9	6.9	8.2	8.3
Domestic funding	-18.2	56.1	45.6	4.0	2.7	4.0	5.3	5.0
External financing	-38.7	160.5	6.6	29.0	1.2	3.0	2.9	3.4
Overall balance (commitment basis excluding grants)					-1.6	-6.4	-6.6	-6.4
Overall balance (commitment basis including grants)					-0.5	-4.7	-5.7	-5.5
Primary balance					0.0	-4.5	-4.4	-
Outstanding debt (in billions of CFA francs)	**3,476.6**	**4,156.9**	**4,885.8**	**5,415.0**	**41.2**	**46.1**	**49.8**	**49.5**
External	2,020.7	2,339.7	3,345.2	3,425.1	24.0	26.0	34.0	31.5
Internal	1,455.9	1,817.2	1,540.6	1,989.8	17.3	20.2	15.8	18.0

Sources: Ministère de l'Economie et des Finances, BCEAO and WAMA *Provisional **Projections

107. Interest payments amounted to CFAF219.9 billion (2.2% of GDP) in 2021 against CFAF176.3 billion (2.0% of GDP) a year earlier. This is made up of CFAF153.1 billion (1.6% of GDP) in interest on the domestic debt (up by CFAF47.4 billion compared to 2020), an increase of 44.8 percent, and CFAF66.8 billion (0.7% of GDP) in interest on the external debt (down by CFAF3.8 billion compared to 2020), a decrease of 5.4 percent.

108. Capital expenditure amounted to CFAF802.6 billion (8.2% of GDP) in 2021 against CFAF622.4 billion (6.9% of GDP) in 2020, an increase of 29.0 percent. This significant increase in capital expenditure, mainly financed from domestic sources (45.6%), was due to the continuation of major infrastructure works included in the PAG. Foreign financed capital expenditure also increased by 6.6 percent to CFAF283.7 billion (2.9% of GDP) in 2021.

109. Government fiscal operations resulted in an overall fiscal deficit on commitment basis (including grants) of CFAF563.1 billion in 2021, equivalent to 5.7 percent of GDP, while the overall deficit (excluding grants) stood at CFAF639.9 billion, or 6.7 percent of GDP. The deficit was financed from external sources, including Eurobond.

110. The outstanding public debt at end-December 2021 stood at CFAF4,885.82 billion (49.7% of GDP), compared with CFAF4,156.9 billion (46.1% of GDP) at end-December 2020, an increase of 17.5 percent. With 68.5 percent of the debt being external, the increase was essentially due to the drawdowns during the year, notably the Eurobond issues of January and July 2021.

1.2.3. Monetary Sector

111. The current levels of the minimum bid rate for open market operations (tenders) and the marginal lending rate (repo) are 2.0 percent and 4.0 percent, from June 2020. From September 2013 to June

2020, the minimum rate was set at 2.5 percent. The reserve requirement ratio in force is 3.0 percent since March 2017.

112. Ten (10) of Benin's twelve (12) banks are active at the refinancing windows. As of March 2020, the needs of banks are served in full and at a fixed rate, corresponding to the lowest rate practiced by the BCEAO, in accordance with the liquidity regulation measures taken in the context of the COVID-19 pandemic.

113. Interest rates were relatively low on the interbank market, with the average money market rate at 2.23 percent at end-December 2021, following 2.19 percent at end-March 2021.

114. The banking system indicators were generally stable in 2021, despite the system's cash position which was structurally in deficit of CFAF681.3 billion at end-December 2021 compared with CFAF461.1 billion at the end of 2020. Cash requirements were mainly met with recourse to the refinancing windows of the BCEAO. Benin's financial system did not experience any liquidity challenges in general and no institution breached the liquidity ratio.

115. The monetary situation was characterised by an increase in money supply, mainly attributable to Net Foreign Assets (NFA). Broad money supply (M2) increased by 16.4 percent compared to 17.3 percent at end-December 2020. The analysis by component of the money supply indicates an increase in currency-in-circulation by 6.2 percent compared to 25.6 percent at end-December 2020. Demand deposits rose by 33.6 percent compared to 18.2 percent in 2020.

Table 3: Growth in Key Monetary Aggregates in Benin

	Dec-19	Dec-20	Dec-21	Dec-19	Dec-20	Dec-21
	Change in % of total			Contribution to M2 growth		
ASSETS						
Net foreign assets (NFA)	3.9	24.9	38.4	2.1	13.1	21.5
Net Domestic Assets (NDA)	8.5	8.9	(11.5)	3.9	4.2	(5.0)
Net claims on government	(285.7)	125.2	(236.2)	(14.4)	11.1	(4.5)
Claims on the economy	15.2	0.7	6.9	9.9	0.5	4.2
Claims on the private sector	12.0	(5.8)	9.3	7.2	(3.6)	4.7
Other net items	(136.6)	(166.0)	103.2	10.6	(4.4)	(1.6)
LIABILITIES						
Broad Money (M2)	6.0	17.3	16.4			
Narrow Money (M1)	8.2	21.1	22.6			
Currency in circulation	9.6	25.6	6.2			
Demand deposits	7.4	18.2	33.6			
Savings and term deposits	2.6	11.1	5.5			
MEMORANDUM ITEMS						
Growth of the reserve currency	10.2	38.5	16.6			
Money multiplier (M2/RM)	3.3	2.8	2.8			
Velocity (GDP/M2)	3.6	3.3	3.1			
Credit to the private sector/GDP (%)	63.1	50.7	47.6			
NEA/M2 (%)	52.6	56.0	66.5			
AIN/M2 (%)	47.4	44.0	33.5			
Currency in circulation/M2 (%)	24.0	25.7	23.4			

Source: BCEAO

116. The NFA of monetary institutions increased by 38.4 percent to CFAF2,130.4 billion as at end-December 2021 against CFAF1,539.8 billion at end-December 2020. This situation was justified by an increase in the NFA of banks (CFAF55.8 billion).

117. As regards domestic claims, at the end of 2021, the outstanding amount is estimated at CFAF1,706.2 billion against CFAF1,714.4 billion at the same period in 2020, representing a

decrease of 0.5 percent. The latter was mainly due to the drop in net claims on the government (-236.2%) combined with an increase in loans to the economy (6.9%). This evolution thus reflects the Government's decreasing recourse to domestic bank financing in order to allow commercial banks to have room for manoeuvre to finance the private sector.

1.2.4. External Sector

118. Benin's trade balance recorded a deficit of CFAF252.8 billion (2.6% of GDP) in 2021, compared with CFAF89.7 billion (1.0% of GDP) in 2020, a deterioration of CFAF163.1 billion, attributable to a more than proportionate increase in imports.

119. The balance of services account also showed a deficit of CFAF213.7 billion (2.2% of GDP) in 2021 against CFAF160.5 billion (1.8% of GDP) in 2020, a deterioration of CFAF53.2 billion.

120. As regards the primary income account, it recorded a deficit of CFAF70.2 billion (0.7% of GDP) in 2021, i.e. a widening of CFAF0.5 billion compared to 2020 in connection with the increase in interest payments on the external public debt.

121. Secondary income, showed a surplus of CFAF104.3 billion in 2021, as against a surplus of CFAF162.6 billion in 2020, mainly due to the expected drop in budgetary aid of CFAF38.2 billion.

122. This results in a current account deficit of CFAF432.4 billion (4.4% of GDP) against a deficit of CFAF157.3 billion (1.7% of GDP) in 2020, a deterioration of CFAF275.1 billion.

123. On the other hand, the balance of the capital account improved to CFAF116.5 billion (1.2% of GDP) in 2021 against CFAF102.5 billion (1.1% of GDP) in 2020.

124. The net borrowing on the financial account increased significantly to CFAF913.4 billion (9.3% of GDP) from CFAF361.7 billion (4.0% of GDP) in 2020, reflecting significant increase in portfolio investment. Net FDI inflows increased CFAF119.1 billion (1.2% of GDP) from CFAF87.6 billion (1.0% of GDP). However, other investments net declined to CFAF72.3 billion (0.7% of GDP) from CFAF197.7 billion (2.2% of GDP) in 2020.

Table 4: Trends in Key Balance of Payments Indicators in Benin

	2019	**2020**	**2021***	**2022****	**2019**	**2020**	**2021***	**2022****
	Billion FCFA				**As a percentage of GDP**			
Current account	**-340.2**	**-157.3**	**-432.4**	**-531.7**	**-4.0**	**-1.7**	**-4.4**	**-5.0**
Goods	-263.3	-89.7	-252.8	-308.1	-3.1	-1.0	-2.6	-2.9
Exports (Fob)	1,788.0	1,720.5	2,043.2	2245.5	21.2	19.1	20.8	20.9
Imports (Fob)	-2,051.4	-1,810.2	-2,296.0	-2553.6	-24.3	-20.1	-23.4	-23.8
Services	-162.4	-160.5	-213.7	-218.5	-1.9	-1.8	-2.2	-2.0
Primary income	-41.5	-69.7	-70.2	-92.7	-0.5	-0.8	-0.7	-0.9
Secondary income (net)	127.1	162.6	104.3	87.6	1.5	1.8	1.1	0.8
Capital account	**116.3**	**102.5**	**116.5**	**119.3**	**1.4**	**1.1**	**1.2**	**1.1**
Current and capital accounts	**-223.9**	**-54.8**	**-315.9**	**-412.4**	**-2.7**	**-0.6**	**-3.2**	**-3.8**
Financial account	**-265.7**	**-361.7**	**-913.4**	**-504.6**	**-3.2**	**-4.0**	**-9.3**	**-4.7**
Direct investment (net)	-112.0	-87.6	-119.1	-261.7	-1.3	-1.0	-1.2	-2.4
Portfolio investments (net)	-125.0	-76.4	-722.0	-91.5	-1.5	-0.8	-7.3	-0.9
Financial derivatives (net)								
Other investments (net)	-28.7	-197.7	-72.3	-151.4	-0.3	-2.2	-0.7	-1.4
Errors and omissions (net)	3.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0
OVERALL BALANCE	**45.7**	**306.9**	**597.5**	**92.2**	**0.5**	**3.4**	**6.1**	**0.9**

Sources: BCEAO, WAMA ***Provisional** **Projections

125. The overall balance of payments for the year 2021 showed a surplus of CFAF597.5 billion (6.1% of GDP), due to net inflows to the financial accounts, particularly portfolio investment.

1.3. Status of Macroeconomic Convergence

126. Benin met five (5) of the six convergence criteria in 2021, same as in 2020. The country satisfied three (3) primary criteria, namely, average inflation, central bank financing of the budget deficit, and gross external reserves but missed the overall budget deficit criterion. With regards to the secondary criteria, the country, however, met both the nominal exchange rate and public debt criteria. In terms of the outlook for 2022, the country is expected to meet four (4) out of the six (6) convergence criteria (two primary and two secondary). The summary of Benin's performance on the convergence scale is presented in Table 5.

Table 5: Status of Macroeconomic Convergence in Benin

Criteria	Target	2018	2019	2020	2021*	2022**
Primary criteria		**4**	**4**	**3**	**3**	**2**
Budget deficit (commitment basis. including grants)	≤3%	2.9	0.5	4.7	5.7	5.5
Annual average inflation rate	≤5%	0.8	-0.9	3.0	1.7	5.7
Financing of the budget deficit by the Central Bank	≥10%	0.00	0.00	0.00	0.0	0.0
Gross external reserves in months of imports	≥3	4.6	5.7	5.9	6.5	6.2
Secondary criteria		***2***	***2***	***2***	***2***	***2***
Change in nominal exchange rate	±10%	2.6	-2.9	1.0	1.5	1.5
Debt to GDP ratio	≤70%	41.1	41.3	46.1	49.8	49.5
Total convergence criteria met		**6**	**6**	**5**	**5**	**4**

Sources: BCEAO, NCC/CNPE; *Provisional **Projections

1.4. Prospects

127. The economic policy objectives for 2022 would be in line with the government's medium-term priorities as reflected in the PAG 2021-2026. These objectives are also in line with the NDP 2018-2025.

128. Thus, on the basis of the developments in the international and sub-regional levels and taking into account the prospects of domestic economy, the growth rate is projected at 6.9 percent in 2022 supported by the Government's efforts to improve the resilience of the economy. Activities in the primary, secondary and tertiary sectors are expected to grow by 4.5 percent, 11.4 percent and 6.7 percent, respectively, in 2022. Average inflation stood at 6.4 percent during the first three (3) months of 2022, and is expected to be above 5.0 percent should this trend continue

129. Fiscal operations are expected to improve marginally as the overall budget deficit (excluding grants) is expected at 6.4 percent of GDP. Including grants, the deficit would stand at 5.5 percent of GDP. Total public debt outstanding is projected to moderate to 49.5 percent of GDP in 2022.

130. With regards to the external sector, the overall BOP surplus is expected to decline significantly to CFAF92.2 billion (0.9% of GDP).

1.5. Conclusions and Recommendations

131. Despite the effects of the COVID-19 pandemic, the Beninese economy showed strong resilience with growth accelerating in 2021 and expected to remain robust in 2022. The dynamism of economic activity in 2021 (with a GDP growth rate of 7.2 percent against 3.8 percent in 2020)

was supported by the strong performance of the Industry and Agriculture Sectors. The secondary sector was largely driven by construction and public works, despite surge in COVID-19.

132. In terms of public finances, the budget deficit in 2021 remained above the Community standard of 3.0 percent of GDP, due to increased spending to contain the pandemic. However, public debt remained sustainable at end-December 2021.

133. On the monetary side, money supply growth was supported by an accommodating monetary policy, marked by a consolidation of the NFA of monetary institutions, particularly deposit money banks.

134. The external sector resulted in a widening of the current account deficit, which stood at 4.4 percent of GDP in 2021 against 1.7 percent of GDP in 2020, while the capital account improved, generating a surplus of 1.2 percent of GDP against 1.1 percent of GDP in 2020.

135. The following recommendations are proffered for consideration by the Beninese Authorities:
    i. continue the implementation of the COVID-19 Response Plan with the aim of strengthening economic resilience and maintaining the growth rate recorded in 2021;
    ii. continue to implement the budgetary reforms necessary for optimal revenue mobilisation with a view to reducing the budget deficit within the threshold;
    iii. accelerate the process of accession to the General Data Dissemination System (GDDS) with a view to making macroeconomic statistics available on time and on a quarterly basis; and
    iv. continue its efforts to reduce the spread between lending and deposit rates by pursuing policies that lower lending rates in order to reduce the cost of borrowing.

2. BURKINA FASO

2.1. Introduction

136. In 2021, the implementation of Burkina Faso's economic policy was anchored on an interim development policy framework which will inform the new medium-term development policy framework for the period 2021-2025. The new programme follows a successful completion of the 2016-2020 National Economic and Social Development Plan (PNDES) and the Extended Credit Facility (ECF) programme signed with the IMF for the 2018-2020 period.

137. To increase domestic resource mobilisation, the government intends to modernise procedures at the level of the revenue agencies so as to optimise tax revenue and to complete the reforms aimed at widening the tax base. In terms of public expenditure, the policy options are based primarily on strengthening the efficiency of expenditure by optimising the allocation of resources and the quality of budgeting for good budget execution.

138. Therefore, for the year 2021, the Government aimed to achieve the following macroeconomic targets:
    - Real GDP growth of at least 7.0 percent;
    - Annual inflation of 1.6 percent;
    - Debt-to-GDP ratio of 46.8 percent; and
    - Overall budget deficit (including grants) of 5.1 percent of GDP.

139. The economy grew by 6.9 percent in 2021 compared to 1.9 percent in 2020, driven by the tertiary and secondary sectors despite the prolonged COVID-19 pandemic and social and security challenges following terrorist attacks, particularly in the northern part of the country. This recovery took place against a backdrop of inflationary pressures, characterised by an increase in average inflation of 3.9 percent in 2021, compared to 1.9 percent in 2020, due mainly to the rise in food prices.

140. Fiscal operations resulted in an overall budget deficit (including grants) of 5.9 percent of GDP in 2021, compared with a deficit of 5.2 percent of GDP in 2020.

141. In the monetary sector, broad money supply grew by 18.3 percent at the end of 2021, as a result of the improvement in NFA.

142. The external sector showed an improvement in the overall balance of payments, which posted a surplus of 6.7 percent of GDP, driven by surpluses on the current and capital accounts.

143. With regard to macroeconomic convergence, the country met three primary criteria, by the end of 2021, relating to inflation, central bank financing of the budget deficit and gross external reserves in months of imports of goods and services. with respect to the secondary criteria, the country met both the exchange rate variation and the public debt to GDP ratio. The detailed sectoral analysis is presented below.

2.2. Sectoral Analysis

2.2.1. Real Sector

144. Burkina Faso's economy grew by 6.9 percent in 2021, after the 1.9 percent growth recorded in 2020. This growth, driven by the tertiary and secondary sectors, has benefited from the gradual recovery of economic activities at the international level and the significant progress with the COVID-19 vaccination campaigns. However, at the national level, this performance was affected by the continuing terrorist attacks, leading to massive internal displacement and unfavourable agro-pastoral production.

145. The primary sector declined by 6.4 percent in 2021, following a 6.5 percent increase in 2020, as a result of the underperformance of cash crops and food crops, owing largely to the poor spatial and temporal distribution of rainfall and the reduction in the areas cultivated as a result of insecurity. Cash crop production fell by 18.4 percent, due to the decline in the value-added of the sesame (-46.9%) and groundnut (-17.9%) sectors. Food crop production fell by 7.5 percent, owing to the decline in cereal production. On the other hand, cotton ginning and livestock activities increased by 6.6 percent and 2.8 percent, respectively. The increase in the value-added of cotton ginning was due to the good performance of the 2020/2021 cotton season, the start-up of the Tenkodogo and Ouargaye ginning units and the intensification of organic cotton production. The ‘livestock’ sector posted a 2.8 percent growth rate in 2021 compared with 2.0 percent in 2020, on account of improved animal health coverage and the creation of an environment conducive to sustainable livestock production.

146. The secondary sector performed well in 2021, with an increase of 8.2 percent in value added, compared with 5.8 percent in 2020. This was driven mainly by the ‘manufacture of cement and other mineral products’ (+13.9%), ‘production of beverages and tobacco’ (+9.8%), ‘construction, installation and finishing work’ (+7.9%) and gold mining (+7.1%) sub-sectors. The gold mining sub-sector recorded a 7.1 percent increase in value added, following the coming on stream of new mining companies in 2020, notably the Sanbrado (SOMISA SA) and Samtenga (Nordgold Samtenga) mines. This resulted in an increase in industrial gold production of 7.6 percent, from 62.138 tons in 2020 to 66.858 tons in 2021. With regard to the ‘construction, installation and finishing work’ sub-sector, the value added was sustained by the continuation and commencement of major asphalting, rehabilitation, routine and periodic maintenance work on highways, rural and urban roads.

147. The tertiary sector rebounded in 2021, posting a growth rate of 11.9 percent compared to a 1.4 percent decline in 2020. This was due to the upturn in activities in the ‘transport and transport auxiliaries’ (+27.1%), ‘trade’ (+20.7%), ‘hotels and restaurants’ (+17.6%), and ‘post and telecommunications’ (+13.2%) industries. The tertiary sector was boosted by an improved business climate, the mitigation of the effects of COVID-19, the resumption of major events such as the Ouagadougou Pan-African Film and Television Festival (FESPACO), the Ouagadougou International Book Fair (FILO), the Regional Handicrafts Fair (SARA) and the International Cycling Tour of Faso, as well as the dynamism of domestic tourism.

148. The contributions of the primary, secondary and tertiary sectors to GDP growth in 2021 were -1.4, 1.9 and 6.4 percentage points, compared with 1.4, 1.3 and -0.8 percentage points, respectively, in 2020 (Table 6).

Table 6: Trends in GDP and its Components in Burkina Faso

	2019	**2020**	**2021***	**2022****	**2019**	**2020**	**2021***	**2022****
	Percentage change				**Contribution to growth**			
Real GDP	**5.7**	**1.9**	**6.9**	**6.7**	**5.7**	**1.9**	**6.9**	**6.7**
SUPPLY								
Primary sector	1.0	6.5	-6.4	14.3	0.2	1.4	-1.4	2.8
Secondary sector	2.3	5.8	8.2	4.1	0.6	1.3	1.9	1
Tertiary sector	9.1	-1.4	11.9	5.2	4.9	-0.8	6.4	2.9
DEMAND								
Final Consumption	5.5	0.9	4.0	7.0				
Public	14.6	0.9	4.1	7.0				
Private	3.1	0.9	4.0	7.0				
Investment	19.7	8.7	-0.8	4.9				
Gross fixed capital formation (GFCF)	20.5	2.0	4.5	3.6				
Public	NA	9.5	17.3	3.1				
Private	NA	-2.9	-4.7	4.0				
Exports of goods and services	-1.9	2.5	29.7	7.9				
Imports of goods and services	8.6	5.3	8.5	6.9				
MEMORANDUM								
GDP (current prices) in billions of CFAF	9,369.1	10,153.7	10,802.4	11,695.1				
GDP (constant prices) in billions of CFAF	8,869.1	9,050.1	9,676.7	10,327.0				
Inflation								
Average	-3.2	1.9	3.9					
End of period	-3.2	3.8	5.9					

Sources: Ministry of Economy/ECOWAS, WAMA *****Provisional **Projections

149. On the demand side, real GDP growth for 2021 was driven mainly by final consumption, and net exports. Final consumption grew by 4.0 percent in 2021 compared to 0.9 percent in 2020, driven by household final consumption (4.0%) and government final consumption (4.0%). Investment decreased by 0.8 percent in 2021, influenced by changes in inventory, which stood at -34.2 percent. Gross fixed capital formation (GFCF) increased by 4.5 percent in 2021 compared with 2.0 percent in 2020, buoyed by the rise in public GFCF (17.3%) while private GFCF contracted by 4.7 percent. Exports of goods and services grew by 29.7 percent in 2021 compared with 2.5 percent in 2020. Imports rose by 8.5 percent in 2021, compared with a 5.3 percent increase in 2020.

Inflation

150. Average annual inflation was recorded at 3.9 percent in 2021 compared to 1.9 percent in 2020. This rise in prices was mainly due to the increase in food prices (7.4%), particularly for fresh vegetables, meat, fruit and nuts, tubers and cereals. Overall, local products rose by 5.4 percent at the end of December 2021. Prices of fresh commodities rose sharply in late December 2021 (9.3%) due to the security situation, which led to the abandonment of farmland and livestock areas and disrupted the commodity distribution chain due to the inaccessibility of areas facing major security challenges. Prices of imported products also rose slightly (0.6%). The ‘Alcoholic beverages, tobacco and narcotics’ function witnessed a significant increase of 4.7 percent, followed by the ‘Housing, water, gas, electricity and other fuels’ function (2.0%), mainly driven by energy products, which rose by 1.8 percent.

2.2.2. Fiscal Sector

151. The execution of the government's fiscal operations in 2021 resulted in an overall fiscal deficit of 5.9 percent of GDP (including grants), compared with 5.2 percent of GDP in 2020. Similarly, the budget deficit (excluding grants) increased from 8.2 percent of GDP in 2020 to 8.3 percent of GDP in 2021.

152. Total revenue and grants amounted to CFAF2,189.00 billion (20.3% of GDP) in 2021 against CFAF1,937.60 billion (19.1% of GDP) in 2020, an increase of 12.6 percent. This increase was due exclusively to the increase in total revenue.

153. Total revenue increased by 17.9 percent to CFAF1928.80 billion (17.9% of GDP) in 2021, compared with CFAF1,635.96 (16.1% of GDP), reflecting the increase in tax revenue. Tax revenue improved by 24.4 percent to CFAF1705.10 billion (15.9% of GDP), due mainly to taxes on goods and services (23.5%), taxes on salaries and other remuneration (11.1%), domestic taxes on goods and services (17.3%) and import duties and taxes (not including VAT at the customs cordon) (30.4%).

154. Non-tax revenues were estimated at CFAF223.80 billion (2.1% of GDP) in 2021, down 15.8 percent year-on-year. This decline in other revenues was due largely to a drop in property income of CFAF44.3 billion.

155. Grants declined by 13.7 percent from 2020 to CFAF260.20 billion (2.4% of GDP) in 2021. This was due to a 49.3 percent decrease in programme grants, while project grants increased by 25.6 percent.

156. Total expenditures and net lending amounted to CFAF2,830.10 billion in 2021 (26.2% of GDP), compared to CFAF2,470.40 billion (24.3% of GDP) in 2020, an increase of 14.9 percent. This increase in expenditure was due to higher current and capital expenditure.

157. Current expenditures increased by 8.5 percent over 2020 to CFAF1,902.10 billion (17.6% of GDP), reflecting increases in subsidies and transfers, and interest payments. Expenditure on interest payments increased by 37.6 percent to CFAF192.50 billion (1.8% of GDP), largely as a result of the 21.5 percent increase in interest payments on the external debt. Subsidies and transfers amounted to CFAF547.88 billion (5.1% of GDP) in 2021, compared with CFAF510.22 billion (5.0% of GDP) in 2020.

158. Wages and salaries moderated to CFAF890.90 billion, (8.2% of GDP), from CFAF891.10 billion (8.8% of GDP) in 2020. Expenditure on goods and services rose from CFAF176.29 billion (1.7% of GDP) in 2020 to CFAF197.54 billion (1.8% of GDP) in 2021, an increase of 12.1 percent. Capital expenditures increased by 29.3 percent to CFAF928.1 billion (8.6% of GDP) from CFAF717.70 billion (7.1% of GDP) in 2020 (see Table 7).

Table 7: Trends in Key Fiscal Indicators in Burkina Faso

	2019	2020	2021*	2022**	2019	2020	2021*	2022**
	Percentage change				Percent of GDP			
Total Revenue and Grants	**8.1**	**5.4**	**13.0**	**5.0**	**19.6**	**19.1**	**20.3**	**19.7**
Domestic Revenue	14.7	-4.0	17.9	1.6	18.2	16.1	17.9	16.8
Tax Revenues	5.6	-3.8	24.4	2.8	15.2	13.5	15.8	15.0
Taxes on Income, Profits & Capital Gains		1.9	25.3	-12.5		4.5	5.3	4.3
Taxes on salaries and other remuneration		10.5	11.1	0.2		0.1	0.2	0.1
Taxes on Goods and Services		-6.1	17.3	12.2		6.9	7.6	7.9
International Trade (excl Customs VAT)		-6.2	30.4	21.4		1.6	2.0	2.2
Non-Tax Revenues	106.3	-4.6	-15.8	-7.8	3.0	2.6	2.1	1.8
Grants	-37.6	124.6	-13.7	30.3	1.4	3.0	2.4	2.9
Project Grants	-62.5	240.5	25.6	11.1	0.5	1.5	1.8	1.9
Programme Grants	-4.7	80.7	-49.3	-74.9	0.9	1.6	0.7	0.2
Total Expenditure and Net Lending	3.5	14.9	14.6	2.2	22.9	24.3	26.2	24.7
Total Expenditure	3.5	14.9	14.6	2.2	22.9	24.3	26.2	24.7
Recurrent expenditure	11.2	2.8	8.5	1.9	18.2	17.3	17.6	16.6
Wages and salaries	19.2	6.1	0.0	1.6	9.0	8.8	8.2	7.7
Use of Goods & Services	1.1	-11.2	12.1	2.7	2.1	1.7	1.8	1.7
Transfers and Subsidies	25.9	5.3	7.4	-16.7	5.2	5.0	5.1	3.9
Interest Payment	17.8	22.2	37.6	1.7	1.2	1.4	1.8	1.7
External	-6.9	-75.4	21.5	23.7	0.2	0.2	0.3	0.3
Capital Expenditure	-18.0	61.1	29.3	2.9	4.8	7.1	8.6	8.2
Domestic	-2.8	39.9	26.4	27.0	3.3	4.3	5.1	5.9
External	-55.2	109.1	54.6	-22.3	1.5	2.8	4.1	2.9
Overall Balance (including grants) Commitment	-17.1	70.7	20.3	-7.2	-3.3	-5.2	-5.9	-5.1
Overall Balance (excluding grants) Commitment	-24.6	86.9	8.0	3.7	-4.8	-8.2	-8.3	-8.0
Public debt	**2019**	**2020**	**2021***	**2022****	**2019**	**2020**	**2021***	**2022****
	CFAF Billion				Percent of GDP			
Total	23067.6	4777.7	5983.1		38.2	50.1	55.4	
Domestic	1779.0	2313.4	3354.8		19.0	22.8	29.2	
External	2188.6	2464.3	2628.3		23.3	24.3	26.3	

Sources: Ministère de l'Economie et des Finances, BCEAO, WAMA *Provisional **Projections

159. Outstanding public debt increased by 25.6 percent to CFAF5,983.10 billion (55.4% of GDP) at end-December 2021. This increase in outstanding debt was due mainly to both domestic and external components, which rose by 32.7 percent and 17.4 percent, respectively. The outstanding public debt includes external debt of CFAF2,628.30 billion (43.9%) and domestic debt of CFAF3,354.80 billion (56.1%). The increase in outstanding external debt was mainly driven by multilateral debt, which accounted for 88.1 percent of total external debt. The increase in outstanding domestic debt is linked to borrowing from the non-banking sector, through the issuance of public securities on the sub-regional market (CFAF794.60 billion).

2.2.3. Monetary Sector

160. In the monetary sector, broad money supply grew by 18.3 percent at the end of 2021, as a result of the improvement in NFA and the increase in domestic claims.

161. At the end of 2021, NFA recorded an increase of 36.4 percent compared with 31.5 percent in 2020, resulting from the simultaneous rise in NFA of deposit money banks (22.0%) and BCEAO (160.7%). The increase in deposit money banks' NFA is explained, in particular, by their outstanding subscriptions to public securities issued by the other States of the Union (26.4%), in line with the economic stimulus measures, and to a lesser extent by the increase in deposits abroad (50.3%), in a context of a fall in loans granted to non-residents (-6.6%). The increase in the NFA of BCEAO was due to the decline in its external liabilities (CFAF-188.00 billion), particularly other accounts payable to non-residents (CFAF-319.40 billion), linked to the transfer of external banknotes to their issuing sites or the destruction of banknotes to be sorted, compounded by the

increase in its receivables (CFAF142.2 billion) due to the increase in the counterpart of the general allocation of SDRs by the IMF to Member States and a cancellation of debt repayment.

162. The domestic claims increased by 3.2 percent to CFAF3,487.40 billion at end-December 2021, from CFAF3,380.80 billion at end-December 2020, due to the rise in claims on the economy. Claims on the economy improved by 11.5 percent to CFAF3,553.9 billion at the end of 2021. This improvement was due mainly to the increase in bank loans (CFAF363.1 billion) and securities other than shares (CFAF3.30 billion). Net claims on the central government fell by 134.8 percent to CFAF66.5 billion at end-December 2021, due to the combined decline in net claims on banks (-83.1%) and the BCEAO (-544.8%).

Table 8: Growth in Key Monetary Aggregates in Burkina Faso

	2019	2020	2021*	2019	2020	2021*
ASSETS	**Change in % of total**			**Contribution to M2 growth**		
Net foreign assets	4.5	31.5	36.4	1.7	11.7	15.1
Central Bank	-75.3	167.8	160.7	-6.3	3.2	6.9
Commercial banks	26.4	24.2	22.0	8.0	8.5	8.2
Domestic claims	12.7	10.2	3.2	9.3	7.7	2.3
Net claims on Government	165.3	25.9	-134.8	2.5	1.0	-5.4
Claims on the economy	9.4	9.3	11.5	6.8	6.7	7.6
Other net items	16.3	12.3	-7.7	-2.0	-1.6	0.9
LIABILITIES						
Money supply	9.1	17.8	18.3			
Currency in circulation	13.5	6.4	29.3			
Demand deposits	6.9	25.8	21.0			
Quasi-money	10.0	13.3	10.5			

Source: BCEAO *Provisional

163. On the liabilities side, currency in circulation increased by 29.3 percent to CFAF901.77 billion, compared with CFAF697.68 billion at the end of 2020. Demand deposits increased by 21.0 percent to CFAF27,836.46 billion at the end of 2021. Quasi-money was valued at CFAF1,967.91 billion at the end of 2021 against CFAF1,781.03 billion a year earlier, an increase of 10.5 percent.

2.2.4. External Sector

164. In 2021, Burkina Faso's external sector saw an improvement as the overall BOP recorded a surplus of CFAF721.32 billion (6.7% of GDP), compared with a surplus of CFAF470.75 billion (4.6% of GDP) in 2020. This situation was influenced by the strong performance of exports, especially gold.

165. The current account balance improved, with a surplus of CFAF441.60 billion (4.1% of GDP) compared with CFAF427.79 billion (4.2% of GDP) a year earlier. This improvement in the current account was fuelled by surpluses in the trade and secondary income balances.

166. The trade balance showed a surplus of CFAF880.55 billion (8.2% of GDP) compared with a surplus of CFAF765.51 billion (7.5% of GDP) in 2020, reflecting the significant increase in exports relative to imports. Exports rose by 10.3 percent to CFAF3,078.26 billion (28.5% of GDP), mainly due to shipments of non-monetary gold and cotton fibre. Imports increased by 0.9 percent to CFAF2,197.70 billion (20.3% of GDP), compared with CFAF2,024.35 billion (19.9% of GDP) in 2020, driven by imports of capital goods (CFAF638.9 billion), petroleum products (CFAF571.2 billion) and intermediate goods (CFAF564.0 billion).

167. The services balance showed a deficit of CFAF449.64 billion (4.2% of GDP) in 2021, compared with a deficit of CFAF433.5 billion (4.3% of GDP) in 2020, a deterioration of 8.2 percent. This situation was mainly due to the worsening in the balance of the 'Other services' item which resulted into a deficit of CFAF19.3 billion, in particular, the 'Freight insurance' sub-item CFAF22.7 billion and 'Transport' CFAF16.5 billion.

168. The primary income account deficit widened to CFAF330.0 billion (3.1% of GDP) in 2021, compared with a deficit of CFAF319.8 billion (3.2% of GDP) in 2020. This was due to an increase in net payments of CFAF5.3 billion in investment income and CFAF5.1 billion in other primary income.

169. The secondary income showed a surplus of CFAF340.72 billion (3.2% of GDP), compared with a surplus of CFAF415.64 billion (4.1% of GDP) at the end-December 2020, down by 18.0 percent, due mainly to the public sector as a result of decline in budgetary aid to the government.

170. The capital account balance stood at CFAF252.35 billion (2.3% of GDP) in 2021, compared with CFAF211.62 billion (2.1% of GDP) in 2020. This performance was driven primarily driven by the public sector's capital receipts (CFAF124.6 billion).

171. The financial account was marked by a net acquisition of financial assets of CFAF30.43 billion (0.3% of GDP) in 2021. This trend was as a result of net inflows of financial resources for portfolio investments of CFAF321.90 billion and direct investments of CFAF306.00 billion as well as net outflows of financial resources for other investments of CFAF459.90 billion.

Table 9: Trends in Key Balance of Payments Indicators in Burkina Faso

	2019	**2020**	**2021***	**2022****	**2019**	**2020**	**2021***	**2022****
	In billions of FCFA				**Percent of GDP**			
Current Account	**-306.92**	**427.79**	**441.60**	**-77.80**	**-3.30**	**4.20**	**4.10**	**-0.70**
Goods	214.3	765.5	880.6	575.4	2.3	7.5	8.2	4.8
Exports	2,301.3	2,789.9	3,078.3	575.4	24.6	27.5	28.5	4.8
Imports	2,087.0	2,024.4	2,197.7	2,595.7	22.3	19.9	20.3	21.7
Services	-539.8	-433.5	-449.6	-648.8	-5.8	-4.3	-4.2	-5.4
Primary income balance	-299.5	-319.9	-330.0	-365.5	-3.2	-3.2	-3.1	-3.1
Secondary income balance	318.0	415.6	340.7	361.1	3.4	4.1	3.2	3.0
Capital account	**125.9**	**211.6**	**252.4**	**280.6**	**1.3**	**2.1**	**2.3**	**2.4**
Financial account	**-252.6**	**164.4**	**-30.4**	**-208.3**	**-2.7**	**1.6**	**-0.3**	**-1.7**
Direct Investment	-85.9	52.7	-61.8	-66.4	-0.9	0.5	-0.6	-0.6
Portfolio Investments	-120.0	-105.8	-314.3	-121.5	-1.3	-1.0	-2.9	-1.0
Financial derivatives	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other investments	-47.1	212.3	-15.3	-20.4	-0.5	2.1	-0.1	-0.2
Overall Balance	**67.4**	**470.8**	**721.3**	**411.1**	**0.7**	**4.6**	**6.7**	**3.4**

Source: BCEAO *Provisional **Projections

2.3. Status of Macroeconomic Convergence

172. In 2021, Burkina Faso met five (5) of the six (6) Macroeconomic Convergence Criteria, same as in 2020. The country satisfied three (3) primary criteria, namely, annual average inflation, central bank financing of the budget deficit, and gross external reserves in months of imports, but missed the overall budget deficit criterion. It, however, satisfied both secondary criteria, namely, nominal exchange rate and debt-to-GDP ratio. The summary of Burkina Faso's performance on the Macroeconomic Convergence Criteria is presented below (Table 10).

Table 10: Status of Macroeconomic Convergence in Burkina Faso

Criteria	Target	2019	2020	2021*
Primary Criteria		**3**	**3**	**3**
Budget deficit (commitment basis. including grants)	**≤3%**	3.2	5.2	5.9
Average annual inflation	<5%	-3.2	1.9	3.9
Central Bank budget deficit financing	≤10%	0.0	0.0	0.0
Gross external reserves in months of imports	≥ 3	5.2	6.5	6.5
Secondary Criteria		**2**	**2**	**2**
Nominal exchange rate variation	±10%	-2.8	1.0	1.5
Debt to GDP ratio	≤70%	38.2	50.1	55.4
Total number of convergence criteria met		**5**	**5**	**5**

Source: BCEAO *Provisional

2.4. Prospects

173. The economy is expected to remain dynamic in 2022, premised on easing of geopolitical tensions at the international level, control of new COVID-19 variants, a normalised national security situation, a better socio-political climate and favourable rainfall. Growth is projected to reach 6.7 percent in 2022, driven by all three sectors, which are expected to grow by 14.3 percent, 4.1 percent and 5.2 percent respectively. Average annual inflation is expected to slow to 2.6 percent in 2022, driven by a favourable agricultural season in 2022/2023 and the continuation of government measures to combat high cost of living.

174. In terms of public finances, the continuation of reforms aimed at strengthening tax revenues and improving the efficiency of public spending would help improve tax revenues and substantially reduce the budget deficit. To this end, tax revenues are expected to increase by 2.8 percent in 2022, while non-tax revenues would decrease by 7.8 percent. Similarly, public expenditure is expected to increase slightly (2.2%). Thus, the overall budget deficit is expected to be 5.1 percent in 2022, down by 0.8 percentage points from the previous year.

175. However, there are many risks to the country's macroeconomic outlook. These include socio-political instability, sanctions by sub-regional and regional institutions and the international community, the lingering security crisis, the worsening humanitarian crisis, the reduction in arable land, particularly as a result of terrorism, gold panning and its appropriation by real estate developers and private individuals, and the fall in the price of exported commodities (particularly gold, cotton, sesame and cashew nuts).

2.5. Conclusions and Recommendations

176. The country's economy recovered in 2021, despite the continued security crisis. Indeed, the real GDP growth rate rose to 6.9 percent in 2021 after 1.9 percent in 2020. Inflation in 2021 was 3.9 percent after 1.9 percent a year earlier, remaining below the ECOWAS benchmark of 5.0 percent.

177. Public finance management was affected by the pursuit of government measures to combat COVID-19 and efforts to combat terrorism and strengthen social cohesion. In this respect, the overall budget deficit, including grants, deteriorated to 5.9 percent of GDP in 2021 from 5.2 percent of GDP in 2020.

178. Transactions with the rest of the world saw a good trend in the price of gold. This led to an improvement in the current account surplus to 4.1 percent of GDP in 2021.

179. Money supply increased by 18.3 percent in 2021 as a result of the strengthening of NFA and domestic claims.

180. With regard to the macroeconomic convergence, the country complied with five (5) of the six (6) convergence criteria, missing only the budget deficit criterion.

181. Following the developments in 2021 and prospects for 2022, the Authorities are encouraged to consider the following recommendations:
    i. intensify efforts to combat terrorism and violent extremism;
    ii. expand the automation of revenue management to cover offices not connected to ASYCUDA by providing them with hardware kits;
    iii. continue the implementation of an exemption management module to improve the fight against tax evasion and fraud; and
    iv. continue to strengthen the interconnection of Burkina Faso's customs system with those of Togo, Cote d'Ivoire and Niger.

3. CABO VERDE

3.1. Introduction

182. Cabo Verde's macroeconomic policy thrust for 2021 was anchored on the new Cabo Verde Ambition 2030 plan, which builds on its earlier Strategic Plan for Sustainable Development (PEDS 2017-2021). The Plan promises to open opportunities in sustainable tourism, renewable energy, blue and digital economies, and the transformation of Cabo Verde into a transportation and logistics hub. Thus, diversification of the economy remains a key priority.

183. The 2021 budget prioritised expenditure measures to support families, save companies and jobs in the context of the pandemic and included benefits to attract private investments and improve the business environment.

184. Economic growth in Cabo Verde rebounded in 2021 following the devastating effects of the COVID-19 pandemic. Real GDP grew by 7.0 percent in 2021 after a contraction of 14.8 percent in 2020, mainly reflecting strong performances in the tertiary and secondary sectors. Inflationary pressures strengthened as average inflation rose to 1.9 percent from the 0.6 percent recorded in 2020, mainly due to the supply side constraints.

185. Fiscal consolidation efforts gained traction as the budget deficit (commitment basis, including grants) narrowed to 8.0 percent of GDP in 2021, from 10.0 percent of GDP in 2020, due mainly to decline in total expenditure as the COVID-19 related spending moderated.

186. Monetary policy was largely accommodative to mitigate the impact of COVID-19 and support economic activity; the policy rate remained unchanged at 0.25 percent throughout 2021, despite the increasing inflationary pressures.

187. On the external front, the current account deficit narrowed to 13.2 percent of GDP from 16.5 percent of GDP in 2020, mainly reflecting improvements in primary and secondary income account balances. The gross external reserves was sustained at 7.9 months of imports of goods and services in 2021. Consequently, the escudo appreciated by 1.7 percent and 3.8 percent against the WAUA and US dollar in 2021, respectively.

188. In the area of macroeconomic convergence, performance was sustained as Cabo Verde met three (3) of the four (4) primary criteria and one (1) secondary criterion in 2021. The country missed the primary criterion on budget deficit and the secondary criterion on public debt to GDP. The detailed sectoral analysis is presented below.

3.2. Sectoral Analysis

3.2.1. Real Sector

189. The economy recovered with an impressive growth rate of 7.0 percent in 2021 compared to the negative growth rate of 14.8 percent in 2020, due mainly to improvements in both the tertiary and secondary sectors.

190. The primary sector grew by 4.8 percent in 2021 after a contraction of 6.5 percent in 2020, explained by the recoveries recorded in the subsectors during the period. Output in agriculture

expanded by 4.0 percent compared to the negative growth rate of 7.3 percent in 2020. Similarly, growth in fishing activities was 11.6 percent compared to the contraction of 0.4 percent, a year earlier.

191. The secondary sector posted a growth of 11.8 percent compared to the contraction of 2.0 percent in 2020, driven mainly by sustained performances in mining activities and construction as well as recoveries in other subsectors. Output in the extractive sector (mining) and construction grew by 6.5 percent and 8.6 percent in 2021 compared to the growth rates of 0.8 percent and 2.8 percent, respectively in 2020. Activities in manufacturing and electricity and water also supported the growth in the sector, posting growth rates of 19.4 percent and 8.4 percent compared to the contractions of 7.5 percent and 5.8 percent, respectively in 2020.

192. The tertiary sector recorded a growth of 7.4 percent in 2021 compared with a contraction of 14.2 percent in 2020, on account of strong performance in most of the key subsectors during the review period. Growth in public administration and financial services accelerated to 10.2 percent and 7.6 percent in 2021 from 8.9 percent and 1.7 percent, respectively in 2020. Activities in real estate and other services, telecommunications and post office, transport and trade recovered, recording growth rates of 5.1 percent, 1.5 percent, 6.9 percent and 4.2 percent compared to contractions of 12.6 percent, 70.7 percent, 32.9 percent and 21.1 percent, respectively in 2020. Activities in accommodation & catering and business services contracted by 26.9 percent and 7.7 percent compared to the contractions of 70.7 percent and 23.8 percent, respectively in 2020 indicating that despite improvements, these subsectors were yet to fully recover from the negative impact of the COVID-19 pandemic.

193. In terms of contribution to GDP growth, the tertiary sector contributed 4.3 percentage points, the secondary sector contributed 2.5 percentage points while the primary sector contributed 0.2 percentage point.

194. On the demand side, final consumption grew by 13.8 percent in 2021, from the contraction of 9.3 percent recorded in 2020, supported by strong performance of both public and private consumption, which grew by 30.1 percent and 8.8 percent, respectively. The performance of net exports slowdown significantly to 3.3 percent in 2021 after registering 83.9 percent growth in 2020. Investment, however, contracted by 8.3 percent in 2021, after a growth of 19.7 percent in 2020.

195. Regarding price developments, annual average inflation increased to 1.9 percent in 2021 from the 0.6 percent recorded in 2020, driven by higher prices in alcoholic beverages, tobacco and narcotics (8.0%), home accessories, household equipment and routine maintenance of dwellings (4.8%) and Transport (6.2%).

Table 11:Trends in GDP and its Components in Cabo Verde

Millions of Escudos	2019	2020	2021*	2019	2020	2021*
SUPPLY	**Percentage Change**			**Contribution to GDP growth**		
RGDP	**5.7**	**-14.8**	**7**	**5.7**	**-14.8**	**7**
Agriculture	-7. 3	-6.5	4.8	-0.5	-0.6	0.2
Agric	-5	-7.3	4			
Fishing	-23	-0.4	11.6			
Industry	7. 5	2	11.8	1.6	-1.4	2.5
Extractive Industries	8.4	0.8	6.5			
Manufacturing	3.4	-7.5	19.4			
Electricity and water	6.4	-5.8	8.4			
Construction	10.6	2.8	8.6			
Services	6. 2	14.2	7.4	4.5	-12.8	4.3
Trade	4.7	-21.1	4.2			
Transport	10	-32.9	6.9			
Accommodation and catering	8.6	-70.7	-26.9			
Telecommunications and post office	-2	-3.4	1.5			
Financial services	9.1	1.7	7.6			
real estate and other services	3.6	-12.6	5.1			
Business Services	-1.9	-23.8	-7.7			
Public Administration	9	8.9	10.2			
DEMAND						
Consumption	5.5	-9.3	13.8	4.5	-7.6	12.1
Private	5.7	-11.9	8.8	3.7	-7.8	5.9
Public	4.8	0.8	30.1	0.8	0.1	6.2
Investment	-6.3	19.7	-8.3	-2.4	6.7	-4
Exports of goods and services	8.7	-58.4	5.8	4.1	-28.6	1.4
Imports of goods and services	0.8	-22.5	4.3	0.6	-14.7	2.6
Net exports	-16.1	83.9	3.3			
Memorandum Items						
GDP (current prices) Millions of CVE	195,202	164,911	180,486			
GDP Including Oil (constant prices)	168,265	143,390	153,359			
Inflation						
Average	1.1	0.6	1.9			
End period	2.8	3.9	5.4			

Source: INE Cabo Verde ; *Provisional

3.2.2. Fiscal Sector

196. Fiscal performance in 2021 generally improved compared to the out-turn in 2020. Government's fiscal operations for 2021 resulted in an overall budget deficit (including grants) of 8.0 percent of GDP (CVE22,272.8 million) compared with the deficit of 10.0 percent of GDP (CVE18,357.1 million) recorded in the previous year, as shown in Table 12. The improved fiscal performance was attributed to a decline in the recurrent expenditure in the review period. The budget deficit excluding grants also narrowed to 10.0 percent of GDP from 14.0 percent in 2020. The corresponding primary balance was a deficit of 7.8 percent of GDP (CVE14,100.7 million) compared with the deficit of 10.6 percent of GDP (CVE17,444.3 million) recorded in 2020.

197. Total revenue and grants fell by 0.2 percent to CVE44,524 million (24.7% of GDP) in 2021 from CVE46,526 million (27.1% of GDP) in 2020, mainly influenced by grants which declined by 31.8 percent to CVE3,984.9 million (2.2% of GDP) from CVE5,845.2 million (3.5% of GDP) in 2020. Domestic revenue increased by 4.5 percent to CVE40,539.1 million (22.5% of GDP) in 2021 from CVE38,780.8 million (23.5% of GDP) in 2020, reflecting growth in both tax and non-tax revenue.

198. Tax revenue increased by 1.9 percent to CVE33,536.5 million (18.6% of GDP) in 2021 from CVE32,899.8 million (20% of GDP) a year ago. Similarly, non-tax revenue rose by 19.1 percent to CVE7,002.6 million (3.9% of GDP) from CVE5,881.0 million (3.6% of GDP) in 2020.

Performance in both tax and non-tax revenue stemmed from the enhanced revenue collection measures in the areas of VAT, taxes on international trade and consumption tax. However, tax revenues from income and property declined by 10.3 percent during the period. Similarly, Grants declined by 31.8 percent to CVE3,984.9 million (2.2% of GDP) in 2021 compared with CVE5,845.2 million (3.5% of GDP) in the preceding year.

199. Total expenditure and net lending amounted to CVE58,896.2 million (32.6% of GDP) in 2021 compared with CVE61,053.6 million (37.0% of GDP) in 2020, a decrease of 3.5 percent, which can be explained by the declines in both current and investment expenditures. Current expenditure contracted by 1.0 percent to CVE54,542.4 million (30.2% of GDP) from CVE55,120.1 million (33.4% of GDP) in 2020, due to declines in transfers and subsidies, goods and services and interest payments by 10.7 percent, 10.2 percent and 11.8 percent, respectively.

200. Expenditure on goods and services amounted to CVE9,982.2 million (5.5% of GDP) from CVE11,110.1 million (6.7% of GDP). Transfers and subsidies amounted to CVE6,349.6 million (3.1% of GDP) in 2021 compared with CVE7,111.9 million (3.9% of GDP) in 2020. Interest payments amounted to CVE4,256.4 million (2.4% of GDP) in 2021 compared with CVE4,828.6 million (2.9% of GDP) in 2020. Expenditure on wages and salaries, however, rose by 1.4 percent to CVE21,842.1 million (12.3% of GDP) in 2021 from CVE22,143.7 million (13.2% of GDP) in 2020.

201. Capital expenditure declined significantly by 26.6 percent to CVE4,353.9 million (2.4% of GDP) from CVE5,933.5 million (3.6% of GDP) in 2020, indicating a continued reduction in investment expenditure due to the completion of major investments in energy, power and sanitation projects.

