



AfDB
AFRICAN DEVELOPMENT BANK GROUP

West Africa Monitor Quarterly

ISSUE 2 | APRIL 2014



Table of Contents

Regional Overview	2
Country Updates	7
Special Theme	15



Legal Disclaimer

The findings, interpretations and conclusions expressed in this report are those of the author(s) and are not necessarily those of the African Development Bank Group or its Board of Directors. Every effort has been made to offer the most current, correct and clearly expressed information possible in the preparation of this document. Nonetheless, inadvertent errors can occur, and applicable rules and regulations may change. The African Development Bank Group makes its documentation available without warranty of any kind and accepts no responsibility for its accuracy or for any consequences of its use.

Please direct your feedback and comments to: e.santi@afdb.org

© 2014 African Development Bank Group
West Africa Regional Department (ORWA)
African Development Bank
7 Avenue Joseph Anoma
01 BP 1387 Abidjan 01
(Côte d'Ivoire)

Photo credits: Denise Miller, Felix Krohn,
under a Creative Commons License.



1964 2014
50 YEARS SERVING AFRICA



The West Africa Monitor is produced by the country economists of the African Development Bank Group's (AfDB) West Africa Regional Department (ORWA) and Nigeria Department (ORNG) in close collaboration with the Regional Integration and Trade Department (ONRI) and the Bank's Statistics Department (ESTA).

Part of the Bank's Knowledge Management Strategy for West Africa, it aims at monitoring key socio-economic developments in the region and provides brief analysis on latest events across the countries. The report is deliberately crafted to be succinct and in non-technical language for wider circulation. Each issue includes (i) a Regional Overview highlighting major trends; (ii) a set of notes on a number of countries of focus, each of them featuring a special theme of key relevance for the country at the time of writing; and (iii) a dedicated section on a topic of common interest for the region.

The present issue features a note on Infrastructure in West Africa. This publication has been coordinated by Emanuele Santi, Chief Regional Economist (ORWA) and Mohamed El Dahshan, Consultant (ORWA), under the overall guidance of Franck Perrault, Regional Director (ORWA), Janvier Litse, Director (ORWA) and Ousman Dore, Regional Director (ORNG). Contributors to this issue include Daniel Ndoeye (Benin), Tankien Dayo (Burkina Faso), Wilberforce Mariki (Ghana), Yannis Arvanitis (Guinea-Bissau), Barbara Barungi and Eric Kehinde Ogunleye (Nigeria), Toussaint Houeninvo and Khadidiatou Gassama (Senegal), Carphophore Ntagungira (Togo), as well as Nirina Letsara and Anouar Chaouch (ESTA). The note on infrastructure has been produced by Mohamed El Dahshan, Emanuele Santi, with input from Country Economists. It was peer-reviewed by Pamphile Codo and Jean-Noel Ilboudo.



REGIONAL OVERVIEW

Highlights

- **The West Africa region is undergoing an unprecedented political stabilization**, yet instability in the Sahel region and Northeastern Nigeria remain a source of vulnerability.
- **West Africa's regional growth accelerated to 6.4% percent in 2013**, making it the second fastest growing region in the continent.
- **Many countries are still heavily dependent on commodity exports**, making them vulnerable to price swings and fluctuations in external demand.
- **Growth potential is limited by poor physical infrastructure**, which raises costs, reduces efficiency and limits intra-regional trade.
- **Several of the region's largest economies**, including Nigeria and Ghana, are facing mounting pressures on their currencies.

Key Political Developments

West Africa is witnessing signs of stabilization, following the end of the Touareg rebellion and the return to an elected leadership in Mali, and the political transition in Cote d'Ivoire, Guinea and Guinea Bissau. Elections in Senegal,

Mali and Ghana exemplify democratic maturity, boding well for political stability in the wider region. Instability in the Sahel region and in Northern Nigeria remains a potential source of vulnerability in the region.

Aside from of Guinea-Bissau¹, no major election is scheduled in the coming

months, yet pressure will be mounting and shifts in political agendas will occur towards the end of the year in preparation to an important wave of key electoral exercises in many of the region's countries in 2015 (see table below).

Country	Type of Election	Date
Guinea-Bissau	Presidential + Parliamentary	13 April 2014
Liberia	Legislative	14 October 2014
Niger	Parliamentary	2014
Nigeria	Presidential + Legislative + Governors	14, 28 February 2015
Benin	Parliamentary	March 2015
Cote D'ivoire	Presidential	October 2015
Togo	Presidential	July 2015
Burkina Faso	Presidential	November 2015

¹ Guinea-Bissau has set a new presidential election date for April 13th 2014, following multiple delays related to the census process. 13 candidates and 15 political parties had presented themselves to run, easing fears regarding the volatility of the political situation.

² Coming a close second to East Africa, which achieved an estimated growth rate of 7.0%, and above the average continent-wide growth rate of 5.0%. Source: African Development Bank projections.





Key Economic Developments

West Africa is the second fastest growing region of the continent, with an estimated growth of 6.4% in 2013² and expected to reach 7.1% in 2014 (see graph below). Growth in the region is largely driven by oil and mineral sectors, but also by agriculture and services. There are however wide variations within the region in terms of resource endowments and the sectors driving economic growth at country level.

Nigeria, the region's largest economy, recorded a growth of 6.9% in 2013 and is expected to continue growing by 7.1% in 2014, with the oil sector playing a predominant role.

A minerals boom is driving unprecedented growth in Sierra Leone, the region's fast running economy with a double-digit growth thanks to the discovery iron ore, and is likely to remain above those levels in 2014 and 2015. Mining sector is also a main driver of Liberia's and Ghana's sustained growth.

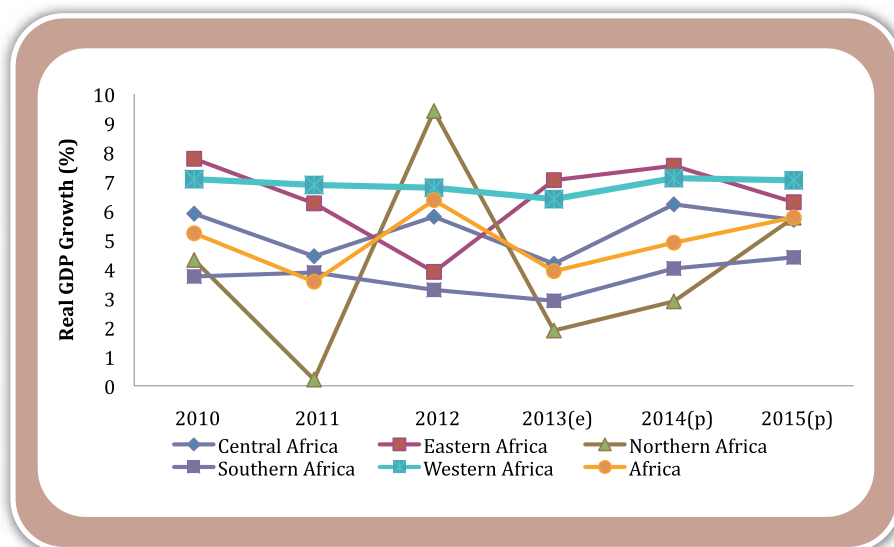
Political stabilization and recovery of economic activities are the main drivers of growth in various countries such as Côte d'Ivoire, the second fastest growing economy, and Mali, whose economies are rapidly emerging from conflict-driven recessions. In January, Côte d'Ivoire hosted its first investment conference in ten years, attracting over 3700 participants from 103 countries; should promises of in-

vestment made in this beginning of 2014 materialize, they would be signaling massive return of interest by international investors in the country with an outlook on the region.