Table 12: Trends in Key Fiscal Indicators in Cabo Verde

	2020	2021*	2022**	2020	2021*	2022**
	Percentage change			As percent of GDP		
Total Revenue and Grants	-22.7	-0.2	30.7	27.1	24.7	30.8
Current revenues	-24.1	4.5	33.7	23.5	22.5	28.7
Tax Revenue	-20.0	1.9	22.8	20.0	18.6	21.8
Non-Tax Revenue	-41.0	19.1	86.1	3.6	3.9	6.9
Grants	-11.8	-31.8	-0.1	3.5	2.2	2.1
Total expenditure (incl. net lending)	-3.7	-3.5	5.5	37.0	32.6	32.9
Total expenditure	-3.7	-3.5	5.5	37.0	32.6	32.9
Recurrent expenditure	0.5	-1.0	12.8	33.4	30.2	32.6
Wages and Salaries	3.1	1.4	9.9	13.2	12.3	12.9
Acquisition of goods and services	20.1	-10.2	24.1	6.7	5.5	6.6
Other current expenses	-67.1	29.8	52.1	1.2	1.4	2.0
Subsidies	293.5	29.2	23.8	0.4	0.5	0.5
Current transfers	7.3	-14.6	10.1	3.9	3.1	3.2
Social benefits	13.7	12.1	-10.3	5.0	5.1	4.4
Interest payments	-3.3	-11.8	30.2	2.9	2.4	2.9
Internal interest	2.4	2.5	5.5	1.9	1.8	1.8
External Interest	-13.5	-41.6	117.8	1.0	0.5	1.1
Other Debt Charges	41.9	33.6	-2.3	0.0	0.0	0.0
Capital expenditure	-30.7	-26.6	-87.0	3.6	2.4	0.3
Overall balance (Commitment basis, incl. grants)				-10.0	-8.0	-2.1
Overall balance (Commitment basis, excl. grants)				-13.5	-10.2	-4.2
Primary Balance				-7.0	-5.6	0.9
Public debt				155.6	155.3	158.2
Internal debt				43.3	45.2	49.2
External debt				112.3	110.1	108.9

Source: Ministry of Finance *Provisional **Projections

202. The outstanding stock of public debt stood at CVE280,332.3 million (155.3% of GDP) at end-December 2021, compared with CVE256,652.5 million (155.6% of GDP) at end-December 2020. External debt slightly moderated to CVE198,708 million (110.1% of GDP), compared to CVE185,272 million (112.5% of GDP) at end-December 2020, while the domestic stock stood at CVE81,624 million (45.2% of GDP) at end-December 2021, from CVE71,380 million (43.3% of GDP) at end-December 2021.

3.2.3. Monetary Sector

203. Monetary policy remained broadly accommodative throughout 2021 to support the economic recovery process, following the reduction in the MPR to 0.25 from 1.50 percent in April 2020. Other rates that were adjusted along with the MPR include the permanent liquidity disposal facility rate (from 4.5% to 0.5%), permanent liquidity absorption facility (from 0.10% to 0.05%), rediscount rate (from 5.5% to 1.0%) and reserve requirement ratio (from 13.0% to 10.0%). In addition, the overnight deposit facility rate and overnight lending rate were lowered by 5 basis points and 250 basis points to 0.05 percent and 0.5 percent, respectively.

204. Developments in monetary aggregates in 2021 showed lower growth in broad money supply (M2) of 3.1 percent against 4.1 percent in 2020. The growth in M2 was largely driven by a significant growth in NFA of the depository sector of 10.0 percent. Growth in NDA remained flat at end-December 2021 compared to the growth rate of 12.0 percent at end-December 2020, reflecting the contraction in net credit to public sector. In terms of components, the moderation in M2 was reflected in currency outside banks, demand deposits, and savings and time deposits. Growth in currency in circulation slowed to 2.7 percent in the 12-month period ended December 2021 from 11.4 percent in the corresponding period of 2020. On the liability side, narrow money contracted by 7.9 percent against the growth rate of 19.4 percent in 2020, due mainly to 9.1 percent contraction in demand deposits.

205. Claims on the domestic economy grew by 4.7 percent in 2021 compared with 6.7 percent in 2020, driven mainly by credit on the economy. Credit to the economy grew by 6.0 percent in 2021 compared with 4.8 percent in 2020, reflecting 6.1 percent increase in loans to the private sector, which represented 95.8 percent of total loans to the economy. The increase in loans to the economy is explained by the suspension of the debt service moratorium, the use of COVID-19 credit lines guaranteed by the State, as well as the granting of new credits.

206. Claims on the public sector contracted by 0.6 percent in 2021 compared to the growth of 15.1 percent in 2020, mainly reflecting the repayment of resources mobilised under the Consolidated Financial Mobilisation Securities (TCMF) issued in 2018.

207. Trends in financial soundness indicators remained positive, underpinned by strong solvency, liquidity and profitability. The regulatory capital to risk weighted assets (Capital Adequacy Ratio) was above the regulatory minimum of 12 percent. However, non-performing loans (NPLs) remained elevated at 10.5 percent of total loans, in slight increase compared with end-March (10.1%). The BCV has enhanced monitoring of the banking system in relation with the

implementation of COVID-19 relief measures, including risk management, lending practices, and reporting of NPLs.

Table 13: Growth in Key Monetary Aggregates in Cabo Verde

Millions of CVE	2019	2020	2021*	2019	2020	2021*
	Percentage Change			Contribution to money supply		
Net Foreign Assets (NFA)	**24.8**	**-9.9**	**10.0**	**7.7**	**-3.6**	**3.1**
Central Bank	25.0	-12.2	7.8	8.0	-4.5	2.4
Commercial Banks	31.9	-89.2	-608.1	-0.3	1.0	0.7
Net Domestic Assets (NDA)	**0.5**	**12.0**	**0.0**	**0.3**	**7.7**	**0.0**
Domestic Claims	-2.1	6.7	4.7	-1.6	4.8	3.5
Net Credit to the Public Sector	-22.4	15.1	-0.6	-4.0	1.9	-0.1
Credit to the Economy	**3.9**	**4.8**	**6.0**	**2.4**	**2.8**	**3.5**
Credit to the Private Sector	3.9	5.3	6.2	2.2	3.0	3.5
Credit to others	4.2	-4.4	0.8	0.1	-0.1	0.0
Other Items Net	-19.5	-38.8	78.7	2.0	2.9	-3.5
Broad Money Supply	**8.1**	**4.1**	**3.1**	**8.1**	**4.1**	**3.1**
Currency in circulation	2.9	11.4	2.7			
Demand deposits	13.1	20.4	-9.1			
Other deposit included in M2	5.2	2.0	3.2			

Source: Banco de Cabo Verde *Provisional

3.2.4. External Sector

208. Cabo Verde's transactions with the rest of the world in 2021 were marked by a modest balance of payments surplus, mainly reflecting improvements in the current and financial accounts. The current account deficit narrowed to CVE23,772.5 million (13.2% of GDP) as at end-December 2021 compared to CVE27,132.3 million (16.5% of GDP) in the previous year. The moderation in the current account deficit is explained by (i) the strengthening (19.8%) of the surplus in the secondary income balance due to 27.1 percent increase in net remittances of migrants, notwithstanding the 3.4 percent decrease in budget support; (ii) the 11.3 percent reduction in the primary income account deficit following the 34.1 percent increase in net labour income and the 6.5 percent decrease in foreign investment income.

209. The trade deficit worsened to CVE66,654.1 million (36.9% of GDP) in 2021 from CVE63,832.3 million (38.7% of GDP) in 2020, due mainly to an increase in imports to CVE82,890.9 million (45.9% of GDP) in 2021 from CVE76,327.8 million (46.3% of GDP) in 2020.

210. The capital account surplus grew by 12.0 percent to CVE2,677.2 million (1.5% of GDP) in 2021 compared with CVE2,389.6 million (1.4% of GDP) in 2020, mainly attributed to 26.2 percent increase in remittances.

211. The financial account was characterised by an increase in net inflows to CVE23,079 million (12.8% of GDP) in 2021 from CVE13,673.2 million (8.3% of GDP) in 2020, mainly due to: (i) the recovery in foreign direct investment flows, and (ii) the consolidation of other investments in connection with the mobilisation of loans by other sectors, in particular banking. On the other hand, portfolio investment improved from CVE7,670.5 million (4.7% of GDP) compared with CVE12,921.3 million (7.2% of GDP).

212. The gross external reserves strengthened to CVE68,676.2 million, equivalent to 7.9 months of imports of goods and services at the end of 2021 from CVE63,923.9 million (7.9 months of

imports) in 2020. The increase in reserves reflects the allocation of SDRs to the tune of US$32.3 million in 2021.

213. The Escudo-US dollar exchange rate appreciated by 3.8 percent in 2021, compared with an appreciation of 1.7 percent in 2020. The Escudo also appreciated by 1.7 percent against the WAUA in 2021 compared to appreciation of 0.9 percent in 2020.

Table 14: Trends in Key Balance of Payments Indicators in Cabo Verde

Millions CVE	2019	2020	2021*	2019	2020	2021*
	USD Millions			Percent of GDP		
Current Account	444.2	(27,132.3)	(23,772.5)	0.2	(16.5)	(13.2)
Trade	(65,623.1)	(63,832.3)	(66,654.1)	(33.6)	(38.7)	(36.9)
Exports	26,174.5	12,495.5	16,236.7	13.4	7.6	9.0
Imports	91,797.6	76,327.8	82,890.9	47.0	46.3	45.9
Services	37,766.1	7,273.2	6,383.3	19.3	4.4	3.5
Exports	72,954.2	28,474.2	28,192.4	37.4	17.3	15.6
Transport	3,999.3	(710.7)	(1,960.1)	7.8	3.2	2.5
Travel	41,436.2	10,765.3	9,716.9	25.5	9.6	8.3
Imports	35,188.1	21,201.0	21,809.1	18.0	12.9	12.1
Primary Income	(4,152.9)	(3,963.2)	(3,517.2)	(2.1)	(2.4)	(1.9)
work Income	1,191.1	462.6	620.1	0.6	0.3	0.3
invest income	(5,333.6)	(4,425.4)	(4,137.5)	(2.7)	(2.7)	(2.3)
other sectors	(465.6)	(507.5)	(375.2)	(0.2)	(0.3)	(0.2)
Secondary Performance	32,454.2	33,390.1	40,015.5	16.6	20.2	22.2
official transfers	5,860.0	4,745.4	4,583.8	3.0	2.9	2.5
remittances from emigrants	18,971.3	19,672.4	24,994.8	9.7	11.9	13.8
Capital balance	1,239.8	2,389.7	2,677.2	0.6	1.4	1.5
official transfers	686.0	1,118.9	792.1	0.4	0.7	0.4
remittances of emigrants	255.9	238.2	300.7	0.1	0.1	0.2
Financial Accounts	(15,675.9)	(13,673.2)	(23,079.4)	(8.0)	(8.3)	(12.8)
Foreign Direct Investment	(9,234.2)	(6,023.8)	(10,157.5)	(4.7)	(3.7)	(5.6)
FDI in Cabo Verde (Invest)	9,295.1	6,778.3	10,506.9	4.8	4.1	5.8
Portfolio investment	109.0	21.1	(0.6)	0.1	0.0	(0.0)
Other Investment	(6,550.7)	(7,670.5)	(12,921.3)	(3.4)	(4.7)	(7.2)
Reserve assets	14,552.0	(8,282.6)	1,088.0	7.5	(5.0)	0.6
Errors and omissions	(2,805.9)	2,786.8	(896.1)	(1.4)	1.7	(0.5)
Memorandum items						
GDP at current prices	195,202	164,911	180,486			
Reserve stock in millions of CVE	72,814	63,924	68,676			
GDP at current prices in millions of US$	1,982	1,704	1,936			
Average exchange ($/Escudos)	98.5	96.8	93.2			
Reserves in months of Import of goods and services	6.9	7.9	7.9			

Source: Banco de Cabo Verde *Provisional

3.3. Status of Macroeconomic Convergence

214. With respect to macroeconomic convergence, Cabo Verde met four (4) of the six convergence criteria at the end of 2021 (same as in 2020); three (3) primary criteria and one (1) secondary criterion. In terms of the primary convergence criteria, the country satisfied the central bank financing of the budget deficit, average annual inflation and the gross external reserves but missed budget deficit criterion. Regarding the secondary criteria, the country met the criterion on nominal exchange rate variation but missed that of public debt. The summary of Cabo Verde's performance on the Macroeconomic Convergence Criteria is presented in Table 15.

Table 15: Status of Macroeconomic Convergence in Cabo Verde

CRITERIA	TARGET	2018	2019	2020	2021*
Primary Criteria		3	4	3	**3**
Budget deficit (commitment basis, including grants)	≤3%	3.2	2.9	10.0	8.0
Average annual inflation	≤5%	1.3	1.1	0.6	1.9
Central Bank financing of the Budget Deficit	≤10%	0.0	0.0	0.0	0.0
Gross external reserves	≥3 months	5.6	6.9	7.9	7.9
Secondary Criteria		1	1	1	1
Nominal exchange rate variation	±10%	2.6	-2.8	-1.0	-1.7
Public debt to GDP ratio	≤70%	122.0	124.2	155.6	155.3
Total number of Criteria Met		**4**	**5**	**4**	**4**

Sources: Authorities of Cabo Verde and WAMA *Provisional

3.4. Prospects

215. The outlook for the Cabo Verde economy looks optimistic in 2022 and in the medium-term as economic conditions improve, bolstered by the implementation of the new ‘Ambition 2030 Plan’ to drive private consumption and investment in transport, tourism, energy and information and communication technology as well as economic diversification. However, the downside risks to growth include further disruption in the global supply chain, rising food and energy prices exacerbated by the Russia-Ukraine war. Against this background, real GDP growth is projected between 3.7 percent and 5.0 percent while average inflation is expected to be between 5.8 percent and 6.5 percent.

216. In terms of macroeconomic convergence, the country is expected to sustain performance in 2022, missing the budget deficit and the public debt criteria.

3.5. Conclusions and Recommendations

217. The Cabo Verde economy is recovering faster than expected with real GDP growth of 7.0 percent recorded in 2021, well above the pre-pandemic growth rates after a historic recession of 14.8 percent in 2020 due to the devastating effects of the pandemic. Inflationary pressures increased during the period due to supply-side bottlenecks and demand pressures, while fiscal operations resulted in the widening of the budget deficit and a rise in the public debt ratio due to higher COVID-19 induced expenditure.

218. In light of the macroeconomic developments, Cabo Verde authorities are urged to:

i. deepen the coordination between fiscal and monetary policies with a view to supporting and sustaining economic recovery;
ii. monetary policy implementation should continue to be proactive, taking cognisance of the rising inflationary pressures;
iii. implement fiscal consolidation with the aim of moderating the budget deficit; and
iv. intensify ongoing efforts to contain the public debt within sustainable levels.

4. COTE D'IVOIRE

4.1. Introduction

219. The objective of Côte d'Ivoire's economic policy is: (i) to implement the 2021-2025 National Development Plan (NDP) by strengthening its institutions, (ii) promote good governance, (iii) maintain macroeconomic stability, (iv) diversify and structurally transform the economy, and (v) accelerate structural and sectoral reforms. These objectives would be achieved within the framework of stable inflation, effective management of public finances.

220. Côte d'Ivoire's economic growth in 2021 took place within the context of rising commodity prices and the continued implementation of the Economic, Social and Humanitarian Support Plan (PSESH).

221. The key macroeconomic targets for 2021 were as follows:
   - GDP growth rate of 6.5 percent;
   - Overall fiscal deficit of 5.5 percent of GDP;
   - Inflation rate below 3.0 percent; and
   - Outstanding public debt equal to 51.7 percent of GDP.

222. In this context, GDP growth increased sharply to 7.4 percent in 2021 compared with a rate of 2.0 percent in 2020, with inflation reaching an annual average of 4.2 percent in 2021 compared with 2.4 percent in 2020.

223. The government's fiscal operations in 2021 resulted in an improvement in the overall fiscal deficit (including and excluding grants) compared to 2020. As a proportion of nominal GDP, the overall deficit including grants was 5.0 percent in 2021 against 5.6 percent a year earlier. Excluding grants, the deficit declined to 5.5 percent of GDP from 6.1 percent in 2020.

224. The monetary policy rate remained unchanged since June 2020, when the rate was reduced from 2.5 percent to 2.0 percent. In terms of the evolution of monetary aggregates compared to 2020, the money supply increased by 18.3 percent due to a 32.3 percent increase in the NFA and 14.3 percent increase in NDA.

225. Côte d'Ivoire's transactions with the rest of the world in 2021 resulted in an overall surplus of CFAF1,066.6billion (2.8% of GDP) following the surplus of CFAF607.0 billion (1.7% of GDP) in 2020. This development was driven by the impressive performance of the financial account which recorded an increase in net inflows of 47.7 percent compared to 2020. The current account deficit worsened by 32.3 percent compared to 2020.

226. In terms of convergence, Côte d'Ivoire met five (5) of the six (6) criteria. It missed the criterion on budget deficit, despite the reduction to 5.0 percent of GDP.

4.2. Sectoral Analysis

4.2.1. Real Sector

227. In 2021, growth stood at 7.4 percent, compared with the 2.0 percent rate recorded in 2020. This development was due to the Services sector, whose value added increased by 9.7 percent.

228. The primary sector recorded an increase of 2.3 percent from 2.2 percent in 2020, due to increases in ‘export agriculture’ (4.9%) and fishing (0.7%) as a result of the recovery in global demand for cash crops.

229. In addition to the rise in prices, ‘export agriculture’ benefited from the normalisation of marketing and the entry into production of new high-yielding varieties of cocoa trees. Cocoa (2.6%), cashew nuts (14.1%), palm oil (16.9%), pineapple (18.6%), dessert bananas (5.6%), rubber (15.7%) and cottonseed (10.5%) all saw increases. However, coffee production contracted by 25.6 percent due to the ageing of coffee trees and farmers' lack of interest. In addition, ‘food crops and livestock’ and forestry contracted by 0.4 percent and 23.7 percent, respectively. The drop in food production was due, among others, to disruptions in planting as a result of travel restrictions in 2020, which reduced the labour force from neighbouring countries and disrupted the cultivation schedules for certain products. Similarly, climatic disturbances and limited rainfall also impacted the sector.

230. The secondary sector grew by 4.4 percent from 1.9 percent in 2020. This was the result of 9.8 percent increase in petroleum products against the contraction of 25.7 percent in 2020. The dynamism of the construction industry was sustained, at 8.3 percent in 2021 from 5.5 percent in 2020. Activity in the mining industry, however, slowed to 3.2 percent in 2021 from 6.2 percent in 2020 as result of the contraction in energy by 5.5 percent against a growth of 5.6 percent in 2020.

231. Construction and public works increased with the continuation and start-up of construction sites, notably (i) the 4th Abidjan bridge linking the Yopougon and Plateau districts and (ii) Tower ‘F’ of the Plateau administrative city, among others.

232. The increase in petroleum products was supported by strong domestic consumption. The fall in power generation was linked to the decline in production from hydroelectric sources due to low water level in the hydroelectric dams, as a result of the drought in 2020. It was also affected by the breakdown of equipment at the Azito thermal power station.

233. The tertiary sector recorded an increase of 9.6 percent in 2021 from 1.9 percent in 2020 in connection with the impressive performance in all its sub-sectors. Transport and telecommunications grew by 15.1 percent and 11.8 percent, compared to 2.0 percent and 30.3 percent in 2020, respectively. Similarly trade and other services recovered with a growth rate of 10.8 percent and 8.0 percent against -2.5 and -2.2 percent in 2020, respectively. This dynamism in the sector was mainly due to the recovery of economic activities.

234. Overall, the contributions of the primary, secondary and tertiary sectors to GDP growth in 2021 were 0.4, 0.9 and 6.1 percentage points, respectively.

235. In terms of aggregate demand, growth was driven mainly by investment (6.8%) and consumption (8.6%). The rise in final consumption was mainly the result of the increase in household income and the resumption of a certain number of jobs in relation to the attenuation of the effects of the pandemic, which favoured the reopening of certain businesses. Investments were supported by the continued execution of the major infrastructure projects listed above.

Table 16: Trends in GDP and its Components in Côte d'Ivoire

	2019	2020	2021*	2022**	2019	2020	2021*	2022**
Supply	**Percentage change**				**Contributions to GDP growth**			
GDP - Gross Domestic Product	6.2	2.0	7.4	6.9	6.2	2.0	7.4	6.9
Primary sector	5.3	2.2	2.3	2.0	0.8	0.3	0.4	0.3
Secondary sector	11.5	1.9	4.4	9.9	2.3	0.4	0.9	2.0
Service sector (including non-market)	4.8	1.9	9.6	7.1	3.1	1.2	6.1	4.6
- Market	4.9	0.7	10.5	7.7	2.4	0.3	4.9	3.7
- Non-market + taxes	4.5	5.3	7.2	5.4	0.7	0.9	1.2	0.9
Demand								
Imports of goods and services	1.0	7.6	12.9	4.1				
Exports of goods and services	18.6	-4.2	10.3	6.9				
Final consumption	4.6	-1.8	8.6	4.7				
private	4.6	-2.8	8.3	5.0				
public	4.3	5.6	10.4	2.5				
Investment	-5.9	29.7	6.8	10.3				
Gross fixed capital formation	11.8	8.4	12.5	10.0				
private	13.9	2.5	14.6	10.9				
public	6.4	25.0	7.7	7.8				
Stock variation	-854.9	-121.2	-198.9	-0.4				
Inflation								
Annual average	0.8	2.4	4.2	4.6				
End-period	1.0	2.4	5.2	na				

Sources: Ministry of Finance, WAEMU Commission *Provisional **Projections

236. Economic activity in 2021 was characterised by increased inflationary pressures as average annual inflation was 4.2 percent in 2021, compared with 2.4 percent a year earlier. This trend was mainly driven by food and non-alcoholic beverages. This situation was due to (i) the drop in food production following the disruption in the 2020 planting season due to limited rainfall and the absence of seasonal labour, (ii) the insecurity in the Sahel, which is causing difficulties in the supply of livestock and farm produce, (iii) the increase in the import price of fish, and (iv) the rise in the price of palm oil on the international market.

4.2.2. Fiscal Sector

237. The government fiscal operations in 2021 were marked by the pursuit of both tax policy and tax administration measures with the objective of enhancing revenue mobilisation for the State budget. The ongoing automation of tax collection is yielding the expected results. This resulted in improved revenue mobilisation in 2021.

238. Total revenue and grants increased by 16.1 percent to CFAF6,140.2 billion (15.7% of GDP) in 2021 against CFAF5,289.2 billion (15.0% of GDP) in 2020. The increase was attributable exclusively to domestic revenue (16.9%), with grants falling by 4.5 percent. The increase in domestic revenue was due to improvement in tax revenue.

239. Tax revenue amounted to CFAF5,096.0 billion (12.7% of GDP) in 2021, as against CFAF4,356.1 billion (11.8% of GDP) in 2020, representing an increase of 17.8 percent. This development was the result of measures implemented at the level of the tax and customs administrations.

240. Non-tax revenue increased by 16.2 percent to 2.2 percent of GDP, compared with 2.1 percent of GDP in 2020. This performance was essentially due to social security contributions (CFAF67.5 billion) and other non-tax revenues such as other social security revenues (55.9 billion) and service revenues (CFAF24.9 billion).

241. Grants fell by 4.5 percent to CFAF184.6 billion from CFAF193.3 billion in 2020. As a proportion of GDP, grants accounted for 0.5 percent in 2021 as in 2020.

242. Public expenditure aimed at supporting the recovery of economic activities negatively impacted by the effects of the COVID-19 pandemic, while improving the living conditions of the population. Thus, total expenditure and net lending amounted to CFAF8,102.4 billion (21.1% of GDP), up by 11.7 percent compared to 2020, attributable to both current and capital expenditure.

243. Recurrent expenditure rose by 10.7 percent to 14.2 percent of GDP in 2021, from 13.9 percent of GDP in 2020. The increase was due to higher expenditure on wages and salaries (CFAF31.5 billion), transfers and subsidies (CFAF240.4 billion) and interest payments (CFAF120.7 billion). The increase in wages and salaries was attributable to payment of wage arrears.

244. Capital expenditure increased by 28.2 percent in 2021, financed mainly from external sources, which increased by 38.1 percent. In relation to GDP, capital expenditure represents 5.7 percent in 2021 against 5.5 percent in 2020.

245. The execution of the government fiscal operations in 2021 showed a slight improvement (in absolute terms) in the main budget balances, explained by a more-than-proportionate increase in total revenue and grants compared to total expenditure and net lending. The overall fiscal deficit, on commitment basis (including grants), was 5.0 percent of GDP compared to 5.6 percent in 2020. Excluding grants, the deficit fell from 6.1 percent in 2020 to 5.6 percent in 2021.

Table 17: Trends in Key Fiscal Indicators in Côte d'Ivoire

	2019	2020	2021*	2022**	2019	2020	2021*	2022**
	Percentage change				Percent of GDP			
Total revenue and grants	8.3	2.5	16.1	4.5	15.0	15.0	16.0	15.0
Total revenue	8.1	4.3	16.9	2.8	14.2	14.4	15.5	14.3
Tax revenues	8.8	4.5	17.8	5.4	11.6	11.8	12.7	12.5
Non-tax revenues	6.7	9.1	16.2	-12.8	2.0	2.1	2.2	1.7
Grants	11.7	-29.7	-4.5	59.7	0.8	0.6	0.5	0.7
Project grants	22.9	-5.6	-9.0	-	0.3	0.3	0.2	-
Programme grants	5.5	-45.1	0.5	-	0.5	0.3	0.3	-
Total expenditure and net lending	4.1	22.1	11.7	3.6	17.3	20.5	21.1	19.6
Total expenditure	4.1	22.1	11.7	3.6	17.3	20.5	21.1	19.6
Recurrent expenditure	7.5	18.4	10.7	-4.9	12.1	13.9	14.2	13.1
Wages and salaries	5.0	7.3	1.7	5.3	5.0	5.2	4.8	4.6
Goods and services	6.9	-6.7	34.9	-	4.4	3.9	4.9	-
Transfers and grants	6.8	138.1	-11.0	-	1.3	2.9	2.4	-
Interest payments	20.0	27.4	18.2	24.5	1.5	1.9	2.0	2.3
Financed domestically	7.5	23.4	20.5	-	0.6	0.8	0.9	-
Externally	31.2	30.4	16.6	-	0.9	1.1	1.2	-
Capital expenditure	-3.1	30.1	13.0	26.4	4.4	5.5	5.7	6.5
Domestic funding	9.7	30.4	-0.3	9.0	2.8	3.6	3.3	3.2
External financing	-20.4	29.4	38.1	17.4	1.5	1.9	2.4	3.3
Overall balance (commitment basis excluding grants)					-3.1	-6.1	-5.6	-5.3
Overall balance (commitment basis. including grants)					-2.3	-5.6	-5.0	-4.6
Primary balance					-1.6	-4.2	-3.5	-
Public debt (in billions of CFA francs)	13,300.2	16,802.3	20,250.1	23,335.7	38.8	47.6	51.7	54.4
External	8,867.5	10,756.7	12,290.9	14,689.7	25.9	30.5	31.0	34.3
Domestic	4,432.7	6,045.6	7,959.2	8,646.0	12.9	17.1	20.7	20.2

Sources: Ministry of Finance, WAEMU Commission *Provisional **Projections

246. Outstanding public debt, at end-December 2021 amounted to CFAF20,250.10 billion (51.7% of GDP), against CFAF16,802.3 billion (47.6% of GDP) at the same period in 2020, an increase of 20.5 percent. The public debt was made up of an external debt of CFAF12,290.90 billion (31.0%

of GDP) and domestic debt of CFAF7,959.2 billion (20.7% of GDP). This increase in the outstanding public debt in 2021 was attributed, among other things, to the implementation of the health response plan and the economic, social and humanitarian support plan, estimated at more than CFAF1.7 billion to deal with the effects of the COVID-19 health crisis. In 2021, public debt service stood at CFAF2,204.3 billion against CFAF1,926.3 billion at the end of 2020.

4.2.3. Monetary Sector

247. The monetary policy of the Union has been broadly accommodative in 2021. The measures taken by BCEAO (reduction of key rates and fixed rate auctions) have resulted in a reduction of all money market rates, since the end of March 2020. Also, the benchmark rate in the interbank market, the one-week interbank transaction rate, has been below 3.00 percent since June 2020 and stood at 2.36 percent at end-June 2021.

248. The money supply stood at CFAF15,435.3 billion at end-December 2021, up by 18.3 percent compared to its level at end-December 2020. This evolution is explained by increases in demand deposits (23.1%), other deposits included in the money supply (17.0%) and currency in circulation (11.5%).

249. NFA stood at CFAF4,154.2 billion at end-December 2021, against CFAF3,139.7 billion at the end-December 2020, an increase of 32.3 percent in line with the improvement in the rate of repatriation of export earnings. The NFA of banks and those of the BCEAO increased by CFAF511.5 billion and CFAF503.0 billion, respectively.

Table 18: Growth in Key Monetary Aggregates in Côte d'Ivoire

	Dec-19	Dec-20	Dec-21*	Dec-19	Dec-20	Dec-21*
	Percentage change			Contribution to M2 growth		
ASSETS						
Net foreign assets	23.0	25.6	32.3	4.8	5.9	7.8
Net domestic assets	7.5	19.7	13.9	6.0	15.2	10.6
Domestic claims	9.6	17.6	14.3	9.3	16.8	13.2
Net claims on the Government	20.4	40.0	18.1	4.9	10.4	5.4
Claims on the economy	6.1	9.2	12.5	4.4	6.4	7.8
Claims on the private sector	7.6	10.8	13.6	4.9	6.7	7.8
Other items net (OIN)	68.0	40.9	57.4	(1.3)	1.2	0.8
LIABILITIES						
Broad Money (M2)	10.8	21.1	18.3			
Currency in circulation	10.3	22.2	11.5			
Demand deposits	8.9	26.7	23.1			
Savings and time deposits	13.7	12.8	17.0			
MEMORANDUM ITEM						
Growth in the reserve money	22.0	22.1	22.3			
Money multiplier (M2/RM)	2.7	2.7	2.6			
Velocity (GDP/M2)	3.2	2.7	2.5			
Credit to the private sector/GDP (percent)	19.6	21.1	22.0			
NFA/M2 (percent)	23.2	24.1	26.9			
NDA/M2 (percent)	76.8	75.9	73.1			
Currency in circulation/M2 (percent)	25.0	25.2	23.8			

Source: BCEAO *Provisional

250. With regard to domestic credit, claims on the economy increased by 12.5 percent at end-December 2021 compared to 9.2 percent at end-December 2020, and net claims on government (including IMF assistance) increased by 18.1 percent compared to 40.2 percent in 2020. Central bank intervention increased by CFAF589.6 billion over the period, in line with the rebound in net claims on government following the allocation of SDRs in August 2021. These loans

increased by CFAF720.0 billion (91.7%) in favour of the central government and decreased by CFAF127.5 billion (-7.5%) in respect of banks.

4.2.4. External Sector

251. In 2021, the current account recorded a deficit of CFAF1,223.0 billion (3.2% of GDP) compared to the deficit of CFAF1,136.4 billion (3.2% of GDP) in 2020, broadly reflecting developments in the services, primary and secondary income accounts.

252. The goods balance showed a surplus of 4.8 percent of GDP, lower than the previous year's balance 4.9 percent of GDP. This change was due to a less-than-proportionate increase in exports compared to imports. Exports increased by 16.9 percent to CFAF8,409.1 billion (21.9% of GDP) in 2021. Imports FOB increased by 19.7 percent to CFAF6,555.20 billion (17.1% of GDP) compared to CFAF5,478.30 billion (15.5% of GDP) in 2020.

253. The services deficit increased in nominal terms to CFAF1,510.20 billion (3.9% of GDP) from a deficit of CFAF1,387.50 billion (3.9% of GDP), mainly due to payments for the transport of goods, following the increase in imports of goods and the global cost of freight.

254. The primary income deficit widened in nominal terms to CFAF1,146.90 billion (3.0% of GDP), following a deficit of CFAF1,062.80 billion (3.0% of GDP) in 2021, due to increased interest payments on the economy's external liabilities.

255. The secondary income deficit also increased from CFAF402.6 billion (1.1% of GDP) in 2020 to CFAF419.80 billion (1.1% of GDP) in 2021, due to the increase in transfers for contributions to the operation of international institutions and the decrease in budgetary support received by the government. The capital account surplus increased by 59.7 percent compared to 2020, rising to a surplus of CFAF160.30 billion (0.4% of GDP) in 2021 as a result of the increase in net capital transfers from the government.

Table 19: Trends in Key Balance of Payments Indicators in Côte d'Ivoire

	2019	**2020**	**2021***	**2022****	**2019**	**2020**	**2021***	**2022****
	In billions of CFA francs				**As a percentage of GDP**			
CURRENT ACCOUNT	**-790.3**	**-1,136.4**	**-1,223.0**	**-1,384.5**	**-2.3**	**-3.2**	**-3.2**	**-3.3**
Goods	1,846.4	1,716.5	1,853.9	2,158.1	5.4	4.9	4.8	5.1
Exports (FOB)	7,399.2	7,194.8	8,409.1	9,503.7	21.6	20.4	21.9	22.7
Imports (FOB)	-5,552.8	-5,478.3	-6,555.2	-7,345.6	-16.2	-15.5	-17.1	-17.5
Services	-1,313.2	-1,387.5	-1,510.2	-1,817.0	-3.8	-3.9	-3.9	-4.3
Primary income	-985.8	-1,062.8	-1,146.9	-1,274.2	-2.9	-3.0	-3.0	-3.0
Secondary income	-337.8	-402.6	-419.8	-451.4	-1.0	-1.1	-1.1	-1.1
CAPITAL ACCOUNT	**105.2**	**100.4**	**160.3**	**162.4**	**0.3**	**0.3**	**0.4**	**0.4**
CURRENT AND CAPITAL ACCOUNT BALANCE	-685.1	-1036.0	-1,062.7	-1,222.1	-2.0	-2.9	-2.8	-2.9
Financial account	-1,164.2	-1,641.7	-2,129.3	-1,766.6	-3.4	-4.6	-5.5	-4.2
Direct investment	-433.4	-409.6	-494.9	-575.3	-1.3	-1.2	-1.3	-1.4
Portfolio investments	-9.6	-531.7	-928.8	-690.2	0.0	-1.5	-2.4	-1.6
Financial derivatives								
Other investments	-721.4	-700.4	-705.6	-501.1	-2.1	-2.0	-1.8	-1.2
Net errors and omissions	-1.5	1.3	0.0	0.0	0.0	0.0	0.0	0.0
OVERALL BALANCE	**477.7**	**607.0**	**1,066.6**	**544.5**	**1.4**	**1.7**	**2.8**	**1.3**

Source: BCEAO *Provisional **Projections

256. The financial account recorded a net inflow of foreign capital into the Ivorian economy in 2021 that was larger than in 2020, in connection with the increase in FDI, portfolio investment and drawings on government project loans. The overall balance, therefore, was a surplus of

CFAF1,066.70 billion (2.8% of GDP), from CFAF607.00 billion (1.7% of GDP) in 2020 (Table 19).

4.3. Status of Macroeconomic Convergence

257. With respect to macroeconomic convergence, Côte d'Ivoire met five (5) out of the six convergence criteria at the end of 2021 (same as in 2020), made up of three (3) primary convergence criteria and two (2) secondary convergence criteria. In terms of the primary convergence criteria, the country satisfied the targets on central bank financing of the budget deficit, average inflation and the gross external reserves in months of imports cover but missed budget deficit criterion. Regarding the secondary convergence criteria, the country satisfied both the nominal exchange rate variation and the public debt criteria. The summary of Côte d'Ivoire's performance on the macroeconomic convergence criteria is presented in Table 20.

Table 20: Status of Macroeconomic Convergence in Cote d'Ivoire

CRITERIA	TARGET	2017	2018	2019	2020	2021*	2022**
Primary Criteria		*3*	*4*	*4*	*3*	*3*	*3*
i) Budget deficit (commitment basis. including grants)	≤3 %	3.3	2.9	2.3	5.6	5.0	4.6
ii) Average annual inflation rate	≤5 %	0.4	0.6	0.8	2.4	4.2	4.6
iii) Central Bank financing of Budget Deficit	≥10 %	0.00	0.00	0.00	0.00	0.0	0.00
iv) Gross external reserves	≥3	4.1	4.6	5.7	5.9	6.5	6.2
Secondary Criteria		*2*	*2*	*2*	*2*	*2*	*2*
i) Nominal exchange rate variation	±10 %	2.10	2.6	-2.8	1.0	1.5	1.5
ii) Public debt to GDP ratio	≤70 %	33.53	36.0	38.8	47.6	51.7	54.4
Total Convergence Criteria Met		**5**	**6**	**6**	**5**	**5**	**5**

Sources: Authorities of Côte d'Ivoire, WAMA *Provisional **Projections

4.4. Prospects

258. In 2022, the Ivorian economy is expected to continue its growth momentum with a rate of 6.9 percent[5]. This growth would be driven by the three sectors. The primary sector is expected to grow by 2.0 percent; the secondary sector is expected to grow by 9.9 percent and the tertiary sector is expected to grow by 7.1 percent in 2022.

259. Total revenue and grants are expected to rise by 4.5 percent to15.0 percent of GDP, driven by domestic revenue and grants. The increase in domestic revenue will be driven by tax revenue with a growth rate of 5.4 percent. After the decline recorded in 2021, grants are expected to rise by 59.7 percent in 2022.

260. Total expenditure and net lending is expected to increase by 3.6 percent to 19.6 percent of GDP, driven exclusively by capital expenditure, as current expenditure is expected to fall by 4.9 percent in 2022. The overall deficit is expected to increase to 4.6 percent of GDP. The deficit, excluding grants, would amount to 5.3 percent of GDP. As for public debt, the stock is expected to increase by 7.3 percent to 54.4 percent of GDP in 2022. However, the Russia-Ukraine war could lead to a revision of these forecasts depending on the direction of the crisis.

261. In terms of the outlook for 2022, the current account would record a deficit of 3.3 percent of GDP due to services and income. The balance of trade in goods is expected to fall by 5.1 percent of GDP, due to a more-than-proportionate increase in exports relative to imports.

[5] This forecast could be revised taking into account the likely negative effects of the Russia-Ukraine war on the Ivory Coast's economy

262. In terms of the financial account, the net inflow of financial resources in 2022 is expected to be greater than in the previous year, thanks to the increase in foreign direct investment and financing obtained by the public administration for other investments. The overall balance of payments is expected to record a surplus of 1.3 percent of GDP, following the surplus of 2.6 percent of GDP in 2021.

4.5. Conclusions and Recommendations

263. Overall, economic activity in Côte d'Ivoire picked up in 2021 after a slowdown in 2020. For 2022 and the medium term, favourable growth prospects are expected anchored on the implementation of the 2021-2025 NDP. However, these prospects could be compromised by the Russia-Ukraine war and its effects on the country's economy. To consolidate this performance, the following recommendations have been made to the Ivorian authorities:

i. seek alternative suppliers of agricultural inputs to avoid shortages that could ultimately affect food security;
ii. address the agricultural labour shortages in the medium term;
iii. continue to mechanise agriculture in the medium term;
iv. pursue measures to adapt to climate change in order to reduce its impact on agriculture.
v. continue to strengthen security in the northern part of the country and contribute to the security stabilisation of the Sahel region in the framework of regional integration;
vi. take measures to mitigate the impact of the Russia-Ukraine war, especially with regard to the country's dependence on Ukrainian wheat and Russian fertilizer, should the crisis continue over time;
vii. continue efforts to increase tax revenue in order to improve the tax burden through: (a) the digitalisation and interconnection of taxes with other administrations and institutions, (b) the interconnection of customs with those of border countries in addition to that of Burkina Faso in the context of the transit of goods;
viii. continue efforts undertaken to maintain debt sustainability.
ix. continue efforts to contain the current account deficit;
x. continue actions to address the growing stock of delinquent loans in the banking system;
xi. continue measures to improve the quality of the credit portfolio;
xii. continue negotiations with the European Union in order to obtain a deferral of the liberalisation of the 136 non-liberalised products until the final phase in 2029;
xiii. continue efforts to meet the convergence criteria, in particular the one relating to the budget balance, from 2024; and
xiv. pursue actions to combat the high cost of living in order to keep inflation within the Community threshold.

5. THE GAMBIA

5.1. Introduction

264. The Gambia's macroeconomic policy thrust for 2021 is anchored on the National Development Plan (2018-2021). The vision and overall goal of the NDP are to be realised through eight strategic priorities, including:

    a. restoring good governance, respect for human rights, the rule of law, empowering citizens through decentralisation and local governance;
    b. stimulating growth, stabilising and transforming the economy;
    c. modernising agriculture and fisheries for sustained economic growth, food security and poverty reduction;
    d. investing in the people through improved education and health services, and building a caring society;
    e. building infrastructure and restoring energy services to power the economy;
    f. promoting inclusive and culture-centred tourism for sustainable growth;
    g. reaping the demographic dividends through an empowered youth; and
    h. making the private sector the engine of growth, transformation, and job creation.

265. In the 2021, the government focused on enhancing economic diversification and creating the atmosphere for inclusive growth to improve living standards of its citizens, while creating an enabling environment for the private sector to thrive. Furthermore, government also embarked on fiscal consolidation by improving tax administration and rationalising expenditure to free fiscal space for social sectors. Consequently, the macroeconomic targets for 2021 were as follows:

    - Real GDP growth to rebound to 5.9 percent;
    - Overall fiscal deficit (including grants) of 5.8 percent of GDP;
    - Average inflation of 6.0 percent; and
    - Gross external reserves of at least four (4) months of import cover.

266. The Gambian economy made an impressive recovery in 2021 despite the challenges of the COVID-19 pandemic, as growth rebounded to 4.3 percent, from the 0.6 percent recorded in 2020, largely reflecting strong performance in the Industry and Services sectors. End-period inflation accelerated to 7.6 percent in 2021 from 5.7 percent a year earlier, while average inflation remained unchanged at 5.6 percent in 2021.

267. The overall fiscal deficit on commitment basis (including grants) widened to 5.3 percent of GDP in 2021, from 2.6 percent of GDP in 2020 mainly reflecting revenue underperformance in the review period. Public debt amounted to 81.7 percent of GDP at end-December 2021 compared with 85.0 percent of GDP at end-December 2020.

268. To support economic recovery following the devastating impact of the COVID-19 pandemic on business activities, the CBG has maintained an accommodative monetary policy stance, keeping the Policy Rate unchanged at 10.0 percent. Money supply (M2) growth decelerated to 19.5

percent in the 12-month period ended December 2021 from 22.0 percent in the corresponding period of 2020 mainly attributed to the slowdown in the growth of NFA of the banking system.

269. Developments in the external sector deteriorated as the overall balance of payments recorded a deficit of 3.4 percent of GDP in 2021 compared with the surplus of 4.1 percent of GDP a year earlier, reflecting a worsening in the current account deficit. The gross external reserves, however, improved to 8.8 months of imports cover at end-December 2021 from 6.1 months of imports a year ago. The domestic currency was fairly stable against the major foreign currencies traded in the interbank forex market; against the US dollar, the dalasi appreciated by 1.4 percent at end-December 2021, relative to the depreciation of 1.0 percent in the same period of 2020.

270. On the macroeconomic convergence scale, The Gambia satisfied one (1) of the four (4) primary convergence criteria in 2021, gross external reserves, but missed the budget deficit, average annual inflation and central bank financing of budget deficit criteria. With regards to the secondary convergence criteria, the country met the nominal exchange rate variation criterion and missed that of public debt. The detailed analysis of the sectors is presented below.

5.2. Sectoral Analysis

5.2.1. Real Sector

271. Real GDP grew by 4.3 percent in 2021 compared with the growth rate of 0.6 percent in 2020, mainly on account of strong growth in the secondary and tertiary sectors. The tourism industry witnessed a significant rebound following the revival of the subsector, supported by the easing of COVID-19 restrictions. The secondary sector was also bolstered by the performance in the building and construction subsectors. Despite the slowdown in the primary sector, growth remained positive during the period.

272. In terms of the sectoral performance, the primary sector grew by 4.7 percent in 2021 compared with the growth rate of 10.6 percent recorded in 2020, largely on account of unfavourable weather conditions resulting in a 9.1 percent contraction in crops production during the period. Similarly, the livestock production contracted by 9.6 percent, following the 14.6 percent growth rate recorded in 2020, emanating from the significant reduction in imported cattle and the adverse weather conditions that affected cattle-grazing. Activities in ‘forestry and logging’ continued to deteriorate, posting a negative growth rate of 4.3 percent, higher than the contraction of 2.2 percent in 2020. However, output in fishing and aquaculture remained strong, recording a growth rate of 20.8 percent in 2021 compared to the growth rate of 11.7 percent in 2020, supported by the ongoing investments in the subsector.

273. Activity in the secondary sector was robust as growth improved to 10.4 percent in 2021 from 8.2 percent in 2020, mainly due to sustained output in construction which grew by 20.5 percent compared to the growth rate of 20.0 percent in 2020. Output in ‘electricity, gas, steam and air conditioning supply’ recorded a lower but resilient growth rate of 7.0 percent compared to 14.5 percent in 2020. Manufacturing which has been declining since 2016, remained submerged by the COVID-19 pandemic, contracting further by 29.7 percent from 29.6 percent. Output in mining and quarrying contracted by 0.5 percent following the impressive growth rate of 31.0 percent in

2020, due to the government intervention to suspend certain mining activities in order to preserve the environment. The water & sewerage sub-sector also contracted by 5.9 percent in 2021 compared with a growth of 1.6 percent in 2020, reflecting constraints in generating water supply during the period.

274. Growth in the tertiary sector rebounded to 1.9 percent in 2021 following the contraction of 5.0 percent in 2020, mainly due to strong performance in accommodation and food services which grew by 20.2 percent following the negative growth rate of 65.4 percent. With the exception of Education, Transport and Storage, all sub-sectors recorded positive growth rates. Activities in wholesale and retail trade, professional, scientific and technical services as well as administrative and support services recovered posting growth rates of 3.1 percent, 6.2 percent and 5.1 percent compared to the contractions of 4.5 percent, 3.2 percent and 37.0 percent, respectively, in 2020. Similarly, growth in financial and insurance activities accelerated to 6.5 percent in 2021 from 1.7 percent in the previous period. However, transport and storage as well as education contracted by 0.3 percent and 28.9 percent against the contraction of 1.8 percent and 2.0 percent, respectively, in the previous year. Growth in information and communication, real estate and public administration slowed to 0.6 percent, 2.4 percent and 6.0 percent from 1.6 percent, 3.3 percent and 7.8 percent, respectively in 2020. Similarly, output in human health and social work slowed to 8.5 percent from 31.1 percent in 2020.

275. Inflationary pressures remained elevated in 2021 due largely to supply chain distortions brought about by the global health pandemic, imported inflation and rising ex-pump fuel prices as well as increased handling charges at the sea port. Consequently, end-period inflation moved up by 1.9 percentage points to 7.6 percent in December 2021 from 5.7 percent a year earlier. Food inflation and non-food inflation inched-up to 10.2 percent and 4.9 percent in the review period, compared with 7.0 percent and 4.4 percent, respectively, in the corresponding period in 2020. Average inflation, however, stabilised at 5.6 percent in 2021.

Table 21: Trends in GDP and its Components in The Gambia

	2019	**2020**	**2021***	**2019**	**2020**	**2021***
	Growth Rate			**Contribution to GDP**		
Real GDP	6.2	0.6	4.3	6.2	0.6	4.3
Primary	-0.1	10.6	4.7	0	2	1
Secondary	14.8	8.2	10.4	2.4	1.4	1.9
Tertiary	6.1	-5	1.9	3.5	-2.8	1
Taxes less subsidies on products (+)	5.5	0.1	5.2	0.4	0	0.3
Memorandum Item						
GDP (Current prices) billions of Dalasi	91.4	93.3	104.9			
GDP (Constant prices) billions of Dalasi	61.8	62.1	64.8			
Inflation						
Period Average	7.3	5.6	5.6			
End period	7.7	5.7	7.6			

Source: Gambia Bureau of Statistics (GBOS) *Provisional

5.2.2. Fiscal Sector

276. Despite improvements in expenditure rationalisation, fiscal operations continued to grapple with the lingering effects of the COVID-19 pandemic, mainly due to government interventions in the areas of health, stimulus packages and tax incentives. Revenue mobilisation declined reflecting

the contraction in both domestic revenue and grants during the period. Consequently, the fiscal balance worsened in 2021 compared to the outturn in the previous year.

277. Government fiscal operations indicated that total revenue and grants declined by 28.5 percent to D15.43 billion (14.7% of GDP) in 2021 from D21.58 billion (23.1% of GDP) in 2020, mainly reflecting the significant reduction in grants.

278. Domestic revenue amounted to D13.22 billion (12.6% of GDP) in 2021 compared to D13.67 billion (14.5% of GDP) in 2020, indicating a 3.3 percent reduction over the period. This performance was largely attributed to non-tax revenue, which fell by 26.9 percent to D2.45 billion (2.3% of GDP) in 2021 from D3.35 billion (3.6% of GDP) in 2020.

279. In contrast to the performance of non-tax revenue, tax revenue increased by 4.3 percent to D10.77 billion (10.3% of GDP), reflecting the increase in both direct and indirect taxes during the review period. Direct taxes rose to D3.19 billion (3.0% of GDP) from D2.18 billion (3.0% of GDP), representing a 13.9 percent increase. This development was mainly due to improved collections from personal income tax, corporate tax, capital gains tax and payroll tax during the review period. Indirect taxes rose modestly by 0.8 percent to D7.58 billion (7.2% of GDP) in 2021 from D7.52 billion (8.1% of GDP) in 2020, supported mainly by taxes on international trade, which rose by 2.6 percent to D5.20 billion (5.0% of GDP) in 2021.

280. Grants declined by 72.0 percent to D2.21 billion (2.1% of GDP) in 2021 from D7.91 billion (8.5% of GDP) in 2020, owing to the reduction in both programme (76.5%) and project (63.2%) grants, due partly to the front-loading of grants in the preceding year and the failure to meet some disbursement criteria.

281. Total expenditure and net lending amounted to D21.0 billion (20.0% of GDP) in 2021 compared with D23.64 billion (25.3% of GDP) in 2020, reflecting a reduction of 11.2 percent over the period, mainly motivated by expenditure restraint on both recurrent and capital expenditures during the review period.

282. Recurrent expenditure amounted to D15.43 billion (14.7% of GDP) in 2021 compared to D17.04 billion (18.3% of GDP) in 2020, reflecting a 9.4 percent decline. This situation was largely influenced by the reduction in expenditure on other charges which declined by 17.2 percent to D8.30 billion (7.9% of GDP) from D10.01 billion (10.7% of GDP) in 2020. Expenditure on goods and services as well as transfers and subsidies declined to D3.93 billion (3.7% of GDP) and D4.36 billion (4.2% of GDP) from D5.01 billion (5.4% of GDP) and D5.0 billion (5.4% of GDP), respectively, in 2020.

283. Interest payments on public debt amounted to D2.97 billion (2.8% of GDP) in 2021 compared with D2.96 billion (3.1% of GDP) in 2020, supported by the reduction in the external debt component. However, transfers to public corporations and institutions rose markedly to D5.04 billion (4.8% of GDP) from D1.25 billion (1.3% of GDP) a year ago.

284. Capital expenditure declined to D5.57 billion (5.3% of GDP) from the D6.60 billion (7.1% of GDP) expended in 2020, due to reduction in external financing. However, expenditure funded

from The Gambia Local Fund (GLF) rose to D3.17 billion (3.0% of GDP) from D1.76 billion (1.9% of GDP) in 2020.