Growth will remain more subdued in many of the remaining countries in the region, such as Cabo Verde, still affected by the low growth in the Eurozone, Guinea, still enduring a slowdown in the mining sector and electric shortages, and Guinea-Bissau, reeling from a loss of external support and political instability.

Monetary policies of the WAEMU continued their prudent stance, prioritizing the control of inflation with fixed exchange rates pegged to the

GDP growth across Africa's regions



Source: African Development Bank

euro. In 2013, the CFA Franc appreciated vis-à-vis the dollar, reflecting US economic forecasts as well as the low inflation and increased trade surpluses of the Eurozone.

In other countries like Nigeria and Ghana, inflation remains relatively high and currencies have been under pressure, as the impacts of the US tapering on quantitative easing unfold and - in the case of Ghana - macro-economic indicators have deteriorated.

Overall, West Africa's economic prospects for 2014 are quite promising. Continued interest in the region's wealth of natural resources and the recovery in OECD countries are poised to contribute to a sustained performance.

³ MDG Report 2013, Assessing Progress in Africa toward the Millennium Development Goals http://www.undp.org/content/dam/undp/library/MDG/english/MDG%20Regional%20Reports/Africa/MDG%20report%202013%20summary_EN.pdf





West Africa **remains vulnerable to the fluctuations of many commodities prices.** As shown in the following graph, the regions' key commodities prices have maintained a generalized global decline in the past two years,, with the exception of oil. Gold, which tops Mali's exports as well as represents 28% of Ghana's total exports value in 2011, has lost 27% of its value in the course of 2013 alone. Cotton prices have experienced the largest and progressive declined (59% in the past 3

While the relative good performance of oil has benefited Nigeria, this has put further pressure on their balance of payments for most other countries, which remain oil dependent or net importers.

Key Social Developments

Though recognized for positive strides and effort towards meeting the MDGs, West Africa remains far from meeting

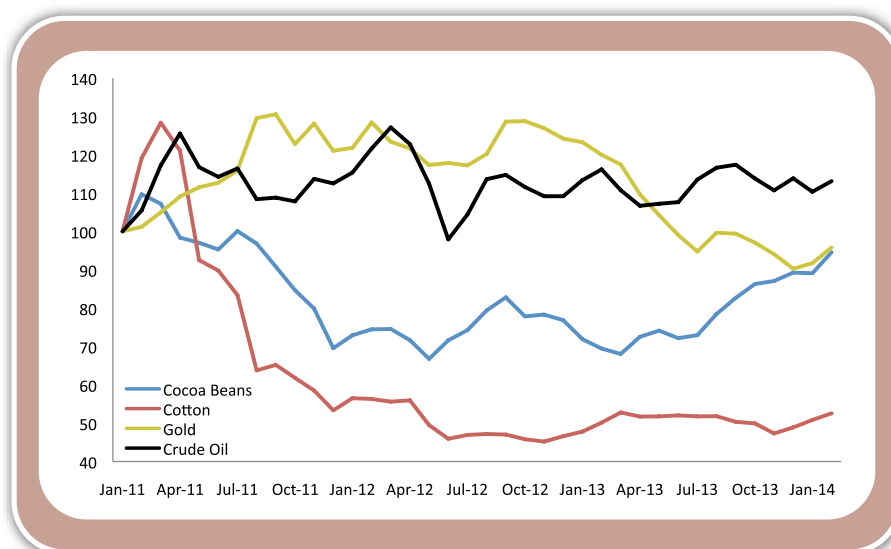
West Africa is also facing a youth bulge with about 40% of the population being under 15, and nearly 70% under 30. The region has however not been able to tap into the opportunities this bulge provides. Many youth are still idle, unemployed or under-employed. The problem is compounded in such countries as Cote d'Ivoire, Sierra Leone or Liberia, where many unemployed youth are also ex-combatants⁵, thereby constituting a potential risk to the stability of the region. The high incidence of poverty, unemployment and inequality in a region with such impressive growth records is an indication that growth has not been sufficiently inclusive.

Several countries have witnessed large scale social movements and protests.

The closure of the University of Liberia in November 2013, which lasted three months, led to students and faculty protests. In December 2013, Benin's government employees protested against insecurity and favoritism in government job recruitment, which were harshly met by the authorities, were followed by a series of strikes. In Burkina Faso, public servants protested delays in reviewing their salaries scale by going on strikes in February.

The situation remains precarious in Guinea-Bissau, with government arrears reaching an estimated FCFA 6 billion by the end of February 2014, compelling some international organisations including the World Bank to review their stance and reengage in the country with programmes on education and health, despite the unrecognized status of the transitional government.

Evolution of commodities prices
January 2011 = 100



Source: Data from IndexMundi Data Portal, authors.

years) affecting most countries in the region. Cote d'Ivoire and Ghana, the world's premier cocoa producers generating 51% of the world's output, have endured declining prices for almost two years; while prices have risen over the past year, they remain below their pre-2011 levels.