285. Consequently, the overall fiscal deficit on commitment basis (including grants) widened to 5.3 percent of GDP (D5.57 billion) in 2021 from the 2.6 percent of GDP (D2.05 billion) recorded in the preceding period. Excluding grants, the deficit amounted to 7.4 percent of GDP (D7.78 billion) compared to 11.1 percent of GDP (D9.96 billion) in 2020, representing a 24.8 percent reduction over the period. The corresponding primary balance for the period was a deficit of 2.3 percent of GDP in 2021 compared with a deficit of 2.7 percent of GDP in 2020. Financing of the budget deficit was mainly from domestic sources.

286. The stock of public debt amounted to D85.75 billion (81.7% of GDP) at end-December 2021 compared to D79.35 billion (85.0% of GDP) in the corresponding period of 2020. Domestic debt stood at D37.2 billion (35.4% of GDP) compared to the D34.55 billion (37.0% of GDP) recorded a year ago, due mainly to increase in issuance of medium and long-term securities. The stock of external debt was estimated at D48.56 billion (46.3% of GDP) at end-December 2021 relative to D44.8 billion (48.0% of GDP) in the comparative period in 2020.

Table 22: Trends in Key Fiscal Indicators in The Gambia

	2019	2020	2021*	2019	2020	2021*
	Percentage Change			Percent of GDP		
Revenue and grants	11.9	29.4	-28.5	20.7	23.1	14.7
Domestic Revenue	15.6	15.4	-3.3	14.7	14.7	12.6
Tax Revenue	23.4	3.7	4.3	12.4	11.1	10.3
Direct tax	33.6	6.8	13.9	3.3	3.0	3.0
Indirect Tax	20.1	2.5	0.8	9.1	8.1	7.2
Tax on International Trade	19.9	6.8	2.6	5.9	5.4	5.0
Nontax Revenue	-13.3	77.5	-26.8	2.3	3.6	2.3
Grants	3.9	63.6	-72.0	6.0	8.5	2.1
Expenditure and Net Lending	-1.9	22.3	-11.2	24.0	25.3	20.0
Current Expenditure	21.0	32.7	-9.4	16.0	18.3	14.7
Subsidies and transfers	23.8	87.4	-12.8	3.3	5.4	4.2
Capital Expenditure	-28.4	1.9	-15.6	8.1	7.1	5.3
Grants	-47.3	28.4	-63.2	2.5	2.8	0.9
Budget Deficit (Excluding grants)	-20.9	38.5	-24.9	-9.3	-11.1	-7.4
Budget Deficit (Including grants)	-44.9	-7.4	127.8	-3.3	-2.6	-5.3
Basic balance	66.1	179.8	-2.5	-2.4	-5.9	-5.1
Basic Primary Balance	-32.4	-391.7	-5.5	1.1	-2.7	-2.3
Stock of Total Debt				80.3	85.0	81.7
External Debt					48.0	46.3
Domestic Debt					37.0	35.4

Source: Ministry of Finance and Economic Affairs *Provisional

5.2.3. Monetary Sector

287. The CBG maintained an accommodative monetary policy stance to support the recovery process following the COVID-19 pandemic with the policy rate remaining unchanged at end-December 2021 at 10.0 percent since 2020. However, the reserve requirement ratio was lowered in-order to enhance liquidity conditions in the economy.

288. Broad money supply (M2) growth slowed to 19.5 percent in the 12-month period ended December 2021 from 22.0 percent in the corresponding period of 2020, influenced by the lower growth in NFA of the banking system during the period. NFA grew by 19.0 percent at end December 2021, lower than the growth rate of 45.0 percent recorded at end-December 2020,

mostly influenced by the marked slowdown in the NFA of the central bank arising from the 124.5 percent increase in its foreign liabilities during the period. The NFA of commercial banks grew by 12.3 percent compared to the growth rate of 26.9 percent at end-December 2020.

289. Growth in NDA expanded by 20.2 percent in the period ended December 2021 from 7.2 percent in the same period of 2020, mostly supported by net claims on government during the period. Net claims on government grew by 21.5 percent at end-December 2020 compared to the growth rate of 6.5 percent in the corresponding period of 2020, due mainly to the rise in commercial banks's investments in government securities during the period. Claims on the private sector expanded by 20.7 percent against the minuscule growth rate of 0.8 percent recorded at end-December 2020, driven by the increased credit to the economy to stimulate economic activities in line with the post-COVID-19 recovery strategy.

290. Similarly, claims on the public sector rose by a staggering 313.7 percent at end-December 2021 compared to the contraction of 25.4 percent in the corresponding period of 2020, reflecting the support provided to parastatals and other public entities to mitigate the negative impact of the pandemic.

291. Growth in reserve money was 13.6 percent at end-December 2021 compared to 33.9 percent in the corresponding period of 2020, influenced by developments in both currency in circulation and reserves of deposit money banks. Currency in circulation grew by 13.3 percent compared to the growth rate of 28.9 percent observed at end-December 2020. Similarly, growth in reserves of commercial banks slowed significantly to 14.1 percent at end-December 2021 from 41.9 percent in the same period of 2020, mainly influenced by the reduction in the reserve requirement ratio to provide liquidity to the economy during the period.

292. Narrow money grew by 20.4 percent at end December 2021, same as the situation in the corresponding period of 2020, supported mainly by demand deposits which grew by 23.7 percent, higher than the growth rate of 16.6 percent recorded at end-December 2020. Quasi money grew by 18.5 percent at end-December 2021 as compared to the growth rate of 23.9 percent at end-December 2020. This slowdown was due to the 7.6 percent contraction in the growth of time deposits during the period.

293. The banking system remained safe and resilient with financial soundness indictors remained robust characterised by strong capital base, sufficient liquidity with declining non-performing loans (NPLs) ratio during the review period.

294. Total assets of the industry rose by 24.2 percent to D73.06 billion at end-December 2020 from D58.82 billion in the same period of 2020, mainly reflecting increases in balances from other banks, investments in government securities and loans and advances during the period.

295. The industry was solvent with the CAR averaging 26.6 percent at end-December 2021, higher than the statutory minimum CAR of 10.0 percent. Return on assets (ROA) and return on equity (ROE) improved to 1.9 percent and 176.5 percent, respectively, in 2021 from 1.7 percent and 15.4 percent, respectively at end-December 2020. The NPLs ratio improved to 5.2 percent at end-

December 2021 from 6.4 percent at end-December 2020, induced by the enhanced recovery measures adopted.

Table 23: Growth in Key Monetary Aggregates in The Gambia

	2019	2020	2021*	2019	2020	2021*
	Growth Rates			Contributions		
NET FOREIGN ASSETS	**61.3**	**45.0**	**19.0**	**18.9**	**17.6**	**8.8**
Monetary Authorities	**87.7**	**62.6**	**24.1**	**11.7**	**12.4**	**6.4**
Foreign assets	43.9	53.0	52.1	11.3	15.5	19.1
Foreign liabilities	-3.5	32.8	124.5	0.4	-3.1	-12.7
Commercial banks	41.0	26.9	12.3	7.2	5.2	2.5
NET DOMESTIC ASSETS	**11.8**	**7.2**	**20.0**	**8.2**	**4.4**	**10.7**
Domestic Credit	11.6	**5.0**	**21.9**	**9.8**	**3.7**	**13.9**
Claims on Government, net	6.0	6.5	21.5	4.0	3.6	10.4
Claims on Public Entities	-44.7	-25.4	313.7	-0.2	-0.1	0.4
Claims on Private Sector	35.8	0.8	20.7	6.0	0.1	3.1
Other items, net	**10.9**	**-5.1**	**32.1**	**-1.6**	**0.7**	**-3.3**
BROAD MONEY	**27.1**	**22.0**	**19.5**	**27.1**	**22.0**	**19.5**
Narrow Money	35.4	20.4	20.4	18.8	11.5	11.3
Quasi-money	17.6	23.9	18.5	8.3	10.4	8.2

Sources: CBG and WAMA ***Provisional**

5.2.4. External Sector

296. The initial balance of payments estimates indicate that the current account deficit widened to US$94.1 million (4.7% of GDP) in 2021 from US$86.6 million (4.7% of GDP) in 2020, due to deteriorations of the trade balance, service account and net primary income balance, despite improvements in the secondary income account during the period.

297. The trade deficit worsened to US$575.7 million (28.7% of GDP) from US$511.8 million (27.5% of GDP) in 2020 due to increased imports to support the population against the effects of the COVID-19 pandemic, worsened by significant reduction in exports due to the supply bottlenecks arising from the pandemic.

298. Merchandise exports declined to US$31.7 million (1.6% of GDP) in 2021 from US$70.1 million (3.8% of GDP) in 2020, mainly occasioned by supply chain constraints and distortions in production activities in the country. Re-exports in 2021 declined to US$15.3 million (0.8% of GDP) compared with US$55.9 million (3.0% of GDP) at the 2020. Merchandise imports increased to US$607.4 million (30.2% of GDP) in the review period as compared to US$581.8 million (31.3% of GDP) in 2020. The major imported items during the year were oil and other products.

299. The deficit in the services account worsened to US$15.1 million (0.8% of GDP) in 2021 from US$3.5 million (0.2% of GDP) in 2020. Similarly, the deficit in primary income account widened to US$50.5 million (2.5% of GDP) at end-2021 from US$26.2 million (1.4% of GDP) in 2020. However, the secondary income balance recorded an increased surplus of US$547.2 million (27.2% of GDP) in 2021 compared to US$455.0 million (24.4% of GDP) in 2020, reflecting significant improvement in remittances of US$9.9 million (0.5% of GDP).

300. The Capital account recorded a surplus of US$22.2 million (1.1% of GDP) in the year under review from US$95.2 million (5.1% of GDP) in 2020, reflecting capital inflows into the country. Consequently, the net borrowing on capital and current account resulted in a balance of US$71.9

million (3.6% of GDP) in 2021 compared with the net lending of US$8.6 million (0.5% of GDP) in 2020.

301. With regards to the financial account, the net financial inflows increased to US$299.4 million (14.9% of GDP) from US$216.5 million (11.1% of GDP) in 2020, mainly induced by foreign direct investments during the period. The direct investment position at end-December 2021 showed an increased deficit of US$248.4 million (12.4% of GDP) compared with a deficit of US$186.1 million (10.0% of GDP) in 2020.

302. The overall balance of payments recorded a deficit of US$67.7 million (-3.4% of GDP) in 2021 following the surplus position of US$77.0 million (4.1% of GDP) in 2020, induced mainly by developments in the current account, as shown in Table 24.

303. The gross external reserves strengthened to US$530.4 million, (8.8 months of imports cover of goods and services) in 2021 up from US$352 million (6.1 months of imports) a year ago. The reserves accretion was mainly due to the Central Bank's intervention in the domestic foreign market and the increase in SDR allocations during the period. The dalasi was fairly stable and resilient against the major currencies traded in the domestic foreign currency market, supported by strong international reserves build up and private remittances inflows. Against the US dollar, the dalasi appreciated by 1.4 percent in 2021, relative to a depreciation of 1.0 percent in the same period of 2020.

Table 24: Trends in Key Balance of Payments Indicators in Gambia

	2019	2020	2021*	2019	2020	2021*
	BOP (in millions USD)			% of GDP		
Current Account	-37.1	-86.6	-94.1	-2.0	-4.7	-4.7
Goods Account (net)	-378	-511.8	-575.7	-20.7	-27.5	-28.7
Merchandise Exports (f.o.b)	154.5	70.1	31.7	8.5	3.8	1.6
o/w re-exports	124.3	55.9	15.3	6.8	3.0	0.8
Merchandise Imports (f.o.b)	532.5	581.8	607.4	29.2	31.3	30.2
Services Account(net)	97.7	-3.5	-15.1	5.4	-0.2	-0.8
Primary Income Account (net)	-15.3	-26.2	-50.5	-0.8	-1.4	-2.5
Secondary Income Account (net)	258.6	455	547.2	14.2	24.4	27.2
o/w Remittances	9.5	0	9.9	0.5	0.0	0.5
Capital Account (net)	69.4	95.2	22.2	3.8	5.1	1.1
Current and Capital Account	32.3	8.6	-71.9	1.8	0.5	-3.6
Financial Account (net)	-70.1	-216.5	-299.4	-3.8	-11.6	-14.9
Direct Investment (net)	-68.1	-186.1	-248.4	-3.7	-10.0	-12.4
Other Investment (net)	-2	-30.4	-51	-0.1	-1.6	-2.5
Errors and Omissions	-22.6	-148.1	-295.2	-1.2	-8.0	-14.7
Overall Balance	79.8	77.0	-67.7	4.4	4.1	-3.4
Reserve Assets	1.1	2.1	83	0.1	0.1	4.1
Other Reserve Assets	-76.9	-102.5	-58.5	-4.2	-5.5	-2.9
Transfers	-3.9	23.3	43.2	-0.2	1.3	2.2
Gross External Reserves	226.2	352	530.4	12.4	18.9	26.4
GIR- In month of imports cover	4.2	6.1	8.8			
Nominal GDP ($USD)	1,826.1	1,861.2	2,008.1			

Source: CBG *Provisional

5.3. Status of Macroeconomic Convergence

304. With respect to macroeconomic convergence, The Gambia satisfied two (2) of the six (6) convergence criteria. In terms of the primary convergence criteria, the country satisfied one (gross external reserves) of the four primary criteria and missed the budget deficit, average annual inflation and central bank financing of the budget deficit criteria. This performance compared

unfavourably with the situation in 2020 when the country met two (2) primary criteria (gross external reserves and central bank financing of the budget deficit. Furthermore, the country met one secondary criteria (nominal exchange rate stability) and missed the criterion on public debt-to-GDP ratio, same as the situation in 2020. The summary of The Gambia's performance on the Macroeconomic Convergence Criteria is presented in Table 25.

Table 25: Status of Macroeconomic Convergence in The Gambia

Criteria	Target	2019	2020	2021*	2022**
Primary Criteria		**3**	**2**	**1**	**3**
Budget deficit (commitment basis, including grants)	≤3%	2.9	2.6	5.3	2.8
Average annual inflation rate	≤ 5%	7.1	5.6	5.6	8.9
Central Bank financing of Budget Deficit	≤10%	0.0	0.0	11.9	9.0
Gross external reserves (3 months of import cover)	≥3	4.2	6.1	8.8	11.9
Secondary Criteria		**1**	**1**	**1**	**1**
Nominal exchange rate variation	±10%	-1.8	-2.4	-1.3	-1.2
Public debt to GDP Ratio	≤70%	80.1	85.0	81.7	75.0
Total Convergence Criteria Met		**4**	**3**	**2**	4

Source: WAMA, *Provisional; **Projections

5.4. Prospects

305. The Gambia has demonstrated impressive recovery from the COVID-19 pandemic as reflected in the GDP growth rate of 4.3 percent achieved in 2021 and projected to reach 6.8 percent in 2022. This is premised on the return of normalcy to economic activity as tourism and construction rebound. Average inflation is projected to rise to 8.9 percent in 2022 due to the rising prices of consumables, food and beverages, as well as fuel, due largely to the global supply chain constraints which is been exacerbated by Russia-Ukraine war.

306. On the fiscal side, the high debt burden will continue to negatively affect the country's ability to invest in the critical sectors of the economy. However, fiscal deficit is projected to moderate to 2.8 percent in 2022 as it is expected that revenue will rise to cushion public expenditure. The external sector is expected to rebound in 2022 induced by improved free movement of goods and services.

307. In terms of macroeconomic convergence, The Gambia is expected meet three (3) of the four primary criteria (budget deficit, central bank financing of the budget deficit and gross external reserves) and the secondary criterion on nominal exchange rate variation in 2022.

5.5. Conclusions and Recommendations

308. Following the analyses, it is clear that agriculture underperformed in the year 2021 due to uneven distribution of rainfall, among other factors. It is, therefore, important that the Government prioritises irrigation technology and other means of financing the sector.

309. The accommodative monetary policy adopted by the monetary authorities to cushion the effects of COVID-19 pandemic and achieve economic recovery must be implemented cautiously as it has the tendency to exert further inflationary pressures within the economy. As the economy recover from the global health problem, the authorities are urged to:

   i. channel resources to micro, small, and medium-scale industries in order to boost industrial production and create jobs in the economy;

ii. renew the commitment to ensuring fiscal discipline by consolidating public finances, reducing revenue leakages, while introducing innovative ways of increasing government revenue;
iii. adopt more stringent expenditure rationalisation measures, while prioritising growth enhancing expenditures; and
iv. implement prudent debt management strategies to moderate the public debt situation to the regional target.

6. GHANA

6.1. Introduction

310. The macroeconomic agenda for Ghana in 2021 focused on fiscal consolidation to carefully balance the provision of some targeted fiscal stimuli to cushion the impact of COVID-19 on businesses and human lives, and to facilitate a quick recovery of the economy. This agenda was expected to be achieved through the COVID-19 Alleviation and Revitalisation of Enterprises Support (GhanaCARES) Programme and the Four-year National Development Policy Framework, 2018-2021. Some of the key Government policy directions include, but not limited to:

- pursuing revenue-enhancing measures with a focus on deepening the digitalisation agenda both on transactions of goods and services, as well as on the tax collection systems to broaden the tax base and rope in more eligible taxpayers;
- rationalising expenditure through the implementation of tighter expenditure controls with a more efficient procurement system to ensure value for money and also pursue structural reforms in the public financial management system to improve efficiency in public service delivery;
- scaling-up the vaccination of Ghanaians to attain herd immunity in Ghana by end-2021;
- continuing implementation of Agenda 111 to provide hospitals and related infrastructure nationwide to improve the delivery of healthcare and public sanitation;
- continuing the implementation of the GhanaCARES programme to revitalise the economy and create employment; and
- continuing the implementation of the flagship programmes, including the Planting for Food and Jobs, the Free Senior High School and the One District, One Factory agenda, amongst others.

311. Consequently, the revised macroeconomic targets for 2021 fiscal year were as follows:

- Overall Real GDP growth of at least 5.1 percent;
- Non-Oil Real GDP growth of at least 7.0 percent;
- End-period inflation of 11.0 percent;
- Fiscal deficit of 9.4 percent of GDP;
- Primary deficit of 2.0 percent of GDP; and
- Gross external reserves to cover not less than 3.5 months of imports of goods and services.

312. The Ghanaian economy rebounded in 2021 following the deep slowdown in 2020 due to the impact of the COVID-19 pandemic. Growth surged to 5.4 percent (exceeding its target by 0.4 percentage point) from a sluggish performance of 0.5 percent in 2020, largely supported by the Services sector coupled with considerable expansion in agriculture. Performance in the non-oil sector was stronger than the target. Inflationary pressures remained elevated in the review period, as both end-period and average inflation rates increased to 15.8 percent and 16.3 percent compared with 12.6 percent and 10.0 percent respectively, in 2020, mainly occasioned by the surge in food and ex-pump prices of fuel.

313. Fiscal performance improved in 2021 as the budget deficit (including grants) declined by 2.0 percentage points to 8.5 percent of GDP in the review period, mainly attributed to the increased receipts from domestic revenue and the moderation in total expenditure. Public debt, however, rose by 2.2 percentage points to 76.6 percent of GDP in 2021, induced mainly by interventions in the banking and energy sectors.

314. Monetary policy implementation struck a balance between supporting the recovery process from the impact of the pandemic and maintaining inflation within the target band. The policy rate remained unchanged at 14.5 percent in 2021. Money market rates showed a general downward trend for short-dated (one-year and less) instruments with variations in the longer-dated instruments, however, the yields on the 10-year and above instruments remained fixed. Broad money growth also slowed, occasioned by decline in NFA of the banking system.

315. External sector developments in 2021 were mixed. The net borrowing of the current and capital accounts increased, attributed to an increase in the current account deficit and a reduction in the capital account surplus. On the other hand, the net lending of the financial account (assets) increased supported by increases in foreign direct and other investments. Consequently, the overall balance of payments surplus slightly improved to 0.6 percent of GDP from 0.5 percent of GDP in 2020. Gross external reserves increased to 4.4 months of imports from 4.0 months at end-December 2020, indicating reserves build-up supported by the Eurobond issuance. Despite showing resilience, the domestic currency depreciated against the WAUA and US dollar during the period by 3.6 percent and 5.7 percent, respectively.

316. In the area of convergence, the country met two primary criteria, namely, gross external reserves and central bank financing of the budget deficit in 2021, compared to one (gross external reserves) in 2020, indicating a one-step improvement. Under the secondary criteria, the country met one; nominal exchange rate variation, and missed the regional target on public debt. The detailed sectoral and macroeconomic convergence analyses are presented below.

6.2. Sectoral Analysis

6.2.1. Real Sector

317. Ghana’s economy rebounded in 2021, supported by expansion in the Services and Agriculture Sectors. The Industry Sector also recorded some improvement, but growth in the sector remained negative during the period. The buoyant activities in services and agriculture were largely attributed to the launch of GhanaCARES Programme in the last quarter of 2020. This development followed a severe downturn in economic activity in 2020 triggered by COVID-19 restrictive measures and declines in commodities prices during the year. Prior to the pandemic, growth in real GDP was robust, averaging 6.5 percent between 2017 - 19.

318. The real GDP grew by 5.4 percent in the review period compared to a growth rate of 0.5 percent in 2020 (0.4 percentage point higher than the target of 5.0 percent in 2021). Similarly, non-oil GDP growth increased from 1.0 percent in 2020 to 6.9 percent in 2021, against a target of 6.7 percent. The robust growth was mainly attributed to strong performance in the Services and Agriculture Sectors. The industrial sector improved, but its growth remained negative. On the

demand side, consumer spending measured by domestic value added taxes (VAT) also supported the growth trajectory during the period. The fourth quarter GDP data indicates the fifth consecutive quarters of positive GDP growth and confirms Ghana's exit from the COVID-19 induced recession.

319. The Agriculture (primary) Sector expanded by 8.4 percent in 2021 from 7.3 percent in 2020, reflecting strong performance of all subsectors. The production of crops recorded a growth of 8.9 percent in 2021, compared to 8.6 percent in 2020, however, the output of cocoa was stronger and grew by 10.4 percent compared to a growth of 1.4 percent in the previous period. Output of forestry & logging expanded by 4.7 percent following a contraction of 9.4 percent in 2020. Activity in the fishing sub-sector also grew by 13.4 percent in 2021, compared to 14.1 percent in 2020. The high performance of the fishing sub-sector over the last two years is largely due to the 7-month additional support to the fishery industry by USAID-Ghana Sustainable Fishing Management Project (SFMP) to address the impact of COVID-19 on the industry. The production of livestock was recorded at 5.5 percent, compared with a growth of 5.4 percent in 2020.

320. The contraction in the Industry (secondary) Sector narrowed to 0.8 percent in the period under review from a contraction of 2.5 percent in 2020. The improvement was mainly occasioned by performance in manufacturing and construction, which expanded by 7.8 percent and 5.7 percent in 2021 from 1.9 percent and 3.1 percent, respectively, in 2020. Output of the mining and quarrying subsector further plummeted by 12.1 percent compared with a decline of 9.2 percent in 2020, mainly on account of further decline in petroleum production by 12.5 percent compared to a contraction of 4.6 percent in 2020. Growth in electricity was 7.4 percent in 2021 compared to 9.9 percent a year ago, while 'water supply, sewerage, waste management & remediation' surged to 13.3 percent in 2021 from 2.2 percent in 2020 prompted by initiatives of the GhanaCARES programme.

321. The Services (tertiary) Sector, which remains the largest, significantly improved during the review period. The sector's output grew by 9.4 percent in 2021 from a modest growth of 0.7 percent recorded in 2020, reflecting interventions from the Government and Development Partners under the GhanaCARES programme. All the subsectors (except education) expanded in 2021. Outputs of information & communication and trade expanded by 33.1 percent and 5.9 percent in 2021, compared to 21.5 percent and -2.9 percent in 2020, respectively. Activities of transport & storage, financial services and real estate recorded growth rates of 6.9 percent, 2.4 percent and 11.9 percent, respectively, in 2021, compared to 4.1 percent, 9.3 percent and 11.7 percent, respectively, in 2020. Also, outturns of public administration, health & social work and hotel & restaurant grew by 25.5 percent, 7.5 percent and 4.3 percent from 10.0 percent, 5.9 percent and -37.0 percent in 2020, respectively. Similarly, professional & administrative support activity and other personal services recorded growth rates of 8.7 percent and 10.1 percent from -6.2 percent and -17.2 percent, respectively, in 2020. Education, however, contracted in the review period to 3.7 percent from a growth of 7.8 percent in the previous year.

322. Regarding sectoral contribution to growth in 2021, the primary sector contributed 1.7 percentage points compared with 1.4 percentage points in 2020, the secondary sector contributed -0.3

percentage point compared to -0.9 percentage point in 2020. The tertiary sector accounted for 3.7 percentage points in the year under review from 0.2 percentage point in 2020. In terms of the sectoral shares of GDP in 2021 compared to 2020, the Agriculture Sector accounted for 20.8 percent from 20.2 percent, the secondary sector, 34.0 percent against 36.1 percent and tertiary sector, 40.5 percent compared with 39.0 percent.

323. Inflationary pressures remained elevated throughout the second half of the reporting period, reflecting food supply challenges, rising crude oil prices, and some pass-through effects of exchange rate depreciation in the last quarter. End period inflation accelerated to 12.6 percent at end-December 2021 from 10.4 percent at end-December 2020. Average headline inflation also edged up marginally to 10.0 percent in 2021, from 9.9 percent in 2020. Food inflation increased sharply from 5.4 percent in May 2021 to 12.8 percent in December 2021, while non-food inflation went up from 9.2 percent to 12.5 percent over the same period. Upside risks to inflationary pressures include the ongoing Russia-Ukraine war and the attendant increases in food and oil prices, exchange rate pressures as well as the fiscal adjustment measures mainly from the introduction of the Electronic Transactions Levy (E-Levy).

Table 26: Trends in GDP and its Components in Ghana

Item	2019	2020	2021*	2022**	2019	2020	2021*	2022**
SUPPLY	**Percentage Change**				**Contribution to Growth Rate**			
RGDP (Oil & Non-Oil)	**6.5**	**0.5**	**5.4**	**3.7**	**6.5**	**0.5**	**5.4**	**3.7**
RGDP (Non-Oil)	***5.8***	***1.0***	***6.9***	***4.3***	***5.4***	***0.9***	***6.4***	***4.3***
Agriculture	4.7	7.3	8.4	2.1	0.9	1.4	1.7	0.4
Industry	6.4	-2.5	-0.8	4.2	2.4	-0.9	-0.3	1.4
Services	7.6	0.7	9.4	3.8	2.9	0.2	3.7	1.6
Taxes net of subsidy	6.1	-4.0	6.3	5.2	0.3	-0.2	0.3	0.2
DEMAND								
Consumption	13.0	0.03	8.8	5.3				
Private	13.9	-1.0	0.8	5.9				
Public	5.4	10.1	82.1	2.4				
Investment	-7.2	1.9	15.3	1.7				
o/w Gross Fixed capital Formation	-10.0	1.8	5.8	3.3				
Net External Demand	-17.6	1.5	-203.0	57.2				
Exports of goods and services	12.7	-50.7	69.1	6.0				
Imports of goods and services	15.9	-54.5	113.8	1.0				
Real GDP, Demand	6.5	0.5	5.4	5.8				
MEMORANDUM								
GDP (Oil & Non-oil, current prices) Millions GH¢	356,544.3	383,486.1	459,130.9	591,883.0				
GDP (Oil & Non-oil, constant prices) Millions GH¢	165,307.6	166,157.2	175,057.3	181,461.0				
Inflation								
Average	8.7	9.9	10.0	16.3***				
End period	7.9	10.4	12.6	28.5				

Sources: GSS; *Provisional **Projection *** From the IMF

6.2.2. Fiscal Sector

324. Fiscal performance generally improved in 2021 relative to the out-turn in 2020, attributed to the net effect of increased domestic revenue performance and the slow growth in total expenditure. During the review period, total revenue and grants rose by 27.1 percent to GH¢70,096.5 million (15.3% of GDP) from GH¢55,138.2 million (14.1% of GDP) in 2020. This performance, however, was below the revised target of GH¢72,477.4 million (15.8% of GDP). Domestic revenue rose by 27.8 percent to GH¢68,914.3 million (15.0% of GDP) from GH¢ 53,909.5 million (13.8% of GDP) a year ago, reflecting increases in both tax and non-tax revenues during

the period. Domestic revenue also under performed relative to its revised target of GH¢71,012.2 million (16.2% of GDP), as shown in Table 27.

325. Tax revenue strengthened to 12.3 percent of GDP in 2021 from 11.3 percent of GDP in 2020 due to improvements in taxes from domestic goods & services and international trade, which outperformed their respective targets in 2021 and rose to 5.4 percent of GDP and 1.5 percent of GDP, respectively, from 4.5 percent of GDP and 1.4 percent of GDP, respectively, in 2020. The performance of these taxes was largely attributed to the introduction of new tax measures during the year, namely, the COVID-19 Health Levy, Sanitation and Pollution Levy, and the Energy Sector Recovery Levy (Delta Fund), among others. Taxes on income & property, despite falling short of its target for the year, rose by 17.9 percent to GH¢27,971.4 million (6.1% of GDP). Savings from tax refunds also amounted to GH¢306.6 million (0.1% of GDP). As a percentage of GDP, however, both categories—Taxes on income & property and tax refunds—remained unchanged at 6.1 percent of GDP and 0.7 percent of GDP, respectively due to base drift effect.

326. Non-tax revenue also grew by 18.6 percent to GH¢ 7,908.9 million (1.7% of GDP) in 2021 from GH¢6,667.3 million (1.7% of GDP) in 2020. Despite the increase, non-tax revenue fell short of its target of GH¢10,302.2 million (2.4% of GDP), due mainly to lower collections by some Ministries, Departments and Agencies (MDAs) and lower dividend receipts against budget targets.

327. Grants declined marginally in nominal terms, but remained fairly unchanged at 0.3 percent of GDP between 2020 and 2021, realised mainly from project grants.

328. Total expenditure increased by 13.3 percent in 2021 to GH¢109,275.9 million (23.8% of GDP) compared with an increase of 42.1 percent in 2020 to GH¢96,410.2 million (24.6% of GDP) and was within the programmed target of GH¢110,050.2 (24.0% of GDP). The slowdown in total expenditure was mainly due to recurrent expenditure which also grew by 9.5 percent to GH¢92,308.8 million (20.1% of GDP) compared to an expansion of 36.6 percent to GH¢84,317.6 million (21.5% of GDP) in 2020.

329. As the COVID health-related expenditures dropped, wages and salaries recorded a slower growth of 17.0 percent to GH¢29,310.6 million (6.4% of GDP) in 2021, from an expansion of 28.6 percent, GH¢25,047.4 million (6.4% of GDP) in 2020. Social contributions, use of goods & services and transfer & subsidies contracted to 0.5 percent of GDP, 1.6 percent of GDP and 4.3 percent of GDP, respectively, in 2021, from 0.8 percent of GDP, 1.9 percent of GDP and 6.1 percent of GDP, respectively, in 2020. On the other hand, interest payments surged by 36.3 percent to 7.3 percent of GDP in 2021, from 6.3 percent of GDP in 2020, due to the rise in the stock of public debt.

330. The capital expenditure increased by 40.4 percent to GH¢16,967.1 million (3.7% of GDP), exceeding the target of GH¢12,222.1 million (2.7% of GDP) in 2021, compared with the outturn of GH¢12,082.9 million (3.1% of GDP) in 2020. Foreign-financed capital expenditure accounted for 68.6 percent of the total, with domestically financed capital expenditure making up the remaining 31.4 percent.

331. Consequent to the improvement in domestic revenue and the moderation in total expenditure, Government budgetary operations resulted in an overall budget deficit on commitment basis (including grants) of 8.5 percent of GDP (GH¢39,179.4 million) in 2021, compared with 10.5 percent of GDP (GH¢41,272.0 million) in 2020. This outturn in the review period was slightly higher than the target of 8.2 percent of GDP (GH¢37,572.9 million). Excluding grants, the overall fiscal deficit on commitment basis was 8.8 percent of GDP (GH¢40,361.6 million) in 2021, compared with 10.8 percent of GDP (GH¢42,500.7 million) recorded in 2020. The corresponding primary balance for the period under review was a deficit of 1.5 percent of GDP, which was within the target for the year, as shown in Table 27.

Table 27: Trends in Key Fiscal Indicators in Ghana

	2019	2020	2021*	2022**	2019	2020	2021*	2022*
	Percentage Change				**Percent of GDP**			
Total Rev and Grants	12.4	3.3	27.1	43.4	15.0	14.1	15.3	16.4
Domestic Revenue	12.7	2.9	27.8	44.4	14.7	13.8	15.0	16.2
Tax Revenue	13.2	3.9	27.2	41.8	12.0	11.3	12.3	12.6
Taxes on income & Property	20.8	4.6	17.9	36.9	6.4	6.1	6.1	6.6
Taxes on domestic goods & services	14.1	3.7	39.0	45.6	4.8	4.5	5.4	5.1
International trade taxes	-11.3	1.9	26.0	30.0	1.5	1.4	1.5	1.4
Tax Refunds	16.3	4.7	20.5	1.7	-0.7	-0.7	-0.7	-0.5
Non-tax Revenue	16.0	-11.9	18.6	75.1	2.1	1.7	1.7	2.7
Other Revenue	4.5	44.8	46.4	18.2	0.5	0.7	0.9	0.8
Social Contribution	-59.4	-70.2	880.7	72.3	0.0	0.0	0.1	0.1
Grants	0.0	24.6	-3.8	-17.9	0.3	0.3	0.3	0.2
Total Expenditure and net lending	16.6	42.1	13.3	24.1	19.0	24.6	23.8	22.6
Total Expenditure	16.6	42.1	13.3	24.1	19.0	24.6	23.8	22.6
Recurrent Expenditure	15.4	36.6	9.5	29.2	17.3	21.5	20.1	20.3
Wages and salaries	13.2	28.6	17.0	5.4	5.5	6.4	6.4	5.6
Social Contribution	14.2	17.6	-27.0	110.2	0.8	0.8	0.5	0.8
Use of good and services	20.3	19.8	-3.1	27.8	1.7	1.9	1.6	1.0
Interest Payments	24.9	24.4	36.3	11.7	5.5	6.3	7.3	7.0
Domestic	21.7	20.7	44.0	9.5	4.3	4.7	5.8	5.3
External	37.0	37.0	13.7	19.8	1.3	1.6	1.5	1.7
Transfers and Subsidies	5.0	77.6	-17.0	84.3	3.8	6.1	4.3	5.9
Capital Expenditure	29.8	96.4	40.4	-3.4	1.7	3.1	3.7	2.3
Domestically Financed	50.3	90.3	10.8	46.2	0.7	1.2	1.2	0.7
Externally Financed	18.6	100.7	60.0	-26.1	1.0	1.9	2.5	1.6
Overall balance (Commit basis Excl Grants)					-4.3	-10.8	-8.8	-6.5
Overall balance (Commit basis Incl Grants)					-4.1	-10.5	-8.5	-6.3
primary balance					1.2	-4.6	-1.5	0.7
DEBT	***2019***	***2020***	***2021***	***2022[ψ]***	***2019***	***2020***	***2021***	***2022[ψ]***
	Stock (GHc millions)				*Percent of GDP*			
Public Debt	218,228.9	291,630.7	351,787.0	393,439.0	61.2	74.4	76.6	78.5
External	112,747.7	141,796.8	170,009.8	203,369.0	31.6	36.2	37.0	37.9
Domestic	105,481.2	149,833.9	181,777.2	190,070.1	29.6	38.2	39.6	40.6

Source: Ministry of Finance, Ghana; * provisional **Projections [ψ]As *at June 2022*

332. The main objective of the debt management strategy in 2021 was to continue with the ongoing liability management programme aimed at reducing refinancing and interest rate risks in the public debt portfolio. The slowdown in COVID-19 induced fiscal pressures coupled with the significant reduction in the financial sector bailout cost helped moderated the growth of the stock of public debt by 13 percentage points to 20.6 percent in 2021. Consequently, provisional nominal public debt stood at GH¢351,787.0 million (US$58,640.0 million), equivalent to 76.6 percent of GDP at end-December 2021, from GH¢291,630.7 million (US$50,832.4 million), equivalent to 74.4 percent of GDP at end-December 2020. The increase in total public debt stock reflects additions to both the external and domestic components of the stock, which increased by 21.3

percent and 19.9 percent, respectively, in 2021. The increase in domestic debt stock reflects net issuances of domestic instruments to pay down the cost incurred from the crystallisation of contingent liabilities in the energy sector and the financial sector bailout, while the external debt rose mainly on account of disbursements due on new and existing loans, the Eurobond issuance in March 2021 as well as fluctuations in the exchange rate over the period under review. The development in public debt mirrored the performance of both the domestic and external components which rose but modestly to 39.6 percent of GDP and 37.0 percent of GDP from 38.2 percent of GDP and 36.2 percent of GDP in 2020, respectively.

6.2.3. Monetary Sector

333. During the review period, monetary policy continued to be supportive of the economic recovery process following the downturn induced by the COVID-19 pandemic on the Ghanaian economy. The monetary policy stance was generally accommodative during the review period, as the policy rate was lowered by 100 basis points to 13.5 percent in May from 14.5 percent and remained unchanged until November when the rate was increased by 100 basis points to 14.5 percent, which was maintained till the end of the year. The stability in the policy rate was aimed at striking a balance between easing the financing conditions to provide impetus to the recovery process and maintaining inflation within its target band. However, the rate was raised by 250 basis points in quarter one of 2022 and further by 200 basis points in May 2022 as a response to the rising inflationary pressures as a result of the global crisis.

334. Developments in the money market in 2021 indicated a general downward trend in the discount rates for the short-dated (one year and less) instruments and variations in the longer-dated (2-6 years) instruments while the yields on the instruments for 10-year and above remained fixed in the year under review. In terms of yearly comparison, the 91-day, 182-day and 364-day Treasury bill rates declined to 12.42 percent, 12.63 percent and 14.13 percent in 2021 from 13.70 percent, 13.41 percent and 14.61 percent, respectively, in 2020. Interest rates on the 2-year, 3-year, 5-year and 6-year bonds stood at 17.98 percent, 18.28 percent, 18.78 percent and 19.10 percent in 2021 from 19.15 percent, 19.44 percent, 20.05 percent and 20.25 percent, respectively, in 2020. In contrast, the yields on the 7-year bond rose to 19.10 percent in 2021 from 17.90 percent in 2020, however, the 10-year bond slightly declined to 19.78 from 19.80 in 2020. The yields on the 15-year and 20-year notes remained fixed at 19.75 percent and 20.00 percent in 2021, respectively, compared to 2020.

335. The inter-bank weighted average rate declined to 13.05 percent in 2021 from 14.19 percent in 2020, irrespective of stability in movement of the policy rate. The average lending rate declined to 20.61 percent from 20.96 percent in 2020, reflecting developments in the interbank market during the period. The average savings rate edged upwards to 7.63 percent from 7.59 percent. The 3-month time deposits rate remained unchanged at 11.5 percent.

336. The banking industry's shareholder funds position remained robust with adequate capital buffers to withstand shocks, strongly supporting the stability and resilience of the banking sector. The impaired assets of deposit money banks worsened during the review period. The NPLs ratio increased to 15.2 percent in 2021 from 14.8 percent in 2020. After adjusting for the loss category

(fully provisioned for), the NPL ratio improved to 5.8 percent, from 6.5 percent recorded in the previous year.

337. Developments in the monetary aggregates show that the pace of broad money supply moderated significantly to 12.5 percent at end-December 2021 from 29.7 percent in the corresponding period of 2020, attributed to declines in NFA and sluggish growth of Net Domestic Assets (NDA). NDA grew by 22.9 percent compared with a growth of 40.9 percent at end-December 2020, supported by net claims on government which slowed by 9.2 percent during the period, from 101.6 percent at end-December 2020. With regards to claims on the private sector, growth expanded to 14.4 percent from 10.2 percent at end-December 2020. The NFA of the banking sector further declined by 44.6 percent at end-December 2021 against a lower decline of 9.7 percent recorded at end-December 2020, attributed to contractions of the external positions of the BoG and the commercial banks. In terms of components, the observed moderation in M2+ growth was driven by lower growth in currency outside banks and total deposits. Reserve money recorded a lower growth of 19.9 percent in the 12-month period ended December 2021 from 25.0 percent at end-December 2020, due to a contraction in the NFA of the BoG, as shown in Table 28.

Table 28: Growth in Key Monetary Aggregates in Ghana

	2019	2020	2021*	2019	2020	2021*
	Percentage Change			Contribution to M2 growth		
ASSETS						
Net Foreign Assets, NFA	46.7	-9.7	-44.6	8.6	-2.1	-6.9
Net Domestic Assets, NDA	16.1	40.9	22.9	13.1	31.8	19.4
Net Claims on Government, NCG	24.2	101.6	9.2	8.7	37.4	5.3
Claims on private Sector	25.2	10.2	14.4	13	5.4	6.5
Other Items Net (OIN)	-141.1	-91.1	42.8	-8.6	-11	7.6
LIABILITIES						
Broad Money (M2+)	21.7	29.7	12.5			
Broad Money (M2)	16.1	35.1	11.9			
Narrow Money (M1)	25.5	39.9	14.1			
Currency outside banks	20.1	45.7	4.4			
Demand deposits	28.3	37.1	19.2			
Savings & Time deposits	3.4	27.1	8			
Foreign currency deposits	42.6	13.2	14.6			
MEMORANDUM ITEMS						
Reserve money growth	34.4	25	19.9			
Money Multiplier (M2+/RM)	3.2	3.3	3.1			
Velocity (GDP/M2+)	3.8	3.3	3.4			
Credit to private sector/GDP	13.9	13.9	13.6			
NFA/M2+	22.2	15.4	7.6			
NDA/M2+	77.8	84.6	92.4			
Currency in circulation/M2	15.4	17.3	16.1			

Source: BoG *Provisional

338. In terms of contributions to the growth of broad money, NDA accounted 19.4 percent but lower than 31.8 percent recorded at end-2020, supported by the significant moderation of net claims on government. The NFA of the banking system contributed negatively (-6.9%) to the growth of broad money at end-December 2021 compared with -2.1 percent at end-December 2020 influenced by NFAs of the monetary Authority and commercial banks. The sluggish growth in broad money was mainly reflected in the slow growth rate of demand deposits (19.2% from 37.1%), savings and time deposits (8.0% from 27.1%), and currency in circulation outside banks (4.4% from 45.7%), as shown in Table 28.

6.2.4. External Sector

339. External sector performance slightly improved in 2021 as the overall balance of payments surplus increased to US$510.1 million (0.6% of GDP) from US$377.5 million (0.5% of GDP) in 2020, attributed to the increase in the capital and financial accounts, based on higher inflows from foreign direct investment, portfolio flows, and the IMF's SDR allocation, despite the widening of the current account deficit during the period.

340. The surplus on the merchandise trade balance dropped to US$1,107.6 million (1.4% of GDP) during the reporting period from US$2,043.0 million (2.9% of GDP) in 2020 on account of a more than proportionate increase in imports. Exports of goods (fob) slightly increased by 1.8 percent to US$14,736.2 million (18.6% of GDP) from US$14,471.5 million (20.7% of GDP) in the preceding year. The increase in exports was occasioned by a 35.6 percent increase in oil exports during the period. Non-oil exports, however, declined by 6.7 percent, mainly due to a fall in the export receipts from Gold (-25.2%) which outweighed the surge in cocoa exports (22.5%). On the other hand, imports of goods (fob) rose by 9.7 percent to US$13,628.7 million (17.2% of GDP) from US$12,428.6 million (17.7% of GDP), largely attributed to the surge in the importations of oil products in the period.

341. The deficit on services (net) account narrowed to US$3,164.3 million (4.0% of GDP) from US$4,511.3 million (6.4% of GDP) in 2020, due to 20.6 percent increase in service inflows emanating from growth in travel income following the easing of the COVID-19 restrictions.

342. On the primary income account (net), the deficit widened by 12.7 percent to US$3,830.6 million (4.8% of GDP) in 2021 compared to US$3,398.6 million (4.9% of GDP) in 2020. The development was mainly due to increase in interest payments as well as increased profits and dividends repatriations. The secondary income account balance recorded a lower surplus of US$3,390.1 million (4.3% of GDP) compared to the surplus of US$3,732.9 million (5.3% of GDP), occasioned by reduction in inflows of private transfers including reduction in personal remittance inflows.

343. Consequent to the net effect of the developments in the balances of the goods, services, primary and secondary income accounts, the current account deficit widened to US$2,497.3 million (3.2% of GDP) in the review period compared to US$2,134.0 million (3.0% of GDP) in 2020. The capital account surplus fell to US$168.8 million (0.2% of GDP) in 2021 from US$250.1 million (0.4% of GDP) due to decline in inflows of capital transfers. Hence, the net balance of the current and capital accounts deteriorated to a deficit of US$2,328.5 million (2.9% of GDP) from a deficit of US$1,883.8 million (2.7% of GDP) in 2020.

344. The net lending of the financial account increased during the reporting period to US$3,100.0 million (3.9% of GDP) from US$2,637.1 million (3.8% of GDP) in 2020, mainly explained by increased foreign direct and other investments assets. The net acquisitions of foreign direct and other investments assets rose to US$2,413.9 million (3.1% of GDP) and US$686.1 million (0.9% of GDP), from US$1,333.4 million (1.9% of GDP) and other investment liability of US$587.2 million (0.8% of GDP) in 2020, respectively.

345. Gross external reserves increased by 12.4 percent to US$9,695.2 million (4.4 months of import cover) as at end-December 2021 from US$8,624.4 million (4.0 months of import cover) at end-December 2020, mainly supported by the issuance of the Eurobond and the inflows from the IMF's SDR allocations. On an annual average basis, the Ghana cedi depreciated by 3.6 percent against the US dollar in 2021 compared with the depreciation of 6.8 percent in 2020. Against the WAUA, the depreciation of the Ghana cedi was 5.7 percent during the review period from a depreciation of 7.6 percent in 2020, reflecting the foreign exchange demand pressure from the manufacturing and energy-related sectors.

Table 29: Trends in Key Balance of Payments Indicators in Ghana

	2019	2020	2021*	2022**	2019	2020	2021*	2022**
	USD Millions				Percent of GDP			
CURRENT ACCOUNT	-1,864.0	-2,134.0	-2,497.3	-2,869.0	-2.7	-3.0	-3.2	-3.4
Goods	2,256.8	2,043.0	1,107.6	1,649.0	3.3	2.9	1.4	2.0
Exports (fob)	15,667.5	14,471.5	14,736.2	17,773.0	22.9	20.7	18.6	21.0
Oil and Gas	4,493.1	2,910.6	3947.7	4,984.4	6.6	4.2	5.0	5.9
Non-Oil	11,174.5	11,560.9	10,788.5	12,788.6	16.4	16.5	13.6	15.1
Imports (fob)	-13,410.7	-12,428.6	-13,628.7	-16,125.0	-19.6	-17.7	-17.2	-19.1
Oil and Gas	-2,420.3	-1,890.5	-2,719.2	-3,642.2	-3.5	-2.7	-3.4	-4.3
Non-Oil	-10,990.4	-10,538.0	-10,909.5	-12,482.8	-16.1	-15.0	-13.8	-14.8
Services (net)	-3,572.7	-4,511.3	-3,164.3	-4,092.0	-5.2	-6.4	-4.0	-4.8
Inflows	9,924.8	7605.5	9,173.9	9,250.5	14.5	10.9	11.6	10.9
Outflows	-13,497.6	-12,116.8	-12,338.2	-13,342.5	-19.8	-17.3	-15.6	-15.8
Primary Income (net)	-3,952.1	-3,398.6	-3,830.6	-3,792.0	-5.8	-4.9	-4.8	-4.5
Inflows	482.9	738.5	719.1	883.0	0.7	1.1	0.9	1.0
Outflows	-4,435.1	-4,137.0	-4,549.7	-4,675.0	-6.5	-5.9	-5.8	-5.5
Secondary Income (net)	3,404.1	3,732.9	3,390.1	3,366.0	5.0	5.3	4.3	4.0
Private (net)	33,86.4	3,564.8	3,354.9	3,366.0	5.0	5.1	4.2	4.0
Official (net)	17.7	168.1	35.1	0.0	0.0	0.2	0.0	0.0
CURRENT AND CAPITAL ACCOUNTS	-1,606.9	-1,883.8	-2,328.5	-2,676.0	-2.4	-2.7	-2.9	-3.2
CAPITAL ACCOUNT	257.1	250.1	168.8	193.0	0.4	0.4	0.2	0.2
Capital Transfers (net)	257.1	250.1	168.8	193.0	0.4	0.4	0.2	0.2
FINANCIAL ACCOUNT	2,810.5	2,637.1	3,100.0	2,749.0	4.1	3.8	3.9	3.3
Direct Investment (net)	3,292.1	13,33.4	2,413.9	2,871.0	4.8	1.9	3.1	3.4
Portfolio Investment (net)	0.0	1,561.2	0.0	2,739.0	0.0	2.2	0.0	3.2
Financial Derivatives (net)	0.0	329.7	0.0	0.0	0.0	0.5	0.0	0.0
Other Investment (net)	-481.5	-587.2	686.1	-2,861.0	-0.7	-0.8	0.9	-3.4
Net Errors and Omissions	137.3	-375.8	-261.4	0.0	0.2	-0.5	-0.3	0.0
Overall Balance	1,341.0	377.5	510.1	73.0	2.0	0.5	0.6	0.1
MEMORANDUM								
Ave. exchange rate variation (US $)[1]	-12.1	-6.8	-3.6	-16.6				
Ave. exchange rate variation (WAUA)[2]	-9.9	-7.6	-5.7	-18.0				
Stock of External Reserves Billions (US $)	8,418.1	8,624.4	9,695.2	7,435.0				
Stock of Ext. Reserves (months of imports)	3.8	4.0	4.4	3.5				
GDP at Current Prices, Millions of USD	68,338.0	70,029.0	79,083.0	83,214.0				

Sources: BoG, IMF Country Report No. 21/165; *Provisional **Projections

6.3. Status of Macroeconomic Convergence

346. In the area of macroeconomic convergence, Ghana's performance in the reporting period improved. The country satisfied three (3) of the six (6) macroeconomic convergence criteria in 2021, compared with two (2) criteria in 2020. On the primary convergence criteria, Ghana met two (2) (Central Bank Financing of the budget deficit and gross external reserves in months of imports cover) in 2021 compared to one (1) in 2020, (gross external reserves in months of imports cover). Ghana also met one secondary criterion (nominal exchange variation) and missed the public debt criterion. The country's performance in 2022 is expected to reduce to two criteria

(central bank financing and gross external reserves). The summary of Ghana's performance on the Macroeconomic Convergence Criteria is presented in Table 30.