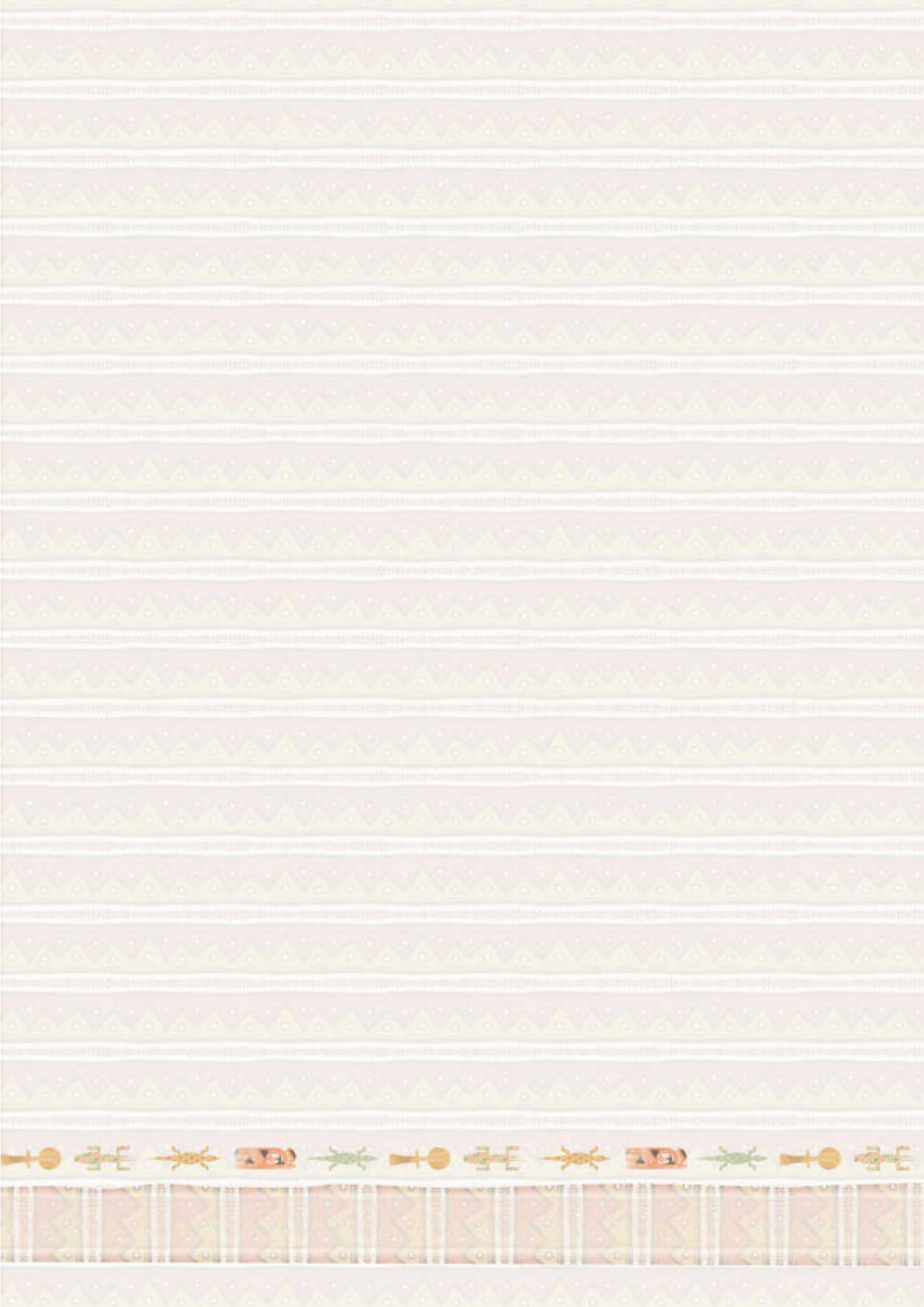
the Millennium Development Goals.³

The high growth rate experienced in the region has faced difficulties in translating into major improvements. Nevertheless, some of the region's countries are among Africa's best performers⁴ – those that have achieved the highest improvement from their original condition.

⁴ Burkina Faso is distinguished by being among the most successful in the continent, leading the way in 16 out of 22 indicators. Ghana is also among the top performers continent-wide.

⁵ Youth Unemployment and Stability <http://blog.fundforpeace.org/blog-20131108-youthunemployment>





FOCUS ON...

 BENIN

 BURKINA FASO

 GHANA

 GUINEA BISSAU

 NIGERIA

 SENEGAL

 TOGO





BENIN



Macroeconomic Indicators

	2012	2013 (e)	2014 (p)	2015 (p)
GDP Growth	5,4	5,0	4,9	5,3
Inflation	6,6	2,6	2,3	2,9
Budget balance (% of GDP)	-1,3	-1,2	-1,1	-1,2
Current account balance (% of GDP)	-8,5	-8,2	-7,9	-7,8

Source: Data from domestic authorities; estimates (e) and predictions (p) based on authors' calculations.

- **Economic growth improved in 2012 and 2013** due to the increase in agricultural production and trade; it is expected to remain stable at around 4.9% in 2014.
- **A key challenge is to remove the infrastructure and governance constraints to private sector development**, and to ensure optimal management of its potential, notably in agriculture.
- **Cotton, representing 10 to 15% of GDP**, requires a new management strategy, in consultation with all stakeholders to ensure the sector's profitability.

Overview

Growth continued its acceleration in 2013, with a real GDP growth rate going from 3.5 % in 2011, to 5.4% in 2012 and reaching 5.0% in 2013. Economic activity in 2013 has benefited from the increase in agricultural production. Inflation fell below the communitarian threshold of 3 % in 2013, down from 6.6% in 2012.

This economic performance, however, remains insufficient to result in a reduc-

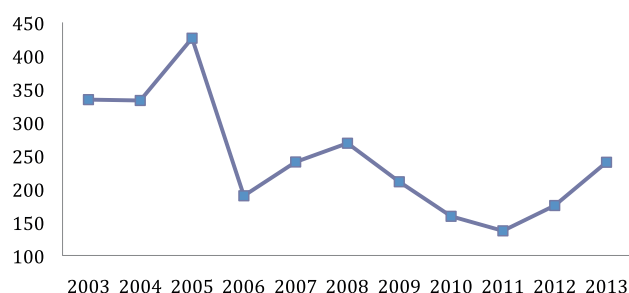
tion in poverty. Over the past five years, average economic growth was only slightly above the population growth rate of 3%. The HDI stood at 0.436 in 2013, below the average for sub-Saharan Africa of 0.475.

The economy suffers from a broad infrastructure deficit, shortcomings in governance, and weak private sector productivity. The economy thus remains dominated by cotton farming, which has run into difficulties in recent years, as well as by re-exports to Nigeria, which generate little added-value.

Focus on: The cotton sector in Benin

Cotton is Benin's main export product, representing 40% of the country's total exports. The sector represents 10 to 15% of GDP and provides a source of income to nearly a third of the population. Cotton production has experienced a downward trend during the past decade. The State took over the management of the cotton sector in 2012, after a crisis of confidence between producers and private organizations responsible for the ginning and export of the cotton. While production did increase under the supervision of the State, differences endured between the State and ginners over the ginning expenses, ultimately negatively affecting the performance of the sector. It is important that a clear strategy for managing the cotton sector be developed in consultation with all stakeholders, to reach a viable approach that would ensure profitability.

Evolution of the cotton production volume (thousands of tonnes)



Source: Institut national de la statistique et de l'analyse économique.





BURKINA FASO



Macroeconomic Indicators

	2012	2013 (e)	2014 (p)	2015 (p)
Real GDP Growth (%)	9.0	6.9	7.0	6.3
Real GDP Per Cap. Growth (%)	6.1	4.1	4.2	3.5
CPI Inflation (%)	3.8	2.1	1.7	1.9
Budget balance (% of GDP)	-3.1	-3.2	-3.6	-4.7
Current account balance (% of GDP)	-0.8	-0.7	-1.5	-1.4

Source: National Authorities ; Author calculations.

- Pending a good harvest in 2014, the outlook should be favorable for sustained growth, with a projected economic growth rate of 7%.
- Despite unfavorable economic conditions, Burkina Faso's GDP growth remained strong in 2013 at 6.9%, decreasing from 9% in 2012.
- The main weakness of public investments remains the low absorption capacity of public investments, which is a constraint to growth acceleration.

Overview

Economic activity in Burkina Faso remained buoyant in 2013 and is expected to continue to grow in 2014, thanks to the agricultural and mining production. The economic growth rate stood at 6.9% in 2013. The decline from the previous year, which saw a growth rate of 9%, is mainly due to the decline of mining in 2013 because of lower gold prices.

In 2014, the country should maintain a steady growth rate of at least 7%, with

agriculture benefiting from quick gains measures, and with the increased production of gold, expected to reach 44.1 tonnes in 2014 compared to 42.8 in 2013. The expected improvement of the absorptive capacity of public investments in key sectors such as agriculture and infrastructure should also have a positive effect on growth.

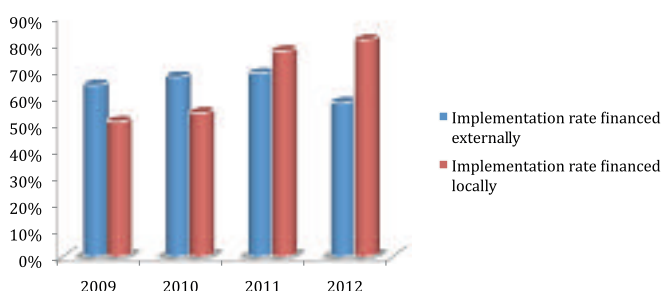
Inflationary pressures remain relatively subdued, thanks to lower food prices. Inflation should remain well below the community standard of 3% maximum.

Political risk, marked by outbreaks of social unrest in opposition to the establishment of the Senate and the constitutional review could weigh on the economic outlook in 2014.

Focus on: Public investment spending

Capital expenditures have increased by 1 percentage point to reach 12.3% of GDP in 2013, versus 11.1% in 2012. Yet the low absorption capacity remains a constraint to accelerating growth. This weakness can be explained by deficiencies in the management of public procurement, especially with foreign-funded investments. In the energy sector in particular, the implementation of electricity interconnection projects, such as that in Ouagadougou via the Ghanaian network, is very slow. This interconnection which would have helped strengthen the electricity supply in the country is more than two years behind schedule, creating bottlenecks (in the form of load-shedding) in the provision of electricity throughout the country.

Public investment implementation rate, by source of financing



Source: DGTCP, MEF Burkina Faso.





GHANA



Macroeconomic Indicators

	2012	2013 (e)	2014 (p)	2015 (p)
Real GDP Growth (%)	7.9	4.4	7.7	8.0
Real GDP Per Capita Growth (%)	5.2	1.7	5.0	5.3
CPI Inflation (%)	9.2	11.7	9.9	8.6
Budget balance (% of GDP)	-11.8	-10.8	-8.5	-6.2
Current account balance (% of GDP)	-12.4	-12.3	-12.5	-16.9

Source: Government of Ghana; African Development Bank.

- **Economic growth in 2013 has slowed down** owing largely to poor performance of the oil, mining and agricultural sectors
- **Ghana's expansionary fiscal policy has led to widened budget deficit and debt sustainability risks.**
- **The Cedi has depreciated sharply** following reduced export earnings and weak fiscal performance.

Overview

Economic growth in 2013 has decelerated following decline in the world market of gold and lower oil production.

Despite an average growth rate of around 7% per annum over the past seven years, growth across sectors deteriorated in 2013, especially in agriculture and industry with respective growth rates of 1.3% and -3.5%. This led to overall annual growth rate of around 4.4%, below the projected growth of 7.4%. Industrial production, driven by mining, deteriorated following drastic decline in gold prices by around 30% and lower than expected

oil production. With lower than expected export earnings, current account deficit remained high at around 12.3% in 2013. The outlook for 2015 is optimistic with projected GDP growth rate of around 8%, banking on improved gold prices and robust oil and gas production.

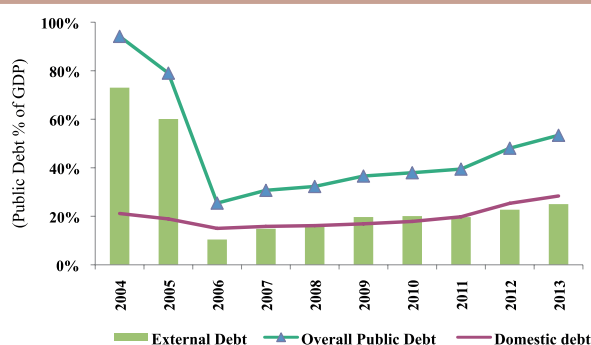
Focus on: Fiscal sustainability

Widening budget deficit has been a major constraint to fiscal and debt sustainability. The budget deficit persists in the double-digits, with a deficit of 10.8% in 2013. In 2013 Government undertook

fiscal measures involving removal of subsidies, introduction of new taxes, moratorium on new loans. Nevertheless, the slowdown in economic activity resulted in lower revenue collection. The widened budget deficit has reflected on the rapid increase in public debt, rising from 48.4% of GDP in December 2012 to 53.5% in September 2013, with domestic debt accounting for 56% of total public debt.

Despite tight monetary policy measures, inflation has maintained a rising trend to 11.7% in 2013. The increase of petroleum and utility tariffs contributed to this. The effects of widening budget and current account deficits led to a sharp depreciation of the Cedi by 17.5% and 14.6% respectively in 2012 and 2013. From January to mid-February 2014, the Cedi had depreciated by over 10%. Efforts to curb further depreciation of the Cedi have involved introduction of a number of foreign currency control measures by the Bank of Ghana (such as prohibition of use of foreign currency for local transactions) effective 5th February 2014. In addition the Bank raised its policy rate by 200 basis points to 18% to lower the rising inflation.

Ghana Public Debt (% of GDP)



Source: Government of Ghana.





GUINEA-BISSAU



- **The economy ended 2013 with a glimpse of growth** with 0.3% against -1.5% for 2012. However, this return to growth still masks severe structural challenges.
- **The first quarter of 2014 is unlikely to see a change in the status quo.** Growth is expected to take place from mid-year on the assumption of a recovery of cashew nut production and prices and on the return to political stability following elections planned in April.
- **The government's salary bill has grown over the past years to take up a third of total spending** in 2013, and will remain a challenge for the next government.

Overview

The April 12th 2012 coup d'état led to disruptions in the Bissau-Guinean economy which are expected to linger until the return to constitutional order, expected after the elections. In particular, combined losses of revenue from donor support and from commercial deals such as the EU fishing compensations could not be matched from elsewhere. This led to a deterioration in the provision of public goods, increased power cuts (over 15% drop in electricity production), and increased wage arrears.

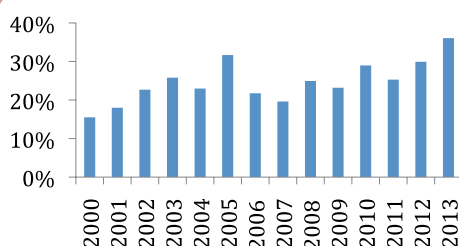
Although 2014 was expected to be a catch-up year, it is expected that growth will take-off from mid-year onwards following elections, the formation of a government, and the return of partners. Forecasts suggest a 2.8% growth in 2014. Inflationary pressures are expected to remain moderate on the back of a slow demand which only grew by 0.8% in 2013 as a result of lingering political uncertainty. Inflation remained below the 3% WAEMU's convergence criteria, at 1.1% in 2013.

The year 2013 closed with a higher cashew production than in 2012. However,

prices saw a drop that was passed down to producers. This led to an adjustment in the terms of trade between cashew nuts and rice which are commonly bartered against one another, pushing

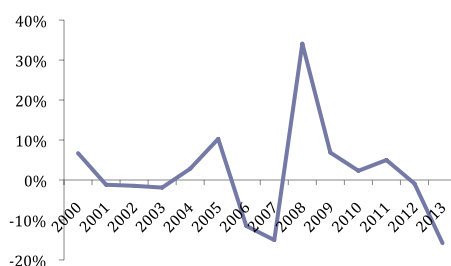
over 1/3rd of the population in a condition of undernourishment.

Water and electricity output, year-on-year change



Source: BCEAO

Public sector wages as % of government spending



Source: BCEAO

Focus on: controlling public sector salaries

Over the past years, public sector salaries have increasingly become an important source of spending. In 2000, they represented 15.5% of total government spending. In 2013 they reached 36.1%. This situation has increased spending rigidity in the country: as the 2012 coup led to a loss of revenues due in part to international partners' suspensions, the forgone income trickled down to a halt of investments before leading to the accumulation of arrears, including on salaries. As of end December 2013, the government's arrears stood at FCFA 7.7 billion, including FCFA 4 billion in salaries and wages for civil servants.

In an effort to tackle this issue, the government put together an action plan in order to streamline the public sector following the 2010 civil servant census. This was however paused with the coup d'état and thus remains a key challenge and constraint for the government to come.