Table 30: Status of Macroeconomic Convergence in Ghana

Criteria	Target	2017	2018	2019	2020	2021*	2022**
Primary Criteria		*2*	*2*	*2*	*1*	*2*	*2*
Budget deficit (commitment basis, including grants)	≤ 3%	4.7	3.1	4.1	10.5	8.6	6.3
Average annual inflation rate	≤ 5%	12.4	9.9	8.7	9.9	10.1	16.3
Central Bank financing of Budget Deficit	≥ 10%	0.0	12.9	0.0	54.2	0.0	0.0
Gross external reserves	≥ 3	4.3	3.6	3.8	4.0	4.0	3.0
Secondary Criteria		*2*	*2*	*2*	*1*	*1*	*0*
Nominal exchange rate variation	± 10%	-8.4	-7	-9.9	-7.6	-8.3	-18.0
Public debt to GDP	≤ 70%	54.2	56	61.2	74.4	76.6	78.5
Total No. of Convergence Criteria Met		**4**	**4**	**4**	**2**	**3**	**2**

Sources: BoG, Ministry Finance, Ghana, IMF and WAMA; *Provisional **Projections

6.4. Prospects

347. Growth is expected to slow down (3.7%) in 2022, influenced by the underperformance of Agriculture and Services. The slow outturn in the Agriculture sector is expected to be driven by decline in cocoa production and sluggish output growth of fishery. From the Services sector, the expected decline from trade, information & communication, and public administration will underpin the slowdown of the sector. However, the Industry sector is expected to recover bolstered by increased FDI inflows. Under the medium-term macroeconomic programme (2022-2025), real GDP growth is projected to average 4.9 percent, premised on the implementation of Government's flagship programmes, GhanaCARES Programme, expected benefits from AfCFTA, enhanced digitalisation drive, aggressive FDI push, among others. Non-oil GDP growth is also expected to average 4.9 percent in the medium term.

348. Monetary policy in 2022 is expected to focus on steering inflation towards the medium-term target band of 8±2 percent, following the surge in inflation in the first quarter of 2022. This is on the back of the hike in the policy rate by 250 basis points to 17.0 percent in March 2022 and a further 200 basis points increase to 19.0 percent in May 2022. However, end-period inflation is projected to increase to 28.5 percent at end-December 2022, from 12.6 percent at end-December 2021, driven by recent uncertainties resulting from the repercussions of the Russia-Ukraine war

349. The fiscal policy stance including revenue mobilisation measures (the revised Exemption Bill; the restoration of the benchmark values of imports by suspending the 50 percent discount on selected general goods and the imposition the Electronic Transaction Levy, among others) coupled with expenditure rationalisation measures, is expected to lead to a reduction in the overall fiscal deficit (including grants) to 6.3 percent in 2022.

350. With regards to the convergence criteria, Ghana is expected to meet two of the four primary convergence criteria in 2022; hence missing the budget deficit and inflation criteria due to the fiscal pressures and upside risks to inflation previously mentioned.

6.5. Conclusions and Recommendations

351. The proactive policy interventions by the Ghanaian Authorities to mitigate the impact of the pandemic helped support economic recovery. The economy showed significant signs of recovery in the Agriculture and Services sectors in 2021. However, the industrial sector is yet to fully

recover from the effect of the pandemic. Fiscal performance was quite notable, though domestic revenue remained below target. Moreover, the COVID-19 policy response measures adopted to save lives and protect livelihoods led to increase in debt vulnerabilities, resulting in rising debt service cost and the suspension of the Fiscal Responsibility Act until 2024.

352. In the banking sector, the deteriorating asset quality remained a concern as shown by the high NPLs. Also, the recent hike of the policy rate, following heightened inflationary pressures and surge in the CPI inflation rate, and the increase in DMBs' holding of Government Treasury bill and Notes could lead to crowding out of the private sector, which could dampen growth forecasts. On the external front, though, the reserve cover of 4.4 months of imports was adequate, the sharp decline in the NFA may lead to speculative attack on the domestic currency.

353. The fundamentals of the Ghanaian economy remain resilient with ongoing recovery in growth, supported by a sound and well-capitalised banking sector, as well as the effective policy coordination between the fiscal and monetary Authorities.

354. Notwithstanding, the fiscal deficit remains high coupled with elevated public debt vulnerabilities leading to rising debt service cost, while headline inflation has entered double digits and continue to rise. Developments in the external sector remain encouraging despite the reduction in the trade surplus. The external reserves position remained well above the minimum threshold of imports cover.

355. Given the sectoral developments in 2021 and the prospects for 2022 the Authorities are encouraged to consider the following recommendations:

A. To address the challenges facing agriculture and extractive industry, the Authorities are encouraged to:
   i. accelerate the agriculture modernisation programme to engender food production and agro-processing to further support growth;
   ii. deepen the implementation of flagship programmes such as the Planting for Food and Jobs (PFJ), One district One factory (1D1F), Planting for Export and Rural Development (PERD) and establishment of Industrial Parks; and
   iii. sustain the implementation of government's deliberate policy initiatives to attract investment into the development of new wells in the Oil & Gas sector.

B. To broaden the tax base and boost revenue mobilisation, while rationalising expenditure, the Fiscal Authorities are encouraged to sustain efforts aimed at:
   i. improving the efficiency of tax collection, automating and digitising tax collection units and processes, enforcing tax-payer compliance and undertaking special tax audits; and
   ii. aligning expenditure with revenue inflows to avoid fiscal slippages.

C. The Fiscal Authorities should also take measures to reduce the rising public debt stock in the short term and ensure debt sustainability in the medium to long term; and

D. As regards the financial sector, the BoG is encouraged to remain steadfast in the discharge of its regulatory and supervisory responsibilities, including enforcing compliance with good credit risk management guidelines to reduce the NPLs, and to enhance intermediation in the banking sector.

7. GUINEA

7.1. Introduction

356. Guinea's economic policy in 2021 was anchored on the implementation of the Transition Charter, which sought to return the country to constitutional order. The Charter also highlights the need for the: (i) preservation of macroeconomic stability; (ii) implementation of a strategy to support post-COVID-19 recovery; and (iii) establishment of a more robust institutional framework conducive to the conduct of economic policy.

357. The budgetary policy guidelines focused on the following measures:
    - develop and implement performance contracts with the financial authorities;
    - launch the taxpayer census campaign;
    - officially launch the online tax payment portal called e-tax;
    - take steps to qualify public expenditures; and
    - freeze the accounts of several public entities.

358. Accordingly, the key macroeconomic targets for the 2021 fiscal year were as follows:
    - Real GDP growth rate of at least 5.2 percent;
    - An average inflation rate of 10.9 percent; and
    - Gross international reserves to cover not less than three months of imports of goods and services.

359. The continued implementation of the COVID-19 response plan, public finance reforms and measures have helped to sustain the country's economic performance. Real GDP growth rate, however, moderated to 4.9 percent in 2021 against 7.0 percent in 2020, while average inflation stood at 12.6 percent in 2021 compared to 10.6 percent in 2020.

360. Public financial management saw an improved budget deficit, including grants, which fell from 3.0 percent of GDP in 2020 to 1.8 percent of GDP in 2021. The outstanding public debt also declined by 4.8 percentage points to 41.2 percent of GDP at end-December 2021 from 46.0 percent of GDP at end-December of 2020, due to the decline in external debt.

361. On the monetary front, the BCRG maintained an accommodating monetary policy in 2021. To this end, the policy rate remained unchanged at 11.5 percent and the reserve requirement ratio at 16.0 percent. In this context, growth in broad money supply moderated to 8.4 percent at end-December 2021 compared to a growth of 23.0 percent at end-December 2020, boosted by a consolidation of NFA.

362. On the external front, the overall balance of payments surplus also moderated to US$55.17 million (0.3% of GDP) compared to US$768.8 million (5.3% of GDP), attributable to developments in the current and capital accounts.

363. Regarding the macroeconomic convergence criteria, Guinea met three (3) of the four (4) primary convergence criteria in 2021, namely, the budget deficit, gross external reserves, and central bank financing. The country also met both secondary criteria, public debt/GDP ratio and nominal

exchange rate stability. The detailed sectoral and macroeconomic convergence analyses is presented below.

7.2. Sectoral Analysis

7.2.1. Real Sector

364. In 2021, Guinea's macroeconomic situation was marked by a sustained economic growth despite a slight slowdown compared to 2020. The real GDP growth rate was 4.9 percent compared to 7.0 percent in 2020, driven largely by mining activity.

365. The primary sector grew by 5.6 percent in 2021, compared to 6.2 percent in 2020, driven by the agriculture, livestock and fisheries subsectors. Growth in agriculture and livestock farming was expected to be 6.2 percent and 9.7 percent respectively in 2021, compared with 5.5 percent and 7.8 percent in 2020, on account of improved availability of agricultural inputs and favourable rainfall and the expansion of irrigated areas. The fisheries subsector increased by 6.6 percent compared to 11.5 percent in 2020. The output of the forestry subsector shrank by 3.6 percent in 2021, after the contraction of 1.8 percent in 2020, as indiscriminate logging was controlled.

366. The secondary sector grew by 8.1 percent, against 21.5 percent in 2020. In fact, the mining subsector saw a slowdown in production to 11.2 percent, compared with 36.9 percent in 2020, due mainly to the cessation of bauxite production by ALUFER, and the decline in production of artisanal gold and bauxite by the mining companies (CBG, SMB and CDM HENAN). The construction industry recorded an increase of 4.7 percent compared to 4.4 percent in 2020, in connection with the continuation of construction work on the Coyah-Mamou-Dabola and Coyah-Forécariah national roads, the construction of the Conakry urban road network, the commencement of construction work on the Kagbelen and Km-36 interchange.

367. The tertiary sector grew by 2.5 percent, compared with a contraction of 3.2 percent in 2020. This recovery is due to the induced effects of the vaccination campaigns against COVID-19, organised by the authorities with the support of technical and financial partners. The added value of trade fell by 1.3 percent, compared with a 14.1 percent decline in 2020, in connection with the challenges faced in supplying markets with goods. Growth in hotel services stood at 2.5 percent, compared with -4.4 percent in 2020, supported by the return of clients to hotel complexes and the reopening of bars, game centres and other public gathering places. Transport activities grew by 2.7 percent, compared with a decline of 1.9 percent in 2020, due, among other things, to the easing of restrictions and the lifting of roadblocks in the hinterland. Public administration services increased by 5.6 percent, after 5.1 percent in 2020. Post and telecommunications activities grew by 18.2 percent in 2021, up from 16.8 percent in 2020, thanks in part to the granting of the global license for 4G technology, which also includes the renewal of the 2G and 3G licenses granted to MTN-Guinea.

368. In terms of the contribution to GDP growth, the primary, secondary, and tertiary sectors contributed 1.1, 3.1, and 0.7 percentage points, respectively, in 2021 (see Table 31).

Table 31: Trends in GDP and its Components in Guinea

	2019	2020	2021*	2022**	2019	2020	2021*	2022**
Item	**Percentage change**				**Contribution to growth**			
Real GDP	5.6	7.0	4.9	5.1	5.6	7.0	4.9	5.1
Supply								
Primary sector	8.9	6.2	5.6	4.4	1.7	1.2	1.1	0.8
Secondary sector	7.3	21.5	8.1	7.7	2.4	7.3	3.1	3.0
Tertiary sector	4.5	-3.2	2.5	3.4	1.5	-1.5	0.7	1.2
DEMAND				0.0				
Final consumption	4.0	10.2	16.1	2.2				
Private	3.7	1.4	21.1	1.5				
Public	4.8	36.6	4.9	4.2				
Investments	27.4	8.0	-26.9	2.4				
Gross Fixed Capital Formation	-3.8	-7.7	18.2	9.7				
Private	-1.3	-0.8	4.1	16.2				
Public	-14.5	-41.8	135.5	-14.4				
Change in stock	9412.8	55.8	-108.1	191.6				
Exports	-15.7	10.4	6.3	3.5				
Imports	-3.5	18.7	9.8	-2.0				
Memorandum								
GDP (at current prices) in billion GNF	128,775.0	138,865.0	154,426.0	165,264.0				
GDP (at constant prices) in billion GNF	67,474.0	72,215.0	75,767.0	79,616.0				
Inflation								
Average	9.5	10.6	12.6	10.1				
End of period	9.1	10.6	12.5	9.5				

Source: Ministry of Economy, Finance and Planning; *Provisional **Projections

369. On the demand side, growth in the economy remains strong, driven by investment and final consumption. Final consumption rose by 16.1 percent, following growth of 10.2 percent in 2020, largely explained by private consumption, which increased by 21.1 percent. Gross fixed capital formation improved by 18.2 percent, driven by the simultaneous increase in private sector gross fixed capital formation of 4.1 percent and public sector gross fixed capital formation of 135.5 percent. Exports slowed to 6.3 percent from 10.4 percent in 2020, in line with the slowdown in mining activities, while imports increased by 9.8 percent, compared with 18.7 percent a year earlier.

370. Inflationary pressures worsened during the period under review, linked to the closure of land borders with some neighbouring countries and continued deficits in the country's transport infrastructure. Annual average inflation stood at 12.6 percent in 2021, up from 10.6 percent a year earlier, reflecting the increase in food prices. Year-on-year inflation was 12.5 percent, up from 10.5 percent in the corresponding period of 2020.

7.2.2. Fiscal Sector

371. Government fiscal operations in 2021 was shaped by fiscal reforms, including prudent public expenditure management. These reforms included the development and implementation of performance contracts with the revenue authorities, the launch of the taxpayer census campaign, and the official launch of the online tax payment portal known as e-tax. These reforms have been supported by improved public expenditure management, including the freezing of the accounts of several public entities,

372. In this regard, budgetary operations were characterised by an improvement in the budget deficit, including grants, which fell from 3.0 percent of GDP in 2020 to 1.8 percent of GDP in 2021. Excluding grants, the deficit stood at 2.4 percent of GDP compared to 4.0 percent of GDP in 2020.

373. Total revenue and grants amounted to GNF 21,344.29 billion (13.8% of GDP), up by 13.4 percent compared to GNF 18,817.50 billion (13.6% of GDP) in 2020. Total revenue amounted to GNF 20,373.63 billion (13.2% of GDP) in 2021, driven by tax and non-tax revenues. Tax revenue rose by 13.7 percent to 11.8 percent of GDP in 2021 from 11.6 percent of GDP in 2020, mainly driven by taxes from mining and non-mining. Similarly, non-tax revenue increased by 85.8 percent to 0.9 percent of GDP from 0.5 percent of GDP in 2020.

374. Grants amounted to GNF970.66 billion (0.6% of GDP) compared to GNF1,496.8 billion (1.1% of GDP) in 2020, a drop of 35.2 percent, due exclusively to programme, which fell by 95.9 percent. Project grants, however, increased by 84.1 percent to GNF930.2 billion in 2021.

375. Total expenditure and net lending in 2021 amounted to GNF24,055.38 billion (15.6% of GDP), up 5.0 percent from 2020, accounted for exclusively by current expenditure, which rose by 6.9 percent to GNF 20,355.0 billion (13.2% of GDP). The increase in current expenditure was driven by all its components, apart from interest payments on debt.

376. Personnel costs increased by 1.8 percent to GNF6,314.98 billion (4.1% of GDP). Expenditure on goods and services increased by 4.6 percent over 2020 to GNF5,460.3 billion (3.5% of GDP). Expenditure on transfers and subsidies increased by 18.2 percent to GNF 7,801.1 billion (5.1% of GDP). On the other hand, interest payments on debt, declined by 23.2 percent to GNF778.6 billion (0.5% of GDP), due to the 38.2 percent decline in domestic debt interest payments.

Table 32: Trends in Key Fiscal Indicators in Guinea

	2019	2020	2021*	2019	2020	2021*
	Percentage Change			**Percent of GDP**		
Total Revenue and Grants	12.2	5.2	13.4	13.9	13.6	13.8
Domestic Revenue	20	0.1	17.6	13.4	12.5	13.2
Tax Revenues	16.6	1.4	13.7	12.3	11.6	11.8
Taxes on income. profits and capital gains	-4.8	9.4	16.9	2.2	2.2	2.3
Taxes on salaries and other remuneration	340.6	145	39.8	0.3	0.7	0.9
Domestic taxes and duties on goods and services	12.3	4.7	4.8	5.8	5.7	5.3
Import duties and taxes (not including VAT at the customs cordon)	111.2	-8.9	21.8	2	1.7	1.8
Export duties and taxes	8.4	9.7	37.7	1.4	1.4	1.8
Mining sector	-15.2	-14.8	63.8	1.8	1.5	2.1
Non-mining sector	28.5	0.6	13.6	11.6	10.8	11
Non-tax revenues	76.7	-49	85.8	1.1	0.5	0.9
Grants	-62	160.5	-35.2	0.4	1.1	0.6
Total Expenditure	10.6	20.9	5	14.7	16.5	15.6
Recurrent expenditure	19.3	37.7	6.9	10.7	13.7	13.2
Wages and salaries	7.5	40	1.8	3.4	4.5	4.1
Use of Goods & Services	23.4	22.8	4.6	3.3	3.8	3.5
Transfers and Subsidies	45.4	44.5	18.2	3.5	4.8	5.1
Interest Payment	-34.3	75.6	-23.2	0.4	0.7	0.5
Internal interest	-42.1	322.5	-38.2	0.1	0.6	0.3
Interior exterior	-42.1	21.1	29.2	0.1	0.2	0.2
Capital expenditure	-7.6	-30.9	3.9	3.9	2.5	2.3
Domestic Financed	31.4	-49.5	-2.1	2.1	1	0.9
External Financed	-32.3	-8	8	1.7	1.5	1.4
Overall Balance on commitments (incl Grants)	-10.4	281.6	-33.8	-0.8	-3	-1.8
Overall Balance on commitments (excl Grants)	-39.2	239.4	-34.2	-1.3	-4	-2.4
Public debt	**2019**	**2020**	**2021***	**2019**	**2020**	**2021***
	In billions of FCFA			**Percent of GDP**		
Public debt	38,873.8	63,866.1	63,574.0	37.3	46.0	41.2
Domestic	14,198.8	25,904.1	27,654.8	11.0	11.3	17.9
External	24,675.0	37,962.0	35,919.2	19.2	25.9	23.3

Source: Ministry of Budget *Provisional

377. Capital expenditure increased by 3.9 percent over the previous year to GNF 3,593.62 billion (2.3% of GDP), reflecting an 8.0 percent increase in expenditure financed from external sources, as shown in Table 32.

378. Outstanding debt stood at GNF63,574.00 billion (41.2% of GDP) at end-December 2021, compared to GNF 63,866.1 billion (46.0% of GDP) at end-2020, a 0.5 percent dipped, owing to lower external debt.

379. External debt fell by 5.4 percent from the previous year to GNF35,919.2 billion, corresponding to 23.3 percent of GDP. The decline in external debt is the outcome of the simultaneous fall in outstanding multilateral debt of 2.9 percent and outstanding bilateral debt of 9.8 percent. Outstanding domestic debt amounted to GNF27,654.8 billion (17.9% of GDP), compared with GNF 25,904.1 billion (11.3% of GDP) at the end of December 2020, an increase of 6.8 percent.

7.2.3. Monetary Sector

380. The monetary policy stance in 2021 remained accommodative in a context of lingering effects of the COVID-19. The Monetary Policy Committee decided at its November 2021 session to maintain the policy rate at 11.5 percent and the reserve requirement ratio at 16.0 percent. In addition, the BCRG continued its liquidity injection programme to enable banks to continue lending to the private sector. In coordination with the budgetary authorities, it set up an underwriters' guide for treasury bonds issued on the Treasury securities market.

381. The monetary situation at the end of 2021 saw an 8.4 percent increase in the money supply, driven by a consolidation of NFA and an increase in NDA.

382. The NFA increased by 20.0 percent to GNF 14,627.21 billion at end-December 2021, as a result of the improvement in the NFA of commercial banks and the BCRG. The NFA of the BCRG improved by 8.5 percent to US$1,055.02 million at end-December 2021, reflecting the receipt of mining revenues, the repatriation of export revenues from gold miners to the BCRG and the debt cancellation by the IMF (SDR31.06 million). NFA of commercial banks reached US$569.32 million at the end of 2021, compared with US$381.15 million at the end of 2020, mainly as a result of transfers received on behalf of resident customers.

383. The NDA increased by 2.9 percent to GNF25,954.3 billion from GNF25,233.9 billion at end-December 2020, reflecting the 6.7 percent increase in claims on the private sector. However, net claims on government declined by 0.8 percent to GNF20,322.67 billion.

384. In terms of its components, the growth of the money supply was driven by the increase in currency in circulation and by the consolidation of deposits. Narrow money supply (M1) grew by 6.9 percent, compared to 20.6 percent at end-2020, reflecting increase in currency in circulation and demand deposits. Currency in circulation increased by 4.6 percent at end-2021, compared to 30.9 percent in 2020. Demand deposits increased by 8.7 percent compared to 13.6 percent at end-2020. Time deposits improved by 17.6 percent, compared to 38.7 percent at end-December 2020. The increase in demand and time deposits is explained, in particular, by the increase in credits to the private sector and the effects of the strategies (collection of funds from customers, interest

rate policy, marketing) used by some banks. Foreign currency deposits increased by 10.0 percent at the end of December 2021, following an increase of 25.7 percent at the end of 2020, due to increase in deposits from customers operating in the mining, energy, telecommunications and construction sectors.

385. Despite the COVID-19 pandemic, the net assets of the banking sector grew by 5.8 percent, from GNF34,218 billion at end-2020 to GNF36,192 billion at end-2021. In terms of profitability, although down with 16.7 percent compared to 2020, the sector's cumulative net income amounted to GNF-770.4 billion. However, the quality of the credit portfolio deteriorated with an average NPL ratio of 11.6 percent compared to 9.9 percent at end-2020.

Table 33: Growth in Key Monetary Aggregates in Guinea

	2019	2020	2021*	2019	2020	2021*
ASSETS	**Percentage change**			**Contribution to M2 growth**		
Net external assets	37.3	27.3	20.0	10.5	8.6	6.5
Net domestic assets	17.3	21.1	2.9	12.4	14.4	1.9
Net claims on Government	9.2	37.5	-0.8	5.1	18.4	-0.4
Claims on the economy	22.5	8.0	6.7	8.9	3.2	2.3
Other net items (3)	6.9	35.6	2.8	-1.6	-7.1	-0.6
LIABILITIES						
Money supply (M2)	**22.9**	**23.0**	**8.4**			
Narrow Money (M1)	**22.2**	**20.6**	**6.9**			
Currency in circulation	21.7	30.9	4.6			
Demand deposits	22.9	13.6	8.7			
Quasi-money	24.2	29.2	12.2			
Savings & Time Deposits	14.2	38.7	17.6			
Foreign Currency Deposits	28.3	25.7	10.0			
Memorandum						
M2/GDP	23.6	26.9	26.3			
Credits to the economy as percent of GDP	9.4	9.4	9.0			

Source: BCRG *Provisional

7.2.4. External Sector

386. In 2021, Guinea's external sector posted an overall BOP surplus of US$55.17 million (0.3 percent of GDP), compared with a surplus of US$768.79 million (5.3% of GDP) in 2020, due to surpluses in the current and capital accounts.

387. The current account balance improved from a surplus of US$2,684.75 million (18.5% of GDP) in 2020 to a surplus of US$5,062.83 million (32.0% of GDP) in 2021, reflecting improvements in trade and secondary income balances.

388. The trade balance recorded a surplus of US$6,051.5 million (38.3% of GDP) in 2021, compared with a surplus of US$5,203.76 million (35.8% of GDP) in 2020, reflecting the greater increase in exports (especially mining products) compared with imports. This increase in exports was driven by an increase in the value of mining (gold and alumina), fishing and agricultural products. Imports amounted to US$4,187.39 million (26.5% of GDP) in 2021, compared with US$3,727.44 million (25.7% of GDP) in 2020, an increase of 12.3 percent due to petroleum products, foodstuffs and chemicals imported by residents during the year under review.

389. The services balance improved to a deficit of US$714.6 million (4.5% of GDP) in 2021, from a deficit of US$2,521.3 million (17.4% of GDP) in 2020. This deficit in the balance of services was partly the result of lower payments to non-residents for shipping, telecommunications and other business services.

390. The deficit in the primary income balance deteriorated to US$663.7 million (4.2% of GDP) from a deficit of US$144.78 million (1.0% of GDP) in 2020, mainly due to interest payments by the government and other sectors (especially mining companies).

391. The secondary income balance consolidated, posting a surplus of US$389.67 million (2.5% of GDP) compared to a surplus of US$147.02 million (1.0% of GDP) in 2020, largely attributable to the increase in transfers received by the financial corporations, non-financial corporations and household sectors during the review period.

392. The capital account improved by 8.0 percent to US$158.95 million (1.0% of GDP) in 2021, reflecting project grants to the government and NGOs and rescheduling of existing debts obtained from financial and bilateral partners during the review period.

Table 34: Trends in Key Balance of Payments Indicators in Guinea

	2019	2020	2021*	2019	2020	2021*
	In millions of USD			As a percentage of GDP		
Current account	-314.57	2,684.75	5,062.83	-2.2	18.5	32.0
Trade balance	475.36	5,203.76	6,051.49	3.4	35.8	38.3
Exports	3945.36	8931.20	10238.88	28.1	61.5	64.7
Imports	3470.00	3727.44	4187.39	24.7	25.7	26.5
Balance of services	-754.70	-2521.25	-714.62	-5.4	-17.4	-4.5
Primary income	-114.09	-144.78	-663.71	-0.8	-1.0	-4.2
Secondary income	78.86	147.02	389.67	0.6	1.0	2.5
Capital account	40.69	147.12	158.95	0.3	1.0	1.0
Financing capacity (+) or need (-)	-273.88	2831.87	5221.78	-2.0	19.5	33.0
Financial account	-997.56	2063.06	5167.50	-7.1	14.2	32.7
Direct investment	-43.37	-173.99	-200.74	-0.3	-1.2	-1.3
Portfolio investment	-5.54	12.03	19.62	0.0	0.1	0.1
Financial drivers	0.00	0.00	0.00	0.0	0.0	0.0
Other investments	-948.65	2225.02	5348.61	-6.8	15.3	33.8
Net errors and omissions	1.26	-0.03	0.88	0.0	0.0	0.0
Overall balance to be financed	724.94	768.78	55.17	5.2	5.3	0.3
Memorandum						
End of period exchange rate (US $)	9400.82	9990.00	9114.13			
Stock of external reserves (in months of imports)	3.9	2.9	4.9			

Source : BCRG *Provisionsal

393. The financial account was marked by a net acquisition of financial assets of US$5,167.50 million (32.7% of GDP) compared to a net increase in financial assets of US$2,063.1 million (14.2% of GDP) in 2020. This was mirrored by the increase in cash and deposits abroad of mining companies and artisanal gold miners (Other Investments).

394. Gross external reserves increased by 27. 0 percent to US$1,909.47 million at the end of December 2021, compared to US$1,503.32 million at the end-December 2020. The exchange rate of the GNF appreciated by 9.6 percent against the US dollar in 2021, compared with a depreciation of 5.9 percent in 2020, in line with the measures taken by the transitional authorities, notably the freezing of public entity accounts, and the wait-and-see attitude of investors. Against the WAUA, the GNF depreciated by 4.2 percent during the period under review, compared with a depreciation of 4.8 percent in 2020.

7.3. Status of Macroeconomic Convergence

395. In 2021, Guinea maintained its performance with respect to the macroeconomic convergence criteria. The country met five (5) of the six convergence criteria, same as in 2020. In terms of the primary convergence criteria, Guinea met three (3), namely the budget deficit, central bank

financing, and gross external reserves. It however missed the criterion on average annual inflation. The country satisfied both secondary criteria on nominal exchange rate variation and public debt ratio. The summary of Guinea's performance on the Macroeconomic Convergence Criteria is presented in Table 35.

Table 35: Status of Macroeconomic Convergence in Guinea

Criteria	**Target**	**2019**	**2020**	**2021***	**2022****
Primary criteria		**4**	**3**	**3**	**3**
Budget deficit (commitment basis. including grants)	≤3%	1.1	-3.0	1.8	2.6
Annual average inflation rate	<5%	9.5	10.7	9.3	10.1
Central Bank Financing of the budget deficit	≤10%	3.0	1.8	1.6	0.0
Gross external reserves in months of imports	≥ 3	3.9	2.9	4.9	5.0
Secondary criteria		**2**	**2**	**2**	**2**
Nominal exchange rate variation	±10%	-2.6	-4.8	-4.2	4.6
Debt to GDP ratio	≤70%	37.3	34.3	41.2	28.2
Total number of convergence criteria met		**6**	**5**	**5**	**5**

Sources: BCRG, Ministry of Finance, WAMA *Provisional **Projections

7.4. Prospects

396. Guinea's macroeconomic outlook is positive and will be supported by favourable international environment with expected recovery in economic activity. However, tensions on the world market, exacerbated by challenges in the supply of goods, could have an impact on domestic prices through imports. Nevertheless, these tensions could be partially eased by several measures taken at the national level including, the lifting of inter-city security roadblocks to facilitate the movement of people and goods, and the stability of the exchange rate as well as the creation of the *Economic and Financial Crimes Court* (CRIEF).

397. Real GDP growth rate is expected to rebound to 5.1 percent in 2022 reaching 6.1 percent in 2023. This performance would be driven by improved activity in all sectors in the environment of moderate inflation.

398. In terms of public finances, total revenue is expected to rise to GNF 26,841.0 billion and public expenditure to GNF29,416.0 billion in 2022. This would result in a budget deficit of GNF4,543.9 billion, accounting for 2.6 percent of GDP compared to 1.8 percent of GDP in 2021.

399. In terms of monetary policy, the BCRG continued to pursue its objective of guaranteeing price stability by supporting the government in promoting solid and inclusive economic growth. Within this framework, the BCRG is expected to continue the use of monetary policy instruments to bring inflation down to single digit during 2022.

400. In terms of macroeconomic convergence, Guinea is expected to maintain the same performance in 2022, meeting three primary criteria (budget deficit, central bank financing, and foreign exchange reserves) and two secondary criteria (public debt ratio and nominal exchange rate variation). The country would miss the inflation criterion.

7.5. Conclusions and Recommendations

401. As in the previous year, the Guinean economy remained resilient, posting a 4.9 percent growth rate in 2021, driven by all economic sectors. This performance was also boosted by continued efforts to combat COVID-19, notably through the launch of the accelerated vaccination campaign

and the implementation of the interim recovery plan, which was to serve as the socio-economic development programme of the transition. However, inflationary pressures remained relatively high, compounded by the ongoing effects of COVID-19, as well as supply side challenges related, in particular, to the lack of infrastructure for transport, storage and conservation of agricultural products and the effects of urbanisation in some agricultural production areas.

402. With regard to public finances, the main fiscal indicators remained at a relatively good level, thanks to rigorous management of public spending and improved public revenues. Thus, the budget deficit, including grants, improved to 1.8 percent of GDP in 2021 compared to 3.0 percent of GDP in 2020. The deficit excluding grants dropped to 2.4 percent of GDP from 4.0 percent of GDP a year earlier. The outstanding debt declined slightly compared to 2020, standing at 41.2 percent of GDP at the end of 2021 compared to 46.0 percent of GDP at the end of 2020, owing to a lower external debt.

403. In the external sector, the country has achieved an overall balance of payments surplus of 3 percent of GDP in 2021, compared with a surplus of 5.3 percent of GDP in 2020, thanks to surpluses on the current and capital accounts.

404. In the monetary area, the BCRG maintained an accommodating monetary policy amidst the prolonged COVID-19 pandemic and inflationary pressure. It maintained the policy rate at 11.5 percent and the reserve requirement ratio at 16 percent in order to contain inflationary pressures. This monetary policy stance contributed to an increase in the money supply of 8.4 percent at the end of 2021, resulting from the increase in NFA and NDA.

405. In terms of macroeconomic convergence, the country maintained its performance compared to that of 2020, meeting five convergence criteria, three of which are primary. It, however, missed the criterion on average annual inflation.

406. Despite this economic performance, the national economy is still facing many challenges, including the achievement of sustainable and inclusive economic growth, the weak structural transformation of the economy, the lack of socio-economic infrastructure, strong inflationary pressures and the low level of financing of the productive sector of the economy by the banks.

407. In light of this situation, the following recommendations have been made:

i. pursue the implementation of public policies for the structural transformation of the Guinean economy, allowing for a better diversification of sources of growth and reducing the country's dependence on mining activities;
ii. continue to pursue infrastructure development, particularly transport, to facilitate the transport and reduce the cost of local agricultural products;
iii. strengthen the mobilisation of tax revenues by sustaining efforts to modernise and automate the tax collection systems;
iv. continue to broaden the tax base through the census and geo-location of taxpayers, the reliability of the taxpayer directory through the issuance of a Tax Identification Number (TIN);

v. rationalise operating expenses, particularly transfers and subsidies. in this regard, the exhaustive evaluation of public agencies and public administrative establishments should be continued; and
vi. strengthen monetary policy to improve price and exchange rate stability.

8. GUINEA BISSAU

8.1. Introduction

408. The economic policy thrust of Guinea Bissau was anchored on the ‘Terra Ranka’ programme (2015-2025), which aims at, strengthening socio-political stability, inclusive development, promotion of good governance and preservation of biodiversity, among others. It is built on the main engines of economic growth, namely agriculture and agro-industry, fishing, tourism and mining.

409. Fiscal policy focused on the continuation of ongoing fiscal reforms, which have been adversely affected by the COVID-19 pandemic. These reforms include:

- Sustaining efforts at improving the performance of the revenue authorities; and
- Controlling current expenditure by improving the internal control system in public institutions.

410. Despite the challenges posed by the COVID-19 pandemic, Guinea-Bissau recorded a real GDP growth rate of 6.4 percent in 2021 compared to 1.5 percent in 2020. Average inflation rose by 3.3 percent in 2021 compared to 1.5 percent a year earlier.

411. Government fiscal operations resulted in an overall budget deficit (including grants) on commitment basis of 7.4 percent of GDP compared to 9.3 percent of GDP in 2020, supported by improved revenue mobilisation and rationalisation of expenditure.

412. Against the background of the zone’s accommodative monetary policy stance, broad money supply (M2) grew by 7.3 percent in 2021 compared to 9.1 percent in 2020, largely occasioned by domestic claims, which was driven by claims on the central government.

413. On the external front, the current account deficit narrowed to 2.2 percent of GDP in 2021 from 2.4 percent of GDP in 2020, reflecting the decline in the trade deficit and surpluses in the primary and secondary income accounts.

414. In terms of macroeconomic convergence, the country met three (3) primary criteria and one (1) secondary criterion, missing the budget deficit (primary criterion) and the public debt-to-GDP ratio (secondary criterion). The detailed sectoral and macroeconomic convergence analyses is presented below.

8.2. Sectoral Analysis

8.2.1. Real Sector

415. Real GDP grew by 6.4 percent in 2021 against 1.5 percent in 2020, driven by growth in all sectors of the economy.

416. The primary sector grew by 5.4 percent compared to 3.2 percent in 2020, due to the increase in value added in all the sub-sectors. The agriculture sub-sector recorded an increase of 5.9 percent compare to 5.0 percent in 2020, driven by the increase in cashew nut production and foodstuffs. The livestock and fisheries sub-sectors grew by 2.5 percent and 3.0 percent increase, respectively, in 2021.

417. Growth in the secondary sector stood at 5.7 percent in 2021 compared to 1.1 percent in 2020, driven mainly by expansions in the food processing industries sub-sector (7.2% from -10.4% in 2020); ‘other industries’ sub-sector (9.3% from 8.8% in 202); and ‘water, electricity and sanitation’ sub-sector (12.7% from 10.7% in 2020). The performance of the water, electricity and sanitation’ sub-sector was occasioned by the progress made by the EAGB in the production and distribution of water and electricity.

418. The tertiary sector grew by 7.3 percent in 2021, compared with 0.4 percent a year earlier, driven mainly by trade, financial services and transport and communications sub-sectors. The ‘trade’ sub-sector rose by 12.5 percent in 2021 following the 4.3 percent contraction in 2020. The ‘transport communications’ sub-sector recorded an increase of 5.5 percent, while ‘financial services and insurance’ expanded by 24.5 percent. However, ‘Public Administration’ contracted by 7.1 percent in 2021.

419. In terms of the contribution to growth, the primary, secondary and tertiary sectors accounted for 1.9, 0.8 and 3.7 percentage points of GDP growth, respectively, in 2021, as shown in Table 36.

Table 36: Trends in GDP and its Components in Guinea Bissau

	2019	2020	2021*	2022**	2019	2020	2021*	2022**
	Percentage change				Contribution to growth			
Real GDP Growth Rates	4.5	1.5	6.4	4.6	4.5	1.5	6.4	4.6
SUPPLY								
Primary sector	5.3	3.2	5.4	5	1.9	1.1	1.9	1.8
Secondary sector	-0.1	1.1	5.7	2.8	0	0.1	0.8	0.4
Tertiary sector	5.2	0.4	7.3	5.1	2.6	0.2	3.7	2.5
DEMAND								
Final Consumption	-6.4	-5.8	7.3	1.6				
Public	46.7	10.1	7.5	-0.4				
Private	-13.5	-9.5	7.3	2.2				
Investment (Gross Capital Formation)	240.3	14.2	9.1	17				
Gross fixed capital formation (GFCF)	47.7	1.2	4.7	13.1				
Government GFCF		70.6	-7.5	13.5				
Private GFCF		-17.8	11.7	13				
Exports of goods and services	-24.5	-12.6	12.2	-5.3				
Imports of goods and services	10.9	-15.5	15.4	4				
MEMORANDUM								
GDP (current prices) in billions of CFAF								
GDP (constant prices) in billions of CFAF								
Inflation								
Average		1.5	3.3	4.5				
End of period		1.4	5.6					

Sources: Ministro de Economia e Finanças, BCEAO ; *Provisional **Projections

420. On the demand side, final consumption grew by 7.3 percent compared to the contraction of 5.6 percent in 2020, driven by increases in private and public consumption of 7.3 percent and 7.5 percent, respectively. Investment rose by 9.1 percent in 2021 compared to 14.2 percent the previous year, driven by the 11.7 percent increase in private investment despite the 7.5 percent contraction in public investment.

421. With regards to price developments, average annual inflation was 3.3 percent in 2021, compared with 1.5 percent the previous year. End-period inflation rose by 5.8 percent in December 2021 in line with the 8.5 percent increase in food prices and 14.3 percent in housing, water and electricity and other fuels, respectively.

8.2.2. Fiscal Sector

422. The fiscal performance generally improved during the review period evidenced by the decline in the fiscal deficit reflecting improved revenue performance and sharp contraction on expenditures.

423. Total revenue and grants increased by 7.0 percent to CFAF143.9 billion (14.4% of GDP) in 2021 from CFAF134.5 billion (14.7% of GDP) in 2020, reflecting improved performance of tax revenue and grants. Tax revenue rose by 36.4 percent to CFAF92.4 billion (9.3% of GDP) from CFAF67.8 billion (7.4% of GDP) in 2020, attributed mainly to improvements in tax administration, involving raising of the threshold for existing taxes and levies as well as the introduction of new taxes and levies in 2021, pickup of economic activities following the easing of COVID-19 restrictions, as well as the increase in cashew exports. Grants amounted to CFAF35.7 billion (3.6% of GDP) in 2021 compared with CFAF34.7 billion (3.8% of GDP) in 2020, reflecting 41.6 percent increase in project grants and a significant decline in programme grants (-71%).

424. Non-tax revenue, however, fell by 50.7 percent to CFAF15.8 billion (1.6% of GDP) in 2021, compared with CFAF32 billion (3.5% of GDP) in 2020. This decline was due mainly to the non-payment of financial compensation under the fisheries agreement with the European Union. Programme grants fell by 74.0 percent although project grants rose by 41.6 percent.

425. Total expenditure and net lending fell slightly by 1.0 percent to CFAF217.6 billion (21.8% of GDP), from CFAF219.8 billion (24.0% of GDP) a year earlier, mainly due to a 9.0 percent fall in capital expenditure.

426. Current expenditure rose by 2.0 percent and amounted to CFAF151.8 billion (15.2% of GDP) compared with CFAF148.7 billion (16.2% of GDP) in 2020. This was due primarily to increased spending on wages and salaries, transfers and subsidies, goods and services and interest payment. Wages and salaries amounted to CFAF54.6 billion (5.5% of GDP), compared to CFAF52.9 billion (5.8% of GDP), reflecting the regularisation of salaries for workers in the health and education sectors. However, capital expenditure fell by 9.0 percent to CFAF64.6 billion (6.5% of GDP) compared with 7.8 percent of GDP in 2020.

427. The government fiscal operations in 2021 resulted in an overall fiscal deficit (including grants) on commitment basis of CFAF75.1 billion (7.4% of GDP) compared to CFAF85.3 billion (9.3% of GDP) in the previous year. Excluding grants, overall deficit on commitment basis was CFAF109.5 billion (11.0% of GDP) compared with CFAF120.0 billion (13.1% of GDP) in 2020, as shown in Table 37.

428. Guinea Bissau's public debt stood at 74.1 percent of GDP in 2021, compared with 69.9 percent of GDP in 2020, comprising external debt stock of 39.0 percent of GDP and domestic debt of 35.1 percent of GDP.

Table 37: Trends in Key Fiscal Indicators in Guinea Bissau

	2019	2020	2021*	2022**	2019	2020	2021*	2022**
	Percentage change				Percent of GDP			
Total Revenue and Grants	9.2	3.3	7.0	17.4	15.9	14.7	14.4	15.9
Domestic Revenue	7.4	-5.5	8.4	18.7	11.9	10.9	10.9	12.1
Tax revenues	2.0	-14.4	36.4	8.3	8.9	7.4	9.3	9.4
Non-Tax Revenues	27.9	21.0	-50.7	79.5	3.0	3.5	1.6	2.7
Grants	15.1	41.4	2.9	13.7	3.9	3.8	3.6	3.8
Project grant	-25.4	4.6	41.6	6.3	2.6	2.6	3.4	3.4
Programme grant	100.0	488.0	-74.0	71.8	1.4	1.2	0.3	0.5
Total Expenditure and Net Lending	3.6	35.8	-1.0	2.4	19.5	24.0	21.8	21.0
Total Expenditure	3.6	35.8	-1.0	2.4	19.5	24.0	21.8	21.0
Recurrent expenditure	27.0	20.3	2.0	-2.3	15.1	16.2	15.2	13.9
Wages and Salaries	22.8	16.4	3.2	15.3	5.1	5.8	5.5	5.9
Goods and Services	34.2	15.6	62.2	-23.6	5.7	2.2	3.2	2.3
Transfers and Subsidies	14.8	-8.9	19.1	-14.9	3.4	3.0	3.3	2.6
Interest Payment	69.0	51.2	11.4	1.2	0.9	1.4	1.4	1.3
o/w External debt	69.0	64.3	-8.9	-61.6	0.4	0.6	0.5	0.2
Capital expenditure	-37.1	86.1	-9.0	15.5	4.3	7.8	6.5	7.0
Overall Balance on commitments (incl Grants)	-15.7	16.1	-13.5	-26.9	-3.6	-9.3	-7.4	-5.1
Overall Balance on commitments (excl Grants)	-1.9	113.5	-8.8	-13.7	-7.5	-13.1	-11.0	-8.9
Public debt	**2019**	**2020**	**2021***	**2022****	**2019**	**2020**	**2021***	**2022****
	In billions of FCFA				Percent of GDP			
Total	551.6	660.1	723.0		62.3	69.9	74.1	
Domestic	224.4	297.1	314.2		25.4	32.4	35.1	
External	327.2	363.0	408.8		37.0	39.6	39.0	

Source: Ministro de Economia e Finanças ; *Provisional **Projections

8.2.3. Monetary Sector

429. Within the context of a broadly accommodative monetary policy stance of the BCEAO, Guinea Bissau's broad money supply (M2) grew by 7.3 percent compared to 9.1 percent in 2020, resulting from the increase in both NFA and NDA.

430. Growth in NFA slowed significantly to 2.3 percent in 2021 from 24.2 percent in 2020, reflecting a slowdown in the NFA of commercial banks. The NFA of commercial banks slowed significantly to 5.5 percent from a growth of 205.4 percent in 2020, reflecting developments in the foreign currency deposits and subscriptions to securities other than shares, particularly on the WAEMU public securities market. The NFA of the BCEAO also grew by 0.2 percent to stand at CFAF163.3 billion in 2021 against CFAF162.9 billion at end-December 2020.

431. Domestic claims increased by 17.2 percent at end-December 2021, following a 1.7 percent decline in 2020, mainly due to the increase in net claims on the central government. Net claims on the central government accelerated by 55.3 percent, compared to a 19.7 percent decline in 2020. Claims on the economy increased by 5.3 percent compared to 5.9 percent in 2020, as shown in Table 38.

432. On the liabilities side, the growth rate of currency in circulation slowed to 1.8 percent from 4.8 percent at end-December 2020. Demand deposits increased by 18.5 percent at end-December 2021 compared to a growth of 19.6 percent in the corresponding period of 2020. Quasi money increased by 13.0 percent at end-December 2021 compared to 13.3 percent during the same period a year earlier.

Table 38: Growth in Key Monetary Aggregates in Guinea Bissau

	2019	2020	2021*	2019	2020	2021*
	Percentage change			**Contribution to M2 Growth**		
Net Foreign Assets	-6.6	24.2	2.3	-4.2	14.4	1.6
Central Bank	7.5	-10.7	0.2	3.5	-5.3	0.1
Commercial banks	-44.5	205.4	5.5	-7.7	19.7	1.5
Domestic claims	13.8	-1.7	17.2	6.6	-0.9	8.4
Net claims on Government	13.8	-19.7	55.3	2.0	-3.2	6.5
Claims on the economy	13.8	5.9	5.0	4.6	2.3	1.8
Other net items	6.1	32.8	16.0	-2.1	-4.4	-2.6
Money supply	0.3	9.1	7.3			
Fiduciary circulation	0.1	4.8	1.8			
Transferable deposits	11.8	19.6	18.5			
Term deposits	22.9	13.2	13.0			
Memorandum						
M2/GDP	41.3	45.1	48.4			
Credit to the economy/ GDP	15.7	16.6	17.4			
NFA/M2	59.5	67.7	64.5			
M2/R	1.4	1.5	1.4			

Source: BCEAO *Provisional

8.2.4. External Sector

433. The external account position showed a surplus in the overall balance of payments of CFAF6.28 billion (0.6% of GDP), compared with CFAF52.59 billion (5.7% of GDP) in 2020, thanks to the capital account surplus.

434. The current account deficit improved to 2.2 percent of GDP in 2021 from 2.4 percent of GDP in 2020. This was due to a decline in the trade deficit and surpluses in the primary and secondary income accounts.

435. The trade balance showed a deficit of CFAF43.38 billion (4.4 percent of GDP) against a deficit of CFAF53.78 billion (5.9 percent of GDP) in 2020. Exports (FOB) were estimated at CFAF158.02 billion (15.8% of GDP) compared with CFAF123.06 billion (13.4% of GDP) in 2020, driven by a 39.9 percent increase in cashew nut exports. Similarly, imports (FOB) stood at CFAF201.39 billion (20.2% of GDP) compared with CFAF176.84 billion (19.3% of GDP) in 2020, driven by imports of petroleum products and intermediate and capital goods.

436. The services account deficit worsened to CFAF87.00 billion (8.7% of GDP), from CFAF65.30 billion (7.1% of GDP) in 2020, reflecting an increase in payments for other freight and insurance services.

437. The primary income account recorded a surplus of CFAF15.60 billion (1.6% of GDP) in 2020, compared to a surplus of CFAF14.54 billion (1.6% of GDP) in 2020.

438. The surplus on the secondary income account improved to CFAF92.99 billion (9.3% of GDP), following a surplus of CFAF82.16 billion (9.0% of GDP) in 2020, reflecting the sharp increase in remittances from emigrants amidst a drop in official transfers.

439. The capital account surplus increased by 71.9 percent to CFAF15.51 billion (1.6% of GDP) from CFAF9.02 billion (1.0% of GDP) in 2020, driven by transfers to the central government.

440. The financial account showed an increase in net borrowings of CFAF0.46 billion (2.1% of GDP) from a net inflow of CFAF71.46 billion (7.8% of GDP) in 2020, as shown in Table 39.

Table 39: Trends in Key Balance of Payments Indicators in Guinea Bissau

	2019	2020	2021*	2022**	2019	2020	2021*	2022**
	In Billion CFAF				Percent of GDP			
Current account balance	-74.7	-22.4	-21.8	-54.7	-8.4	-2.4	-2.2	-5.1
Trade balance	-50.7	-53.8	-43.4	-52.2	-5.7	-5.9	-4.4	-4.9
Exports	145.7	123.1	158.0	155.3	16.5	13.4	15.8	14.6
Imports	196.4	176.8	201.4	207.5	22.2	19.3	20.2	19.5
Services	-72.6	-65.3	-87.0	-81.5	-8.2	-7.1	-8.7	-7.7
Primary income	15.5	14.5	15.6	15.8	1.8	1.6	1.6	1.5
Secondary income	33.1	82.2	93.0	63.2	3.7	9.0	9.3	5.9
Capital account	16.3	9.0	15.5	29.4	1.8	1.0	1.6	2.8
Financial account	-46.6	-71.5	-20.5	-45.4	-5.3	-7.8	-2.1	-4.3
Direct investment	-41.8	-11.9	-13.1	-13.6	-4.7	-1.3	-1.3	-1.3
Portfolio investment	-17.6	-52.2	-37.1	-42.5	-2.0	-5.7	-3.7	-4.0
Financial derivatives	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other investments	12.8	-7.3	6.4	43.8	1.4	-0.8	0.6	4.1
Overall balance	12.8	-7.3	6.4	43.8	1.4	5.7	0.6	1.9

Source: BCEAO *Provisional **Projections

8.3. Status of Macroeconomic Convergence

441. With regards to macroeconomic convergence, Guinea Bissau met four (4) of the six convergence criteria, three (3) primary (average inflation rate, central bank financing of the budget deficit, and gross external reserves) and one (1) secondary (nominal exchange rate variability). It, however, missed the budget deficit and public debt criteria. In terms of the outlook, the country is expected to meet all the convergence criteria, with the exception of the budget deficit and the public debt ratio.

Table 40: Status of Macroeconomic Convergence in Guinea Bissau

	Target	*2018*	*2019*	*2020*	*2021*
Primary criteria:		*3*	*4*	*3*	*3*
i) Budget deficit/GDP (including grants)	≤ 3%	4.3	3.6	9.3	7.4
ii) Average annual Inflation	≤ 5%	1.4	0.1	1.5	3.3
iii) Central bank financing of budget deficit	≤ 10%	0.0	0.0	0.0	0.0
iv) Gross external reserves	≥ 3 mths import	4.6	5.7	5.9	6.5
Secondary criteria		*1*	*1*	*2*	*1*
vi) Nominal exchange rate variation	± 10%	2.6	-2.8	-1.0	-1.5
vii) Public debt to GDP	≤ 70%			69.9	74.1
Number of criteria met		**4**	**5**	**5**	**4**

Sources: BCEAO, WAMA

8.4. Prospects

442. Guinea Bissau’s economy is expected to consolidate its recovery with a projected growth of 4.6 percent in 2022. The outlook is contingent on the outcome of the pandemic, the country's socio-political stability and the effects of the Russia-Ukraine war. Economic activities will continue to take place in an environment of price stability with inflation within 3.0 percent.

443. The overall deficit, on commitment basis including grants, is expected to decelerate to 5.1 percent of GDP in 2022 from 7.4 percent in 2021. Public debt will remain a challenge, given that the debt ratio will be above the 70.0 percent limit set in the MCSP among ECOWAS Member States.

444. On the external front, the overall balance of payments surplus is expected to increase to CFAF20.2 billion (1.9% of GDP) in 2022 from CFAF6.3 billion (0.6% of GDP) in 2021 and CFAF52.6 billion (5.7% of GDP) in 2020.

445. Under macroeconomic convergence, the country is expected to meet all the convergence criteria, with the exception of the budget deficit and the public debt.

8.5. Conclusions and Recommendations

446. Notwithstanding the pandemic and frequent industrial unrests, Guinea Bissau managed to consolidate its economic growth, driven mainly by cashew nut exports This economic growth stood at 6.4 percent in 2021 against 1.5 percent in 2020.