NIGERIA



Macroeconomic Indicators

	2012	2013 (e)	2014 (p)	2015 (p)
Real GDP Growth (%)	6.58	6.9	7.1	6.9
Real GDP Per Capita Growth (%)	3.2	3.5	4.5	4.5
CPI Inflation (%)	12.2	8.6	9.4	10.0
Budget balance (% of GDP)	-2.4	-1.8	-1.7	-3.1
Current account balance (% of GDP)	4.9	8.1	11.0	10.1

Source: Statistics Department, African Development Bank.

- **Nigeria projects a very strong growth estimated at 7.1% in 2014, after a performance of 6.9% in 2013,** driven largely by non-oil activities with estimated growth of 7.7%.
- **Government needs to maintain its fiscal consolidation policy** while simultaneously addressing the issue of job creation and inclusive growth.
- **The Pension fund industry has witnessed phenomenal growth over the past decade,** but concerns exist about its potential to benefit the real economy.

Overview

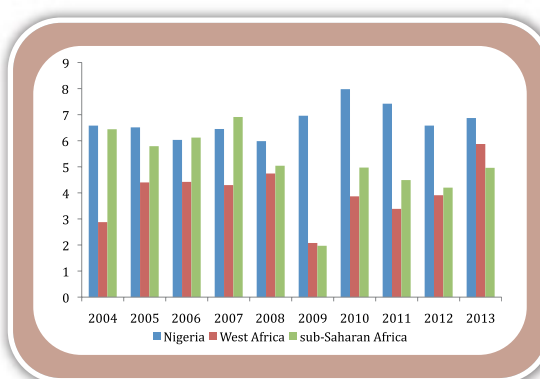
Nigeria has sustained its growth momentum in the past year estimated to be around 6.9% in 2013, an improvement over the 6.58% recorded in 2012. Non-oil sector activities are the main growth drivers, prominently telecom, building and construction, hoteling, solid minerals and agriculture. The remarkable performance raises optimism in the medium term. Nevertheless, the oil sector which recorded a negative growth of 0.7 percent at the end of Q3 could be a drag on growth.

Headline inflation was brought down from double-digits in 2008 to 8.6% at the end of 2013, thanks to tight monetary policy by the Central Bank keeping monetary policy rate at 12% with further liquidity squeeze through raising cash reserve requirement on public funds with deposit money banks to 75%.

Nigeria faces an ongoing challenge of making its decade-long sustained growth more inclusive and addressing

the challenges facing the oil sector. Poverty, unemployment, and inclusiveness remain prominent challenges; poverty reduction, job creation and protection of the vulnerable and those in the informal sector are the focus of current policies and initiatives.

Real GDP Growth (%)



Focus on: Linkages between the Pension Fund and the Real Sector

The Nigerian Pension Fund industry has witnessed phenomenal growth from a deficit of N2.6 trillion (\$16.3

billion) before the take-off of the scheme through a reform that began in 2004, to N3.7 trillion (\$23.2 billion) in 2013 and projected to reach \$100 billion by 2020. However, there are concerns that the channels for deploying pensions funds to benefit the real economy are highly limited, bringing to the fore concerns about the delink between the financial and real sector in Nigeria. Pension Funds hold high potential for addressing Nigeria's infrastructure deficiency and limited structural transformation. However, this would only be achieved with improved instruments to channel the Fund to areas of need. The financial intermediation role of the deposit money banks needs to be further strengthened through effective bank supervision. There is also need to create additional private sector financial intermediaries such as specialized banks, private equity, venture capital funds, etc. A new Development Finance Institution proposed by the Government could help bridge this gap.





SENEGAL



- Senegal projects a strengthening growth rate of 4.8% in 2014 and 5.3% in 2015, against 4% in 2013 and 3.5% in 2012.
- Efforts in macroeconomic management have enabled Senegal to be reclassified by the IMF as a country with greater capacity for debt management.
- The emergence of global value chains is perceived by the Senegalese authorities as both an opportunity and a threat to the country's integration into world trade.

Overview

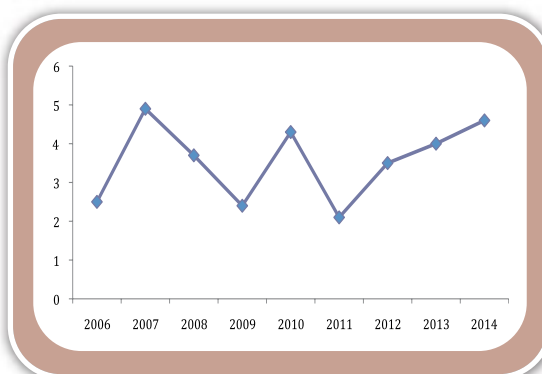
The Emerging Senegal Plan (Plan Sénégal Emergent - PSE), is the new development strategy of the country, replacing the National Strategy for economic and social development. It has three components: i) structural transformation of the economy and growth; ii) Human Capital, social protection and sustainable development; and iii) Governance, institutions, peace and security.

The 20-years vision will operate in five-year phases. For the first period (2014-2018), the PSE aims for an average annual growth rate of 7%. The acceleration of growth will be driven by flagship projects with high economic and social impact. Nine such projects are to be launched as of April 2014. The PSE will rely on neighboring countries as markets for Senegal. As such, Dakar will be a regional platform for services, tourism and industrial logistics.

The cost of the PSE over the period 2014-2018 is estimated at FCFA 10.2976 trillion (nearly €16 billion). The fundraising needs amount to FCFA 2,964 billion, divided between: Technical and Financial Partners (TFP), with FCFA 1,853

billion, and the private sector, with FCFA 1111 billion. The meeting of the Consultative Group on Senegal in February was a success, with the country obtaining FCFA 3.729 trillion in funding intentions from the TFP, double that expected.

GDP Growth Rate

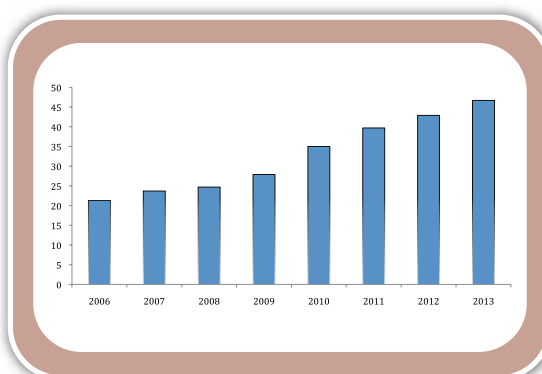


Source: DPEE / Ministère de l'économie et des finances.

Focus on: Public debt

In 2013, Senegal carried on with the diversification of its debt instruments in terms of concessionality and maturity, notably through issuing securities on the regional market. The government favours concessional financing and neither contracts nor guarantees foreign loans at non-concessional terms, save for exceptions discussed with the IMF.

Total Public Debt as% of GDP



Source: DPEE / Ministère de l'économie et des finances.

While still largely below WAEMU's 70% threshold, the debt ratio has experienced a steady increase (from 21.8% of GDP in 2006 to around 46% in 2013) ever since it obtained debt cancellations in the framework of the multilateral debt cancellation Initiative in 2006. Domestic debt remains low but has risen steadily (from 4.5% of GDP in 2007 to around 14 % in 2013) due to major public investment programs and the budget deficit. Under the IMF classification of low-income countries regarding macroeconomic management and fiscal policy, Senegal has moved into the category of countries with large capacity, thanks to progress in its debt management.





TOGO



Macroeconomic Indicators

	2012	2013 (e)	2014 (p)	2015 (p)
Real GDP Growth (%)	5,9	5,6	6,0	6,3
Real GDP Per Capita Growth (%)	3,3	3,1	3,4	3,7
CPI Inflation (%)	2,6	1,8	2,3	1,6
Budget balance (% of GDP)	-5,8	-4,7	-5,3	-4,4
Current account balance (% of GDP)	-11,9	-11,7	-13,3	-13,8

- **Togo is expected to enjoy a solid growth rate of 6% in 2014 and 2015**, having witnessed a growth rate of 5.6% in 2013, down 0.3 percentage points from 2012.
- **The establishment of the Togolese Revenue Authority (OTR)** in January 2014 places Togo as the first country in the CFA region to have an integrated and autonomous tax administration.
- **The inappropriate land regime is one of the major constraints** to the business environment.

Overview

After a long crisis that ravaged the country from 1990 to 2005, Togo joined the ranks of growing African nations in 2011. While the 2013 growth rate of 5.6% is lower than that of 2012, the outlook for 2014 and 2015 is favorable with an average growth rate of 6%. Continuing public investments, particularly road infrastructure, along with the recovery of the transport, port services, phosphate and cotton sectors, should support growth beyond 2015.

The completion in December 2010 of the HIPC Initiative has enabled Togo to reduce the public debt ratio from 84.5% of GDP in 2009 to 49 % in 2013. Based on current trends, the ratio will remain below the ceiling of 70% of GDP set by the WAEMU for at least a decade. However, without proper management of domestic debt and the fragility of the country, Togo is only eligible for concessional loans.

The banking system, which was insolvent in 2006, is regaining its health. Since 2008, the state has embarked on

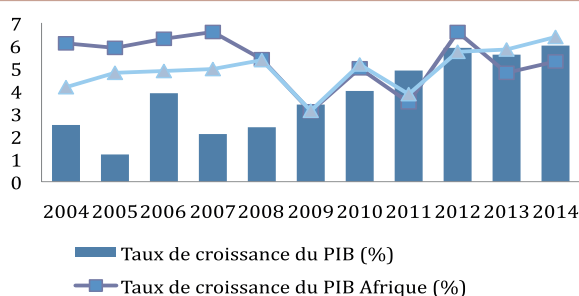
reforms of recapitalization and sale of the four large state banks. The solvency of Togo's banks increased from -4.1% in 2008 to 12 % in 2009 and 13% in 2013.

The tax burden, estimated at 16.9% of GDP in 2013 is up from 16.5 % in 2012 but still below the 17% convergence standard of the WAEMU. The situation is expected to improve to stand at 17.6% and 18.6% respectively in 2014 and 2015.

Focus on: land tenure regulations

Togo's land tenure regulations continue to affect the business environment. The number of days required to transfer a property is 295 days, versus an average of 65 days in sub-Saharan Africa, 33 in North Africa and the Middle East, and 26 in OECD countries. In addition, 80% of cases reviewed by Togolese courts involve land disputes. Togo still operates with a tenure regime dating from 1906, then appropriate to a rural population; nowadays 39% of its population is urban. Revision of the regime is underway; the new law will include a one-stop-shop for land titles before the end of 2017.

GDP Growth Rate



SPECIAL THEME





THE STATE OF TRANSPORT INFRASTRUCTURE IN WEST AFRICA

I Why Infrastructure Matters

Inadequate infrastructure in Africa raises the cost of business, impacts work productivity, and shaves off an estimated 2 percentage points of economic growth per year, a loss the continent can hardly afford. Road access in Africa is only 34%, compared to 50% in the rest of the developing world, making transportation costs twice more expensive. Conversely, it is estimated that through adequate infrastructure, African countries can achieve productivity gains of up to 40%⁶.

The role of infrastructure is particularly important for West Africa region, where a recent study⁷ found that, over the previous 15 years, faster accumulation of infrastructure assets boosted growth in West Africa, despite a deterioration of its quality. There is, consequently, a major opportunity for the region to reap.

Improved infrastructure would allow for deeper regional integration, particularly if infrastructure networks succeed in linking production centers and distribution hubs; it would boost international trade and investment, enable people and small businesses to undertake income-generating activities, and allow West African countries to take advantage of the natural economic diversity among them, encouraging industrialization and value addition, ultimately cementing regional ties⁸.

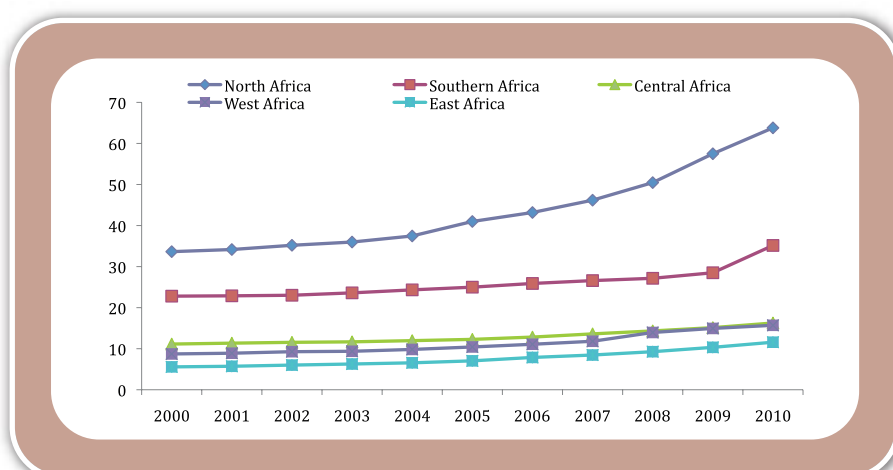
West Africa's economic geography of West Africa makes it particularly important to take a regional approach to infrastructure development. The region is characterized by small-scale economies, as three countries out of fifteen are landlocked, seven have populations of 10 million people or less, and six have a gross domestic product (GDP) of less than \$10 billion, thereby limiting the scope for economies of scale and affordability for high costs associated with infrastructure development.

Integrating West Africa's infrastructure is therefore an unavoidable necessity and an existing reality. The integration of multimodal transportation, which allows Mali to rely on Cote d'Ivoire and Senegal's ports and transport infrastructure, Niger to use Benin's ports, and Burkina Faso to rely on Cote d'Ivoire's railways, is at the heart of regional infrastructure de-

velopment plans. This better integration would not only reduce transportation costs, but help mitigate the effect of adverse circumstances and internal shocks taking place in neighboring countries⁹.

II Measuring the Quality of West Africa's infrastructure

To accurately analyse the quality of infrastructure in all countries and to allow comparisons internationally and across time, the AfDB created the Africa Infrastructure Development Index (AIDI), to monitor the status and progress of infrastructure development across the continent. It takes four components into account: (i) Transport, (ii) Electricity, (iii) ICT, and (iv) Water and Sanitation. The AIDI therefore serves as an important assessment tool to determine



AIDI Sub-regional scores, 2000-2010. [source: AfDB].

⁶ World Economic Forum, "The Africa Competitiveness Report 2013". Geneva: World Economic Forum, 2013.

⁷ Cesar Calderon, "Infrastructure and Growth in Africa". The World Bank, Policy Research Working Paper 4914, April 2009.

⁸ African Development Bank, "Programme for Infrastructure Development in Africa: interconnecting, integrating, and transforming a continent." <http://www.afdb.org/fileadmin/uploads/afdb/Documents/Project-and-Operations/PIDA%20note%20English%20for%20web%200208.pdf>

⁹ A prime example of this occurred in 2003, when Burkina Faso was forced to reroute its rail freight traffic to Ghana and Togo via road, due to instability in Cote d'Ivoire.





performance and compare between countries and regions; its sub-components allow us to identify areas of weakness in each country where improvements would be most needed.