447. The country's fiscal operations resulted in an overall budget deficit on commitment basis, including grants of 7.4 percent of GDP in 2021 compared to 9.3 percent of GDP a year earlier, reflecting improvements in revenue mobilisation, supported by a slight decrease in expenditures.

448. Broad money supply (M2) grew by 7.3 percent compared to 9.1 percent in 2020, resulting from the increase in both NFA and NDA. NFA grew by 2.3 percent in 2021, reflecting 5.5 percent and 0.2 percent increases in the NFA of commercial banks and the BCEAO, respectively.

449. The external sector witnessed a sharp drop in the overall balance of payments surplus, following the outflow of capital to the tune of CFAF40.5 billion (4.1% of GDP), partly in the form of non-repatriation of export earnings.

450. In terms of macroeconomic convergence, the country met all the convergence criteria with the exception of the budget deficit and the public debt, which remained above the ECOWAS threshold of 3.0 percent of GDP and 70.0 percent of GDP, respectively.

451. Consistent with the analyses, the following recommendations are being proposed for the consideration of the Guinea Bissau authorities:

   i. consolidate socio-political stability and create the conditions for the success of economic reforms, with a view to ensuring a sustainable re-engagement of the international financial community to support economic recovery process;

   ii. promote diversification of the productive base in order to reduce the country's dependence on cashew exports;

   iii. pursue the consolidation of public finance to bring the budget deficit and the public debt ratio in line with the regional thresholds; and

   iv. continue the campaign to promote a cashless society by encouraging people to use the banking system, with a view to reducing the preference rate of agents for banknotes, which is well above the WAEMU average.

9. LIBERIA

9.1. Introduction

452. The macroeconomic policy thrust of the Government of Liberia in 2021, remained focused on interventions in priority sectors, including education and health care, agriculture, energy and infrastructural projects that are consistent with the existing national development agenda - the Pro-poor Agenda for Prosperity and Development (PAPD), 2018-2023. The Government developed a new short-term national strategic plan (2021-2023), the Liberia Economic Recovery Plan (LERP), which seeks to address weaknesses in the economy resulting from the COVID-19 pandemic and deal with other shocks while supporting the PAPD. The LERP also proposes policy options aimed at stimulating the economy to complement the country's development agenda through strengthening resilience by reducing vulnerability, and consolidating public finances.

453. Consequently, the following key macroeconomic targets for 2021 were expected to be achieved through the implementation of LERP:
   - Real GDP growth of 3.6 percent;
   - Consumer price inflation rate of 13.0 percent; and
   - Overall fiscal balance expected at a surplus of 2.2 percent of GDP.

454. The Liberian economy returned to a path of recovery in the year under review after contractions in the two previous years. The strengthening of activity was underpinned by the easing of COVID-19 restrictions that allowed increased performance across sectors coupled with various government and partners' interventions to support businesses and revamp economic activity. Growth rebounded to 4.2 percent in the environment of reduced inflationary pressures induced by the Central Bank of Liberia's (CBL) monetary policy stance and stronger domestic currency.

455. The encouraging outcome of Government's fiscal operations continued in the reporting period in spite of the slight worsening of the overall balance. Total government revenue and grants grew by 12.6 percent, however, in terms of percent of GDP, it moderated due to base drift effect. On the other hand, total expenditure and net lending surged by 31.8 percent, mainly on account of increases in the use of goods & services, transfers, and interest payments on public debt.

456. In the monetary sector, the CBL maintained a contractionary policy stance which helped to lower inflation in the review period. Hence, broad money supply declined owing to a reduction in domestic claims. However, NFA was boosted on the back of increased allocation of IMF's SDRs.

457. Developments in the external sector in 2021 were mixed. The net deficit balance of the current and capital accounts widened, driven by increase in the current account deficit and decline in capital inflows. On the other hand, the net borrowing of the financial account (liabilities) rose on account of increased direct and other investment inflows, and the incurrence of SDR liabilities. Consequently, the overall BOP deficit grew to 11.5 percent of GDP, from 2.7 percent of GDP in 2020.

458. On the convergence front, Liberia satisfied three primary convergence criteria (budget deficit, central bank financing of the budget deficit and gross external reserves) and missed the inflation

target. The country also met one secondary criterion (public debt) but missed the target on nominal exchange rate variation. The detailed analysis of the sectors is presented below.

9.2. Sectoral Analysis

9.2.1. Real Sector

459. The economy returned to the path of recovery in 2021. Real GDP growth was estimated at 4.2 percent, compared with contractions of 3.0 percent in 2020. The growth rebound which was higher than its target for the year (3.6%) was driven by expansions of the primary and secondary sectors, particularly the mining sub-sector, following the easing of restrictions of the COVID-19 pandemic. The increased activities in agriculture and industry were the result of increased investments in these sectors and favourable global commodity prices. The Services sector also recorded some improvement in 2021, however, its growth remained negative.

460. Growth in the primary (agriculture & forestry) sector was recorded at 3.1 percent, compared with 5.9 percent in 2020. The performance of the primary sector in 2021 was on account of the 'agriculture & fishery', which expanded by 4.0 percent in 2021 compared with the growth of 6.4 percent recorded in 2020, supported largely by the International Development Association (IDA) projects in Liberia.[6] Forestry production remained flat against an expansion of 4.6 percent in the preceding year.

461. Activity in the secondary (industrial) sector surged by 11.6 percent compared with a contraction of 1.1 percent in 2020, mainly on account of growth across all subsectors, notably, mining. Output in the mining subsector expanded by 17.6 percent in 2021, compared with the growth of 2.0 percent recorded in 2020. Extensive investment in gold production supported the increase in mining output in the review period. Manufacturing also increased in the review period to 4.7 percent from a flat growth in 2020, underpinned by resumption of trade. Growth in construction and electricity & water supply stood at 2.5 percent and 2.8 percent, respectively, in 2021, from contractions of 10.0 percent and 9.0 percent, respectively, in 2020 occasioned by government and partners' supports to activities related to electricity and road constructions as well as the relaxation of COVID-19 restrictions.

462. The contraction of the tertiary (services) sector narrowed significantly to 0.2 percent in 2021, from a higher contraction of 13.1 percent in 2020, reflecting improvements in most services subsectors, notably, trade & hotel (2.0% from -21.0%), transportation & communication (4.0% from -12.0%), and government services (11.5% from -9.0%).

463. In terms of sectoral contributions to real GDP growth, the primary sector accounted for 1.2 percentage points in the review period compared with 2.2 percentage points in 2020. The secondary sector contributed 3.1 percentage points against -0.3 percentage point in the previous year, and the contribution of the tertiary sector stood at -0.1 percentage point in 2021 compared with -4.9 percentage points in the preceding year. The sectors' shares of GDP in 2021 compared

[6] First, a US$25.0 million for the Small-holders Agriculture Transformation and Agri-business Revitalisation Project (STAR-P) of Liberia approved January 2019. Second, a US$40 million ($20 million grant and $20 million credit), expected to improve conditions for fishermen and women, increase value addition for export, and help address economic vulnerability of the Liberian economy to climate change and vulnerability of food security, approved September 2021.

to 2020 indicates that only the secondary sector increased its share, despite the primary sector remaining the dominant sector: the primary sector (39.9% from 40.3%), secondary sector (28.3% from 26.4%) and tertiary sector (31.8% from 33.3%).

Table 41: Trends in GDP and its Components in Liberia

	2019	2020	2021*	2022**	2019	2020	2021*	2022**
	Percentage Change				*Contribution to Growth*			
Real GDP	**-2.5**	**-3.0**	**4.2**	**4.5**	**-2.5**	**-3.0**	**4.2**	**4.5**
Primary Sector	**-0.2**	**5.9**	**3.1**	**3.8**	**-0.1**	**2.2**	**1.2**	**1.5**
Agriculture & Fisheries	2.2	6.4	4.0	3.7	0.6	1.8	1.2	1.1
Forestry	-7.5	4.6	0.0	4.0	-0.7	0.4	0.0	0.4
Secondary Sector*	**2.0**	**-1.1**	**11.6**	**6.1**	**0.5**	**-0.3**	**3.1**	**1.7**
Mining	13.2	2.0	17.6	7.8	1.6	0.3	2.6	1.3
Manufacturing	-10.5	0.0	4.7	4.0	-0.7	0.0	0.3	0.2
Electricity, Gas &Water Supply	-5.0	-9.0	2.8	4.0	0.0	-0.1	0.0	0.0
Constructions	-8.0	-10.0	2.5	3.0	-0.4	-0.5	0.1	0.1
Tertiary Sector	**-7.5**	**-13.1**	**-0.2**	**4.1**	**-2.9**	**-4.9**	**-0.1**	**1.3**
Services	-7.5	-13.1	-0.2	4.1	-2.9	-4.9	-0.1	1.3
Memorandum								
GDP (Current Prices, US$ Millions)	3,080.3	3,037.3	3,482.5	3,792.3				
GDP (Constant Prices, US$ Millions)	3,182.1	3,087.7	3,217.9	3,364.1				
GDP Deflator	96.8	98.4	108.2	112.7				
Inflation								
Average	26.9	17.4	7.9	10.0				
End-Period	20.3	13.1	5.5	12.3				

Source: Liberian Authority, GDP has been rebased (2018 = 100); *Provisional **Projections

Notes: In real sector analysis in Liberia, mining is classified under primary sector, electricity & water supply and construction are classified under the Services sector. However, these three subsectors are classified under the secondary sector in the rest of ECOWAS Member States' economies. Therefore, for the purpose of real sector comparison among Member States, the three subsectors are placed under the secondary sector in this report.

464. Inflationary pressures moderated in 2021. The average headline inflation reduced to 7.9 percent from 17.4 percent in the preceding year, reflecting declines in all major groups in the inflation basket.[7] Similarly, end-period inflation dropped to 5.5 percent at end-December 2021, from 13.1 percent a year ago, as shown in Table 41. The reduced inflationary pressure was explained by the contractionary monetary policy stance coupled with the strengthening of the Liberian dollar.

9.2.2. Fiscal Sector

465. Government fiscal operations in 2021 recorded a deterioration in the overall fiscal performance. Total revenue and grants mobilised in 2021 rose by 12.6 percent to US$702.8 million (20.2% of GDP) from US$623.9 million (20.5% of GDP) in 2020. The outturn largely reflects growth in tax revenue.

466. Tax revenue was recorded at US$483.3 million (13.9% of GDP) during the review period, from US$395.0 million (13.0% of GDP), mainly due to improved collections from international trade as well as income and profits. Non-tax revenue rose by 14.9 percent to US$215.3 million (6.2% of GDP) compared with US$187.4 million (6.2% of GDP) in 2020, attributed to increase in administrative fee and fines. Grants dropped to US$4.2 million (0.1% of GDP) in 2021, from US$41.5 million (1.4% of GDP) in 2020 due to decline in Development Partners' supports.

467. On the expenditure side, total expenditure and net lending grew by 31.8 percent to US$735.4 million (21.1% of GDP) in 2021, from US$557.8 million (18.4% of GDP) in 2020, reflecting

[7] Major Groups in the inflation basket include but not limited to (1) food & non-alcoholic beverages, (2) alcoholic beverages, tobacco & narcotics (3) clothing & footwears, (4) Health, Transports, …

increases in recurrent expenditures mainly on goods and services and interest payments. However, recurrent expenditure on wages and salaries moderated during the last two years, reflecting adherence to the Extended Credit Facility (ECF) Programme with the IMF.

468. Recurrent expenditure amounted to US$727.2 million (20.9% of GDP) in 2021, compared to US$500.4 million (16.5% of GDP) in the previous year, representing an increase of 45.3 percent and accounting for 98.9 percent of total expenditure. Wages and salaries stood at US$296.3 million (8.5% of GDP), representing 61.3 percent of tax revenue compared with US$273.9 million (9.0% of GDP) and 69.3 percent of tax revenue in 2020. Use of goods and services and transfer payments amounted to US$326.9 million (9.4% of GDP) compared with US$176.3 million (5.8% of GDP) in 2020. Interest payments amounted to US$104.0 million (3.0% of GDP) compared with US$50.2 million (1.7% of GDP). Interest payments on domestic debt accounted for 71.5 percent of total interest payment compared to 61.7 percent in 2020. Of the total recurrent expenditure in the review period, use of goods & services and transfers payments accounted for 45.0 percent, wages and salaries accounted for 40.7 percent and interest payment, 14.3 percent.

469. Capital expenditure declined significantly to US$8.2 million (0.2% of GDP) in 2021, from US$57.4 million (1.9% of GDP) in 2020. All the capital expenditure was domestically financed. The reduction in capital expenditure was largely explained by other competing priorities, particularly, the surge in interest payment on public debt.

Table 42: Trends in Key Fiscal Indicators in Liberia

	2019	**2020**	**2021***	**2022****	**2019**	**2020**	**2021***	**2022****
	Percentage Change				**Percent of GDP**			
Total Revenue and Grants	**-8.0**	**31.2**	**12.6**	**11.8**	**15.0**	**20.5**	**20.2**	**20.7**
Domestic Revenue	-4.8	22.5	20.0	12.5	15.0	19.2	20.1	20.7
Tax Revenue	-10.1	11.3	22.4	1.8	11.2	13.0	13.9	13.0
Taxes on Income & Profits	-11.3	26.6	19.5	-7.2	4.5	5.9	6.2	5.3
International Trade Taxes	-12.9	4.3	26.0	8.4	5.0	5.5	6.0	6.0
taxes on goods and services	-5.4	-3.5	22.2	1.6	1.5	1.5	1.6	1.5
other tax revenue	280.2	-45.1	-3.9	173.0	0.2	0.1	0.1	0.2
Non-Tax Revenue	15.0	55.4	14.9	36.3	3.8	6.2	6.2	7.7
Property Income	37.4	20.2	na	73.5	2.0	2.5	2.1	3.4
Administrative fees & fines	-5.0	-17.4	na	9.0	0.5	0.5	0.5	0.5
other receipts	na	na	na	123.3	na	3.2	1.9	3.8
Grants	na	na	-89.9	na	0.0	1.4	0.1	0.0
Total Expenditure and net lending	**-11.4**	**19.4**	**31.8**	**6.8**	**14.7**	**18.4**	**21.1**	**20.7**
Total Expenditure	-11.4	19.4	31.8	6.8	14.7	18.4	21.1	20.7
Recurrent Expenditure	-10.4	8.3	45.3	-12.2	14.5	16.5	20.9	16.8
Salaries and wages	-20.1	8.1	8.2	-1.4	8.0	9.0	8.5	7.7
Interest Payments	10.7	78.8	107.1	15.4	0.9	1.7	3.0	3.2
Domestic	34.0	63.5	na	20.8	0.6	1.0	2.1	2.4
External	-18.7	110.5	na	1.9	0.3	0.6	0.9	0.8
Use on goods & services and transfers	4.4	-2.4	85.4	-30.8	5.7	5.8	9.4	6.0
Capital Expenditure	-56.9	1048.0	-85.8	1698.2	0.2	1.9	0.2	3.9
Domestically financed	-56.9	1048.2	-85.8	1698.2	0.2	1.9	0.2	3.9
Externally financed	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overall Bal (Commit Basis, Incl. Grants)					0.3	2.2	-0.9	0.0
Overall Bal (Commit Basis, Excl. Grants)					0.3	0.8	-1.1	0.0
Primary Balance					1.1	2.5	1.9	3.2
DEBT	**2019**	**2020**	**2021***	**2022*****	**2019**	**2020**	**2021***	**2022*****
	Stock (USD millions)				*Percent of GDP*			
Public Debt	1,270.6	1,596.8	1,735.1	2,182.0	41.2	52.6	49.8	59.0
External	850.8	952.9	1026.6	1,409.0	27.6	31.4	29.5	38.1
Domestic	419.8	643.9	708.5	773.0	13.6	21.2	20.3	20.9

Source: Ministry of Finance and Development Planning, Liberia * Provisional **projections by Country Authority; ***IMF Projection, IMF Country Report No. 21/264

470. Consequently, the overall fiscal balance on commitment basis, including grants, stood at a deficit of US$32.6 million (0.9% of GDP) in 2021 compared with a surplus of US$66.2 million (2.2% of GDP) in 2020. Excluding grants, the overall balance recorded a deficit of US$36.8 million (1.1% of GDP) in 2021 compared with a surplus of US$24.6 million (0.8% of GDP) in 2020. The corresponding primary balance (surplus) was US$67.2 million (1.9% of GDP) in 2021 compared with a surplus of US$74.8 million (2.5% of GDP) in 2020.

471. The country's stock of public debt recorded a growth of 8.7 percent during the review period. The debt stock grew to US$1,735.1 million (49.8% of GDP) at end-December 2021, compared with US$1,596.8 million (52.6% of GDP) a year ago, as shown in Table 42. External debt amounted to US$1,026.6 million (29.5% of GDP), compared to US$952.9 million (31.4% of GDP) at end-December 2020, representing an increase of 7.7 percent and accounting for 59.2 percent of the total public debt stock. The domestic component stood at US$708.5 million (20.3% of GDP), compared with US$643.9 million (21.2% of GDP) at end-December 2020, representing a growth of 10.0 percent.

9.2.3. Monetary Sector

472. The CBL monetary policy stance in 2021 was aimed at reducing inflation and strengthening the domestic currency. The MPR stood at 20.0 percent at end-December 2021, down by 500 basis points from 25.0 percent at end-December 2020, aimed at supporting the growth of the economy. At the same time, the CBL mopped up excess Liberian dollar liquidity in the banking system through the issuing of its bill to strengthen the domestic currency and reduce inflation.

473. Broad money supply (M2) on a year-on-year basis contracted by 1.5 percent at end-December 2021, from a growth of 5.2 percent recorded a year ago. The decline in M2 was driven by reduction in NDA, which fell by 12.6 percent from an expansion of 6.3 percent at end-December 2020, as shown in Table 43. The decline in NDA was attributed to reduction in domestic claims including declines in credits to private sector and net claims on government. Conversely, the NFA of the banking system grew by 104.4 percent at end-December 2021, from a contraction of 4.1 percent recorded in the corresponding period in 2020, attributed to additional allocation of SDR by the IMF. The decline in M2 was reflected in currency in circulation, demand and term deposits, which fell by 1.6 percent, 1.1 percent, and 0.8 percent, respectively, in the review period.

474. Reserve money grew by 4.4 percent at end-December 2021, from a growth rate of 5.8 percent recorded in the same period in 2020. The slowdown was on account of the net effect of increase in banks' deposits at the central bank and decline in currency in circulation outside the banking system.

475. Recent data on the financial sector suggest that the sector remained sound and stable, despite the high NPLs and operational cost of banks. During the review period, the banking system consisted of 9 registered banks with 87 branches as compared to 85 branches at the end of 2020. The industry remained well capitalised and liquid. The CAR stood at 31.8 percent, above the threshold of 10.0 percent during the review year. Liquidity ratio increased to 42.6 percent (above the 15.0% minimum requirement) from 36.8 percent at end-December 2020.

Table 43: Growth in Key Monetary Aggregates in Liberia

	2019	2020	2021*	2022**	2019	2020	2021*	2022**
	Percentage Change (yoy)				Contribution to M2 Growth			
ASSETS								
Net Foreign Assets	**1.9**	**-4.1**	**104.4**	**-21.5**	0.2	-0.4	9.9	-4.2
Net Domestic Assets	**22.3**	**6.3**	**-12.6**	**4.9**	19.6	5.6	-11.4	3.9
Domestic Credit	28.4	5.9	-18.4	-1.9	39.7	8.8	-27.7	-2.3
Net Claims on Government (NCG)	53.2	20.6	-24.1	-0.5	30.1	14.8	-20.0	-0.3
Claims On Private Sector	11.6	-7.8	-11.4	-3.3	9.6	-6.0	-7.8	-2.0
Other Items Net (OIN)	-38.7	-5.3	16.6	-14.0	-20.1	-3.2	16.3	6.2
LIABILITIES								
Broad Money (M2)	**19.8**	**5.2**	**-1.5**	**-0.3**				
Narrow Money (M1)	14.0	11.6	-1.3	2.7				
Currency In Circulation	13.1	10.0	-1.6	-2.8				
Demand Deposits	14.3	12.1	-1.1	4.6				
Quasi Money (savings and term deposits)	31.7	-7.0	-0.8	-6.6				
MEMORANDUM								
Reserve Money (Growth) (%)	*9.6*	*5.8*	*4.4*	-0.5				
Money Multiplier (M2/RM)	*3.0*	*3.0*	*2.8*	*2.8*				
Velocity (GDP/M2)	*4.7*	*4.6*	*4.9*	*5.2*				
Credit to Private Sector/GDP (%)	*16.4*	*14.8*	*12.4*	*11.4*				
Net Foreign Assets/M2 (%)	*10.4*	*9.5*	*19.7*	*15.5*				
Net Domestic Assets /M2 (%)	*89.6*	*90.5*	*80.3*	*84.5*				
Currency in Circulation/M2 (%)	*17.0*	*17.7*	*17.7*	*17.3*				

Source: CBL *Provisional **Projections

476. At end-December 2021, gross operating income of the banking system amounted to L$19.1 billion (3.1% of GDP), and net income showed more than 100.0 percent growth to L$5.5 billion (0.9% of GDP). The following banking sector performance indicators were recorded: Return on Equity (ROE), 18.5 percent; Return on Asset (ROA), 3.4 percent; and Net Interest Margin (NIM) of 11.8 percent, during the reporting period. However, the NPLs ratio remained above the regulatory limit of 10.0 percent as at end-December 2021, deteriorating by 1.1 percentage points to 22.6 percent.

477. The average interest rates in the banking industry remained flat in the year under review. The average lending, personal loan and mortgage rates were stable at 12.4 percent, 12.8 percent and 13.4 percent, respectively. Similarly, the average savings rate, certificate of deposits and term deposits also remained unchanged at 2.1 percent, 3.3 percent and 3.5 percent, respectively.

478. The Claims on the private sector by deposits money banks declined by 11.6 percent at end-December 2021 to L$75,151.2 million (12.1% of GDP), compared to L$85,019.6 million (14.6% of GDP) at end-2020. This decline was partly due to COVID-19 induced low credit demand in most sectors.

9.2.4. External Sector

479. Developments in the external sector were mixed during the review period. The net balance of the current and capital accounts widened to a deficit, driven by a decline in capital inflows and an increased current account deficit. On the other hand, the net borrowing of the financial account (liabilities) increased, on account of higher direct and other investment inflows and increase in SDR allocation. Consequently, the overall BOP deficit grew to 11.5 percent of GDP from 2.7 percent of GDP in 2020.

480. Merchandise trade recorded a deficit of US$456.6 million (13.2% of GDP) in 2021, higher than US$390.3 million (12.9% of GDP) reported in 2020. The widening in trade deficit was

occasioned by higher imports compared to exports. Goods imports (fob) rose during the review period, to US$1,337.7 million (38.4% of GDP) from US$998.0 million (32.9% of GDP) in the preceding year due to rise in payments for both oil and non-oil products. The rise in non-oil and related products was mainly reflective of the increase in payments for machinery and transport equipment as well as food (including animals and vegetable oil) and related products. Similarly, earnings from merchandise exports rose to US$878.5 million (25.2% of GDP) during the review year, from US$607.7 million (20.0% of GDP) reflecting increases in receipts from all commodity exports, notably iron ore, gold and diamond.

481. The services account deficit narrowed to US$285.7 million (8.2% of GDP) in the review year, from a deficit of US$303.1 million (10.0% of GDP) in 2020. The improvement in services was supported by a 7.7 percent reduction in payments for transport and insurance services. The deficit of the primary income account widened by 6.1 percent, to US$105.5 million (3.0% of GDP) in 2021, from US$99.4 million (3.3% of GDP) on the back of a rise in investment income through plough back of investors' income. During the year, the surplus of the secondary income reduced by 1.7% to US$243.4 million (7.0% of GDP), from US$247.8 million (8.2% of GDP) in 2020, explained by a decline in foreign aid flows to the Government.

482. Given the widening of trade and primary income deficits as well as the reduction in the secondary income surplus, the deficit of the current account widened by 11.4 percent to US$607.1 million (17.4% of GDP), from US$545.0 million (17.9% of GDP) recorded in 2020. The capital account surplus also declined to US$215.6 million (6.2% of GDP) in the review year, from US$390.5 million (12.9% of GDP) in the preceding year, driven largely by slowdown in inflows of grants from Development Partners. Consequent to the widening of the current account deficit and the decline in the capital account surplus, the net borrowing of the combined current and capital accounts rose to US$391.6 million (11.2% of GDP), from US$154.5 million (5.1% of GDP) in the previous year.

483. The net borrowing of the financial account (net financial liabilities) increased to US$430.1 million (12.4% of GDP) in the review period, from to US$207.8 million (6.8% of GDP) in the preceding year. The growth in net borrowing (net financial liability) was attributed to increases in direct investment net, owing to increase in reinvestment of earning and allocation of IMF SDR in the other investment account. Foreign direct and other investments (net) rose to US$95.0 million (2.7% of GDP) and US$335.1 million (9.6% of GDP) in 2021, from US$66.1 million (2.2% of GDP) and US$141.7 million (4.7% of GDP) in 2020, respectively.

484. The financing items (the change in reserve assets) rose considerably during the year to US$400.8 million (11.5% of GDP), from US$82.5 million (2.7% of GDP) in the preceding year. The increase in financing was driven by the rise in foreign currency holdings of the CBL, mainly through the IMF SDR allocation disbursed to the government during the year. The overall balance which reflects the change in the reserve assets, indicated that during the year, there was increase in reserve assets compared to the preceding year.

Table 44: Trends in Key Balance of Payments Indicators in Liberia

	2019	2020	2021*	2022**	2019	2020	2021*	2022**
	Millions USD				Percent of GDP			
Current Account	**-680.8**	**-545.0**	**-607.1**	**-697.6**	**-22.1**	**-17.9**	**-17.4**	**-18.4**
Goods	***-390.9***	***-390.3***	***-459.3***	***-399.0***	***-12.7***	***-12.9***	***-13.2***	***-10.5***
Exports (fob)	542.9	607.7	878.5	862.0	17.6	20.0	25.2	22.7
Iron ore	234.6	289.0	346.9	400.2	7.6	9.5	10.0	9.9
Rubber	85.6	82.2	110.0	100.1	2.8	2.7	3.2	2.6
Mineral (gold & Diamond)	180.4	146.7	355.5	281.7	5.9	4.8	10.2	7.4
Non-Iron ore & Rubber	42.4	89.8	66.1	79.9	1.4	3.0	1.9	2.1
Imports (fob)	933.8	998.0	1337.7	1261.0	30.3	32.9	38.4	33.3
Oil products	115.6	161.6	137.2	182.7	3.8	5.3	3.9	4.8
Non-Oil products	818.3	836.4	1200.5	1078.4	26.6	27.5	34.5	28.4
Services (net)	***-298.9***	***-303.1***	***-285.7***	***-425.6***	***-9.7***	***-10.0***	***-8.2***	***-11.2***
credits	11.1	11.7	4.9	13.3	0.4	0.4	0.1	0.4
debits	310.0	314.7	290.6	438.9	10.1	10.4	8.4	11.6
Primary Income (net)	***-112.4***	***-99.4***	***-105.5***	***-301.0***	***-3.7***	***-3.3***	***-3.0***	***-7.9***
credits	23.8	21.0	21.8	63.0	0.8	0.7	0.6	1.7
debits	136.2	120.4	127.3	364.0	4.4	4.0	3.7	9.6
O/w: public interest payments	7.0	10.8	11.0	27.5	0.2	0.4	0.3	0.7
Secondary Income	***121.4***	***247.8***	***243.4***	***428.0***	***3.9***	***8.2***	***7.0***	***11.3***
Official transfer (net)	13.3	47.0	1.7	62.1	0.4	1.6	0.1	1.6
Private transfer (net)	108.2	200.8	241.8	366.0	3.5	6.6	6.9	9.7
Capital Account	**229.6**	**390.5**	**215.6**	**241.0**	**7.5**	**12.9**	**6.2**	**6.4**
Capital account (HIPC debt Relief)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other Capital account	229.6	390.5	215.6	241.0	7.5	12.9	6.2	6.4
Current & Capital Accounts balance	**-451.1**	**-154.5**	**-391.6**	**-456.6**	**-14.7**	**-5.1**	**-11.2**	**-12.0**
Financial Account	**-218.2**	**-207.8**	**-430.1**	**-415.0**	**-7.1**	**-6.8**	**-12.4**	**-10.9**
Direct Investment (net)	-86.8	-66.1	-95.0	-361.0	-2.8	-2.2	-2.7	-9.5
Portfolio Investment (net)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other Investment (net)	**-131.4**	**-141.7**	**-335.1**	**-54.0**	-4.3	-4.7	-9.6	-1.4
Reserve Assets	**-30.9**	**82.5**	**400.8**	**42.0**	-1.0	2.7	11.5	1.1
Errors and Omissions	**202.1**	**29.2**	**362.3**	**83.6**	6.6	1.0	10.4	2.2
OVER ALL BALANCE	**30.9**	**-82.5**	**-400.8**	**-42.0**	1.0	-2.7	-11.5	-1.1
MEMORANDUM ITEMS								
Average Exchange Rate Variation (L$/WAUA)	-20.9	-3.5	12.5	-5.8				
Average Exchange Rate Variation(L$/USD)	-22.7	-2.6	15.2	-3.2				
Stock of Gross Reserves	252.4	294.4	661.4	719.0				
Gross Reserves in Month of Imports Cover	2.3	2.5	4.5	4.2				

Sources: CBL, IMF, WAMA *Provisional **Projections

485. The gross external reserves position increased by 124.7 percent to US$661.4 million at end-December 2021, from the stock of US$294.4 million at end-December 2020, on account of an increase in foreign currency deposits in reserve assets due to the increased SDR allocation. The reserves position in months of imports cover increased to 4.5 months in 2021, from 2.5 months in 2020.

486. The Liberian dollar, on average, appreciated against the US dollar by 15.2 percent in 2021, to L$166.13/US$1.00, relative to L$191.4/US$1.00 in 2020. Against the WAUA, the domestic currency also strengthened by 12.5 percent to L$236.98/US$1.00 during the review period compared to L$266.64/US$1.00 a year ago. The contractionary monetary policy stance of the CBL coupled with a significant increase in remittance inflows induced the appreciation of the Liberian dollar.

9.3. Status of Macroeconomic Convergence

487. On the convergence scale, Liberia met three (3) primary convergence criteria in the review period compared to two in 2020. The country satisfied the criteria on budget deficit, central bank financing of the budget deficit and gross external reserves in months of imports cover but missed the benchmark on average inflation. On the secondary convergence scale, the country met the public debt to GDP ratio criterion and missed the exchange rate variation target due to severe appreciation of the Liberian dollar.

Table 45: Status of Macroeconomic Convergence in Liberia

CRITERIA	**Target**	**2017**	**2018**	**2019**	**2020**	**2021***	**2022****
Primary Criteria		***1***	***1***	***1***	***2***	***3***	***3***
Budget deficit (commitment basis, including grants)	≤ 3%	1.7	0.3	0.9	-2.2	0.9	0.0
Average annual inflation rate	≤ 5%	12.4	23.4	26.9	17.4	7.9	10.0
Central Bank financing of Budget Deficit	≥ 10%	47.9	33.9	27.9	0	0	0.0
Gross external reserves	≥ 3	2.3	2.3	2.2	2.5	4.5	4.2
Secondary Criteria		***1***	***1***	***1***	***2***	***1***	***2***
Nominal exchange rate variation	± 10%	-18.3	-22.6	-20.9	-3.5	12.5	-5.8
Public debt to GDP ratio	≤ 70%	25.8	28.8	41.2	52.6	49.8	59.0
Total Convergence Criteria Met		**2**	**2**	**2**	**4**	**4**	**5**

Sources: CBL, Ministry of Finance and Development Planning, MFDP, IMF *Provisional **projections

9.4. Prospects

488. Based on trends in global commodity prices and the performance of the country's key export products, GDP growth is projected to reach 4.5 percent in 2022. In the medium-term, growth is expected to rebound to 4.6 percent, 5.6 and 5.5 percent in 2023, 2024 and 2025, respectively. The risks to growth prospects include the resurgence of the COVID-19 pandemic and the ongoing Russia-Ukraine war with its attendant pass-through effect of high energy and food prices.

489. Average inflation is projected at 10.0 percent in 2022 with end-period expected at 12.3 percent. The expected rise in the rate of inflation will mainly be driven by the hike in the pump price of petroleum products due to global oil supply shock. In the medium term, average headline inflation is projected at 8.3 percent, 5.4 percent and 5.0 percent for 2023, 2024 and 2025, respectively. On the other hand, end-period inflation is expected at 6.4 percent, 5.0 percent and 5.0 percent, respectively for the same periods, contingent upon cessation of the Russia-Ukraine war.

490. Medium-term projection for the fiscal sector indicates that revenue mobilisation (excl. grants) is anticipated at US$670 million, US$721 million and US$788 million (17.4% of GDP, 17.4% of GDP, 17.7% of GDP) in 2023, 2024 and 2025, respectively. Expenditure for the same periods is expected at US$750.0 million, US$766.0 million and US$802.0 million (19.5% of GDP, 18.5% of GDP and 18.0% of GDP), respectively.

491. M2/GDP ratio is projected to average 24.2 percent over the period 2023-2025. Credit to private sector growth is also projected at 17.2 percent, 17.3 percent, and 17.3 percent.

492. On the external front, medium-term projection shows that the current account deficit would stand at 19.9 percent of GDP, 19.9 percent of GDP and 19.3 percent of GDP in 2023, 2024 and 2025, respectively.

9.5. Conclusions and Recommendations

493. In 2021, real GDP growth rebounded to 4.2 percent from -3.0 percent in 2020, arising from improved economic activities. The short to medium term outlook is expected to remain positive with real GDP growth forecast averaging around 5.0 percent from 2022 to 2025. Inflationary pressures moderated in the review period but expected to rise in 2022. However, in the medium term is expected to moderate on average to about 6.0 percent, contingent upon cessation of the global conflict in the short run. Fiscal operations were marked by lower-than-expected revenue mobilisation and increased recurrent expenditure with capital expenditure at its bare minimum leading to fiscal deficit from a surplus in previous year. The public debt stock continued to rise on account of the rise in both external and domestic debts. The monetary policy environment reflected a contractionary policy stance. On the external front, developments were mixed. The net balance (deficit) of the current and capital accounts widened while net borrowing of the financial account (liabilities) rose in the review period. On the convergence scale, Liberia met three of the primary convergence criteria in the review period compared to two in 2020.

494. Going forward, the tail end of COVID-19, the Russia-Ukraine war as well as rising global energy and food prices are sources of uncertainty and gives a cause for concern. These emerging challenges could pose significant downside risks to prospects for growth in the short to medium-term and call for the adoption of proactive policy measures.

495. In light of these observations and risks highlighted, the following recommendations are flagged for consideration by the Liberian Authorities:

i. eliminate the pass-through effect of currency depreciation, the Authorities are urged to consider the reporting of dual inflation figures (inflation in L$ and US$) and aggregate inflation rate;

ii. continue with the fiscal consolidation measures under the ECF programme to boost revenue mobilisation and streamline expenditure, enhance tax compliance, as well as eliminate fiscal slippages;

iii. endeavour to review the laws on tax expenditure and licensing regime of artisanal miners, as it will go a long way to curb revenue loss in the sector;

iv. the CBL should ensure that the issuance of its instrument does not divert the needed investment by the private sector which is the engine of growth; and

v. fast track efforts aimed at promoting investment in domestic food production to reduce excessive reliance on imported food products.

10. MALI

10.1. Introduction

496. The macroeconomic policy thrust of Mali in 2021 was anchored on key priority areas of the transition roadmap, following the institutional change on 18 August 2020. To this end, the Government's Action Plan (PAG, 2021-2022) adopted by the National Transition Council in August 2021, focuses on strengthening national security, organising general elections, promoting good governance and creating the enabling environment for social and macroeconomic stability. The Government fiscal policy for the year was based on public priorities to expand the fiscal space through increased revenue mobilisation and expenditure rationalisation to foster growth as outlined in the Strategic Framework for Economic Recovery and Sustainable Development (CREDD) 2019-2023.

497. Consequently, the fiscal policy for 2021 aims to put public finances back on a sustainable path, with a view to gradually returning to the objectives set under the ECOWAS Convergence and the IMF's ECF programmes.

498. Against this backdrop, the macroeconomic targets for 2021 include the following:
   - Real GDP growth rate of at least 2.0 percent
   - Average inflation rate of less than 5.0 percent
   - A budget deficit of 5.5 percent of GDP

499. The macroeconomic situation in Mali in 2021 was characterised by the lingering impacts of the COVID-19 pandemic as well as political and security crises in the country. Despite these stalemates, economic activity expanded by 3.1 percent from a contraction of 1.2 percent in 2020. This recovery was driven by the primary and secondary sectors. The upturn in economic activities occurred in the environment of rising inflation as end-period inflation reached its all-time-high at 6.3 percent at end-December 2021.

500. The government fiscal operations resulted in an improvement in the overall budget deficit, which stands at 4.9 percent of GDP compared with 5.5 percent in 2020. Excluding grants, however, the deficit deteriorated during the review period.

501. The Monetary policy stance of Mali as a member of WAEMU remained accommodative as the Union's Central Bank (BCEAO) held it policy rate unchanged at 2.0 percent throughout 2021. Against this backdrop, claims on the domestic economy expanded at end-December 2021, however, the NFA of the banking system contracted for the same period. Consequently, broad money supply grew at a slow pace by 17.1 percent from an expansion of 22.2 percent in 2020.

502. Developments in the external sector were marked by deterioration in overall BOP, recording a deficit of 0.5 percent of GDP from a surplus of 4.5 percent, supported by the widening of the current account deficit and reduction in inflows through the financial account. However, the capital account surplus improved during the review period.

503. With regard to macroeconomic convergence, the country met three primary criteria (average annual inflation, central bank financing and gross external reserves) but missed the criterion on

budget deficit. However, it met the two secondary criteria. The detailed sectoral analysis is presented below.

10.2. Sectoral Analysis

10.2.1. Real Sector

504. The economy expanded by 3.1 percent in 2021 compared to a contraction of 1.2 percent growth in 2020. This recovery was largely due to the performance of the primary and secondary sectors.

505. The output of the primary sector expanded by 4.1 percent compared with a contraction of 4.3 percent in 2020, driven by agriculture, stockbreeding and fishing. The value added of agriculture increased by 3.1 percent after an 11.4 percent decline in 2020. Livestock recorded a slow growth of 2.7 percent compared with 6.4 percent in 2020. Fishing grew by 3.0 percent, following a growth of 4.3 percent in 2020.

506. The secondary sector accelerated by 9.4 percent in 2021, compared with a decline of 0.1 percent in 2020, explained by the performance of the energy and building and public works (BTP) sub-sectors. The 'Energy' sub-sector posted an increase in its value added of 7.4 percent against 7.7 percent in 2020. Construction and public works recovered to 3.0 percent after a contraction of 3.3 percent in 2020. Mining and quarrying continued its downward trend with a decline of 2.2 percent compared to -0.9 percent in 2020. Manufacturing activities also declined by 1.5 percent compared to a growth of 0.9 percent a year earlier.

507. Growth in the tertiary sector moderated to 0.2 percent from 0.3 percent in 2020, premised by the adverse impact of the health crisis. Trade recovered by 4.1 percent in 2021 compared to a decline of 3.9 percent in 2020. Transport and communications grew by 6.5 percent compared to 4.2 percent in 2020. 'Financial activities & other services' grew by 2.8 percent compared to 2.3 percent in 2020.

508. Sectoral contributions to growth for the primary, secondary and tertiary sectors were recorded at 1.3 percentage points, 1.7 percentage points and 0.1 percentage point, respectively, during the period under review, as shown in Table 46.

509. On the demand side, economic growth was driven by strong final consumption and investment. Final consumption increased by 3.4 percent compared to 2.3 percent in 2020, supported by private consumption (3.0%) and public consumption (5.6%). Investment increased by 24.1 percent, compared with a decline of 18.9 percent in 2020, supported by the increase in private gross fixed capital formation of 4.9 percent and public gross fixed capital formation of 4.5 percent.

510. Average annual inflation rate stood at 3.9 percent against 0.5 percent in 2020. The price level development was linked, among other things, to the 'food and non-alcoholic beverages' sectors, due to the rise in prices of unprocessed cereals and vegetables.

Table 46: Trends in GDP and its Components in Mali

	2019	2020	2021*	2022**	2019	2020	2021*	2022**
	Percent change				Contribution to Growth			
Real GDP Growth	4.8	-1.2	3.1	2.0	4.8	-1.2	3.1	2.0
SUPPLY								
Primary sector	4.0	-4.3	4.1	4.9	1.3	-1.4	1.3	1.6
Secondary sector	3.7	-0.1	9.4	6.1	0.7	0.0	1.7	1.2
Tertiary sector	5.6	0.3	0.2	-1.4	2.8	0.2	0.1	-0.7
DEMAND								
Final Consumption	3.8	2.3	3.4	4.3				
Public	4.0	4.5	5.6	6.0				
Private	3.8	1.9	3.0	4.0				
Investment	12.5	-18.9	24.1	-10.6				
Gross Fixed Capital Formation (GFCF)	6.3	-1.7	4.7	5.3				
Public		-3.0	4.5	5.0				
Private		-0.2	4.9	5.5				
Imports of goods and services	5.9	-2.9	14.1	1.5				
Exports of goods and services	2.3	0.5	-1.0	5.1				
MEMORANDUM								
Nominal GDP (in billion CFA)	885.1	10,052.8	10,623.2	11,407.1				
GDP at constant prices (in billion CFA)	5,421.1	5,354.1	5,518.0	5,629.6				
Inflation								
Annual average	-3.1	0.5	3.9	6.0				
End of period	-3.7	2.5	6.3	3.0				

Source: BCEAO data ; *Provisional **Projections

10.2.2. Fiscal Sector

511. The Government fiscal operation was characterised by an improvement in the overall budget deficit, which stood at 4.9 percent of GDP against 5.5 percent of GDP in 2020. Excluding grants, the deficit rose to 6.9 percent of GDP in 2021 from 6.6 percent of GDP in 2020.

512. Total revenue and grants increased by 13.9 percent to CFAF2,369.80 billion (22.2% of GDP) in 2021. This trend was a result of increase in total revenue which amounted to CFAF2,153.10 billion (20.3% of GDP) compared to CFAF1,958.81 billion (19.5% of GDP) in 2020, representing an increase of 9.9 percent. The growth in total domestic revenue was entirely attributed to 81.1 percent surge in non-tax revenue.

513. Tax revenue decreased by 3.2 percent to CFAF1,519.40 billion (14.3% of GDP) in 2021. However, non-tax revenue increased by 81.1 percent to CFAF121.0 billion (1.1% of GDP) in 2021. Grants increased by 8.2 percent to reach CFAF206.6 billion (1.9% of GDP) in the same period.

514. Total expenditure and net lending amounted to CFAF2,881.0 billion (27.1% of GDP) compared with CFAF2,626.60 billion (26.1% of GDP) in 2020, an increase of 9.7 percent, coming from current and capital expenditure.

515. Current expenditure increased from CFAF1,569.60 billion (15.6% of GDP) in 2020 to CFAF1,732.10 billion (16.3% of GDP) in 2021. Wages and salaries increased by 22.3 percent to CFAF758.0 billion (7.1% of GDP) in 2021. Expenditure on goods and services rose to CFAF436.30 billion (4.1% of GDP) from CFAF320.48 billion (3.2% of GDP) in 2020. Subsidies and transfers increased by 3.6 percent to CFAF328.40 billion (5.0% of GDP) in 2021.

516. Capital expenditures increased by 4.4 percent to CFAF867.90 billion (8.2% of GDP) in 2020, resulting from a significant increase in domestically financed expenditures, as shown in Table 47.

Table 47: Trends in Key Fiscal Indicators in Mali

	2019	2020	2021*	2022**	2019	2020	2021*	2022**
	Percentage Change				Percent of GDP			
Total Revenue and Grants	51.8	-7.6	13.9	-2.5	22.1	20.6	22.2	20.3
Domestic Revenue	50.8	-4.5	9.9	2.9	20.8	19.5	20.3	19.5
Tax Revenues	38.9	0.4	-3.2	5.1	15.4	15.6	14.3	14.1
Non-Tax Revenues	27.3	-0.5	81.1	-37.8	0.7	0.7	1.1	0.7
Grants	63.4	-40.7	82.2	-58.9	1.9	1.0	1.9	0.7
Total Expenditure and Net Lending	25.1	9.0	9.7	-2.5	23.8	26.1	27.1	24.8
Total Expenditure	25.1	0.3	35.8	-2.5	23.8	26.1	27.1	24.8
Recurrent expenditure	12.3	22.6	10.3	4.4	12.6	15.6	16.3	16.0
Wages and salaries	9.7	20.0	22.3	11.0	5.1	6.2	7.1	7.4
Goods and Services		9.2	36.1			3.2	4.1	
Transfers and subsidies		-35.0	3.6				5.0	3.1
Interest Payment	23.5	18.7	14.2	24.0	1.0	1.2	1.3	1.5
External		-0.2	13.8			0.3	0.4	
Capital Expenditure	7.1	-6.7	4.4	-16.0	6.5	6.1	8.2	6.4
Overall Balance on Commitment (incl Grants)	-62.5	228.8	-6.0	-2.1	-1.7	-5.5	-4.9	-4.5
Overall Balance on Commitment (excl Grants)	-36.5	-36.1	84.1	-11.9	-3.6	-6.6	-6.9	-5.2
Public debt	**2019**	**2020**	**2021***		**2019**	**2020**	**2021***	
	In billions of FCFA				Percent of GDP			
Total	4,106.0	4,757.0	5,405.0		40.6	47.3	50.6	
Domestic	1,424.4	1,763.3	2,277.3		14.1	17.5	21.4	
External	2,681.6	2,993.7	3,127.7		26.5	29.8	29.4	

Source: Ministry of Finance, Mali *Provisional **Projections

517. Outstanding public debt is estimated at CFAF5,404.95 billion (50.6% of GDP), compared with CFAF4,757.0 billion (47.3% of GDP) as at 31 December 2020. This represents an increase of 13.6%. Outstanding external debt is estimated at CFAF3,127.70 billion at the end of 2021, accounting for 57.9 percent of total outstanding debt.

10.2.3. Monetary Sector

518. Broad money supply (M2) recorded a slow growth of 17.1 percent at the end of 2021, compared to 22.2 percent at the end of 2020, reflecting the increase in domestic claims.

519. The NFA of the banking system declined by 9.4 percent at end-December 2021, after an increase of 78.1 percent at end-December 2020. This decline is linked to the drop in the NFA of commercial banks. The Central Bank's NFA increased by 1.0 percent, while the NFA of commercial banks declined by 18.5 percent.

520. Domestic claims increased by 18.0 percent compared to a 12.8 percent increase at end-December 2020. This increase is the result of the simultaneous increase in net claims on the central government and claims on the economy, by 32.8 percent and 15.0 percent, respectively, as shown in Table 48.

521. In terms of its components, the slow growth of money supply was mainly associated with the movements in currency in circulation and deposits. Growth in currency in circulation slowed to 8.2 percent from 51.1 percent at the end of 2020, while demand deposits expanded by 22.3 percent, following a 12.3 percent increase at the end of 2020. On the other hand, term deposits recorded a slow growth of 17.0 percent from 18.2 percent in 2020.

Table 48: Growth in Key Monetary Aggregates in Mali

	2019	2020	2021*	2019	2020	2021*
Assets	Percentage change			Contribution to M2 growth		
Net Foreign Assets	84.4	78.0	-9.4	9.6	15.1	-2.6
BCEAO	169.7	67.2	1.0	6.6	6.5	0.1
Banks	40.3	88.7	-18.5	3.0	8.6	-2.8
Domestic claims	-2.9	12.8	18.0	-3.2	12.8	16.6
Net claims on central government	-37.1	72.0	32.8	-7.1	7.9	5.1
Claims on the economy	4.1	5.5	15.0	3.9	4.9	11.5
Other net items	-10.9	29.1	-15.3	2.6	-5.6	3.1
Liabilities						
Money supply (M2)	9.0	22.2	17.1			
M1	8.7	23.9	17.1			
Monetary base (WB)	17.4	43.0	13.6			
Currency in circulation	24.2	51.1	8.2			
Demand deposits	3.2	12.3	22.3			
Term deposits and savings account	9.7	18.2	17.0			
Memo item						
NEA/M2	5.7	10.2	8.8			
Credit to the economy/GDP	26.3	27.9	30.4			
M2/GDP	29.5	36.4	40.3			
Currency in circulation/M2	18.6	21.2	26.2			
Money multiplier (M2/R)	3	2.6	2.7			

Source: BCEAO ; *Provisional

10.2.4. External Sector

522. In 2021, Mali's external accounts showed an overall BOP deficit of 0.5 percent of GDP compared to a surplus of 4.5 percent of GDP in 2020, largely attributable to the worsening of the current account deficit.

523. The current account deficit widened to CFAF777.20 billion (7.3% of GDP) from a deficit of CFAF218.50 billion (2.2% of GDP) in 2020. This situation is attributable to deterioration in the trade and services account deficits.

524. The trade balance recorded a deficit of CFAF260.40 billion (2.5 percent of GDP) compared to a surplus of CFAF290.10 billion (2.9% of GDP) in 2020. Exports (FOB) were valued at CFAF2,781.10 billion (26.2% of GDP) compared to CFAF2,759.40 billion (27.4% of GDP) in 2020. Imports (FOB) were CFAF3,041.50 billion (28.6%of GDP) compared to CFAF2,469.30 billion (24.6%of GDP) in 2020.

525. The services account deficit worsened from CFAF948.30 billion (9.4%of GDP) in 2020 to CFAF1,018.10 billion (9.6% of GDP) in 2021.

526. The primary income account deficit was CFAF424.10 billion (4.0%of GDP) in 2021 compared to CFAF425.20 billion (4.2% of GDP) in 2020.

527. The secondary income account showed a surplus of CFAF925.40 billion (8.7% of GDP) compared to a surplus of CFAF864.90 billion (8.6% of GDP) a year earlier.

528. The capital account surplus rose to CFAF197.0 billion (1.9% of GDP) from a surplus of CFAF126.50 billion (1.3% of GDP) in 2020.

529. The financial account resulted in net borrowing recorded at CFAF522.40 billion (4.9% of GDP) in 2021, against CFAF510.30 billion (5.1 % of GDP) a year earlier, corresponding to an increase in liabilities.