African Rank	Country	2010
9	Cape Verde	44.11
15	Gambia	24.71
18	Senegal	21.66
19	Ghana	21.11
25	Cote d'Ivoire	17.75
26	Nigeria	17.58
38	Guinea	12.43
30	Burkina Faso	15.33
34	Benin	13.72
39	Liberia	11.18
40	Togo	10.80
41	Guinea Bissau	10.61
44	Mali	10.29
46	Sierra Leone	7.55
52	Niger	5.04

West Africa's AIDI regional score of 16.26 in 2010, the most recent available figure, puts it far behind North (63.80) and Southern Africa (35.15), and on par with Central Africa (15.70). East Africa (11.58) trails the ranking. Furthermore, the region's average score has been improving slowly across over the decade, as shown in the figure below:

This average however conceals wide variations within the region, and large differences in performance across the years. Cape Verde boasts the region's best infrastructure, followed by Gambia. Mali witnessed an improvement of its position between 2000 and 2010, thanks to increased road construction, better water and sanitation, and enhancement of ICTs.

Niger has registered slower improvements compared to the continental average.

Two West African countries are among the top three performers continent-wide - Ghana improved its score from 10.71 in 2000 to 21.11 in 2010 and moved up eight ranks from 29th to 19th; and Senegal moved up eight ranks from 26th to 18th position and improved its score from 11.52 to 21.66. These improvements are due most notably to the development ICT sector, including the expansion of telephone coverage.

III The State of Regional Infrastructure

A Roads

Ground transport is by far the most important means of transportation in ECOWAS countries, providing access

for over 70% of the region's rural population¹⁰. Over the past decades, the West African road network has emerged as a relatively coherent and far reaching network, with an adequacy between the urban grid and the primary road network. Higher traffic matches areas of high population and economic activity (such as western Senegal, the north of Nigeria, the south of Nigeria and the Gulf of Guinea)¹¹. Nevertheless, the length of paved roads does not necessarily speak for their quality and maintenance, and many paved roads are impracticable and require repaving.

The quality of road infrastructure also differs largely. As shown in the table below, which classifies countries using the Transport Index¹², Cabo Verde leads the way with relatively more extensive road infrastructure, unfortunately with no incidence on regional integration. In the contiguous bloc of countries, Ghana and

Country	Transport Index score (composite)	Total paved roads (Km per 10,000 inhabitants)	Total road network (km per km2 of exploitable land area)
Benin	5.194	2.040	2.247
Burkina Faso	12.166	2.342	5.756
Cabo Verde	26.916	18.791	8.818
Cote d'Ivoire	6.745	3.294	2.700
Gambia, The	8.408	4.183	3.312
Ghana	12.597	5.653	5.065
Guinea	6.288	4.350	2.173
Guinea-Bissau	5.009	6.371	0.956
Liberia	2.981	1.645	1.215
Mali	2.474	3.593	0.417
Niger	2.051	2.522	0.494
Nigeria	5.067	1.829	2.239
Senegal	3.376	3.815	0.820
Sierra Leone	4.385	1.541	1.967
Togo	7.107	4.059	2.675

Africa Infrastructure Development Index, West Africa Rankings. Source: AfDB.

¹⁰ Document sur le programme de transport routier regional de la CEDEAO: Développement et Entretien du Réseau Routier de l'Afrique de l'Ouest, Avril 2002 www.ecowas.int/ips/ii/transport/doc/BAILL_2002.pdf

¹¹ OCDE, Rapport Afrique de l'Ouest 2007-2008. Paris: OCDE. Decembre 2008. www.oecd.org/fr/csao/publications/42358554.pdf

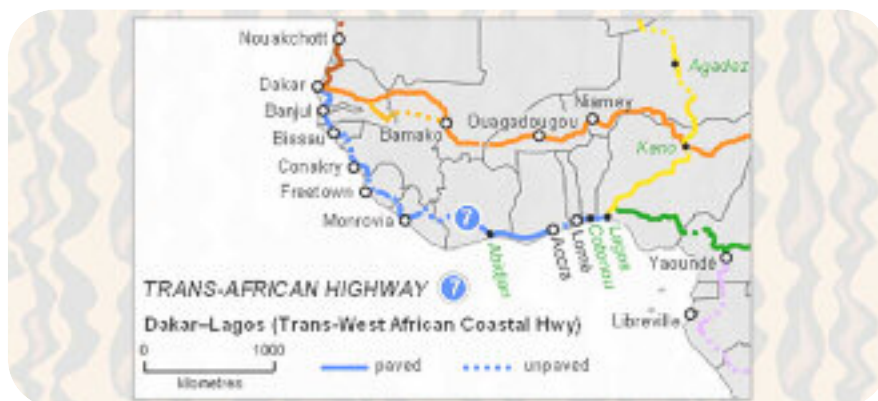
¹² AIDI's Transport Index, which is a component of the total index, measures the total paved roads, measured by km per 10,000 inhabitants; as well as the total road network, normalized by the area of exploitable land.



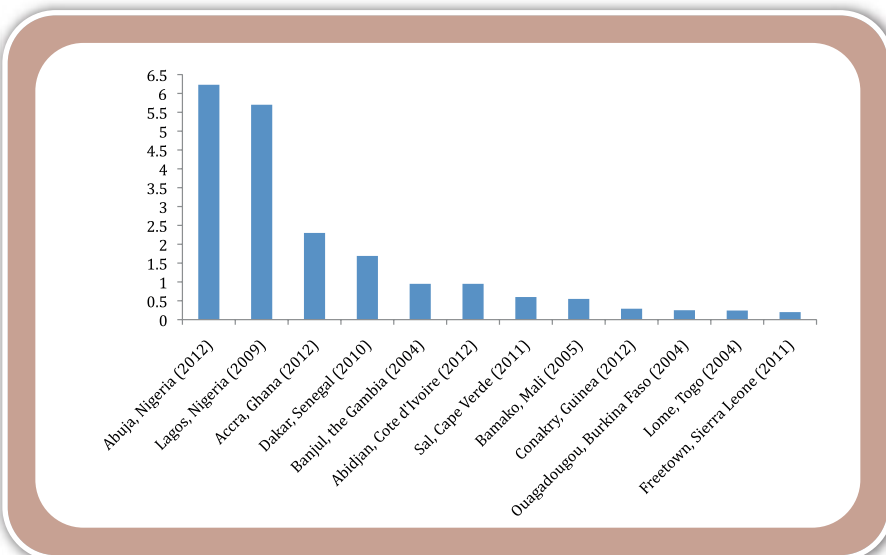


Burkina Faso lead the way: it is particularly interesting to see Burkina near the top of this ranking, as its landlocked status forces it to rely more on road transportation than coastal countries. Furthermore, the difference between stable and fragile countries is apparent.

The flagship project in West African transport is the Trans-West African Highway, which will link 11 ECOWAS countries, from Nigeria to Senegal, with additional feeder roads connecting Mali and Burkina Faso. The network also extends further West past Senegal to reach Nouakchott in Mauritania. Of a total of 4010 km, 3,260 km are paved¹³. Large swathes of the road, most notably those in Guinea, Liberia and Sierra Leone, remain to be paved. On January 30 2014, ECOWAS approved \$50 million to begin detailed design studies for the project. The ADB is also expected to contribute \$16 million to this effort.



Passengers, annual total (millions)



Source: Africa in Fact, issue 16, October 2013.