Table 49: Trends in Key Balance of Payments Indicators in Mali

	2019	2020	2021*	2022**	2019	2020	2021*	2022**
	In billions of FCFA				Percent of GDP			
Current Account Balance	**-755.1**	**-218.5**	**-777.2**	**-720.9**	**-85.3**	**-2.2**	**-7.3**	**-6.3**
Trade balance	-373.6	290.1	-260.4	-104.3	-42.2	2.9	-2.5	-0.9
Exports	2,153.4	2,759.4	2,781.1	3,283.1	243.3	27.4	26.2	28.8
Imports	2,527.0	2,469.3	3,041.5	3,387.4	285.5	24.6	28.6	29.7
Balance of services	-866.6	-948.3	-1018.1	-1073.6	-97.9	-9.4	-9.6	-9.4
Primary income balance	-407	-425.2	-424.1	-425.6	-46.0	-4.2	-4.0	-3.7
Secondary income Balance	892.5	864.9	925.4	882.6	100.8	8.6	8.7	7.7
Capital Account	**113.9**	**126.5**	**197**	**132.3**	**12.9**	**1.3**	**1.9**	**1.2**
Financial Account	**-871.4**	**-510.3**	**-522.4**	**-617.1**	**-98.5**	**-5.1**	**-4.9**	**-5.4**
Direct Investment	-502.8	-308.3	-343.5	-347.7	-56.8	-3.1	-3.2	-3.0
Portfolio Investments	-152.8	-191.2	-180.2	-270.1	-17.3	-1.9	-1.7	-2.4
Financial Derivatives	0	0	0	0	0.0	0.0	0.0	0.0
Other Investments	-215.9	-10.8	1.3	0.7	-24.4	-0.1	0.0	0.0
Overall balance	**264.2**	**450.8**	**-57.8**	**28.5**	**29.8**	**4.5**	**-0.5**	**0.2**

Source: BCEAO *Provisional **Projections

10.3. Status of Macroeconomic Convergence

530. The macroeconomic convergence situation indicates that Mali met three (3) primary criteria, namely, average annual inflation rate, central bank financing of budget deficit and gross external reserves, while it missed only the criterion on budget deficit to GDP ratio. With respect to the secondary criteria, the country met both the exchange rate and the public debt.

Table 50: Status of Macroeconomic Convergence in Mali

Criteria	Standard	2019	2020	2021*
Primary criteria		**04**	**03**	**3**
Budget deficit (commitment basis. including grants)	≤3%	1.7	5.5	4.9
Average annual inflation rate	<5%	-3.0	0.5	3.9
Central Bank financing of the budget deficit	≤10%	0.0	0.0	0.00
Gross external reserves (in months of imports)	≥ 3	5.2	6.5	6.5
Secondary criteria		**02**	**02**	**02**
Nominal exchange rate variation	±10%	-2.8	1.0	1.5
Public debt-to-GDP ratio	≤70%	40.6	47.3	50.6
Total number of convergence criteria met		**06**	**05**	**05**

Sources: BCEAO, WAMA *Provisional

10.4. Prospects

531. Mali's economic growth prospects are positive. Continued implementation of the measures contained in the CREDD 2019-2023 will make it possible to achieve growth of 2.0 percent in 2022, driven by all three sectors of the economy. The primary sector is expected to grow by 7.9 percent in 2022; the secondary sector, 4.7 percent; and the tertiary sector, 6.7 percent.

532. On the fiscal front, the outlook is favourable in 2022, with the overall fiscal balance expected to improve to 4.5 percent of GDP, thanks to a 2.9 percent increase in total revenues combined with a 2.5 percent decrease in total expenditures.

533. In terms of macroeconomic convergence, the country is projected to maintain its performance in meeting five convergence criteria by the end of 2022, missing only the budget deficit criterion.

10.5. Conclusions and Recommendations

534. The GDP growth rate stood at 3.1 percent compared to -1.2 percent in 2020. This recovery is driven mainly by the primary sector (3.0%) and the secondary sector (9.4%). This upturn is taking place against a backdrop of inflationary pressure, with an average annual inflation increase of 3.9 percent during the period under review.

535. Public financial management resulted in an improvement in the overall budget balance, which stands at 4.9 percent of GDP compared with 5.5 percent of GDP in 2020. In addition, the overall budget deficit, excluding grants, reached 6.9 percent of GDP in 2021 compared to 6.6 percent of GDP in 2020.

536. Mali's external accounts showed an overall BOP deficit of 0.5 percent of GDP compared with a surplus of 4.5 percent of GDP in 2020, as a result of the current account deficit.

537. The monetary situation is marked by a fall in net external assets and a growth in domestic claims, resulting in an increase of 17.1 percent in money supply at the end of 2021 compared to 22.2 percent at the end of 2020.

538. In terms of macroeconomic convergence, the country met three of the primary criteria and missed the criterion on budget deficit. However, it met the two secondary criteria.

539. To improve the country's performance in terms of macroeconomic convergence, the Malian authorities are encouraged to:

    i. continue the implementation of the COVID-19 health crisis and socio-economic response plan;
    ii. create the conditions for restoring territorial integrity and ensuring the security of persons and goods, as well as strengthening social cohesion;
    iii. improve the level of budget revenue collection, in particular through efficient management of tax and customs administrations, broadening the tax base, and combating tax evasion; and
    iv. promote efficient management of public expenditure.

11. NIGER

11.1. Introduction

540. Niger's economic policy thrust is anchored on its Economic and Social Development Plan (PDES 2017-2021), which is aimed at strengthening the country’s economic and social resilience. It is also broadly consistent with the Renaissance Programme Act III, which is geared toward the consolidation of key achievements of the government, the continued implementation of the 3N Initiative and the completion of major infrastructure works.

541. The 2021 budget policy was specifically geared towards addressing the socio-economic and financial impacts of the COVID-19 pandemic through domestic revenue mobilisation and a better allocation and efficiency of expenditure. The financing policy was essentially focused on concessional resources and public-private partnership (BOOT-type) arrangement.

542. The government also focused on private sector development, through improving the business climate and strengthening human capital, as well as reducing input costs, including transport and energy. Actions to promote the development of the private sector focused on promoting new banks and strengthening the financial sector. This would be supported by the effective implementation of the revised national inclusive finance strategy and the SME/SMI financing support fund.

543. Against this background, the key macroeconomic target included real GDP growth rate of 5.5 percent; and average inflation rate of 2.0 percent.

544. The execution of the 2021 budget took place in an environment characterised by multiple challenges, including (i) insecurity, which led to the declaration of a state of emergency in the regions of Tillabéri, Tahoua, Diffa and southern Maradi; (ii) the closure of Nigeria's borders with Niger and Benin; and (iii) climate hazards characterised by periods of drought, which led to a poor agricultural season.

545. In 2021, real GDP growth slowed to 1.3 percent from 3.6 percent recorded in 2020, broadly reflecting the contraction of the primary sector by 4.5 percent after a growth of 7.7 percent in 2020. Average annual inflation also stood at 3.8 percent in 2021 against 2.9 percent in 2020.

546. Government fiscal operations at the end of 2021, resulted in an overall fiscal deficit on commitment basis (including grants) of 5.9 percent of GDP against 5.4 percent a year earlier. Excluding grants, the fiscal deficit stood at 13.4 percent of GDP in 2021 against 12.1 percent of GDP in 2020.

547. In terms of the trends in monetary aggregates, broad money supply recorded an increase of 8.8 percent in 2021 reflecting development in the NFA and NDA which grew by 22.6 percent and 9.2 percent, respectively.

548. Niger's transactions with the rest of the world in 2021 resulted in an overall BOP surplus of CFAF126.80 billion (1.5% of GDP) against a deficit of CFAF80.0 billion (1.0% of GDP) in 2020.

This development was mainly due to the good performance of the financial account, particularly at the end of the year.

549. In terms of convergence, Niger met five of the six criteria but missed the budget deficit criterion. The detailed analysis of the sectors is presented below.

11.2. Sectoral Analysis

11.2.1. Real Sector

550. The Nigerien economy slowed to 1.3 percent, after growing by 3.6 percent in 2020, due mainly to a downturn in the primary sector, particularly agriculture.

551. The primary sector contracted by 4.5 percent, compared to an increase of 7.7 percent in 2020. This decline is attributable to Agriculture which recorded a fall of 8.2 percent, against an increase of 9.5 percent in 2020, due to inadequate rainfall, leading to a 39.0 percent fall in rainfed cereal production. This decline has, however, been mitigated by the performance of the livestock, forestry and fishing sub-sectors, which continue to benefit from the various development projects and the restoration of calm around the Lake Chad area. Livestock activities grew by 3.6 percent in 2021, compared to 4.5 percent in 2020, while fishing activities grew by 6.5 percent, following a 3.3 percent decline in 2020.

552. The secondary sector grew by 4.1 percent compared to 1.7 percent in 2020, reflecting robust performance of manufacturing, energy and construction activities. Manufacturing activities increased by 3.7 percent, on account of increased production of the new cement plant. The energy sub-sector grew by 8.2 percent, driven by improved local production capacity. Growth in the mining sub-sector, however, weakened to 0.7 percent, reflecting the drop in uranium production following the closure of the second uranium production company, the Compagnie Minière d'Akouta (COMINAK)**.**

553. The tertiary sector, grew by 5.0 percent in 2021, compared to 1.1 percent recorded in 2020, attributable mainly to transport and communication activities (4.0% against 6.5% in 2020), and accommodation and catering activities (6.2% against -0.9% in 2020).

554. In terms of the contribution to real GDP growth, the primary sector accounted for -1.7 percentage points; secondary sector, 0.9 percentage points; and the tertiary sector, 2.1 percentage points, as shown in Table 51.

555. On the demand side, final consumption increased by 2.0 percent in 2021 against 3.5 percent in 2020. Household final consumption increased by 1.5 percent in 2021 against 2.1 percent in 2020. Public final consumption also increased by 3.7 percent in 2021 against 9.0 percent in 2020, reflecting the continuation of government support to vulnerable households, the increase in the income of civil servants and the organisation of local, parliamentary and presidential elections. Investment increased by 4.2 percent in 2021 after an increase of 7.4 percent in 2020. This slow pace of growth is attributable to public GFCF, which fell from 15.8 percent in 2020 to 3.3 percent in 2021. Similarly, private GFCF recorded an increase of 4.8 percent against 3.6 percent in 2020 on account of the continuation of the socio-economic infrastructure.

Table 51: Trends in GDP and its Components in Niger

	2019	2020	2021*	2022**	2019	2020	2021*	2022**
Item	**Percentage change**				**Contribution to growth**			
Real GDP	5.9	3.6	1.3	7.0	5.9	3.6	1.3	7.0
Supply								
Primary sector	3.1	7.7	-4.5	7.5	1.1	2.7	-1.7	2.6
Secondary sector	9.0	1.7	4.1	5.9	1.9	0.4	0.9	1.2
Tertiary sector	7.3	1.1	5.0	7.5	2.9	0.5	2.1	3.2
DEMAND								
Final consumption	4.4	3.5	2.0	6.8				
Households	3.8	2.1	1.5	6.6				
Administration	6.6	9.0	3.7	7.4				
Investments	11.3	7.4	4.2	8.3				
Gross Fixed Capital Formation	12.1	8.0	4.2	8.3				
Private	11.4	3.6	4.8	8.9				
Public	13.4	15.8	3.3	7.2				
Exports	2.0	-11.1	0.5	3.0				
Imports	4.8	1.3	7.0	5.1				
Memorandum								
GDP (at current prices) in billions of FCFA	10,124.7	10,052.8	10,623.2	11,338.3				
GDP (at constant prices) in billions of CFA francs	7,220.3	7,478.6	7,575.7	8,107.1				
Inflation								
Average	-2.5	2.9	3.8	3.0				
End of period	-2.0	3.1	4.3					

Source: CNPE ; *Provisional **Projections

556. Inflationary pressures intensified during the review period as reflected in average annual inflation, which stood at 3.8 percent in 2021, compared with 2.9 percent a year earlier. The rise in the general price level was particularly driven by ‘Food products and non-alcoholic beverages’, which rose by 9.7 percent due to a sharp drop in agricultural production resulting from the 2021 rainy season. The development is also explained by the speculative effects of the lean season, despite the measures taken by the government (free distribution of food to vulnerable populations, sales of cereals at moderate prices, etc.).

11.2.2. Fiscal Sector

557. The implementation of the Government's fiscal policy in 2021 was geared towards managing the socio-economic and financial impacts of the COVID-19 pandemic with specific focus on domestic revenue mobilisation. In 2021, the fiscal performance deteriorated, due to more-than-proportionate increase in total expenditure relative to total revenue and grants.

558. Total revenue and grants rose by 9.4 percent to CFAF1,518.15 billion (18.3% of GDP), driven by both domestic revenue and grants which grew by5.2 percent and 17.8percent, respectively. The increase in domestic revenue was largely due to increased outturn of tax revenue.

559. Tax revenue amounted to CFAF831.20 billion (10.0% of GDP) in 2021, compared with CFAF760.60 billion (9.6% of GDP) in 2020. This performance was occasioned by increased revenue from taxes on income, profits and capital gains (8.3%), taxes on salaries and other remuneration (10.9%), domestic taxes and duties on goods and services (17.7%), and import duties and taxes (not including VAT at the customs duties points) (12.4%).

560. Non-tax revenue, however, fell by 28.8 percent to 0.8 percent of GDP in 2021, compared with 1.2 percent of GDP in 2020. This decline is mainly linked to the non-payment of the expected licence fees by some telecommunications companies.

561. Grants amounted to CFAF527.50 billion (7.5% of GDP) against CFAF536.0 billion (6.7% of GDP) in 2020, an increase of 17.8 percent attributable to both project and programme grants, which grew by 19.8 percent and 6.7 percent, respectively.

562. Total expenditure and net lending amounted to CFAF2,006.80 billion (24.2% of GDP) compared with 22.9 percent of GDP in 2020, reflecting increase in both current and capital expenditures.

563. Current expenditure rose by 9.1 percent to CFAF887.30 billion (10.7% of GDP) compared with 10.3 percent of GDP in 2020, due mainly to the increase in expenditure on wages and salaries, transfers and subsidies and interest payments. Expenditure on wages and salaries rose by 6.7 percent to CFAF317.69 billion (3.8% of GDP) in 2021. Subsidies and transfers amounted to CFAF322.63 billion (3.9% of GDP), compared with CFAF268.77 billion (3.4% of GDP). Interest payments increased by 13.3 percent to CFAF93.55 billion (1.1% of GDP), largely reflecting the rise in interest payments on the external debt by 33.3 percent.

564. Capital expenditure increased by 12.9 percent in 2021, reflecting an increase in both domestic and foreign financed capital expenditure which rose by13.2 percent and 12.7 percent, respectively. In relation to GDP, capital expenditure accounted for 13.0 percent in 2021 against 12.1 percent in 2020, as shown in Table 52.

Table 52: Trends in Key Fiscal Indicators in Niger

	2019	2020	2021*	2022**	2019	2020	2021*	2022**
	Percentage change				Percent of GDP			
Total Revenue and Grants	5.5	1.3	10.0	5.6	17.9	17.5	18.3	17.6
Domestic Revenue	-1.6	0.5	5.2	19.8	11.2	10.8	10.8	11.8
Tax revenues	-0.5	-3.0	9.3	19.3	10.3	9.6	10.0	11.0
Taxes on income. profits and capital gains	-7.4	0.9	8.3	1.8	1.4	1.3	1.4	1.3
Wealth tax	127.0	5.4	6.4	7.6	0.4	0.4	0.4	0.4
Taxes and duties on goods and services	-6.5	-14.7	17.7	24.6	4.2	3.4	3.9	4.4
VAT (incl Customs VAT)	17.3	-12.7	1.8	46.3	2.4	2.0	2.0	2.6
Import duties and taxes (excl Customs VAT)	-10.9	6.8	12.4	29.5	2.1	2.2	2.3	2.8
Export duties and taxes	63.3	-9.6	-34.4	14.9	0.6	0.5	0.3	0.4
Non-tax revenues	-13.2	42.3	-28.8	12.6	0.9	1.2	0.8	0.8
Grants	19.8	2.6	17.8	-15.0	6.8	6.7	7.5	5.8
Total Expenditure and Net Lending	8.4	11.0	10.8	10.0	21.6	22.9	24.2	24.3
Total Expenditure	8.4	11.0	10.8	10.0	21.6	22.9	24.2	24.3
Recurrent expenditure	2.3	12.4	9.1	8.7	9.6	10.3	10.7	10.6
Wages and salaries	3.2	5.4	6.7	8.4	3.7	3.8	3.8	3.8
Purchases of goods and services	-19.4	20.1	3.4	9.0	1.4	1.7	1.6	1.6
Transfers and grants	5.9	19.2	20.0	5.9	3.0	3.4	3.9	3.8
Interest due	10.6	10.6	13.3	13.4	1.0	1.0	1.1	1.2
Interest due on domestic public debt	13.1	3.4	2.6	25.5	0.7	0.7	0.7	0.8
Interest due on public external debt	4.7	27.9	33.3	1.0	0.3	0.4	0.5	0.4
Capital expenditure	13.8	5.3	12.9	11.4	11.9	12.1	13.0	13.2
Domestic Financed	9.1	1.5	13.2	20.6	5.2	5.0	5.4	6.0
External Financed	17.6	8.1	12.7	2.5	6.8	7.1	7.6	7.1
Overall Balance on commitments (incl Grants)	21.9	22.3	15.9	-5.7	-10.3	-12.1	-13.4	-11.6
Overall Balance on commitments (excl Grants)	25.7	59.9	13.5	23.6	-3.6	-5.4	-5.9	-6.6
Public Debt	***2019***	***2020***	***2021****	***2022*****	***2019***	***2020***	***2021****	***2022*****
	In Billion CFAF				***Percent of GDP***			
Total	2,978.2	3,510.4	4,208.1		39.4	44.4	50.8	
Domestic	1,003.7	1,059.8	1,593.5		13.3	14.0	19.5	
External	1,974.4	2,450.6	2,614.6		26.1	32.4	37.9	

Source: Ministry of Finance *Provisional **Projections

565. The outstanding public debt stood at CFAF4,208.10 billion (50.8% of GDP) at end-December 2021, against CFAF3,510.40 billion (44.4% of GDP) at end-December 2020, representing an

increase of 19.9 percent. In terms of the composition, external debt accounted for 62.1 percent and amounted to CFAF2,614.60 billion (31.5% of GDP) while domestic debt amounted to CFAF1,599.50 billion (19.3% of GDP).

566. Consistent with development in public debt, debt service fell by 42.7 percent to CFAF542.70 billion in 2021 from CFAF945.10 billion in 2020, mainly due to the domestic debt servicing, which declined from CFAF873.80 billion at the end of December 2020 to CFAF450.3 billion at the end of December 2021.

11.2.3. Monetary Sector

567. Given the broadly accommodative monetary policy stance of the BCEAO in 2021, the monetary situation in Niger in 2021 was characterised by an increase in the money supply by 8.8 percent, reflecting a consolidation of the NFA and NDA.

568. The NFA grew by 22.6 percent at end-December 2021, from a contraction of 12.7 percent at end-December 2020. This increase was the result of the simultaneous improvement in the NFA of commercial banks and the BCEAO, which increased by 72.5 percent and 2.1 percent, respectively. The increase in the external position was driven by local banks' net subscriptions to public securities from other WAEMU countries, as well as by the rate of mobilisation of external resources from development partners. These favourable trends were offset by the coverage of payments for imports of goods and services, the payment of debt service and the recovery of oil costs.

569. Domestic claims increased by 9.2 percent to reach CFAF,351.50 billion, in connection with the increase in claims on the economy mitigated by the decline in net claims on the central government. Claims on the economy grew by 15.4 percent to CFAF1,205.80 billion at the end-December 2021, from CFAF1,044.50 billion at end-December 2020, reflecting improvement in net claims on local government, financial and telecommunications companies, commercial establishments and the extractive sector. Net claims on the central government contracted by 24.6 percent at the end of 2021, compared with a growth of 635.4 percent in 2020, on account of the significant increase of 66.4 percent in the Government’s bank balances, which more than offset the 31.3 percent increase in its commitments.

Table 53: Growth in Key Monetary Aggregates in Niger

	2019	2020	2021*	2022**	2019	2020	2021*	2022**
ASSETS	**Percentage change**				**Contribution to M2 Growth**			
Net external assets	98.1	-12.7	22.6	-3.2	28.2	-6.3	8.4	-1.3
Domestic receivables	-12.2	25.3	9.2	24.0	-12.2	19.3	7.5	19.7
Net claims on the State	-90.4	635.4	-24.6	130.6	-22.0	12.9	-3.1	11.5
Claims on the economy	13.8	8.6	15.4	11.1	9.8	6.4	10.6	8.1
Other net items	-12.0	-15.6	38.0	-17.6	-0.9	4.0	-7.1	4.1
LIABILITIES								
Money supply (M2)	15.1	17.0	8.8	22.5				
Monetary liquidity (M1)	13.1	24.2	8.6	22.7				
Cash in circulation	9.8	9.9	-5.9	39.6				
Demand deposits	16.7	20.9	19.4	13.4				
Term deposits	23.3	23.7	15.0	na				
Memo items								
M2/GDP	17.12	19.2	19.9	22.3				
Economy credit to GDP	12.7	13.2	14.6	14.8				

Source: BCEAO ; *Provisional **Projections

570. In terms of its components, the increase in the money supply reflected the consolidation of deposits, mitigated by the decline in cash in circulation. Cash in circulation recorded a 5.9 percent decrease to stand at CFAF542.30 billion at end-December 2021. Deposits increased by 17.8 percent to reach CFAF1,107.1 billion, attributable to the 19.4 percent increase in demand deposits and 15.0 percent in quasi money.

11.2.4. External Sector

571. In 2021, Niger's external sector was characterised by a worsening of the current account deficit, which is estimated at CFAF1,159.90 billion (14.0% of GDP), after the CFAF1,045.10 billion (13.2% of GDP) in 2020. This situation is mainly attributable to the deterioration of all its components, with the exception of the balance of secondary income, which posted a surplus.

572. The trade balance deteriorated by 12.8 percent to CFAF877.1 billion (10.6% of GDP) in 2021, due mainly to a greater increase in imports than exports, driven by the purchase of capital and intermediate goods as part of the implementation of major public (Kandadji dam, roads, etc.) and private (construction of the crude oil transport pipeline and mining projects) investment projects. Exports rose by 4.5 percent to CFAF671.2 billion (8.1% of GDP), reflecting good performance of agro-pastoral and oil products. Imports amounted to CFAF1,548.30 billion (18.7% of GDP) in 2021, against CFAF1,419.9 billion (18.0% of GDP) in 2020.

573. The balance of services showed a deficit of CFAF530.50 billion (6.4% of GDP), compared to a deficit of CFAF491.20 billion (6.2% of GDP) in 2020, mainly due to the increase in freight on imports, despite a recovery in travel and telecommunications receipts.

574. The primary income balance deteriorated by 8.8 percent to CFAF130.30 billion (1.6% of GDP), due to interest payments, remittances of expatriate workers' salaries and profit on oil, as well as dividends from mining, oil and telecommunications companies.

575. On the other hand, the secondary income account consolidated further and posted a surplus of CFAF378.10 billion (4.6% of GDP) in 2021, after CFAF343.40 billion (4.3% of GDP) a year earlier, an increase of 10.1 percent.

576. The capital account showed a surplus of CFAF486.7 billion (5.9% of GDP), up 19.9 percent on the previous year, driven by the increase in capital transfers to the public sector.

577. The net borrowing of the financial account (net financial liabilities) increased to CFAF799.90 billion (9.7% of GDP) in the review period, from CFAF563.60 billion (7.1% of GDP) in the preceding year. The growth in the net borrowing was attributable to FDI in the oil (notably the pipeline project) and mining sectors, portfolio investment through the issuance of public securities, which more than compensated for the decline in other investments.

578. The overall BOP amounted to a surplus by CFAF126.70 billion (1.5% of GDP) in 2021, after a deficit of CFAF80.0 billion (1.0% of GDP) in 2020, as shown in Table 54.

Table 54: Trends in Key Balance of Payments Indicators in Niger

	2019	2020	2021*	2022**	2019	2020	2021*	2022**
	In billions of CFAF				Percent of GDP			
Current account	-921.3	-1045.1	-1159.9	-1355.5	-12.2	-13.2	-14.0	-15.0
Goods and services	-1176.7	-1268.8	-1407.6	-1652.5	15.5	-16.0	-17.0	-18.3
Balance of Goods	-703.2	-777.5	-877.1	-1054.1	-9.3	-9.8	-10.6	-11.7
Exports of goods FOB	659.7	642.3	671.2	667.8	8.7	8.1	8.1	7.4
Imports of goods FOB	1362.9	-1419.9	-1548.3	-1722.0	18.0	-18.0	-18.7	-19.0
Balance of services	-473.6	-491.2	-530.5	-598.4	-6.3	-6.2	-6.4	-6.6
Primary income	-113.0	-119.7	-130.3	-143.6	-1.5	-1.5	-1.6	-1.6
Secondary income	368.4	343.4	378.1	440.7	4.9	4.3	4.6	4.9
Capital account	370.5	406.0	486.7	480.0	4.9	5.1	5.9	5.3
Current and capital account balances	-550.8	-639.1	-673.2	-875.5	-7.3	-8.1	-8.1	-9.7
Financial account	-872.7	-563.6	-799.9	-853.6	-11.5	-7.1	-9.7	-9.4
Direct investment	-401.4	-199.0	-280.4	-383.5	-5.3	-2.5	-3.4	-4.2
Portfolio investments	-155.7	-9.8	-398.6	-94.1	-2.1	-0.1	-4.8	-1.0
Financial derivatives	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other investments	-315.6	-354.9	-120.9	-376.0	-4.2	-4.5	-1.5	-4.2
Public administrations	-268.9	-386.0	-164.4	-397.3	-3.6	-4.9	-2.0	-4.4
Net errors and omissions	-4.5	-4.5	0.0	0.0	-0.1	-0.1	0.0	0.0
Overall balance	317.4	-80.0	126.7	-21.9	4.2	-1.0	1.5	-0.2

Source: BCEAO *Provisional **Projections

11.3. Status of Macroeconomic Convergence

579. Under macroeconomic convergence in 2021, the country met five (5) convergence criteria, three primary and two secondary. On the primary criteria, the country satisfied average annual inflation, Central Bank financing of the budget deficit, and gross external reserves but missed budget deficit criterion. On the secondary criteria, the country met both the nominal exchange rate variation and public debt.

Table 55: Status of Macroeconomic Convergence in Niger

Criteria	Target	2019	2020	2021
Primary criteria		**3**	**3**	**3**
Budget deficit (commitment basis. including grants)	≤3%	3.5	5.4	5.9
Average annual inflation rate	≤5%	-0.9	2.9	3.8
Central Bank Financing of the budget deficit	≤10%	0.0	0.0	0.0
Gross external reserves (in months of imports)	≥ 3 months	5.2	6.5	6.5
Secondary criteria		**2**	**2**	**2**
Nominal exchange rate variation	±10%	-2.8	1.0	1.5
Public debt-to-GDP ratio	≤70%	41.7	44.4	50.8
Total number of convergence criteria met		**5**	**5**	**5**

Source: BCEAO

11.4. Prospects

580. Despite the persistence of the COVID-19 pandemic and the poor security environment, Niger's macroeconomic outlook remains favourable. In 2022, a real GDP growth rate of 7.0 percent is expected, driven by all the three sectors. The primary sector is expected to grow by 7.4 percent, the secondary by 5.5 percent and the tertiary by 7.5 percent in 2022.

581. In the area of public finance, total revenue and grants are expected to rise by 5.6 percent, driven mainly by tax revenue. Total expenditure and net lending increased by 10.0 percent driven by current expenditure and investment expenditure. As a result, the overall fiscal balance is projected to result in a deficit of 6.6 percent of GDP in 2022.

582. On the external front, the current account deficit is projected at CFAF1,355.5 billion in 2022, due to the worsening of the goods and services account deficit of CFAF1,652.5 billion and the

primary income account of CFAF143.6 billion, mitigated by the secondary income account surplus of CFAF440.7 billion. The capital account is expected to reach CFAF480.0 billion in 2022, driven by disbursements of project grants, against the background of the Kandadji dam and projects financed by the MCC. In this context, the overall balance of payments would show a deficit of CFAF21.9 billion in 2022, compared with a surplus of CFAF126.7 billion in 2021.

583. The monetary situation would record an increase in the money supply of 22.5 percent in 2022, resulting from an expansion of domestic claims by 24.0 percent and a contraction of net external assets by 3.2 percent.

584. These prospects show that, in terms of macroeconomic convergence, the country is expected to meet five convergence criteria by the end of 2022, missing only the budget deficit (on commitment basis, including grants) criterion.

11.5. Conclusions and Recommendations

585. Economic activity in Niger in 2021 was greatly influenced by climatic, security and health factors. Growth stood at 1.3 percent against the initial forecast of 5.5 percent in 2021. This performance was attributable, to the poor agricultural season with a sharp drop in cereal production, among others. The security issue, as in most Sahel countries, remains a major challenge, with its attendant displacement of people, among others.

586. In the area of public finances, a worsening of deficits was observed as total expenditure and net lending increased more than proportionally to total revenue and grants. The overall deficit was 5.9 percent of GDP in 2021, compared with 5.4 percent a year earlier.

587. In terms of compliance with the convergence criteria, Niger met all the criteria, except the budget deficit.

588. In view of the foregoing, the following recommendations are made for the consideration of the Nigerien authorities:

   i. continue efforts to combat insecurity in the country;

   ii. continue efforts to finalise and adopt the new economic and social development plan to provide the country with a new reference framework for economic and social development;

   iii. continue efforts to finalise major socio-economic infrastructure works (Kandadji Dam) and the oil transport pipeline within the agreed timeframe;

   iv. continue implementation of the Integrated Project for the Modernisation of Livestock and Agriculture in Niger for the Transformation of the Rural World (PIMELAN) and the Integrated Platform for Water Security in Niger (PISEN) to ensure food security;

   v. strengthen tax compliance measures to enhance domestic revenue mobilisation; and

   vi. continue to pursue fiscal consolidation through expenditure rationalisation and debt sustainability.

12. NIGERIA

12.1. Introduction

589. The macroeconomic policy thrust of Nigeria in 2021 seeks to ensure economic growth and facilitate economic recovery, support job creation, achieve macroeconomic stability and promote poverty reduction and equity. It is intended to deliver on the goals of the National Economic Sustainability Plan (NESP), which is a transition from the Economic Recovery and Growth Plan (ERGP, 2017-2020) to the Medium-Term National Development Plan (2021-2025). The plan hinges on three (3) pillars: real sector measures, fiscal and monetary measures, and implementation.

590. Against this background, the macroeconomic targets for 2021 are as follows:
    - Real GDP growth of 3.0 percent;
    - Average inflation rate of 11.95 percent;
    - Fiscal deficit of 3.6 percent of GDP; and
    - Exchange rate variation of not more than 10.0 percent.

591. The Nigerian economy rebounded in 2021 with real GDP growth of 3.4 percent compared with the 1.9 percent contraction in 2020 on the back of policy support, recovery in crude oil prices, and international financial inflows. Inflationary pressures, however, remained elevated in the review period, with average inflation rising to 17.0 percent from 13.2 percent a year earlier, although end-period inflation moderated to 15.6 percent in December 2021.

592. As part of CBN's objective of supporting the recovery process, the monetary policy stance was largely accommodative in 2021, as the MPR was maintained at 11.5 percent throughout the year.

593. External sector performance in 2021 improved as the BOP recorded an overall surplus of US$0.6 billion (0.1 percent of GDP) compared with a deficit of US$1.7 billion (0.4 percent of GDP) in 2020, driven mainly by the significant improvement in the trade balance. The stock of gross external reserves rose to US$40.2 billion (7.3 months of imports) in 2021 from US$36.5 billion (6.1 months of imports) recorded in 2020, on account of the additional SDR allocation of US$3.34 billion by the IMF, the FGN Eurobond of US$4.0 billion, as well as improvements in oil receipts. The naira depreciated against the US dollar and WAUA on average terms by 6.5 and 8.6 percent in 2021, compared with 5.3 and 6.1 percent, respectively, in 2020.

594. 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 2021. The detailed sectoral analysis is provided below.

12.2. Sectoral Analysis

12.2.1. Real Sector

595. The economy rebounded strongly in 2021, following the relaxation of COVID-19 containment measures, improved vaccination and generally improved economic activities. The recovery also reflected the improved crude oil prices, sustained fiscal policy support and CBN's interventions to ease credit conditions for businesses and households.

596. GDP rebounded to a growth of 3.4 percent compared with the contraction of 1.9 percent recorded in 2020. The rebound also placed the growth path above that of the pre-COVID-19 growth rates of 1.9 and 2.3 percent in 2018 and 2019, respectively. The key drivers of growth in 2021 were the Agriculture and Services sectors, which recorded positive growth rates of 2.1 and 5.6 percent, respectively, as shown in Table 12.1. The Industry Sector contracted slightly by 0.5 percent, precipitated by the consistent drag in the Oil sub-sector due to the spill-over effect of global developments. Despite its impact on growth, the Agriculture Sector's performance in 2021 was slightly lower compared with the growth of 2.2 percent recorded in 2020, reflecting the contraction in the fishing sub-sector caused by the seasonal rise in the water levels. However, all other sub-sectors, namely, Crops, Livestock and Forestry, experienced marginal growth on account of the gradual return of normalcy to the North-East of the country, reducing farmers' insecurity challenges in that zone.

597. The Industry Sector contracted by 0.5 percent, showing a marked improvement from the contraction of 5.8 percent recorded in the previous year. The sector's performance was influenced by developments in the Oil sub-sector, which contracted by 8.3 percent in 2021 compared to 8.9 percent in 2020. The Manufacturing sub-sector, however, recorded an impressive performance of 11.2 percent in 2021, surpassing its negative growth rate of 2.8 percent in 2020, on account of the increasing availability of raw materials as the ease of doing business generally improved following the opening of borders and improvements in the security situation in the country. The year also witnessed a massive expansion in the Construction sub-sector, which grew by 3.1 percent in 2021 compared with -7.7 percent in 2020, as contractors and workers mobilise further to recover from the redundancy created by the nationwide lockdown in 2020.

598. Several dynamics influenced the performance of the Services sector, which expanded by 5.6 percent in 2021 from a contraction of 2.2 percent in 2020, as shown in Table 12.1. The Trade sub-sector contributed mainly to this expansion, as it grew by 8.6 percent compared with the contraction of 8.5 percent recorded in 2020. The remarkable performance was in response to the improvement in economic activities following the suspension of COVID-19 restrictions, which increased the volume and value of credit disbursed to finance businesses and consumer expenditures. Similarly, the Real estate sub-sector expanded by 2.3 percent, compared to a contraction of 9.3 percent in 2020, reflecting the general pickup of activity in the construction sub-sector. However, the growth in the Information and communication sub-sector, which recorded the highest expansion in 2020 at 13.2 percent, fell to 6.5 percent. This development can be attributed to the decline in e-commerce following the lifting of COVID-19 restrictions and the subsequent return of normal business activities.

599. In terms of share by sector, the Services sector remained dominant, accounting for 53.5 percent of GDP and contributing 2.9 percentage points to real GDP growth in 2021. The Agriculture and Industry Sectors accounted for the balance of 46.5 percent in the proportion of 25.9 and 20.6 percent, respectively.

Table 56: Trends in GDP and its Components in Nigeria

Economic Activity	2019	2020	2021*	2022**	2019	2020	2021*
	Percentage Change				Contribution to Growth Rate		
Real GDP Growth Rate	**2.3**	**-1.9**	**3.4**	**4.2**	**2.3**	**-1.9**	**3.4**
SUPPLY							
Agriculture	**2.4**	**2.2**	**2.1**		**0.6**	**0.5**	**0.6**
Industry	**2.3**	**-5.8**	**-0.5**		**0.5**	**-1.3**	**-0.1**
o/w Mining and Quarrying	4.4	-8.5	-7.8		0.4	-0.8	-0.6
o/w Crude Petroleum	4.6	-8.9	-8.3		0.4	-0.8	-0.7
Manufacturing	0.8	-2.8	11.2		0.1	0.2	1.0
Construction	1.8	-7.7	3.1		0.1	-0.3	0.1
Services	**2.2**	**-2.2**	**5.6**		**1.2**	**-1.2**	**2.9**
o/w Trade	-0.4	-8.5	8.6		-0.1	-1.4	1.3
GDP at Constant 2010 prices (N' Billion)	71,387.8	70,014.4	72,393.7	75,434.2			
GDP at current market prices (N' billion)	145,639.1	154,252.3	176,075.5	183,470.7			
Inflation Rates							
Average	11.4	13.2	17.0	16.0			
End-Period	12.0	15.8	15.6	13.0			

Source: National Bureau of Statistics (NBS) *Provisional ** Projections

600. Nigeria witnessed a higher price level in 2021 as average annual inflation rose to 17.0 percent from 13.2 percent in 2020, driven mainly by exchange rate pass-through effects on domestic prices, causing food inflation on an average to rise to 20.5 percent from 16.1 percent in 2020. End-period inflation, however, declined marginally from 15.8 percent in December 2020 to 15.6 percent in December 2021. The continued easing of COVID-19 restrictions and declining insecurity, coupled with good harvest, helped moderate local food prices, resulting in the consistent marginal decline in the year-on-year food inflation from 23.0 percent in March to 22.3 percent in May, reaching 20.3 percent in August before settling at 17.4 percent in December 2021.

12.2.2. Fiscal Sector

601. Given that Nigeria depends mostly on crude-oil exports as a major source of government revenue, the recovery of crude oil prices saw Nigeria's reference crude, the Bonny Light, rising by 68.4 percent to US$71.05 per barrel in 2021, from US$42.18 per barrel in 2020. Similarly, the average price of the OPEC basket of 13 crude oil streams rose by 68.5 percent to US$69.81 per barrel, from US$41.42 in 2020.

602. The aftermath of the global oil price developments was the rise in Federation revenue, driven by the high performance in tax revenue - oil and non-oil revenue components. In addition, the 2021 fiscal rule (oil-reference-price-rule) puts Nigeria at an advantage as the prevailing market oil price surpassed the 2021 budget benchmark oil price of US$40.0 per barrel, leading to accretion to buffers account to cushion possible revenue shortfalls within the year.

603. The Federation revenue (gross) in 2021 rose by 18.1 percent to N10,984.7 billion (6.2% of GDP) from N9,303.2 billion (6.0% of GDP) in 2020, occasioned by an improvement in tax collection. In terms of share in total federally collected revenue, the Tax and Non-tax revenue accounted for 76.6 percent and 23.4 percent, respectively. Nigeria did not receive grants in the period under consideration.

604. Tax revenue stood at N8,418.3 billion (4.8% of GDP) in 2021 from N6,856.5 billion (4.4% of GDP) in 2020. However, Non-tax revenue was recorded at N2,566.4 billion (1.5% of GDP) in

2021 from N2,446.7 billion (1.6% of GDP) in 2020. This improvement in tax revenue can be attributed to a number of factors, including the global economic recovery, the positive impact of the Strategic Revenue Growth Initiatives (SRGIs), and the provisions of the Finance Act 2020 and 2021 which strengthened revenue collection by relevant agencies. The Petroleum Profit Tax and Royalty collections increased by 9.4 percent compared with the 2020 collections, which saw a decline of 9.2 percent. Except for stamp duty, there was an increase in collections across the non-oil tax components. From an institutional perspective, customs services and the FIRS collections also rose above the 2020 collections. The reopening of borders and the reversal of policy restricting movement shored-up customs services and the FIRS revenue for the period.

605. Similarly, the non-tax revenue collections improved from a contraction of 4.9 percent in 2020 to a growth of 4.9 percent in 2021. Although Crude-oil & Gas sales declined, the combined increment in other oil revenues, and the surpluses of Government Owned Enterprises, Ministries and Agencies, outweigh its impact, thereby leading to the non-tax revenue recorded growth.

606. Of the total Federation revenue (net), the Federal Government retained 2.7 percent of GDP (N4,788.4 billion) in 2021 compared to 2.5 percent of GDP (N3,781.8 billion) in 2020, representing 26.6 percent increment. The sum represents 52.7 percent of the share from the Federation Account, 15.0 percent from the VAT pool account, as well as the surpluses of government corporations aggregated into Federal government independent revenue.

607. The total expenditure amounted to N11,698.6 billion (6.6% of GDP) in 2021 compared with N9,684.4 billion (6.3% of GDP) in 2020, representing an increase of 20.8 percent. The increase in expenditure was mainly due to capital expenditure, which rose by 98.8 percent from the N1,268.9 billion (0.8% of GDP) recorded in 2020, reflecting the prioritisation of capital projects to accelerate economic recovery. Recurrent expenditure also increased by 8.7 percent in 2021 from N7,987.5 billion (5.2% of GDP) in 2020 and accounted for 74.2 percent of total expenditure, while Transfers amounted to N496.5 billion (0.3% of GDP) in 2021 compared with the N428.1 billion (0.3% of GDP) recorded in 2020. Non-debt recurrent expenditure accounted for 51.4 percent of the total recurrent expenditure, while interest payment accounted for the balance of 48.6 percent. 'Wages and salaries', which amounted to N3,046.5 billion (1.7% of GDP) in 2021, was 7.7 percent higher than the N2,827.6 billion (1.8% of GDP) recorded in 2020, underscoring the importance of reflating the economy through spending.

608. Despite the higher retained revenue of the Federal Government, its expansionary fiscal stance due to the fiscal stimulus to cushion the economy against the impact of the COVID-19 pandemic reflected in the higher total expenditure and resulted in an overall fiscal deficit on commitment basis of 3.9 percent of GDP (N6,910.2 billion) compared to 3.8 percent of GDP (N5,902.6 billion) in 2020.

609. The Federal government debt, including the contingent liabilities of State governments at end-December 2021, amounted to 18.7 percent of GDP (N35,097.8 billion) compared to 18.0 percent of GDP (N28,729.5 billion) at end-December 2020. Domestic debt comprised 54.8 percent of the total, while external debt accounted for the balance of 45.2 percent, as shown in Table 57.

610. This development was based on new concessional loans from multilateral and bilateral sources to part-finance the deficit in the 2021 Budget. There was also a 'new issue' of domestic debt instruments, namely the FGN Bonds and FGN Sukuk. Consequently, multilateral loans rose by US$722.6 million or 4.0 percent from the level at end-December 2020, and bilateral loans rose by US$406.7 million or 10.0 percent. There were also new issues regarding FGN Bond (N2,137.09 billion) and FGN Sukuk (N250.0 billion).

Table 57: Trends in Key Fiscal Indicators in Nigeria

	2019	2020	2021*	2022**	2019	2020	2021*	2022**
Fiscal Operations	**Percentage Change**				**Percent of GDP**			
Total Revenue and Grants	**2.9**	**-5.3**	**18.1**	**1.9**	**6.7**	**6**	**6.2**	**6.1**
Retained Revenue available for Fed Govt	21	-19.4	26.6	9.3	3.2	2.5	2.7	2.9
Total Revenue	**2.9**	**-5.3**	**18.1**	**1.3**	**6.7**	**6.0**	**6.2**	**6.1**
Tax Revenue	-1.0	-5.4	22.8	-10.3	5.0	4.4	4.8	4.1
Non-tax revenue	15.8	-4.9	4.9	39.5	1.8	1.6	1.5	2.6
Grants	**0.0**	**0.0**	**0.0**	0.0	**0.0**	**0.0**	**0.0**	**0.0**
Total Expenditure and Net Lending	**25.4**	**2.4**	**20.8**	**-6.1**	**6.5**	**6.3**	**6.6**	**6.0**
Total Expenditure	25.4	2.4	20.8	-6.1	6.5	6.3	4.9	6.0
Recurrent Expenditure	24.8	18.6	8.7	-6.1	4.6	5.2	2.5	4.4
Non-Debt	*32.3*	*8.5*	*-4.0*	-6.1	*2.9*	*3.0*	*1.7*	*2.3*
Wages & Salaries	*9.5*	*23.6*	*7.7*	-6.1	*1.6*	*1.8*	*0.2*	*1.6*
Pension	*-29.4*	*17.0*	*-1.0*	-6.1	*0.2*	*0.2*	*0.6*	*0.2*
Overhead	*136.8*	*-13.6*	*-27.6*	-6.1	*1.2*	*0.9*	*2.4*	*0.5*
Interest Payment	*13.5*	*36.2*	*26.3*	-6.1	*1.7*	*2.2*	*1.9*	*2.2*
Domestic	*7.3*	*39.1*	*17.4*	-6.1	*1.4*	*1.8*	*0.5*	*1.7*
External	*53.4*	*23.3*	*71.1*	-6.1	*0.3*	*0.4*	*1.4*	*0.5*
Capital/Investment Expenditure	36.1	-44.6	98.8	-6.1	1.6	0.8	1.4	1.3
Domestically Financed	*36.1*	*-44.6*	*98.8*	-6.1	*1.6*	*0.8*	*0.0*	*1.3*
Externally Financed	*0.0*	*0.0*	*0.0*	0.0	*0.0*	*0.0*	*0.0*	*0.0*
Transfers	-6.1	-0.1	16.0	-6.1	0.3	0.3	0.0	0.3
Net Lending	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Primary balance (deficit/surplus excl. grants)	54.0	10.8	5.0	-33.5	-1.6	-1.7	**-1.5**	-1.0
Budget deficits/surplus (Including grants)	**30.1**	**23.9**	**17.1**	**-16.7**	**-3.3**	**-3.8**	-3.9	**-3.1**
Commitment basis	30.1	23.9	17.1	-16.7	-3.3	-3.8	**-3.9**	-3.1
	Billion $US				**Percent of GDP**			
Total Public Debt Stock	**74.25**	**72.75**	**80.68**	**93.49**	**15.6**	**17.5**	**18.7**	**20.9**
Domestic	*46.57*	*40.57*	*44.24*	58.15	*9.8*	*10.0*	*10.3*	*13.0*
External	*27.68*	*32.17*	*36.45*	35.34	*5.8*	*8.0*	*8.4*	*7.9*

Source: Federal Ministry of Finance *Provisional **Projections

12.2.3. Monetary Sector

611. The CBN in 2021 continued to stimulate economic recovery following the negative impact of the COVID-19 pandemic with the hope that economic activities will normalise in the short to medium term, leading to sustained growth and lower inflationary pressures. Consequently, the CBN retained the MPR at 11.5 percent since November 2020, when the rate was reduced by 100 basis points from 12.5 percent. It also maintained the asymmetric corridor at +100/-700 basis points around the MPR. Similarly, the Cash Reserve Requirement (CRR) and Liquidity Ratio (LR) were left unchanged at 27.5 percent and 30.0 percent, respectively, in 2021, while the interest rate on existing intervention funds was reduced to 5.0 percent from 9.0 percent to support ailing sectors. Furthermore, the CBN provided liquidity supports to the economy through Open Market Operation (OMO), direct interventions in the real sector and foreign exchange market.

612. Interest rates reflected liquidity conditions in the domestic money market with mixed trends in 2021. The 91-day treasury bill rate increased to 2.50 percent in Q4 2021 from 0.31 percent in Q4 2020. Movements in the inter-bank rate averaged 8.27 percent in the fourth quarter of 2021

compared to 1.25 percent in the corresponding period of 2020. However, savings and maximum lending rates averaged 1.45 percent and 27.30 percent, a decline from 1.92 percent and 28.48 percent, respectively, in the same period of 2020.

613. Broad money supply (M3) grew by 12.6 percent in the 12-month period ended December 2021 relative to 11.6 percent in the corresponding period of 2020, mainly influenced by domestic claims on the economy, which grew by 17.2 percent. Growth in NDA accelerated to 16.9 percent at end-December 2021, from 3.5 percent in the same period of 2020, largely supported by claims of government and commercial as well as merchant banks during the period. Net claims on government grew by 16.0 percent, higher than the growth rate of 13.8 percent recorded in 2020, largely due to increased claims on central government during the period. Growth in claims on the private sector increased to 27.9 percent in the period ended December 2021 from 15.2 percent in the corresponding period of 2020, mainly influenced by commercial and merchant banks.

614. In contrast to the above developments, NFA contracted by 1.8 percent in the 12-month period ended December 2021 following the significant growth rate of 51.0 percent recorded in the same period of 2020. This development was largely due to the 16.7 percent reduction in the NFA of the CBN during the period.

Table 58: Growth in Key Monetary Aggregates in Nigeria

Monetary Aggregates	**2019**	**2020**	**2021***	**2019**	**2020**	**2021***
	Percentage Change			**Contribution to M3 Growth**		
ASSETS						
Net Foreign Assets	-49.8	51.0	-1.8	-18.09	8.7	-0.4
Net Domestic Assets	38.3	3.5	16.9	24.5	2.9	13.0
Domestic Credit	29.0	12.7	17.2			
Net Claims on Government	105.4	13.8	16.0			
Claims on Private Sector	22.9	15.2	27.9			
Other Items Net (OIN)	3.4	108.48	23.8			
LIABILITIES						
Broad Money Supply (M3)	6.4	11.6	12.6	6.4	11.6	12.6
Money Supply (M2)	9.2	30.6	15.8			
Narrow Money (M_1)	2.4	50.0	14.7			
Currency in Circulation	6.0	19.1	14.3			
Demand Deposits	1.5	54.7	14.2			
Quasi Money	13.6	20.6	16.6			
MEMORANDUM ITEMS						
Reserve Money Growth	20.9	51.0	1.4			
Money Multiplier(M3/RM)	4.0	3.2	3.3			
The velocity of Money (GDP/M3)	4.2	4.0	4.0			
Credit to Private Sector/GDP (Percent)	13.1	13.3	13.6			
Currency in Circulation/M3 (Percent)	5.8	6.5	7.6			
Currency-to-Deposits (Percent)	23.4	18.5	19.3			
NFA/M3 (Percent)	-49.8	23.4	20.1			
NDA/M3 (Percent)	20.9	50.9	79.9			

Source: CBN *Provisional

615. In terms of the contributions to the growth in M3 of 12.6 percent in 2021, NDA contributed 13.0 percentage points while the NFA contributed -0.4 percentage points. However, in the period ended December 2020, NFA contributed more at 8.7 percentage points compared to NDA contribution of 2.9 percentage points to the 11.6 percent growth in M3.

616. Reserve money grew modestly by 1.4 percent at end-December 2021, compared to the marked growth rate of 51.0 percent at end-December 2020, mainly driven by deposit money banks'

reserves which contracted by 2.2 percent following the 63.5 percent increase in the period ended December 2020. However, growth in currency in circulation slowed to 14.3 percent from 19.1 percent at end-December 2020.

12.2.4. External Sector

617. The performance of the external sector was impressive in 2021, as the negative impact of COVID-19 receded leading to enhanced global trade and demand as well as the recovery in crude oil prices. The overall BOP recorded a surplus of US$0.56 billion (0.1% of GDP), compared with a deficit of US$1.66 billion (0.4%of GDP) in 2020 due mainly to marked improvement in the current account.

618. The current account deficit narrowed significantly by 88.4 percent to US$1.85 billion (0.4% of GDP) in 2021, from US$15.99 billion (4.0% of GDP) in 2020, due mainly to the significant improvement in the trade balance supported by the reduction in the services account net deficit during the period. The trade deficit was equivalent to US$3.25 billion (0.8%of GDP) in 2021 compared to US$16.40 billion (4.1%of GDP) in 2020, reflecting the impressive export earnings from oil and gas as well as lower import bills of non-oil products during the period. Merchandise exports rose to US$46.86 billion (10.9%of GDP) from US$35.94 billion (8.4%of GDP), while imports moderated to US$50.11 billion (11.6%of GDP) from US$52.35 billion (13.0%of GDP) in 2020.

619. Improvements were also recorded in the services account net as the deficit declined to US$12.01 billion (2.8 %of GDP) in 2021 from US$15.84 billion (3.9% of GDP) in 2020, reflecting developments in travel and transport services during the period. The secondary income account recorded a high surplus of US$21.96 billion (5.1%of GDP) from US$21.02 billion (5.2%of GDP), while the primary income deficit rose to US$8.56 billion (2.0%of GDP) from US$4.77 billion (1.2%of GDP) in 2020, mainly due to a significant reduction of net investment inflows.

620. The financial account recorded net incurrence of financial liabilities, equivalent to US$7.57 billion (1.8%of GDP) in 2021, against a net acquisition of financial assets equivalent to US$2.64 billion (0.7%of GDP) in 2020. The development was attributed mainly to the increased inflow of portfolio debt securities and higher incurrence of loan liabilities by the general government.

621. The stock of gross external reserves at end-December 2021 rose by 10.3 percent to US$40.2 billion (7.3 months of import cover) from US$36.5 billion (6.1 months of import cover), representing an increase of US$3.7 billion to reserves. The accretion to gross external reserves mainly emanated from the recovery in the global crude oil market, leading to increased crude-oil exports, the additional SDR allocation of US$3.3 billion by the IMF and the FGN Eurobond of US$4.0 billion.

622. The naira came under pressure against major international currencies, particularly the US dollar at the I&E window foreign exchange market segments, due mainly to rising demand pressures amidst supply constraints. Consequently, the average exchange rate of the naira to the US dollar depreciated by 6.5 percent to N409.4/US$, relative to N382.2/US$ in 2020. Against the WAUA,

it depreciated by 8.6 percent from an average of ₦532.4/WAUA in 2020 to ₦582.4/WAUA in 2021.

Table 59: Trends in Key Balance of Payments Indicators in Nigeria

External Sector Indicators	2019	2020	2021*	2022**	2019	2020	2021*	2022**
	In Million US$				As Percent of GDP			
Current Account Balance	**-13,685.22**	**-15,985.92**	**-1,848.69**	**-11,800.0**	**-2.9**	**-4.0**	**-0.4**	**-2.6**
Trade balance	**2,867.5**	**-16,401.8**	**-3,245.67**	**-7,600.0**	**0.6**	**-4.1**	**-0.8**	**-1.7**
Merchandise Exports (FOB)	64,977.6	35,944.2	46,859.61	50,800.0	13.7	8.9	10.9	11.4
Oil and Gas	54,511.1	31,401.4	40,842.94	44,800.0	11.5	7.8	9.5	10.0
Non-Oil	10,466.4	4,542.8	6,016.68	6,100.0	2.2	1.1	1.4	1.4
Merchandise Imports (FOB)	-62,110.0	-52,345.9	-50,105.29	-58,400.0	13.1	13.0	11.6	13.1
Oil	-11,025.1	-7,304.4	-14,389.80	-10,300.0	2.3	1.8	3.3	2.3
Non-Oil	-51,085.0	-45,041.5	35,715.49	-48,100.0	10.8	11.2	8.3	10.8
Services (Net)	-33,761.0	-15,839.5	-12,005.52	-22,000.0	-7.1	-3.9	-2.8	-4.9
Income (Net)	17,208.26	16,255.34	13,402.50	-10,600.0	3.6	4.0	3.1	2.4
Current and Capital Account Balance	**-13,685.22**	**-15,985.92**	**-1,848.69**	**11,800**	**-2.9**	**-4.0**	**-0.4**	**-2.6**
Financial Account (Net)	**16,945.7**	**2,640.16**	**-7,566.96**	**10,900.0**	**-3.6**	**0.7**	**-1.8**	**2.4**
Direct Investment (net)	2,019.8	-911.95	-1,508.11	3,400.00	0.4	-0.2	-0.4	0.8
Portfolio Investment (net)	3,090.9	3.691.34	-5,911.95	3,000.0	0.7	0.9	-1.4	0.7
Other Investment (net)	11,835.0	-139.23	-146.90	4500.00	2.5	-0.03	-0.03	1.0
Errors and Omissions	-7,750.14	16,961.33	-5,160.41	0.0	-1.6	4.2	-1.2	0.0
Overall Balance	**-4,489.7**	**-1,664.8**	**557.9**	**-900.0**	-0.9	-0.4	0.1	**-0.2**
Financing	**4,489.7**	**1,664.8**	**-557.9**	**900.0**	0.9	0.4	-0.1	0.2
MEMORANDUM ITEMS								
Average Exchange Rate (₦/US$)	306.9	382.2	409.0	395.7				
End-period Exchange Rate (₦/US$)	307.0	394.9	435.0	410.2				
The stock of External Reserves (Millions US$)	38,092.7	36,476.9	40,230.8	35,500.0				
The stock of External Reserves (Months of Import)	7.4	6.1	7.3	5.1				

Source: CBN *Provisional ** Projections

12.3. Status of Macroeconomic Convergence

623. Nigeria satisfied three (3) of the six convergence criteria in 2021, same as in 2020. In terms of the primary criteria, the country met only the gross external reserves criterion while it missed the inflation, fiscal deficit and central bank financing of the budget deficit criteria. However, the country met both secondary criteria: the public debt and the nominal exchange rate variation.

Table 60: Status of Macroeconomic Convergence in Nigeria

Convergence Criteria	Target	2018	2019	2020	2021*	2022**
Primary Criteria		**2**	**1**	**1**	**1**	**2**
i. Budget Deficit / GDP	≤ 3 percent	2.8	3.3	3.8	3.9	3.1
ii. Average Annual Inflation	≤ 5 percent from 2019	11.4	12.0	13.2	17.0	13.0
iii. Central Bank Financing of Budget Deficit	≤ 10 percent	18.7	67.4	38.5	20.5	0.0
iv. Gross External Reserves	≥ 3 mths Imp	7.6	7.4	6.1	7.3	5.1
Secondary Criteria		**2**	**2**	**2**	**2**	**2**
i. Nominal Exchange Rate Variation	± 10 percent	-2.0	2.2	-9.7	-6.5	-0.3
ii. Public Debt / GDP	≤ 70 percent	15.9	15.6	17.5	18.7	20.9
Total number of convergence criteria met		**4**	**3**	**3**	**3**	

Sources: Federal Ministry of Finance, CBN, NBS, IMF & WAMA; *Provisional ** Projections

12.4. Prospects

624. The Nigerian economy is projected to remain stable in the near to medium term following the re-opening of business activities and improved oil prices. Thus, in the medium term, real GDP is projected to rise by 4.2 percent in 2022 before moderating to 2.3 percent in 2023 and picking up to 3.3 percent in 2024. Growth drivers are expected to remain in telecommunications, agriculture, and the oil sector. In addition, pre-election expenditure for the 2023 general elections may also contribute to the growth drive. However, the risk to the outlook includes weaker-than-expected global performance, rising energy prices and supply-side bottlenecks arising from geo-political

tensions, especially the Russia-Ukraine war and the lingering security challenges in some parts of Nigeria.

625. Inflation is projected to hover around 13.0 percent in 2022, moderating to 11.0 percent in 2023-2024. Supply-side bottlenecks due to the Russia-Ukraine war, domestic security concerns, as well as the pass-through effect of exchange rate depreciation and the extent to which CBN intervention in adjusting the MPR can influence the real economy are all likely to impact domestic prices. The global development and other structural factors have worsened domestic price pressures as the end-period inflation (year-on-year) recorded 18.6 percent at end-June 2022. Thus, annual average inflation may worsen than projected for 2022.

626. Government revenue is expected to improve slightly in 2022, following the rebound in the oil market and the coming on board of the Dangote oil refinery. However, government expenditure is expected to be higher in 2022, given the need to meet the backlog of capital expenditure suspended since 2020 in the bid to meet COVID-19 expenditure. Thus, the fiscal balance in the medium term will result in a deficit of 3.1 percent of GDP in 2022 but moderate to 2.7 percent of GDP in 2024.

627. On the macroeconomic convergence front, Nigeria's performance in 2022 is expected to improve, meeting two (2) of the four (4) primary criteria (gross external reserves and central bank financing of the budget deficit) and the two (2) secondary criteria (nominal exchange rate variation and public debt).

12.5. Conclusions and Recommendations

628. Overall, the macroeconomic outcome for Nigeria in 2021 shows that the economy recovered and is expected to remain strong in the medium term, given that the downside risks are minimised. The Nigerian economy rebounded with a real GDP growth of 3.4 percent in 2021, supported by recovery in crude oil prices, international financial inflows and accommodative monetary policy stance as well as the fiscal stimulus which helped to cushion the economy against the impact of the COVID-19 pandemic. The combined effects of GDP growth and increased fiscal deficit showed up in inflationary pressures, which worsened to 17.0 percent on average in the review period from 13.2 percent a year earlier.

629. On the external front, trade and international financial inflows improved in the year in favour of Nigeria, leading to favourable BOP, which recorded a surplus of US$0.6 billion (0.1 percent of GDP) compared with a deficit of US$1.7 billion (0.4 percent of GDP) in 2020. 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 2021.

630. In light of the above developments, the Nigerian authorities are being encouraged to consider the following recommendations:

   i. relevant authorities should continue with the mediation effort to resolve the insecurity challenge;

ii. proactive policy measures need to be adopted following the introduction of the CBDC to guard against risks, including monetary policy implementation, money laundering and cyber security, to preserve the integrity and stability of the financial sector;

iii. while the accommodative monetary policy stance appears largely appropriate at the moment, the CBN is urged to be more proactive in adjusting the monetary policy stance should inflationary pressures persist to help anchor inflationary expectations;

iv. the fiscal authorities are encouraged to continue to expand the tax base, automate tax collection and reduce tax exemptions, as well as intensify efforts on fiscal consolidation and sustain expenditure rationalisation efforts to improve revenue generation and reduce current deficit for a wider fiscal space;

v. the Authorities should continue to take steps to deregulate the downstream petroleum sector and eliminate the subsidy regime and free up fiscal space to support growth-enhancing sectors; and

vi. the Authorities are encouraged to strengthen the current economic diversification drive in the agriculture and manufacturing sectors to reduce the economy's vulnerability to oil price shocks in line with the provisions of the National Economic Sustainability Plan (NESP).

13. SENEGAL

13.1. Introduction

631. Senegal's macroeconomic policy thrust continued to focus on structuring investments as part of the implementation of projects and programmes under the Emerging Senegal Plan (PSE) included in the Adjusted and Accelerated Priority Action Plan (PAP2A). In addition to the aforementioned drive, the Authorities are consolidating achievements through the implementation of reforms relating, in particular, to the second phase of the 'compact with Africa', the medium-term revenue strategy (SRMT) and the development of PPPs helped to maintain the dynamism of economic activity.

632. Against this background, the economy thus regained its pre-pandemic momentum, supported by favourable domestic and global environment coupled with the lifting of COVID-19 related restrictions.

633. Accordingly, the main macroeconomic targets for 2021 were as follows:
   - Real GDP growth of at least 3.7 percent;
   - Overall fiscal deficit on commitment basis (including grants) of 5.0 percent of GDP;
   - Annual average inflation rate of less than 3.0 percent;
   - Outstanding public debt-to-GDP ratio of 65.3 percent.

634. Real GDP grew by 6.1 percent in 2021, driven by the rebound in activities in the secondary and tertiary sectors, unlike the primary sector where output contracted during the period. Average inflation, measured by the Harmonised Index of Consumer Prices (HICP), was 2.2 percent in 2021, compared with 2.5 percent in 2020.

635. Fiscal performance improved in 2021 as the budget deficit declined to 6.3 percent of GDP in 2021 from 6.4 percent of GDP in 2020, mostly occasioned by the moderation in COVID-19 related expenditures. However, resource mobilisation was modest, with an increase of 4.8 percent, driven by customs revenues and direct taxes.

636. Within the context of BCEAO's accommodative monetary policy stance, broad money supply in Senegal grew by 17.0 percent in 2021 compared to 12.3 percent in 2020, supported by both the NFA and NDA during the period.

637. External sector developments improved in 2021 as the overall BOP recorded a surplus of 0.8 percent of GDP against a deficit of 0.6 percent of GDP in 2020. This performance was mainly due to the improvement of the surplus in the financial account despite the worsening of the current account deficit to 11.9 percent of GDP from 10.9 percent of GDP in 2020.

13.2. Sectoral Analysis

13.2.1. Real Sector

638. In 2021, Senegal's economy rebounded as growth strengthened to 6.1 percent from the 1.3 percent in 2020, driven by the robust output in the secondary and service sectors, in the face of weak performance in the primary sector during the period.

639. Activity in the primary sector contracted by 1.0 percent in 2021 following the growth rate 12.8 percent in 2020, largely reflecting the poor performance of the agricultural sub-sector, which was disrupted by the late start of the rainy season. Grain production dropped by 2.9 percent in 2021, mainly due to the decline in millet-sorghum (8.5%) and maize production (1.0%). Groundnut production also fell by 6.7 percent as a result of lower yields and smaller areas cultivated. However, rice production increased by 2.4 percent during the period.

640. The secondary sector recovered strongly in 2021, benefiting from the effects of the economic stimulus package and the continued implementation of the structuring projects under the ESP. The sector grew by 10.9 percent after contracting by 0.4 percent the previous year. This recovery was supported by the subsectors of mining and quarrying (25.3%), manufacture of agri-food products (8.6%), construction (15.6%) and building materials, particularly cement (15.3%).

641. The Service Sector also recovered in 2021, after the downturn observed in 2020, supported by the lifting of almost all the COVID-19 restrictions. Overall, growth in the Service Sector stood at 6.2 percent compared with the contraction of 0.7 percent in 2020. This recovery was supported by the performance of the 'Information and Communication' (11.6%), 'Trade' (6.2%), 'Real estate activities' (4.4%), 'Artistic, cultural, sporting and recreational activities' (10.9%) and 'Transport' (10.8%) branches.

642. In terms of contribution to the growth rate of 6.1 percent, the primary, secondary and service sectors accounted for -0.2, 2.5 and 3.8 percentage points in 2021 compared to 1.9, 0.1 and 0.5 percentage points, respectively, in 2020.

643. On the demand side, in 2021, final consumption grew by 5.9 percent against 2.3 percent in 2020, supported by both private consumption (5.4%) and public consumption (6.0%). The GFCF increased by 10.4 percent, reflecting the implementation of structural investments under the PAP2A, notably through the special economic zones, improvement in energy supply and the strengthening of FDI.

644. Average inflation, stood at 2.2 percent in 2021 compared to 2.5 percent in 2020, driven by 'food products and non-alcoholic beverages' (2.9%), transport (2.3%), 'furniture, household articles and everyday household items' (2.9%), which was below the Community threshold of 5.0 percent. End-period inflation, however, accelerated to 3.3 percent in December 2021 from 2.5 percent in December 2020.

Table 61: Trends in GDP and its Components in Senegal

	2019	2020	2021*	2022**	2019	2020	2021*	2022**
Supply	**Percentage change**				**Percent of GDP**			
GDP - Gross Domestic Product	4.6	1.3	6.1	5.5	4.6	1.3	6.1	5.5
Primary sector	4.3	12.8	-1.0	5.3	0.6	1.9	0.2	0.8
Secondary sector	5.0	-0.4	10.9	5.9	1.2	0.1	2.5	1.4
Service sector (including non-market)	4.5	-0.7	6.2	5.4	2.8	0.5	3.8	3.3
Demand								
Imports of goods and services	6.8	7.0	8.0	6.7				
Exports of goods and services	14.7	-13.2	14.7	8.2				
Final consumption	4.4	2.3	5.9	5.8				
Public	7.5	2.6	5.4	6.3				
Private	3.8	2.2	6.0	5.7				
Gross capital formation	1.2	16.2	4.1	4.6				
Gross fixed capital formation	10.2	9.4	11.2	8.8				
Public	6.4	1.7	12.7	7.0				
Private	11.3	11.5	10.8	9.2				
Stock variation	-38.1	69.2	-31.7	-29.1				
Acquisition of valuables	8.4	11.5	10.8	11.2				
Inflation								
Annual average	1.0	2.5	2.2	3.5				
End period	1.1	2.5	3.3	na				

Sources: Ministère de l'Economie et des Finances, BCEAO, WAEMU, WAMA ; *Provisional **Projections

13.2.2. Fiscal Sector

645. Budget execution in 2021 was characterised by a moderate 5.2 percent increase in expenditure, reflecting the waning impact of the COVID-19 pandemic, with a reduction in recurrent expenditure, mainly transfers and subsidies. Revenue mobilisation was modest at 4.8 percent, driven by customs revenues and direct taxes. It was mitigated, however, by the contraction of domestic VAT. The decline in grants to their pre-COVID-19 level also dampened the resource dynamics. The overall budget deficit on commitment basis (including grants), therefore, amounted to CFAF959.4 billion (6.3% of GDP) in 2021 compared to CFAF903.0 billion (6.4% of GDP) a year earlier.

646. Total revenue and grants increased to CFAF2,979.4 billion (19.4% of GDP) from CFAF2,842.7 billion (20.2% of GDP) in 2020, representing an increase of 4.8 percent in nominal terms. This comprises domestic revenue of CFAF2,848.8 billion (18.6% of GDP) and grants of CFAF130.6 billion (0.9% of GDP). Domestic revenue was essentially made up of tax revenue of CFAF2,594.1 billion (16.9% of GDP), the rest being made up of other revenues for CFAF254.7 billion (1.7% of GDP). Tax revenue went up by 9.5 percent, reflecting improvements in both direct and indirect taxes.

647. The strong performance of direct taxes was due to the collection of 'taxes on income, profits and capital gains' (CFAF771.5 billion), which recorded an increase of 7.6 percent, particularly in relation to the 12.9 percent increase in income tax (CFAF475.7 billion). Under indirect taxes, taxes on goods and services amounted to CFAF1,293 billion, representing an increase of CFAF64.6 billion (5.3%) compared to 2020. This moderate increase reflected the improvement in import VAT, mitigated however by the decline in domestic VAT.

648. Taxes on international trade amounted to CFAF965.5 billion in 2021 against CFAF784.6 billion in 2020, an increase of CFAF180.9 billion (+23.1%). This increase was due to a 9.3 percent rise

in taxes levied on non-oil products, estimated at CFAF693.7 billion and divided into non-oil import VAT for CFAF412.3 billion and non-oil door duty for CFAF281.3 billion.

649. On the other hand, domestic VAT excluding oil contracted by CFAF20.8 billion to CFAF316.6 billion in 2021. This decline was noticeable in the secondary sector with significant decreases in flour (CFAF13.0 billion) and cement (CFAF5.0 billion) sub-sectors.

650. Oil revenues stood at CFAF420.4 billion, an increase of 13.0 percent year-on-year. Consequently, tax revenue rose by 9.1 percent to16.9 percent of GDP from 16.7 percent of GDP in 2020.

651. Grants stood at CFAF130.6 billion (0.9% of GDP), a drop of CFAF193.9 billion (-59.8%) due to the decline in programme grants, which fell from CFAF194.7 billion in 2020 to about CFAF17.1 billion in 2021, essentially reflecting the supports received at the advent of the COVID-19 in 2020, and to a lesser extent the delay in the mobilisation of some grants initially expected in 2021.

652. Total expenditure stood at CFAF3,938.7 billion (25.7% of GDP) in 2021 against CFAF3,745.7 billion (26.6% of GDP) in 2020, an increase of CFAF197.9 billion (5.3%). This evolution reflects the increases in both recurrent and capital expenditure.

653. Recurrent expenditure rose by 4.5 percent to stand at CFAF2,537.2 billion (16.5% of GDP) in 2021 from CFAF2,428.6 billion (17.2% of GDP) in 2020, owing to increases in expenditure on supplies and maintenance, interest on the public debt and the wage bill. However, transfers and subsidies contracted by 8.6 percent to 6.3 percent of GDP from 7.4 percent of GDP in 2020.

654. Capital expenditure increased by CFAF84.4 billion (6.4%) to CFAF1,401.6 billion (9.1% of GDP) from CFAF1,317.2 billion (9.3% of GDP) in 2020. These were financed from both domestic sources (CFAF771.7 billion) and external sources (CFAF629.8 billion), representing increases of 1.8 percent and 12.7 percent, respectively.

655. Government fiscal operations resulted in an overall budget deficit on commitment basis (including grants) of CFAF959.4 billion (6.3% of GDP) in 2021 compared to CFAF903.0 billion (6.4% of GDP) in 2020. Excluding grants, the deficit amounted to CFAF1,090.0 billion (7.1% of GDP) in 2021 compared to CFAF1,227.5 billion (8.7% of GDP) in 2020. The deficit was financed from both domestic and external sources.

656. The stock of outstanding public debt rose by 3.9 percent to stand at CFAF10,297 billion (67.2% of GDP) at end-December 2021 against CFAF8,803.3 billion (62.4% of GDP) at end-December 2020, representing an increase of 15.7 percent during the period. The outstanding debt comprised external (82.0%) and domestic (18.0%) debt with both components increasing by13.5 percent and 26.7 percent, respectively.

657. The external debt service was estimated at CFAF535 billion in 2021, representing 18.8 percent of budget revenue and 15.6 percent of exports of goods and services respectively, compared to the respective ceilings of 22 percent and 25 percent retained in the framework of the public debt sustainability analysis.

Table 62: Trends in Key Fiscal Indicators in Senegal

	2019	2020	2021*	2022**	2019	2020	2021*	2022**
	Percentage change				Percent of GDP			
Total revenue and Grants	15.0	1.9	4.4	17.8	20.3	20.2	19.4	20.7
Total revenue	18.2	-1.8	12.7	13.9	18.7	17.9	18.6	19.1
Tax revenues	21.1	-1.7	9.1	17.7	17.6	16.8	16.9	18.0
Non-tax revenues	5.1	-2.9	69.8	-29.3	1.1	1.1	1.7	1.1
Grants	-12.4	44.5	-59.8	103.7	1.6	2.3	0.9	1.6
Project grants	-12.3	-37.6	-12.6	-	1.5	0.9	0.7	-
Programme grants	-14.5	1 066.2	-91.2	-	0.1	1.4	0.1	-
Total expenditure and net lending	14.6	12.6	5.0	15.6	24.3	26.6	25.7	26.9
Total expenditure	14.6	12.6	5.2	15.6	24.3	26.6	25.7	26.9
Recurrent expenditure	15.8	12.1	4.5	10.3	15.8	17.2	16.5	16.5
Wages and salaries	7.5	9.7	10.2	12.9	5.3	5.7	5.8	5.9
Goods and services	-8.0	1.6	32.0	-	2.1	2.0	2.5	-
Transfers and subsidies	42.0	19.1	-8.6	-	6.4	7.4	6.3	-
Interest payments	3.0	6.8	5.9	14.2	2.0	2.1	2.0	2.1
Internal	-27.5	-1.5	38.9	-	0.3	0.3	0.3	-
External	10.7	8.1	0.9	-	1.7	1.8	1.7	-
Capital expenditure	12.4	13.5	6.4	25.1	8.5	9.3	9.1	10.4
Domestic funding	8.9	35.4	2.4	32.0	4.1	5.4	5.1	6.0
External financing	15.9	-6.8	12.7	-	4.4	4.0	4.1	
Overall balance (commitment basis excluding grants)					-5.6	-8.7	-7.2	- 7.8
Overall balance (commitment basis. including grants)					-3.9	-6.4	-6.3	- 6.2
Primary balance					-3.6	-6.7	-5.2	-7.7
Public debt (billions of CFA francs)	7,825.3	8,803.5	10,297.4	10,937.3	57.1	62.4	67.2	64.6
External	6,895.6	7,534.8	8,420.5	9 097.9	50.3	53.4	55.1	53.8
Domestic	929.7	1,268.7	1,876.9	1,839.4	6.8	9.0	12.1	10.9

Sources: Ministère de l'Economie et des Finances, BCEAO, WAMA ; *Provisional **Projections

13.2.3. Monetary Sector

658. Broad money supply recorded an increase of 17.0 percent in 2021, standing at CFAF7,478.6 billion in 2021 against CFAF6,394.3 billion a year earlier. This increase in overall liquidity was due to the 13.1 percent (CFAF245.6 billion) rise in NFA and the 14.2 percent (CFAF868.3 billion) increase in domestic claims.

659. The NFA of the banking system stood at CFAF2,125.9 billion in 2021 against CFAF1,880.3 billion in 2020, mainly attributed to the strengthening of the NFA of the BCEAO while the NFA of commercial banks showed a decline of 5.1 percent.

660. Domestic claims stood at CFAF6,967.9 billion in 2021 compared to CFAF6,099.6 billion in 2020, an increase of 14.2 percent (CFAF868.3 billion). This development is linked to the increase in net claims on the government which rose by CFAF424.1 billion, mainly due to the increase in the government's commitments to the banking sector. In addition, claims on the economy grew by 9.5 percent (CFAF444.2 billion) to CFAF5,111.7 billion in 2021 from CFAF4,667.6 billion in 2020. The increase was due mainly to the increase in credits to the private sector (10.3%), credits to public non-financial companies (16.7%), and claims on the public administration (16.3%).

661. The developments in the money supply were reflected in its components. Currency in circulation rose by CFAF428.7 billion, bank deposits (CFAF407.9 billion) and other deposits included in M2 (CFAF247.8 billion).

Table 63: Trends in Key Balance of Payments Indicators in Senegal

	Dec-19	Dec-20	Dec-21*	Dec-19	Dec-20	Dec-21*
	Percentage Change			Contribution to M2 growth		
ASSETS						
Net foreign assets	8.2	(4.7)	13.1	2.8	(1.6)	3.8
Net domestic assets	8.2	21.4	18.6	5.4	14.0	13.2
Domestic claims	8.7	18.4	14.2	7.8	16.6	13.6
Net claims on Government	19.1	157.1	29.6	1.7	15.4	6.6
Claims on the economy	7.5	1.5	9.5	6.1	1.2	6.9
Claims on the private sector	6.7	2.2	10.3	4.8	1.6	6.7
Other item net	(7.5)	(14.1)	(51.6)	0.4	0.6	1.6
LIABILITIES						
Broad money (M2)	8.2	12.3	17.0			
Currency outside banks	9.5	17.5	28.1			
Call money	10.2	11.9	13.6			
Savings and term deposits	4.3	9.2	13.2			
Memorandum Items						
Growth of the reserve currency	13.4	13.7	39.1			
Money multiplier (M2/RM)	3.1	3.1	2.6			
Velocity (GDP/M2)	2.4	2.2	2.0			
Credit to the private sector/GDP (%)	29.5	29.3	29.8			
NFA/M2 (%)	34.7	29.4	28.4			
NDA/M2 (%)	65.3	70.6	71.6			
Currency in circulation/M2 (%)	22.8	23.9	26.1			

Source: BCEAO *Provisional

13.2.4. External Sector

662. External sector developments of Senegal improved as the overall BOP recorded a surplus of CFAF115.4 billion (0.8% of GDP) in 2021, compared with a deficit of CFAF91.3 billion (0.6% of GDP) a year earlier. This development was due to the improvements in the financial account surplus, in-spite of the widening of the current account deficit and the reduction of the capital account surplus.

663. The financial account balance showed an increase in the net inflows of CFAF1,731.4 billion (11.3% of GDP) in 2021, compared to CFAF1,295.7 billion (9.2% of GDP) the previous year. The 66.8 percent increase in the net borrowing was explained by the increase in both the FDI (CFAF471.2 billion) and portfolio investment (CFAF299.9 billion). The increase in FDI is related to the recovery in mining, oil and gas exploration during the period. With regards to portfolio investments, the increase is mainly linked to the issuance of Eurobonds for a net amount of CFAF276.7 billion.

664. In contrast, the current account deficit deteriorated to CFAF1,823.6 billion (11.9% of GDP) in 2021 from CFAF1,532.3 billion (10.9% of GDP) in 2020. This development mainly reflects the worsening of the deficits in the goods, services and primary income balances, the impact of which was somewhat mitigated by the improvements in the surplus position of the secondary income account.

665. The trade deficit deteriorated by 6.8 percent to CFAF1,928.6 billion (12.6% of GDP) in 2021 from with CFAF1,609.5 billion (11.4% of GDP) in 2020, due to the increase in imports (CFAF735.4 billion), out-pacing the growth in exports of goods (CFAF625.4 billion). The 25.9 percent rise in exports to CFAF2,823.0 billion (18.5% of GDP) is explained by the increase in the value of external sales of phosphoric acid (CFAF116.3 billion), non-monetary gold (CFAF106,0 billion), petroleum products (CFAF91.0 billion), groundnut products (CFAF47.9

billion), titanium (CFAF25.6 billion), solid fertilisers (CFAF13.6 billion), phosphates (CFAF10.6 billion), and zircon (8.4 billion). On the other hand, exports of fishery products fell by CFAF8.8 billion. Imports rose by 18.3 percent to CFAF4,751.6 billion (31.1% of GDP), reflecting the increase in foreign purchases of petroleum products (CFAF317.5 billion), intermediate goods (CFAF270.3 billion), capital goods (CFAF126.2 billion), foodstuffs (CFAF83.1 billion) and other current consumer goods (CFAF71.9 billion).

666. The deficit in the services income narrowed by 1.6 percent to CFAF1,000.6 billion (6.5% of GDP) from CFAF1,017.2 billion (7.2%) in 2020. This evolution is attributable to the item 'freight and insurance' which increased by CFAF133.6 billion, in relation to the increase in imports of goods and the payment of services in the framework of oil and gas projects.

667. The primary income deficit, widened by 2.3 percent to CFAF316.0 billion (2.1% of GDP) in 2021 from CFAF340.9 billion (2.4% of GDP) in 2020, reflecting the increase in interest payments.

668. However, the secondary income account would show a surplus of CFAF1421.6 billion (9.3% of GDP) in 2021 against CFAF1435.4 billion (10.2% of GDP) in 2020. This 5.8 percent increase is attributable to the 15.2 percent increase in net workers' remittances to CFAF1,622.9 billion from CFAF1,408.5 billion in 2020.

669. Concerning the capital account, the surplus improved by 68.7 percent to reach CFAF234.4 billion (1.5% of GDP) in 2021 from CFAF138.9 billion (1.0% of GDP) in 2020.

Table 64: Trends in Key Balance of Payments Indicators in Senegal

	2019	2020	2021*	2022**	2019	2020	2021*	2022**
	CFAF Billions				Percent of GDP			
CURRENT ACCOUNT	-1112.1	-1532.2	-1823.6	-2085.5	-8.1	-10.9	-11.9	-12.7
Assets	-1687.7	-1609.7	-1928.6	-2203.2	-12.3	-11.4	-12.6	-13.4
Exports (FOB)	2594.4	2410.9	2823.0	3065.6	18.9	17.1	18.5	18.6
Imports (FOB)	-4282.1	-4020.5	-4751.6	-5268.8	-31.2	-28.5	-31.1	-32.0
Services	-265.9	-1017.2	-1000.6	-1101.0	-1.9	-7.2	-6.5	-6.7
Primary income	-383.8	-340.9	-316.0	-332.8	-2.8	-2.4	-2.1	-2.0
Secondary income	1225.3	1435.5	1421.6	1551.5	8.9	10.2	9.3	9.4
CAPITAL ACCOUNT	216.6	138.9	234.4	263.7	1.6	1.0	1.5	1.6
Current and capital account balance	-895.5	-1393.3	-1589.2	-1821.8	-6.5	-9.9	-10.4	-11.1
FINANCIAL ACCOUNT	-1036.9	-1295.6	-1731.4	-2184.9	-7.6	-9.2	-11.3	-13.3
Direct investment	-582.6	-1005.2	-1117.2	-1656.7	-4.2	-7.1	-7.3	-10.1
Portfolio investments	-60.8	-298.8	-487.0	-248.5	-0.4	-2.1	-3.2	-1.5
Financial derivatives								
Other investments	-393.5	8.4	-127.2	-279.7	-2.9	0.1	-0.8	-1.7
Errors and omissions	5.1	6.3	0.0	0.0	0.0	0.0	0.0	0.0
OVERALL BALANCE	146.5	-91.5	115.4	339.6	1.1	-0.6	0.8	2.1

Source: BCEAO ; *Provisional **Projections

13.3. Status of Macroeconomic Convergence

670. Senegal satisfied five (5) of the six (6) convergence criteria in 2021, same as in 2020. In terms of the primary criteria, the country met three of the four—average inflation, central bank financing of the budget deficit and gross external reserves—while it missed the fiscal deficit criterion. Under the secondary criteria, the country met both the public debt and the nominal exchange rate variation targets.

Table 65: Status of Macroeconomic Convergence in Senegal

CRITERION	Target	2018	2019	2020	2021*	2022**
Primary Criteria		**3**	**3**	**3**	**3**	**3**
i. Budget deficit / GDP	≤3 %	3.7	3.9	6.4	6.3	6.2
ii. Annual inflation	≤5%	0.5	1.0	2.5	2.2	3.5
iii. Central Bank Financing of budget deficit	≥10 %	0.0	0.0	0.0	0.0	0.0
iv. Gross External Reserves	≥3	4.6	5.7	5.9	6.5	6.2
Secondary Criteria		**2**	**2**	**2**	**2**	**2**
i. Exchange rate variation	±10 %	2.6	-2.8	1.0	1.5	1.5
ii. Debt-to-GDP ratio	≤70 %	61.8	57.1	63.2	67.2	64.6
Total number of criteria met		**5**	**5**	**5**	**5**	**5**

Source: Ministry of Finance, Senegal *Provisional **Projections

13.4. Prospects

671. Economic activity in 2022 is expected to consolidate the recovery that commenced in 2021 despite the persistence of the challenges arising from the COVID-19 pandemic. Economic activity would benefit from the expected effects of the various measures to support the national economy in the context of the effective implementation of the priority projects included in the PAP2A, particularly in the agricultural and pharmaceutical sectors. The implementation of the third-generation reforms included in PREAC III as well as the second phase of the MCA-Senegal 'Power to Compact' would also make a considerable contribution to the revival of the economy. In addition, the economy would benefit from the positive effects of the recovery in global demand, facilitated by better control of the COVID-19 pandemic and the total lifting of restrictions on the movement of people and goods.

672. However, concerns remain in relation to geopolitical tensions, notably the Russia-Ukraine war and the sanctions imposed on Mali, which could negatively impact on supply chains.

673. Overall, real GDP growth is projected at 5.5 percent in 2022 against an estimate of 6.1 percent in 2021. This growth would be driven by the primary, secondary and tertiary sectors which are expected to grow by 5.3 percent, 5.9 percent and 5.4 percent, respectively

674. Inflation is projected at 3.5 percent in 2022, higher than the 2.2 percent recorded in 2021, reflecting increased inflationary pressures emanating from rising commodity prices, especially crude oil and food products.

675. Fiscal policy implementation in 2022 would be focused on continuing investment in the health sector, strengthening of the agricultural sector, start-up of the regional express train, finalisation of infrastructure projects (Mbour-Fatick motorway, Senegal stadium, etc.), strengthening of security and preservation of 'social markers'. In total, the budget deficit projected at 6.2 percent of GDP in 2022.

13.5. Conclusions and Recommendations

676. The year was marked by a gradual recovery of activity in the secondary and service sectors, unlike the primary sector which contracted. The financial sector also supported the economic recovery. However, the economy was adversely affected by the war in Ukraine, which saw a moderation in external demand. Rising oil prices put further pressure on public finances through policies to subsidise the pump prices of oil products and the loss of tax revenues through exemptions on imported commodities. The current account deficit also worsened.

677. To consolidate this performance, the following recommendations have been made for the consideration of the Senegalese authorities:

i. continue efforts to maintain the growth momentum by focusing on improving the business climate, labour market reforms and facilitating access to finance;

ii. continue efforts to mobilise public revenue while controlling expenditure with a view to bringing the deficit back into line with Community's convergence standards;

iii. take measures to control the rising public debt;

iv. continue efforts to implement measures to mitigate the impact of the Russo-Ukrainian crisis, especially with regard to the country's dependence on Ukrainian wheat and Russian fertiliser in case the crisis is prolonged; and

v. continue efforts to contain the current account deficit.

14. SIERRA LEONE

14.1. Introduction

678. The macroeconomic policy thrust for 2021 focused on job creation and human capital development to mitigate the impact of the COVID-19 pandemic on the economy and protect livelihoods. These policy actions were expected to strengthen the recovery process and accelerate inclusive growth, boost resilience, create sustainable employment and reduce poverty within the context of the medium-Term National Development Plan.

679. In this regard, priority objectives for the 2021 and the medium term were aimed at maintaining stable economic environment, economic diversification, investing in infrastructure, and human capital development. The policy thrust is also consistent with the Quick Action Economic Response Programme (QAERP) which focus on saving livelihoods. Within the framework of the QAERP is the disbursement of Le500 billion special credit facility to support the production, importation and distribution of essential commodities.

680. Accordingly, the macroeconomic targets for 2021 fiscal year were:
   - Real GDP growth of at least 3.3 percent;
   - End-period inflation to moderate to 13.5 percent;
   - Fiscal deficit of 4.5 percent of GDP;
   - Primary deficit of 1.5 percent of GDP; and
   - Gross external reserves to cover at least 4.2 months of imports.

681. The Sierra Leonean economy recovered in 2021 with a real GDP growth of 4.1 percent following a contraction of 2.0 percent in 2020, reflecting positive contributions from all the sectors. End period inflation stood at 17.9 percent compared to 10.5 percent at end-December 2020, due to disruptions and restrictions in the supply chain which affected prices of essential items like energy and food that have higher weights in the consumption basket of households.

682. Fiscal performance deteriorated as the budget deficit (including grants) rose to 6.6 percent from 5.8 percent in 2020, mainly influenced by expenditure on wages and salaries, goods and services as well as transfers and subsidies during the period. Monetary policy implementation continued to support the recovery process with the policy rate remaining unchanged for most part of 2021, despite rising inflationary pressures.

683. External sector developments deteriorated in 2021 as the current account deficit widened to 14.7 percent of GDP from 6.8 percent of GDP in 2020, induced by worsening of the services account. Similarly, the overall BOP recorded a deficit compared to a surplus position in 2020, influenced mainly by the current account. Gross external reserves decreased to 4.3 months of import, from 4.6 months of import in 2020. The domestic currency depreciated by 5.14 percent against the US dollar in 2021 compared to the depreciation of 8.43 percent in 2020. The Leone depreciated against the WAUA by 7.9 percent in 2021 compared with a depreciation of 9.2 percent in 2020, largely due to high demand for foreign exchange to import essential items (food and energy).

684. In the area of macroeconomic convergence, the country met two (2) criteria; one primary (gross external reserves) and one secondary (nominal exchange rate variation). The detailed analysis of the sectors is presented below.

14.2. Sectoral Analysis

14.2.1. Real Sector

685. Real GDP growth rebounded to 4.1 percent in 2021 from the contraction of 2.0 percent recorded in the preceding year, attributed to developments across all the sectors.

686. The primary sector, which mainly represents agricultural activities, recorded a growth of 2.5 percent in 2021 compared with the growth of 1.6 percent in 2020. This performance was largely due to activities in crop production, livestock, forestry and fishing which grew by2.9 percent, 1.8 percent, 1.8 percent and 1.2 percent in 2021 compared with 2.1 percent, 0.2 percent, 0.8 percent and 0.2 percent, respectively, in 2020. In terms of contributions to growth, the sector contributed 1.3 percentage points to real GDP growth in 2021 compared with 0.7 percentage point in 2020. The BSL's agricultural credit facility that increased the involvement of the private sector in the procurement and distribution of agricultural inputs partly contributed to the sector's performance.

687. Activity in the secondary (industry) sector recovered to record a growth of 17.4 percent in 2021 from a contraction of 7.1 percent in 2020, anchored partly on the resumption of mining activities which expanded by 30.5 percent in 2021 compared with the contraction of 12.7 percent in 2020. Growth in this sector was also supported by manufacturing, construction, and electricity & water supply which grew by 4.0 percent, 4.9 percent, and 4.6 percent in 2021 compared to -6.7 percent, 4.6 percent, and 3.6 percent, respectively, in 2020. In terms of contributions to growth, the sector contributed 1.5 percentage points to the growth of the economy in 2021 compared with -0.7 percentage point in 2020.

Table 66: Trends in GDP and its Components in Sierra Leone

(In millions Leones)	**2019**	**2020**	**2021***	**2022****	**2019**	**2020**	**2021***	**2022****
	Percentage Change				**Contribution to GDP**			
Constant GDP	**5.3**	**-2.0**	**4.1**	**3.8**	**5.3**	**-2.0**	**4.1**	**3.8**
SUPPLY								
AGRICULTURE	5.4	1.6	2.5	2.9	2.7	0.7	1.3	1.5
INDUSTRY	10.9	**-7.1**	17.4	8.9	1.0	-0.7	1.5	0.9
SERVICES	3.7	-5.6	2.9	3.7	1.6	-2.0	1.3	1.4
DEMAND								
FINAL CONSUMPTION	**1.1**	4.7	24.7	2.2				
Private Final Consumption (Residual)	-0.8	4.5	32.9	2.5				
Government Final Consumption	5.1	2.7	0.6	0.1				
NPISH (From Prodn Account)	21.7	37.5	36.7	7.7				
CAPITAL FORMATION	**1.1**	-9.3	1.0	-1.5				
EXPORTS OF GOODS AND SERVICES	-1.6	-9.8	1.9	5.5				
IMPORTS OF GOODS AND SERVICES	-7.0	7.5	46.6	0.7				
NET EXPORTS	-11.1	-42.6	74.3	-1.0	-3.8	-26.4	26.9	-0.6
Memorandum								
GDP (current prices) millions of Leones	36,730,874	39,938,072	44,359,564	48,905,104				
GDP (constant prices) millions of Leones	10,208,752	10,007,747	10,418,535	10,809,902				
Inflation								
Average	14.81	13.5	11.9	25.2				
End-period	13.89	10.5	17.94	27.5				

Source: Statistics Sierra Leone office, WAMA. * Provisional **Projections

688. Output in the tertiary (services) sector slowed, recording a growth of 2.9 percent compared with the contraction of 5.6 percent in 2020, driven mainly by increased activity in trade and tourism and other services by 2.4 percent, and 3.7 percent compared with contraction of 29.6 percent and 4.0 percent, respectively, in 2020.The tertiary sector contributed 1.3 percentage points to real GDP growth in 2021 compared with -2.0 percentage points in 2020, as shown in Table 66.

689. End-period inflation rose to 17.9 percent in December 2021 from 10.5 percent in December 2020, reflecting disruptions in the supply chain which affected prices of essential items like energy and food. Average inflation, however, declined to 11.9 percent in 2021 from 13.5 percent in 2020.

14.2.2. Fiscal Sector

690. Developments in the fiscal sector continued to be challenging given the tight fiscal space amidst pressing development needs in the face of lingering effects of the COVID-19 pandemic.

691. Total revenue and grants amounted to Le9.33 trillion (21.0% of GDP) in 2021 compared to Le7.81 trillion (19.6% of GDP), a year earlier, largely reflecting strong performance in domestic revenue collections. Domestic revenue rose by 25.6 percent to Le6.92 trillion (15.6% of GDP) from Le 5.51 trillion (13.8% of GDP) in 2020, reflecting improvements in income & property taxes as well as taxes on goods and services.

692. Tax revenue increased in nominal terms by 17.1 percent to Le 4.98 trillion (11.2% of GDP) in 2021 from Le4.3 trillion (10.7% of GDP) in 2020, due mainly to improvements in income taxes, customs and excise taxes. Similarly, non-tax revenue increased by 54.7 percent to Le1.94 trillion (4.4% of GDP) from Le1.25 trillion (3.1% of GDP) in 2020, reflecting improved collections from mining royalties, MDAs and road user charges and vehicle license.

693. Grants rose by 4.5 percent in nominal terms to Le2.41 trillion (5.4% of GDP) from Le2.31 trillion (5.8% of GDP) in 2020, supported by the increased receipts of project grants which rose by 60.9 percent although programme grants declined by -15.2 percent. As a percentage of GDP, grants showed a decline, reflecting the base effect.

694. Total expenditure and net lending rose by 20.4 percent to Le12.15 trillion (27.4% of GDP) from Le10.09 trillion (25.3% of GDP) in 2020, mainly due to the rise in recurrent and capital expenditures during the period.

695. Recurrent expenditure rose by 22.0 percent to Le8.62 trillion (19.4% of GDP) in 2021 from Le7.07 trillion (17.7% of GDP) in 2020. This increase was occasioned by higher wages and salaries, goods and services, and transfers and subsidies which rose to Le3.93 trillion (8.8% of GDP), Le1.71 trillion (3.8% of GDP) and Le1.72 trillion (3.9% of GDP) in 2021 from Le3.26 trillion (8.2% of GDP), Le1.42 trillion (3.2% of GDP) and Le1.17 trillion (2.9% of GDP), respectively, in 2020. The rise in transfers and subsidies was influenced by the increased contributions to social security and energy subsidies. Interest payments also rose modestly by 4.9 percent in nominal terms to Le1.27 trillion (2.9% of GDP) from Le1.21 trillion (3.0% of GDP), reflecting a significant slowdown in the domestic interest payments.

696. Capital expenditure increased to Le3.53 trillion (8.0% of GDP) in 2021 from Le3.03 trillion (7.6% of GDP) in the preceding period, financed from both foreign (4.1% of GDP) and domestic (3.8% of GDP) sources.

697. Government fiscal operations in 2021 resulted in an overall budget deficit on commitment basis (including grants) of Le2.91 trillion (6.6% of GDP) compared to Le2.30 trillion (5.8 of GDP) in 2020. Excluding grants, the deficit stood at Le5.23 trillion (11.8% of GDP) from Le4.59 trillion (11.5% of GDP) in 2020. The corresponding primary balance amounted to a deficit of Le1.64 trillion (3.7% of GDP) compared to Le1.09 trillion (2.7% of GDP) in 2020. The deficit was largely financed from domestic sources, particularly, the banking sector.

Table 67: Trends in Key Fiscal Indicators in Sierra Leone

Revenue/ Expenditure	**2019**	**2020**	**2021***	**2019**	**2020**	**2021***
	Percentage change			**Percent of GDP**		
Total Revenue and Grants	30.5	17.2	19.4	18.1	19.6	21.0
Domestic Revenue	22.3	1.6	25.6	14.7	13.8	15.6
Tax Revenue	20.4	1.2	17.1	11.4	10.7	11.2
Income & Property	16.3	7.8	21.8	5.1	5.0	5.5
Goods & Services	15.7	0.8	21.7	2.8	2.6	2.8
International Trade (Customs & Excise)	31.2	-7.6	5.4	3.6	3.1	2.9
Non-Tax Revenue	29.4	3.1	54.7	3.3	3.1	4.4
Mines	4.1	9.6	105.7	0.6	0.6	1.2
Other dept	29.7	2.5	36.7	2.3	2.2	2.7
Road User Charges & License	129.8	-5.1	78.8	0.3	0.3	0.5
Grants	83.5	84.8	4.5	3.4	5.8	5.4
Programme	155.3	127.6	-15.2	2.0	4.3	3.3
Project	28.8	20.0	60.9	1.4	1.5	2.2
Total Expenditure & Lending	13.4	30.3	20.4	21.1	25.3	27.4
Recurrent Expenditure	19.1	25.0	22.0	15.4	17.7	19.4
Wages & Salaries	25.3	26.7	20.3	7.0	8.2	8.8
Goods & Services	10.8	20.6	19.9	3.2	3.6	3.8
Subs & Transfers	26.7	28.5	47.0	2.5	2.9	3.9
Interest payment	8.7	22.7	4.9	2.7	3.0	2.9
Domestic	9.1	22.9	4.2	2.4	2.7	2.6
External	5.4	20.4	11.6	0.3	0.3	0.3
Capital Expenditure	0.6	44.4	16.6	5.7	7.6	8.0
Foreign financed	-19.7	51.0	7.4	3.1	4.3	4.1
Domestic financed	43.0	36.6	28.4	2.6	3.3	3.8
Budget Deficit (incl. Grants)	**-36.6**	**100.6**	**26.3**	**-3.1**	**-5.8**	**-6.6**
Budget Deficit (excl. Grants)	**-2.9**	**96.7**	**14.1**	**-6.3**	**-11.5**	**-11.8**
Domestic primary balance	58.6	505.7	30.9	-0.8	-4.2	-5.0
Primary balance	-82.1	574.3	50.0	-0.4	-2.7	-3.7
Total Public Debt	**20.1**	**10.3**	**19.8**	**72.9**	**73.9**	**79.8**
Domestic	14.4	-0.5	24.0	27.9	25.5	28.5
External	23.9	17.0	17.6	45.0	48.4	51.3

Sources: Ministry of Finance/WAMA

Public debt

698. The stock of public debt increased to Le35.39 trillion (79.8% of GDP) at end-December 2021 from Le29.53 trillion (73.9% of GDP) at end-December 2020, reflecting increases in both domestic and external debt. The domestic and external debt components amounted to Le12.63 trillion (28.5% of GDP) and Le22.76 trillion (51.3% of GDP) at end-December 2021, compared to Le10.60 trillion (25.5% of GDP) and Le 20.05 trillion (48.4% of GDP) at end-December 2020, respectively. The increase in external debt stock can be partly explained by the depreciation of the domestic currency while the increase in domestic debt is explained by increase fiscal pressure due largely to rising inflation.

14.2.3. Monetary Sector

699. Monetary policy in 2021 was focussed on anchoring inflation expectations to support the economic recovery process. The MPR was maintained at 14.0 percent for the most part of 2021, but raised by 25 basis points to 14.25 percent in December 2021.

700. Developments in monetary aggregates in December 2021 showed a slower pace of growth in broad money supply. Broad money supply (M2) grew by 22.1 percent in 2021 compared to the growth rate of 38.2 percent in December 2020, reflecting slowdown in growth of both NDA and NFA of the banking system. The NDA grew by 27.0 percent compared to 34.4 percent recorded a year ago, explained by claims on government (net) and claims on private sector, which grew by 19.6 percent and 32.9 percent in 2021 compared to 36.8 percent and 4.9 percent, respectively, in 2020. Growth in NFA of the banking system decelerated to 8.7 percent in December 2021 from 49.4 percent in 2020. In terms of contribution to broad money growth, both NDA and NFA accounted for 19.7 percentage points and 2.4 percentage points in 2021, compared with a contribution of 25.8 percentage points and 12.4 percentage points in 2020, respectively. Similarly, the pace of growth in reserve money also slowed significantly to 8.7 percent in 2021 from 54.8 percent in 2020, reflecting developments in NDA.

701. Private sector credit grew by 32.9 percent in 2021 compared to 4.9 percent in 2020, partly explained by the creation of the special credit facilities by the BSL to fund the importation of essential goods and services in the wake of the pandemic.

702. Interest rates generally trended upwards in line with the policy rate during the review period. The interbank weighted average yield increased to 15.01 percent in December 2021 from 10.48 percent in 2020, reflecting liquidity pressures in the banking system. Similarly, the average savings and lending rates also rose marginally to 2.325 percent and 21.941 percent in December 2021 from 2.50 percent and 21.42 percent, respectively, in December 2020. Trends in interest rates on the government Treasury instruments, however, were mixed. The 91-day Treasury bill rate fell to 0.00 percent from 3.75 percent in December 2020 while the 182-day and the 364-day Treasury bill rates rose to 13.13 percent and 21.38 percent in December 2021 from 5.17 percent and 10.51 percent, respectively, over the same comparative period in 2020.

703. Sierra Leone’s banking sector remained well capitalised, profitable, and liquid, reflecting investments in sovereign securities. The prudential Capital Adequacy Ratio (CAR) of 15.0 percent was met by all but two commercial banks, reflecting the strong capacity of the industry to absorb shocks. The industry’s CAR stood at 39.9 percent as at end-December 2021, compared with 39.8 percent for the corresponding period in 2020. The industry’s overall liquidity ratio stood at 106.1 percent as at end-December 2021, well above the statutory limit. However, the industry’s non-performing loans (NPLs) ratio increased to 14.8 percent in 2021 from 12.4 percent in 2020, due to the reclassification of the loan portfolio of banks as well as the lingering effects of the pandemic. The BSL has put measures in place to strengthen the supervision and monitoring of the banking sector towards reducing the NPLs, including improving governance of the two state-owned-banks.

Table 68: Growth in Key Monetary Aggregates in Sierra Leone

Billions of Leones	2019	2020	2021	2019	2020	2021
ASSETS	**percentage Change**			**Contribution to Money Supply**		
NET FOREIGN ASSETS	10.5	49.4	8.7	2.7	12.4	2.4
Assets	14.4	37.7	46.5	0.0	0.0	0.0
Liabilities	16.0	32.8	64.3	0.0	0.0	0.0
NET DOMESTIC ASSET	15.6	34.4	27.0	11.6	25.8	19.7
Net Domestic Credit	19.0	28.1	21.7	18.2	28.0	20.1
Government (Net)	19.9	36.8	19.6	14.1	27.4	14.5
Private Sector	22.9	4.9	32.9	5.7	1.3	6.6
Other Sector (Net)[1]	-3385.9	48.3	70.0	-1.6	-0.6	-1.0
Other Items (Net)	30.4	9.2	2.0	-6.6	-2.3	-0.4
Total Assets/ Broad Money	14.3	38.2	22.1	14.3	38.2	22.1
LIABILITIES						
BROAD MONEY (M2)	14.3	38.2	22.1	14.3	38.2	22.1
BROAD MONEY[1]	16.8	42.7	18.8			
Narrow Money (M1)	17.5	49.9	25.6			
Currency outside Depository Corporations	17.8	37.6	24.0			
Currency in Circulation	16.3	30.4	27.2			
Cash	6.5	-24.5	71.9			
Demand Deposits	17.2	62.6	27.0			
Quasi Money	11.6	27.8	18.4			
Foreign currency Deposits	7.8	25.4	32.4			
Time and Savings (ODC)	15.6	29.5	5.9			
Other Deposits - BSL	75.9	330.0	-77.8			
RESERVE MONEY	12.4	54.8	8.7			

Source: BSL *Provisional

14.2.4. External Sector

704. Developments in the external sector deteriorated in 2021 as the current account deficit widened significantly due to worsening of the trade balance, services and net income accounts. However, the overall position recorded a surplus.

705. The current account deficit widened to US$611.1 million (14.7% of GDP) from US$275.6 million (6.8% of GDP) in 2020, mainly due to developments in the net services account which recorded an increased deficit of US$308.5million (7.4% of GDP) compared to a deficit of US$143.8 million (3.6% of GDP) in 2020.

706. The trade account deficit widened by 24.6 percent to US$713.7 million (17.1% of GDP) in 2021 from US$573.0 million (14.2% of GDP) in 2020, due mainly to imports which increased by 27.8 percent to US$1560.5 million (37.5% of GDP) in 2021 from US$1,221.0 million (30.3% of GDP) in 2020. This development was largely due to the rise in oil imports during the period. However, the increase in exports were modest at US$846.8 million (20.3% of GDP) from US$648.0 million (16.1% of GDP), occasioned by the resumption of iron ore exports. Net secondary income account improved by 2.5 percent to US$479.5million (11.5% of GDP) in 2021 from US$467.8 million (11.6% of GDP) in 2020, mainly attributed to the reduction in both official and other transfers during the period.

707. The capital account surplus widened by 32.3 percent to US$124.5 million (3.0% of GDP) in 2021 from US$94.1 million (2.3% of GDP) in 2020, partly reflecting the increase in project grants during the period.

Table 69: Trends in Key Balance of Payments Indicators in Sierra Leone

	2019	2020	2021	2022**	2019	2020	2021*	2022**
	US $ (million)				Percent of GDP			
Current Account	-583.3	-275.6	-611.1	-549.6	-14.9	-6.8	-14.7	-13.6
Trade Balance	-402.7	-573	-713.7	-604.3	-10.3	-14.2	-17.1	-15.0
Exports (fob)	985.4	648	846.8	1105.9	25.1	16.1	20.3	27.5
Imports (fob)	-1388	-1221	-1560.5	-1710.2	-35.4	-30.3	-37.5	-42.5
Services account (net)	-355.4	-143.8	-308.5	-362	-9.1	-3.6	-7.4	-9.0
Primary Income account (net)	-69.7	-26.6	-68.4	-68	-1.8	-0.7	-1.6	-1.7
Secondary Income (net)	244.2	467.8	479.5	484.7	6.2	11.6	11.5	12.0
Official transfers	80.3	181	133.3	134	2.0	4.5	3.2	3.3
Emigrants remittances	164.0	286.8	346.2	350.7	4.2	7.1	8.3	8.7
Capital and Financial Account	556.6	292.7	760.1	308.9	14.2	7.3	18.3	7.7
Capital account	81.5	94.1	124.5	144.9	2.1	2.3	3.0	3.6
of which project support grants								
Financial account	475.1	198.6	635.6	164	12.1	4.9	15.3	4.1
Foreign Direct investment and portfolio	301.5	135.1	381.1	122.1	7.7	3.4	9.2	3.0
Other investment (net)	173.6	63.5	254.5	41.9	4.4	1.6	6.1	1.0
of which public sector (net)								
errors and omissions	48.1	-12.6	0	0	1.2	-0.3	0.0	0.0
overall balance	21.2	4.5	149	-240.7	0.5	0.1	3.6	-6.0
Memorandum items								
GDP(in millions of Leones)	36,730,874	39,938,072	44,359,564	48,905,104				
average Exchange Rate	9,374	9,915	10,659	12,140				
end-period Exchange Rate	9,717	10,133	11,225	13,153				
External Reserves (in millions of Leones)		4,234,554	4,602,185	4,489,993				
External Reserves (Months of Import)	4.3	4.6	4.3	4.0				
current GDP in million US $	3,918	4,028	4,162	4,028				

Sources : BSL, IMF   *Provisional   **Projections;

708. The net lending of the financial account balance increased to US$635.6 million (15.3% of GDP) in 2021 from US$198.6 million (4.9% of GDP) a year earlier, mainly reflecting an increase in foreign direct and portfolio investment inflows which increased to US$381.1million (9.2% of GDP) in 2021 from US$135.1 million (3.4% of GDP) in 2020.Similarly, other investments inflows increased to US$254.5 million (6.1% of GDP) in 2021 from US$63.5 million (1.6% of GDP) in 2020.

709. Gross external reserves declined to US$652.0 (3.4 months of imports) in 2021 from the US$677.0 million (4.3 months of imports) recorded in 2020. The depletion in gross external reserves largely emanated from increased demand for foreign exchange to finance imports and decrease in export earnings from diamond mining.

710. The domestic currency depreciated by 5.14 percent against the US dollar in 2021 compared to the depreciation of 8.43 percent in 2020. The leone depreciated against the WAUA by 7.9 percent in 2021 compared with a depreciation of 9.2 percent in 2020, largely due to high demand for foreign exchange to import of essential items (food and energy).

14.3. Status of Macroeconomic Convergence

711. In the area of macroeconomic convergence, performance remained unchanged in 2021 compared to the out-turn in 2020, as the country met only one of the four primary criteria (gross external reserves) and missed those on budget deficit, average annual inflation and central bank financing of the budget deficit. With regard to the secondary criteria, the country met the nominal exchange rate stability criterion but missed the public debt-to-GDP ratio criterion in 2021.

Table 70: Status of Macroeconomic Convergence in Sierra Leone

Criteria	Target	2019	2020	2021*	2022**
Primary Criteria		**2**	**1**	**1**	**1**
Budget deficit (commitment basis, including grants)	≤3%	3.1	5.8	6.6	4.1
Average annual inflation rate	≤5%	14.8	13.5	11.9	25.2
Central Bank financing of Budget Deficit	≤10%	0.7	21.9	20.0	22.0
Gross external reserves	≥3 months	4.3	4.6	4.3	4.0
Secondary Criteria			**1**	**1**	**0**
Nominal exchange rate variation	±10%	11.2	-9.2	7.9	12.0
Public debt to GDP ratio	≤70%	72.9	73.9	79.8	72.5
Total No. of Convergence Criteria Met		**2**	**2**	**2**	**1**

Sources: Ministry of finance, BSL and WAMA *Provisional **Projections

14.4. Prospects

712. Real GDP growth is projected at 3.6 percent in 2022, averaging 4.3 percent in 2023 and 2024, premised on the resumption of iron ore mining, recovery in global demand for primary exports, as well as increased inflows of FDI. However, uncertainties in the mining sector, disruptions to global trade due to the Russia-Ukraine war, lower-than-expected support from development partners or slower-than-expected reform implementation may present downside risks to the outlook. Inflationary pressures are expected to remain elevated in 2022 and the medium-term, anchored on rising domestic fuel and food prices as well as, global geo-political tensions and the domestic electoral business cycle.

713. The expected increase in domestic revenue will be offset by anticipated increase in recurrent expenditures. Consequently, the budget deficit is expected to widen in 2022 and 2023. Similarly, the high stock of public debt is expected to persist although at sustainable levels in the medium term.

14.5. Conclusions and Recommendations

714. Despite recovery in 2021, growth remained fragile and uneven across sectors. Growth dynamics include the commencement of mining activities and improvements in agriculture and services. Inflationary pressures remained elevated reflecting the depreciation of the domestic currency, upward trend in domestic fuel prices and imported food inflation. Monetary policy stance was mostly supportive of the recovery process in 2021 in the face of rising domestic inflationary pressures. External sector performance deteriorated as the current account deficit widened leading to the worsening of the overall balance of payment position in 2021.

715. In the area of macroeconomic convergence, the country met the gross external reserves and nominal exchange rate variation criteria but missed those of budget deficit, inflation, central bank financing of the budget deficit and public debt-to-GDP ratio.

716. In light of the above developments, the Authorities are encouraged to consider the following recommendations:

   i. continue with the special credit facilities that encourage the involvement of private sector participation in the economy;
   ii. progressively diversify the economy to minimise reliance on enclave sectors such as primary exportable with little value additions;

iii. continue the modernisation automation of revenue collections processes to minimise revenue leakages;
iv. moderate interventions in the inter-bank foreign exchange market to avoid significantly drawing down on its foreign currency reserves and exposing the country to external vulnerabilities; and
v. implement policies to diversify the export base through the development of non-traditional exports in an effort to stabilise the exchange rate by boosting export performance.

15. TOGO

15.1. Introduction

717. In 2021, the objectives of Togo's economic policy focused on structural transformation of the economy mainly through (i) continued efforts to clean up public finance management, (ii) control of public debt, enhanced revenue mobilisation and broadening of the tax base, (iii) continued improvement of the business environment and promotion of private sector growth and (iv) the construction of socio-economic and production infrastructure.

718. On the fiscal front, several measures have been taken to boost domestic taxation with the view to providing the government and local authorities with the necessary resources to achieve their objectives of financing development actions and addressing issues connected with the pandemic. These measures also intend to promote the development of strategic economic sectors, and ensure that the system complies with Community and international standards, and to foster improved application of tax regulations in the fight against tax fraud. In addition, fiscal policy has also capitalised on the results of the ECF programme with the IMF, in the area of fiscal consolidation and reforms to improve the business climate.

719. Real GDP grew by 5.5 percent in 2021 compared to 1.8 percent in 2020, mainly driven by the tertiary sector (market and non-market). Economic activities were conducted within the atmosphere of increased inflationary pressures, as inflation rose to 4.5 percent in 2021 from1.8 percent a year earlier.

720. In the area of fiscal operations in 2021, performance improved as the overall budget deficit narrowed, compared to the outturn in the preceding year. The budget deficit declined to 5.1 percent of GDP in 2021 from 7.0 percent of GDP in 2020. Excluding grants, the deficit was equivalent to 6.8 percent of GDP in 2021 against 9.2 percent of GDP in 2020.

721. Within the context of accommodative monetary policy stance of the BCEAO, money supply increased by 12.0 percent in 2021, mainly supported by both the NFA and domestic claims.

722. Estimates of Togo's transactions with the rest of the world in 2021 pointed to an overall BOP surplus of CFAF115.4 billion (2.4% of GDP), compared the surplus of CFAF240.7 billion (5.5% of GDP) in 2020, supported by improvement in the capital and financial accounts.

723. In terms of convergence, Togo met five (5) of the six (6) criteria; the budget deficit criterion was missed. The detailed analysis of the sectors is presented below.

15.2. Sectoral Analysis

15.2.1. Real Sector

724. Economic activity in Togo during 2021 was resilient as growth strengthened in the face of the effects of the COVID-19 pandemic and rising consumer prices.

725. The primary sector grew by 3.4 percent in 2021, compared to a growth rate of 1.3 percent in 2020, driven by the performance in most of the subsectors. Thus, agriculture recorded an increase in its value added of 3.3 percent in 2021 against 0.6 percent in 2020; the livestock and hunting

subsector grew by 5.0 percent against 5.6 percent a year earlier, while fishing and aquaculture activities rebounded, registering a growth rate of 0.9 percent following the decline of 2.4 percent in 2020. Performance in agriculture, forestry and fisheries benefited from the provision of agricultural inputs and the Agricultural Finance Incentive Facility (MIFA). This was done within the framework of the country's new agricultural policy, which aims to accelerate the development and far-reaching transformation of the sector and enable it to strengthen its role as an engine of economic growth with a more active participation of private investors.

726. The secondary sector grew by 4.9 percent following the 5.3 percent growth recorded in 2020, supported by private and public investments made within the framework of the implementation of the Government's roadmap projects and the economic recovery plan. The sector's growth was essentially driven by ‘extractive activities’ (6.2%), water and electricity production (10.3%) and construction, which grew by 11.4 percent mainly occasioned by the realisation of various road infrastructure projects being undertaken as part of the Government's roadmap projects.

727. The tertiary sector, after the 0.7 percent growth rate recorded in 2020, due to the effects of the COVID-19 pandemic, grew by 6.4 percent in 2021, supported by the performance of other sectors. Telecommunications grew by 5.3 percent compared to 2.3 percent in 2020, largely explained by the extension of the fixed and mobile internet network coverage, the strengthening of the internet connection to the global network and the digitalisation of the main public services. Transport and storage picked up strongly at the Lomé Autonomous Port, which supported the growth rate of 11.3 percent compared with 4.5 percent in 2020. Trade, as well as hotel and restaurant activities, which had been negatively impacted in 2020 due to the COVID-19, recovered to register a growth of 3.4 percent and 7.2 percent in 2021 compared to contractions of 3.4 percent and 8.9 percent, respectively, in 2020.

728. The contributions of the primary, secondary and tertiary sectors to GDP growth in 2021 were 0.7, 1.1 and 3.7 percentage points, compared to 0.3, 1.1 and 0.4 percentage points, respectively in 2020 (Table 71).

729. On the demand side, real GDP growth was driven mainly by consumption in 2021, as foreign trade contributed negatively to growth during the period against the contraction of 0.6 percent in 2020, mainly driven by private final consumption (9.8% against 1.1% in 2020); public final consumption increased by 4.3 percent compared to 2.0 percent in 2020. Investment recorded a marked slowdown in 2021 as growth was 1.0 percent against 15.2 percent in 2020. The growth of private GFCF stood at 4.5 percent compared to a decline of 2.4 percent in 2020, while public GFCF experienced a decline of 4.7 percent against an increase of 62.6 percent recorded in 2020. As for trade, it was marked by an increase in exports of 7.9 percent and imports of 12.8 percent.

730. In terms of contribution to real GDP growth in 2021, final consumption, investment and trade contributed 7.6, 0.2 and -2.4 percentage points, respectively.

Table 71 : Trends in GDP and its Components in Togo

	2019	2020	2021*	2022**	2019	2020	2021*	2022**
	Percentage change				Contribution to growth			
Real GDP	5.5	1.8	5.5	5.9	5.5	1.8	5.5	5.9
Supply								
Primary sector	1.9	1.3	3.4	5.2	0.4	0.3	0.7	1.0
Secondary sector	6.5	5.3	4.9	6.8	1.4	1.1	1.1	1.5
Tertiary sector	4.5	0.7	6.4	5.6	3.7	0.4	3.7	3.3
DEMAND								
Final consumption	1.8	-0.6	8.9	2.8				
Households	2.7	-1.1	9.8	3.2				
Administration	-2.9	2.0	4.3	0.9				
Investments	20.4	15.2	1.0	18.7				
Gross Fixed Capital Formation	20.4	15.2	1.0	18.7				
Private	22.3	-2.4	4.5	7.8				
Public	15.6	62.6	-4.7	38.1				
Exports	2.1	-0.7	7.9	3.1				
Imports	1.4	2.1	12.8	4.8				
Memorandum								
GDP (at current prices) in billions of CFA francs	4,231	4,364	4,720	5,118				
GDP (at constant prices) in billions of CFA francs	4,129	4,204	4,433	4,693				
Inflation								
Average	0.7	1.8	4.5					
End of period	0.1	2.9	5.8					

Sources: Ministry of Finance, WAMA *Provisional **Projections

731. Economic activity in 2021 took place within a context marked by an increase in inflationary pressures. Average inflation was 4.5 percent compared with 1.8 percent in 2020, induced by the rise in ‘Food and non-alcoholic beverages’ (14.9%) and (ii) ‘Transport’ (5.4%).

15.2.2. Fiscal Sector

732. The implementation of the government’s fiscal operations in 2021 was marked by a reduction in the overall budget deficit, mainly due to the implementation of prudent budgetary management strategy. These measures include (i) the expansion of the tax base; (ii) the strengthening of control measures and the fight against fraud and tax evasion; (iii) the reduction of the tax burden; (iv) the continued modernisation of services to tax payers, in particular, through the extension of online payment to other banks; and (v) the digitalisation of procedures (online tax filing and payments, payments by mobile phone, etc.). These policy actions made it possible to guarantee the sustainability of public finances through improved revenue collection and expenditure control.

733. Fiscal performance in 2021 improved, driven by the combined effects of increases in total revenue and grants and the moderation in the growth of total expenditure and net lending. The overall deficit, including grants, stood at 5.1 percent of GDP compared to 7.0 percent in 2020. Excluding grants, the deficit fell to 6.8 percent from 9.2 percent in 2020.

734. Total revenue and grants increased by 11.5 percent CFAF784.33 billion (16.6% of GDP) in 2021 against CFAF703.34 billion (16.1% of GDP) in 2020, attributed to tax revenue. However, non-tax revenue and grants declined compared to 2020.

735. Tax revenue amounted to CFAF640.80 billion (13.6% of GDP) in 2021, compared with CFAF531.51 billion (12.2% of GDP) a year earlier, reflecting an increase of 20.6 percent. The increase was driven, among other things, by the mobilisation of: (i) taxes on income, profits and capital gains (CFAF158.0 billion in 2021 against CFAF120.8 billion in 2020), (ii) domestic taxes and duties on goods and services (CFAF316.4 billion in 2021 against CFAF293.8 billion in

2020), and (iii) import duties and taxes, excluding VAT at the customs duties level (CFAF142.3 billion in 2021 against CFAF106.6 billion in 2020).

736. Non-tax revenue declined by 18.0 percent to CFAF59.6 billion (1.3% of GDP) in 2021, from 1.7 percent of GDP in 2020, reflecting the reduction in company and property taxes during the period.

737. Grants fell by 15.4 percent to CFAF83.97 billion (1.8% of GDP) from CFAF99.20 billion (2.3% of GDP) in 2020, explained by the decline in programme grants (budgetary support). As a proportion of GDP, grants accounted for 1.8 percent in 2021, as against 2.3 percent in 2020.

738. Total expenditure and net lending in 2021 rose by 1.5 percent to CFAF1,022.8 billion, mainly occasioned by increased recurrent expenditures during the period.

739. Current expenditure (including interest owed on the public debt) rose by 4.8 percent in 2021, mainly due to the increases in expenditure on wages and salaries (7.1%) as well as expenditure on transfers and subsidies (26.8%). These increases were, however, mitigated by a drop of CFAF117.6 billion in operating expenditure and interest charges of CFAF0.3 billion on the public debt. As a proportion of nominal GDP, current expenditure was equivalent to 13.6 percent compared with 14.1 percent a year earlier.

740. Capital expenditure fell by 3.6 percent in 2021, reflecting the decline in external financing (13.9%). However, capital expenditure financed from domestic sources rose by 5.5 percent. In relation to GDP, capital expenditure represented 8.0 percent in 2021 against 9.0 percent in 2020, as shown in table 72.

Table 72: Trends in Key Fiscal Indicators in Togo

	2019	2020	2021*	2022**	2019	2020	2021*	2022**
	Percentage change				% of GDP			
Total revenue and Grants	5.1	-6.1	11.5	14.9	17.7	16.1	16.6	17.6
Total revenue	3.2	-3.5	15.9	5.5	14.8	13.8	14.8	14.5
Current receipts		-3.6	16.8	6.0		13.7	14.8	14.4
Tax revenues	11.9	-3.9	20.6	6.2	13.1	12.2	13.6	13.3
Taxes on income. profits and capital gains		-5.5	30.8	-2.0		2.8	3.3	3.0
Taxes on salaries and other remuneration		-57.0	-21.7	-100.0		0.0	0.0	0.0
Domestic taxes and duties on goods and services		-0.9	7.7	9.0		6.7	6.7	6.7
non-tax revenues	-35.0	-0.5	-18.0	-2.5	1.7	1.7	1.3	1.1
Grants	15.6	-19.0	-15.4	93.5	2.9	2.3	1.8	3.2
Total expenditure and net lending	6.8	28.5	1.5	12.9	18.5	23.1	21.7	22.6
Total expenditure	6.8	28.5	1.5	12.9	18.5	23.1	21.7	22.6
Current expenditure	3.2	11.7	4.8	2.1	13.0	14.1	13.6	12.8
Expenditure on wages and salaries	7.1	9.4	7.1	4.9	5.1	5.4	5.3	5.2
Expenditure on goods and services		11.1	-44.4	-3.4		6.1	3.1	2.8
Expenditure on transfers and subsidies		18.7	26.8	-0.4		2.6	3.1	2.8
Interest due	22.0	16.6	-0.3	24.6	2.0	2.3	2.1	2.4
on external debt		56.7	7.9	16.5		0.3	0.3	0.3
Capital expenditure	16.4	67.9	-3.6	31.4	5.5	9.0	8.0	9.8
Domestic	58.6	86.4	5.5	-5.8	2.7	4.8	4.7	4.1
External		51.0	-13.9	103.7		4.2	3.4	6.3
Overall Balance on commitments (incl Grants)	66.0	725.1	-21.6	8.6	-0.8	-7.0	-5.1	-5.0
Overall Balance on commitments (excl Grants)	24.0	153.3	-20.1	41.7	-3.7	-9.2	-6.8	-8.1
Public Debt	**2019**	**2020**	**2021***	**2022****	**2019**	**2020**	**2021***	**2022****
	In Billion CFAF				**Percent of GDP**			
Public debt	2,020.9	2,555.5	2,912.5		47.5	58.6	61.7	
Domestic	1,269.6	1,613.9	1,848.5		14.3	17.6	20.5	
External	751.3	941.6	1,064.0		17.6	22.4	22.7	

Sources: Ministry of Finance, WAMA; *Provisional **Projections

741. Stock of public debt, was estimated at CFAF2,912.5 billion as of 31 December 2021 against CFAF2,555.5 billion during the same period in 2020, i.e., an increase of 14.0 percent. As a proportion of GDP, the outstanding debt stood at 61.7 percent in 2021 against 58.6 percent in 2020.

742. The outstanding public debt was made up of CFAF1,064.0 billion in external debt, representing 36.5 percent of the total outstanding public debt. This increase in nominal outstanding public debt over this period can be explained by the implementation of the health crisis response plan and the economic, social and humanitarian support plan to deal with the effects of the COVID-19 health crisis.

743. At the end of 2021, the service of the public debt was CFAF506.2 billion against CFAF481.7 billion at the end of 2020.

15.2.3. Monetary Sector

744. Growth in money supply accelerated to 12.0 percent in the 12-month period ended 2021, from 11.6 percent in the corresponding period of 2020 to CFAF2,255.0 billion at the end of 2021. The increased growth was supported by NFA and NDA.

745. NFA grew by 11.8 percent at end-December 2021 compared to the growth of 33.5 percent in the corresponding period of 2020. The slowdown was due to the decline in the external position of the BCEAO despite the growth in the NFA of deposit money banks during the period. The NFA of DMBs increased by 23.7 percent, after an increase of 87.8 percent in 2020, reflecting the good dynamism of Togolese banks' subscription to bills and securities on other markets of the Union. On the other hand, the Central Bank's NFA continued their downward trend, falling by 140.9 percent at the end of 2021, compared to a 71.7 percent decline at the end of 2020.

746. Domestic claims recorded an increase of 8.5 percent at the end of 2021 compared to the contraction of 1.9 percent at the end of 2020, mainly explained by the rise in claims on the economy and the improvement in net claims on the government. Claims on government fell by 49.4 percent to CFAF7.4 billion at the end of 2021, due to the reduction of the Government's debt to deposit banks. Claims on the economy increased by 9.2 percent to CFAF1,425.0 billion at the end of 2021, driven by credits granted to companies (10.9%) and households (4.0%), respectively, reflecting the dynamism of economic activity in 2021.

747. Concerning its components, the trend of the money supply was reflected essentially by the strengthening of deposits and currency in circulation. Currency in circulation increased by 13.0 percent at end-December 2021, following the decline of 3.5 percent at end-December 2020, due to the modernisation of payment methods through the digitalisation of the economy. Demand deposits increased by 21.5 percent to CFAF922.0 billion, while other deposits (quasi-money), rose by 3.9 percent to CFAF963.52 billion at the end of 2021, see Table 73.

Table 73: Growth in Key Monetary Aggregates in Togo

	2019	2020	2021*	2019	2020	2021*
ASSETS	**Percentage Change**			**Contribution to M2 Growth**		
Net external assets	30	33.5	11.8	9.8	13.6	5.7
Domestic receivables	-6.2	1.9	8.5	-5.2	-1.5	5.6
Net claims on the State	-78.7	-67.2	-49.4	-9.5	-1.7	-0.4
Claims on the economy	6.2	0.3	9.2	4.4	0.2	5.9
Other net items (3)	0.7	3.6	-4.9	-0.1	-0.5	0.7
LIABILITIES						
Money supply (M2)	4.5	11.6	12			
Money supply (M1)	5.1	12.8	14.3			
Cash in circulation	0	-3.5	13			
Demand deposits	7.4	21.6	21.5			
Time deposits and savings accounts	3.9	10.2	9.3			
Memo item						
M2/GDP	42.6	46.1	47.8			
economy credit to GDP	30.8	29.9	30.2			

Sources: BCEAO/WAMA. *Provisional

748. The banking sector remained resilient, despite the pandemic, as total assets grew by 13.2 percent in 2021. Profitability rose to CFAF30.9 billion in 2021, from CFAF16.6 billion a year earlier. NPLs declined to 12.0 percent at end-December 2021, from 16.0 percent in the corresponding period of 2020. Despite the moderation, NPLs remained above the requirement during the review period.

15.2.4. External Sector

749. In 2021, performance in the external sector was marked by slight deterioration. The overall BOP recorded a lower surplus and the current account deficit worsened further to CFAF107.1 billion (2.3% of GDP), from CFAF11.9 billion in 2020 (0.3% of GDP). The deterioration in the current account was largely attributed to the widening of the trade deficit.

750. The trade deficit increased to CFAF508.9 billion (10.8% of GDP) in 2021, from CFAF428.17 billion (9.8% of GDP) in 2020, reflecting a larger increase in imports (12.0%) than exports (7.7%).

751. The balance in the services account recorded a surplus of CFAF41.3 billion (0.9% of GDP) in 2021 against a surplus of CFAF43.9 billion (1.0% of GDP) in 2020, representing a decline of 5.9 percent in nominal terms.

752. The primary income account remained in surplus; equivalent to CFAF21.9 billion (0.5% of GDP), compared to CFAF24.6 billion (0.6% of GDP) in 2020, indicating a drop of 11.1 percent, largely attributable to the decline in investment income and remuneration.

753. The secondary income account surplus declined to CFAF338.6 billion (7.2% of GDP), from CFAF347.7 billion (8.0% of GDP) in 2020. This performance was largely explained by the decrease in net current transfers from the public administration of 44.0 percent, despite the 5.0 percent increase in net current transfers from other sectors.

754. The surplus on the capital account improved by 28.4 percent to CFAF275.3 billion (5.8% of GDP), reflecting the rise in capital transfers from the public administration and other sectors.

755. The balance of the financial account stood at CFAF52.8 billion (1.1% of GDP) against CFAF-36.0 billion (0.8% of GDP) in 2020. Direct investment (net) inflows amounted to CFAF52.7 billion (1.1% of GDP), compared to net outflows of CFAF30.5 billion (0.7% of GDP) in 2020. Portfolio investments inflows declined to CFAF34.4 billion (0.7% of GDP) against CFAF48.1 billion (1.1% of GDP) in 2020, while other investments declined to CFAF34.3 billion (0.7% of GDP) from CFAF53.5 billion (1.2% of GDP) in 2020.

756. The overall BOP position recorded a lower surplus of CFAF115.4 billion (2.4% of GDP), compared to CFAF240.7 billion (5.5% of GDP) in 2020, a drop of 52.1 percent, as shown in Table 74.

Table 74: Trends in Key Balance of Payments Indicators in Togo

	2019	2020	2021*	2019	2020	2021*
	In billions of FCFA			As a percentage of GDP		
Current balance	-32.50	-11.93	-107.11	-0.8	-0.3	-2.3
Balance of Goods	-443.47	-428.17	-508.90	-10.5	-9.8	-10.8
Exports of goods	618.20	694.99	748.60	14.6	15.9	15.9
Imports of goods	1061.67	1123.16	1257.50	25.1	25.7	26.6
Balance of services	94.49	43.90	41.30	2.2	1.0	0.9
Primary income balance	12.96	24.61	21.89	0.3	0.6	0.5
Secondary income balance	303.52	347.73	338.60	7.2	8.0	7.2
Capital account	169.88	214.46	275.30	4.0	4.9	5.8
Financial accounts	-29.87	-35.98	52.80	-0.7	-0.8	1.1
Direct investment	-177.45	-30.54	52.70	-4.2	-0.7	1.1
Portfolio investments	238.99	48.08	34.40	5.6	1.1	0.7
Financial derivatives	0.00	0.00	0.00	0.0	0.0	0.0
Other investments	-91.41	-53.52	-34.30	-2.2	-1.2	-0.7
Errors and Omissions	2.88	2.15	0.00	0.1	0.0	0.0
Overall balance	170.14	240.66	115.39	4.0	5.5	2.4

Sources : BCEAO/WAMA *Provisional

15.3. Status of Macroeconomic Convergence

757. Togo met three (3) primary criteria; average annual inflation, central bank financing of the budget deficit and gross external reserves but missed the criterion on budget deficit. In addition, the country met both secondary criteria; public debt to GDP and the nominal exchange rate variation (see table 75)**.**

Table 75: Status of Macroeconomic Convergence in Togo

	Standard	2018	2019	2020	2021*	2022**
Primary criteria		***4***	***4***	***3***	***3***	
Budget deficit/GDP (including grants)	≤ 3%	0.6	-1.6	7.0	5.1	5.0
Average annual inflation	≤ 5%	0.9	0.7	1.8	4.5	3.0
Central Bank financing of the budget deficit	≤ 10%	0.0	0.0	0.0	0.0	0.0
Gross external reserves (WAEMU)	≥ 3 months of Import	4.6	5.7	5.9	6.5	6.5
Secondary criteria		***1***	***2***	***2***	***2***	
Nominal exchange rate variation	± 10%	2.60	-2.8	1.0	1.5	
Public debt to GDP	≤ 70%	72.8	51.9	58.6	61.7	59.7
Number of criteria met		**5**	**6**	**5**	**5**	

Sources : BCEAO, WAEMU, WAMA *Provisional **Projections

15.4. Prospects

758. The Togolese economy is expected to sustain its growth trajectory at 5.9 percent in 2022, premised on positive developments in the three sectors. The primary sector is expected to grow by 5.2 percent, compared to the 3.4 percent growth recorded in 2021; the secondary sector is

expected to grow by 6.8 percent compared to 4.9 percent in 2021, while activity in the tertiary sector, would grow by 5.7 percent against 6.2 percent in 2020.

759. Total expenditure and net lending would increase by 12.9 percent to reach CFAF1,155.2 billion (22.6% of GDP). This increase would be driven largely by capital expenditure (31.4%), with a slowdown in the increase of current expenditure (2.1%) in 2022.

760. At end-December 2022, the overall deficit is expected to be CFAF254.2 billion (5.0% of GDP). Excluding grants, the deficit would amount to CFAF416.7 billion (8.1% of GDP).

15.5. Conclusions and Recommendations

761. Togo's economic activity picked up in 2021, following a slowdown in the previous year. Growth accelerated to 5.3 percent from 1.8 percent in 2020, mainly driven by the tertiary sector. Growth is projected at 6.1 percent in 2022, supported by the ongoing implementation of the government's roadmap projects, to transform the economy.

762. In the area of fiscal operations, budget deficits (including grants) declined to 5.1 percent of GDP in 2021, from 7.0 percent of GDP in 2020.

763. In terms of compliance with the convergence criteria, Togo met three (3) of the four (4) primary criteria and both the secondary criteria.

764. To consolidate achievements recorded thus far and also improve performance to meet the convergence requirements, the Togolese authorities are urged to take the following measures:

   i. pursue actions to build socio-economic infrastructure and implement the PIA for a structural transformation while strengthening resilience to shocks;
   ii. continue to implement measures to curb rising consumer prices;
   iii. pursue reforms to enhance domestic revenue mobilisation;
   iv. continue with the fight against fraud through the automation of processes and procedures as well as setting up of joint control units; and
   v. sustain debt management and sustainability policies.

GENERAL CONCLUSION AND RECOMMENDATIONS

765. In 2021, the regional economy recovered to its pre-COVID path as Member States ramped up tests and vaccinations against the pandemic. With the increased vaccination rate, the mitigating restrictions subsided, and slowly, life returned to normal with businesses re-opening fully, particularly in the second half of the year. Consequently, regional growth rebounded to 4.2 percent compared to the negative growth rate of 0.8 percent in 2020, but lower than the SSA growth rate of 4.5 percent in 202. However, inflationary pressures remained elevated at 13.2 percent from 11.1 percent in 2020 due to higher food and fuel pump prices and exchange rate depreciation.

766. The composite overall budget deficit of the ECOWAS region (excluding grants) moderated to 5.1 percent of GDP from 5.2 percent of GDP in 2020, mainly reflecting a general decline in expenditure. However, the stock of public debt, as a percentage of GDP, worsened to 33.3 percent in 2021 from 27.7 percent in 2020, reflecting the increase in both the domestic and external debt components.

767. Growth in broad money supply slowed to 13.3 percent in the 12 months ended December 2021 from 14.8 percent in the 12 months ended December 2020, induced mainly by NDA in some Member States.

768. On the external front, the BOP position indicated an improvement, recording a surplus of 0.6 percent of GDP compared with 0.1 percent of GDP in 2020 due to an improvement in the trade balance of most Member States.

769. Assessment of the status of macroeconomic convergence indicated that Member States made some progress in central bank budget deficit financing and gross external reserves in months of imports cover. However, performance was unchanged on inflation, while it deteriorated on budget deficit, exchange rate stability and debt/GDP.

770. The outlook for 2022 shows that real GDP growth is expected to remain robust in an environment of elevated inflationary pressures and tight monetary policy stance. The budget deficit and public debt criteria performance will remain the same as in 2021. With regards to the convergence criteria, performance of the criteria on central bank financing of the budget deficit and gross external reserves are expected to improve with all Member States meeting the target, while performance on average inflation is likely to decline due to the impact of Russia-Ukraine war which has further distorted supply chains and created scarcity of food and energy.

771. The global economic shock caused by the ongoing Russia-Ukraine war is hitting the region at a time when Member States are still recovering from the COVID-19 pandemic shock and with limited fiscal space. These adverse developments coupled with high public debt situation have triggered exchange rate depreciation and a surge in inflation. Surging oil and food prices are already straining the external and fiscal balances of Member States. Worsening food and energy insecurity due to supply bottlenecks and elevated prices pose downside risks to the regional outlook.

772. Looking inward, the over-reliance on a few export commodities and slow pace of economic diversification in most Member States exposes the ECOWAS region to external shocks with limited room for manoeuvre. In addition, growth remains non-inclusive to boost employment and aggregate demand. Similarly, the ongoing jihadist movements, military coups, political crises, and other related security risks may weigh on the macroeconomic well-being of the region.

773. The abovementioned concerns require adequate measures that Member States are called to consider carefully. We, therefore, recommend the following[8]:

I. Fiscal consolidation will be an effective policy option to reduce debt vulnerabilities to allow for sustainable growth. Thus, Member States are encouraged to rationalise expenditure while improving the drive for tax collection and increasing its base. However, such policies must be adopted with caution to protect the vulnerable. Expenditure rationalisation should also not deter developmental projects capable of ensuring quick economic recovery;

II. Central banks in the region are encouraged to cautiously implement monetary tightening policies to tame the already rising inflationary pressures and support the exchange rate. However, the rates should be kept at levels that struck an appropriate balance between higher growth and acceptable level of inflation;

III. To minimise the region's exposure to external shocks, Member States must strengthen existing policy actions driving economic diversification. Member countries should look beyond their primary foreign income sources and invest in agriculture, manufacturing, health and education and tourism, as the case may be. In this regard, the private sector should be supported to serve as catalyst for growth;

IV. Member States should decisively address the challenges posed by climate change (weather-related disasters) by investing largely in adaptation, reducing greenhouse gas emissions and building resilience;

V. Commodity exporters among Member States should take advantage of the current rising commodity prices to build buffers to strengthen their economies for stability and sustainability;

VI. Currency digitalisation provides important opportunities to reduce the unbanked, especially given new global challenges. Member States are encouraged to study the use of CBDCs as an alternative to private cryptocurrencies. The adoption of CBDCs may improve the effectiveness of monetary policy and enhance monetary transmission. It may also promote financial inclusion and lower the cost of remittances, among others. The region has thus far seen only Nigeria fully launching a CBDC, while Ghana is in the pilot stage. Member countries are, therefore, encouraged to understudy the early starters with a view to possibly establishing their respective CBDCs;

[8] See appendix for country specific recommendations.

VII. The ECOWAS commission should strengthen existing mechanisms aimed at improving monetary and trade integrations in the region. Sanctions should be made more severe for countries that breach existing regional economic conventions and protocols; and

VIII. The ECOWAS Commission and all stakeholders should uphold the ongoing dialogues to return the concerned Member States (Mali, Burkina Faso, and Guinea) back to civil rule. There is also a need for urgent security collaboration to tackle the rising insurgency in the Sahel and confront the activities of the Boko-Haram, ISWAP and other jihadist groups across the region.

Appendix Table A1: Trends in Some Nominal Interest Rates in ECOWAS

Currency	Interest Rate	2019	2020	2021
CFAF	Savings	5.4	5.1	5.3
	Commercial loans (on average)	6.7	6.6	6.2
	Policy rate (end of period)	2.5	2.0	2.0
	Treasury bills (30 days)	4.9	2.9	2
Escudo	Savings	3.1	2.8	1.9
	Commercial loans (average)	10.1	10	10
	Policy rate (end of period)	1.5	0.25	0.25
	Treasury bills (90 days)	1	1	1
Dalasi	Savings (Min)	4.3	0.3	0.25
	Commercial loans (average)	21.7	20	19
	Policy rate (end of period)	12.5	10	10
	Treasury bills (90 days)	7.8	2.8	0.72
Cedi	Savings	7.6	7.6	4.6
	Commercial loans (average)	24	21.1	20
	Policy rate (end of period)	16	14.5	14.5
	Treasury bills (90 days)	14.7	14.1	12.5
GNF	Savings	2.6	2.8	2.7
	Commercial loans (average)	12.94	12.18	22.3
	Policy rate (end of period)	12.5	11.5	11.5
	Treasury bills (90 days)	6.7	11.5	12
Liberian Dollar	Savings	2.1	2.1	2.1
	Commercial loans (average)	13.5	12.4	12.4
	Policy rate (end of period)	30	25	20
	Treasury bills (90)	6	6	4
Naira	Savings	3.9	3.3	1.45
	Commercial loans (average)	30.7	28.6	27.7
	Policy rate	13.5	11.5	11.5
	Treasury bills (90 days)	4.5	0.03	2.5
Leone	Savings	3.3	2.5	2.15
	Commercial loans (average)	21.4	21.4	21.4
	Policy rate (end of period)	16.5	14	14.25
	Treasury bills (90 days)	8.8	3.8	3.7

Sources: WAMA, Member Central Banks

Appendix Table A2: Money Supply and Its Components in WAEMU

Country/Bloc	Narration	2019	2020	2021	2019	2020	2021
		M2 Growth			Contribution		
Benin	**Broad money (M2)**	**6.0**	**17.3**	**16.4**	**6.0**	**17.3**	**16.4**
	Net Foreign Assets	3.9	24.9	38.4	2.1	13.1	21.5
	Claims on Government (net)	-285.7	-125.2	-236.2	-14.4	11.1	-4.5
	Claims on the Economy	15.2	0.7	6.9	9.9	0.5	4.2
	Non-monetary liability	13.5	17.2	19.1	-2.1	-2.9	-3.2
	Other Items net	-136.6	-166.0	103.2	10.6	-4.4	-1.6
Burkina Faso	**Broad money (M2)**	**9.1**	**17.8**	**18.3**	**9.1**	**17.8**	**18.3**
	Net Foreign Assets	4.4	31.6	36.4	1.7	11.7	15.1
	Claims on Government (net)	165.4	26.7	-134.6	2.5	1.0	-5.4
	Claims on the Economy	9.4	9.3	11.5	6.8	6.7	7.6
	Non-monetary liability	14.1	17.2	21.1	-2.4	-3.0	-3.7
	Other Items net	9.0	28.9	87.2	0.4	1.4	4.7
Cote D'Ivoire	**Broad money (M2)**	**10.8**	**21.1**	**18.3**	**10.8**	**21.1**	**18.3**
	Net Foreign Assets	23.0	25.6	32.3	4.8	5.9	7.8
	Claims on Government (net)	20.4	40.0	18.1	4.9	10.4	5.4
	Claims on the Economy	6.1	9.2	12.5	4.4	6.4	7.8
	Non-monetary liability	13.5	17.9	22.8	-2.0	-2.8	-3.4
	Other Items net	68.0	-40.9	-57.4	-1.3	1.2	0.8
Guinea Bissau	**Broad money (M2)**	**0.3**	**9.1**	**7.3**	**0.3**	**9.1**	**7.3**
	Net Foreign Assets	-6.6	24.2	2.3	-4.2	14.4	1.6
	Claims on Government (net)	13.8	-19.7	55.3	2.0	-3.2	6.5
	Claims on the Economy	13.8	5.9	5.0	4.6	2.3	1.8
	Non-monetary liability	-232.5	135.1	-21.4	12.4	9.5	-3.3
	Other Items net	239.1	67.6	-2.0	-14.5	-13.9	0.6
Mali	**Broad money (M2)**	**9.0**	**22.2**	**17.1**	**9.0**	**22.2**	**17.1**
	Net Foreign Assets	84.4	78.0	-9.4	9.6	15.1	-2.6
	Claims on Government (net)	-37.1	72.0	32.8	-7.1	7.9	5.1
	Claims on the Economy	4.1	5.5	15.0	3.9	4.9	11.5
	Non-monetary liability	-5.3	3.7	11.9	1.3	-0.8	-2.2
	Other Items net	64.9	-168.6	-333.8	1.2	-4.8	5.3
Niger	**Broad money (M2)**	**15.1**	**17.0**	**8.8**	**15.1**	**17.0**	**8.8**
	Net Foreign Assets	98.1	-12.7	22.6	28.2	-6.3	8.4
	Claims on Government (net)	-90.4	635.8	-24.6	-22.0	12.9	-3.1
	Claims on the Economy	13.0	8.6	15.4	9.8	6.4	10.6
	Non-monetary liability	7.6	4.6	13.9	-1.7	-1.0	-2.6
	Other Items net	-12.0	-99.5	21092.8	0.8	5.0	-4.5
Senegal	**Broad money (M2)**	**8.2**	**12.3**	**17.0**	**8.2**	**12.3**	**17.0**
	Net Foreign Assets	8.2	-4.7	13.1	2.8	-1.6	3.8
	Claims on Government (net)	19.1	157.1	29.6	1.7	15.4	6.6
	Claims on the Economy	7.5	1.5	9.5	6.1	1.2	6.9
	Non-monetary liability	13.9	15.4	9.7	-2.8	-3.2	-2.1
	Other Items net	-7.5	-14.1	-51.6	0.4	0.6	1.6
Togo	**Broad money (M2)**	**4.5**	**11.6**	**12.0**	**4.5**	**11.6**	**12.0**
	Net Foreign Assets	30.1	33.4	11.8	9.8	13.5	5.7
	Claims on Government (net)	-78.7	-67.2	-49.4	-9.5	-1.7	-0.4
	Claims on the Economy	6.2	0.3	9.2	4.4	0.2	5.9
	Non-monetary liability	14.1	9.7	9.3	-1.7	-1.3	-1.2
	Other Items net	-45.5	-42.7	-204.5	1.6	0.8	1.9
WAEMU	**Broad money (M2)**	**10.4**	**16.5**	**16.3**	**10.4**	**16.5**	**16.3**
	Net Foreign Assets	35.2	2.9	8.5	6.5	0.6	1.7
	Claims on Government (net)	0.1	52.1	26.8	0.0	13.8	9.3
	Claims on the Economy	7.3	4.8	11.3	5.8	3.7	7.8
	Non-monetary liability	17.0	9.4	15.5	-4.4	-2.6	-4.0
	Other Items net	-273.3	67.1	71.0	2.5	1.0	1.4
Cabo Verde	**Broad money (M2)**	**8.1**	**4.1**	**3.1**	**8.1**	**4.1**	**3.1**
	Net Foreign Assets	24.8	-9.9	10.0	7.7	-3.6	3.1
	Claims on Government (net)	4.2	-25.6	-0.6	0.9	-5.1	-0.1
	Claims on the Economy	3.9	4.8	6.0	2.4	2.8	3.5
	Other Items net	22.4	-68.3	78.7	-2.9	9.9	-3.5

Sources: WAMA and Member Central Banks

Appendix Table A3: M2 growth and its Components in WAMZ

Country/ Bloc	Narration	2019	2020	2021	2019	2020	2021
		M2 Growth			Contribution		
Gambia	Broad money (M2)	27.1	22.0	19.5	27.1	22.0	19.5
	Net Foreign Assets	61.3	44.1	18.7	18.9	17.3	8.6
	Claims on Government (net)	6.0	6.5	21.5	4.0	3.6	10.4
	Claims on the Economy	35.8	0.8	20.7	6.0	0.1	3.1
	Other Items net	12.9	-7.3	27.2	-1.9	0.9	-2.7
Ghana	Broad money (M2)	21.7	29.6	12.5	21.7	29.6	12.5
	Net Foreign Assets	51.7	-12.7	-44.6	9.5	-2.9	-6.9
	Claims on Government (net)	94.8	17.8	-31.1	34.2	10.3	-16.3
	Claims on the Economy	45.2	13.8	-12.6	22.4	8.1	-6.5
	Other Items net	1,122.0	-35.6	-214.3	-44.3	14.1	42.2
Guinea	Broad money (M2)	22.9	23.0	8.2	22.9	23.0	8.2
	Net Foreign Assets	37.3	27.3	20.0	10.5	8.6	6.5
	Claims on Government (net)	9.2	37.5	-0.6	5.1	18.4	-0.3
	Claims on the Economy	22.4	8.0	8.5	8.9	3.2	2.9
	Other Items net	6.9	35.6	4.1	-1.6	-7.1	-0.9
Liberia	Broad money (M2)	19.8	5.2	-1.5	19.8	5.2	-1.5
	Net Foreign Assets	1.9	-4.1	104.4	0.2	-0.4	9.9
	Claims on Government (net)	53.2	20.6	-24.1	30.1	14.8	-20.0
	Claims on the Economy	11.9	-7.8	-11.4	9.8	-6.0	-7.8
	Other Items net	39.3	5.3	-27.2	-20.3	-3.2	16.3
Nigeria	Broad money (M2)	6.4	11.6	12.6	6.4	11.6	12.6
	Net Foreign Assets	-49.8	51.0	-1.8	-18.0	8.7	-0.4
	Claims on Government (net)	-48.5	-7.4	16.0	-35.7	-2.6	4.7
	Claims on the Economy	-8.2	12.3	17.7	-7.3	9.4	13.6
	Other Items net	-68.6	13.2	18.0	67.4	-3.8	-5.3
Sierra Leone	Broad money (M2)	14.3	38.2	22.1	14.3	38.2	22.1
	Net Foreign Assets	-42.8	49.4	14.4	-21.5	12.4	3.9
	Claims on Government (net)	19.9	36.8	19.6	14.1	27.4	14.5
	Claims on the Economy	44.7	-8.5	26.6	10.1	-2.4	5.0
	Other Items net	-26.5	-2.9	6.8	11.6	0.8	-1.4
WAMZ	Broad money (M2)	8.8	14.2	12.5	8.9	14.3	12.5
	Net Foreign Assets	-35.3	42.6	-5.6	-14.0	7.3	-0.9
	Claims on Government (net)	-29.2	-2.9	9.9	-25.7	-0.3	2.1
	Claims on the Economy	-0.6	12.1	13.9	-3.2	8.9	10.8
	Other Items net	12.6	7.7	-9.9	51.7	-1.7	0.5

Appendix Table A4: Number of Primary Criteria Met by Countries

	2018	2019	2020	2021	2022*
BENIN	4	4	3	3	2
BURKINA FASO	3	3	3	3	2
CABO VERDE	4	4	3	3	3
COTE D'IVOIRE	4	4	3	3	3
GUINEA BISSAU	3	3	3	3	3
MALI	3	4	3	3	2
NIGER	4	3	3	3	3
SENEGAL	3	3	3	3	3
TOGO	4	4	3	3	3
GAMBIA, THE	0	3	3	2	2
GHANA	2	2	1	2	2
GUINEE	2	3	1	3	3
LIBERIA	1	0	2	3	3
NIGERIA	1	2	1	1	2
SIERRA LEONE	2	3	1	1	2
MET ALL FOUR PRIMARY CRITERIA	**5**	**5**	**0**	**0**	**0**
MET AT LEAST THREE PRIMARY	**9**	**13**	**10**	**11**	**8**

Sources: WAMA, ECOWAS *Projections

Appendix Table A5: Number of Countries That Met All the Harmonised Convergence Criteria

	2018	2019	2020	2021	2022*
BENIN	6	6	5	5	3
BURKINA FASO	5	5	5	5	3
CABO VERDE	5	5	4	4	3
COTE D'IVOIRE	6	6	5	5	4
GUINEA BISSAU	5	5	4	4	3
MALI	5	6	5	5	3
NIGER	6	5	5	5	4
SENEGAL	5	5	5	4	4
TOGO	6	6	5	5	4
GAMBIA, THE	1	4	4	3	2
GHANA	4	4	2	3	2
GUINEE	4	5	3	5	4
LIBERIA	2	1	4	5	4
NIGERIA	3	4	3	2	3
SIERRA LEONE	4	5	2	2	2
MET ALL SIX CONVERGENCE CRITERIA	**4**	**4**	**0**	**0**	**0**
MET AT LEAST FIVE CONVERGENCE CRITERIA	**9**	**12**	**7**	**8**	**0**

Sources: WAMA; ECOWAS *Projections