B Air travel

West Africa took the lead on freeing air travel in the continent, with the 1993 revised ECOWAS treaty supported air liberalisation, mandating countries to encourage cooperation in flight-scheduling, leasing of aircraft and granting and joint use of fifth freedom rights to airlines of the region, as well as to promote the development of regional air transport services. West Africa also hosted the 1999 signature of the Yamoussoukro Decision where countries agreed to “open the skies”, liberalising intra-African air transport and allowing non-national airlines to serve customers in third countries. In

2001, West and Central African countries developed the Bamako Action Plan to encourage harmonization. Unfortunately, the implementation of the process has been slow, with over 25% of travel routes still serviced by a single airline and up to 70% of air transport served by a monopoly carrier¹⁴. Yet ECOWAS is yet to adopt any legally binding legislation towards implementation of the Yamoussoukro Decision¹⁵. Many countries in West Africa have been slow to open up their markets, out of concern of continental heavy-

weights from South Africa, Ethiopia, or Kenya, and beyond in the Gulf. The failure of Air Afrique and later by Air Ivoire, a little over 50 years after its creation, did little to alleviate those fears.

West African countries are currently investing large amounts in airport development, to meet the increase in traffic. For instance, Burkina Faso is building the new Donsin Airport in Ouagadougou which is expected to handle more than its current number of passengers by 2025,

¹³ AfDB, 2003.

¹⁴ Lee Crawford, "What ails African Carriers?". The East African, 25 January 2014 <http://www.theeastafrican.co.ke/OpEd/comment/What-ails-African-carriers-making-air-transport-expensive/-/434750/2159958/-/x3brj/-/index.html>

¹⁵ Charles Schlumberger, "Open Skies for Africa - Implementing the Yamoussoukro Decision". Washington DC: The World Bank, 2010. P. 76





with an estimated budget of over \$ 450 million. Sierra Leone is poised to build a new \$200 million airport. Senegal's Blaise Diagne airport is near completion. Ghana wishes to cement its position as regional hub - a title it competes fiercely with Lagos for - by investing \$100 million to build a new airport in Tamale, in the north of the country¹⁶. Accra airport has the highest number of international flights, Lagos boasts better facilities. Further integration between those two elements of strengths would allow for better flying of people and goods to and from the region, as well as within it. But other air-related services, such as free-zones and tourism, will require further coordination if the region is to make the most out of its air traffic infrastructure.

New airlines are providing a momentum for regional integration, such as the case of ASKY. Created in November 2007¹⁷ it is increasingly filling a gap in West and Central African air travel and to serve as a tool for regional integration. ASKY leases four of its seven planes from Ethiopian Airlines, and has established its hub in Lomé, Togo, from where it runs the largest regional network of international flights in West Africa.

C Railways

While African railways have come a long way since the colonial era, the sector remains quite underdeveloped: Africa as a whole has only 1.7% of the railway traffic of the world, and 1.4% of the world's tonne-kilometres transported

Box 1 Other key railway developments in West Africa		
Dakar-Bamako-Ouagolodougou Project		1825 km
Existing segment	Dakar-Bamako	
Segment to be built	Bamako-Bougouni-Ouagolodogou: 599 km	
Cost	876.9 bn FCFA	
Cotonou-Parakou-Dosso-Niamey project		1061 km
Existing segment	Cotonou-Parakou	
Segment to be built	Parakou-Dosso-Niamey: 625 km	
Cost	662 bn FCFA	
Abidjan-Ouagadougou-Kaya-Niamey project		1646 km
Existing segment	Abidjan-Kaya	
Segment to be built	Kaya-Dori-Niamey: 398 km	
Cost	712 bn FCFA	

Source: African Business Magazine, Janvier-Fevrier 2014, based on ECOWAS data.

Source: African Business Magazine, Janvier-Fevrier 2014, based on ECOWAS data.

by rail. West Africa's railways are largely perpendicular to the coast, and disconnected from one another¹⁸. A major obstacle for railway integration in West Africa is the existence of different gauges between countries, which simply makes it impossible to carry goods and passengers across borders. In fact, two countries in the region, namely Guinea and Liberia, have two different gauges each¹⁹.

The development of railways in the region is very much associated with mineral extractions. As it stands, railways are primarily used to export minerals (iron, bauxite, phosphate); it is hoped that further developments in mining, such as the development of iron ore in Eastern Senegal, will further encourage the use and development of railways²⁰.

The most notable initiative in this area is the plan to establish a sub-regional railway network, the Cotonou-Niamey-Ouagadougou-Abidjan Railway loop

which would link all capitals of the Benin, Niger, Burkina Faso, and Cote d'Ivoire. The project would bear the price tag of FCFA 1000 billion, or USD 2.09 billion²¹, an investment which, according to Ivorian President Alassane Ouattara will create thousands of jobs in each of the countries and whose "economic impact is undeniable"²². With 2970 km of railroads of which 1176 km will be built and 1794 will be rehabilitated, the project should further promote regional integration. Other important railway developments are listed in Box 1.

D Transboundary Rivers and Sea transport

Save for insular Cabo Verde, every single West African country shares at least one watercourse with a neighboring country. Guinea has 14 transboundary basins; Cote d'Ivoire has 8, Liberia 7, and 5 in each of Nigeria and Sierra

¹⁶ Afua Hirsch, "West Africa's Airports: About to take off", in "Africa in Fact", issue 16, October 2013.

¹⁷ ASKY airlines website, <http://www.flyasky.com/asky/fr/Institutionnel/La-compagnie-11.aspx>

¹⁸ OCDE, Rapport Afrique de l'Ouest 2007-2008. Paris: OCDE. Decembre 2008. www.oecd.org/fr/csao/publications/42358554.pdf

¹⁹ Joel Macharia, « The legendary lunatic express is barely cugging along », in "Africa in Fact", issue 16, October 2013.

²⁰ OCDE, Rapport Afrique de l'Ouest 2007-2008. Paris: OCDE. Decembre 2008. www.oecd.org/fr/csao/publications/42358554.pdf

²¹ "1000 milliards de FCFA pour la boucle ferroviaire reliant cinq capitales de la sous-région ouest africaine", 18 October 2013. news.abidjan.net/h/477865.html

²² "Coopération ferroviaire ouest-africaine: vers une dynamisation de l'intégration sous-régionale ?". Africanaute, 18 October 2013. <http://www.africanaute.com/magazine/analyse/2982-cooperation-ferroviaire-ouest-africainedynamisation-integration-sous-regionale>.





Leone²³. Regional cooperation then becomes an obvious necessity, with transportation being an important facet of this cooperation.

Cooperation agreements such as the 1972 Organisation de Mise en Valeur du fleuve Sénégal (OMVS) are paving the way for more collaboration. The OMVS is generally perceived as a successful river management organisation. Conversely, the Niger River Commission has exemplified the difficulty of common management of international waterways, with few achievements for the Commission to date²⁴.

As for ports, West Africa is home to the second largest African port, Abidjan, followed by Dakar (Senegal), Tiema (Ghana), Cotonou (Benin), and Lomé (Togo). Despite its large handling capacity, the port of Abidjan faces two

constraints that prevent taking full advantage of its geographical position and capacity. The first is the encroachment of the city on the port zone, preventing its growth; the second is the shallowness of the Vridi canal, which prevents it from handling larger ships. Plans are underway to widen and deepen the canal, which would allow the passage of ships more than 250 metres long.

IV Key Challenges

A Dealing with landlocked countries

Queues and borders from landlocked countries to ports add on average 4 days to exports, and 9 days to imports for land distribution, compared to goods travelling the same distance within the port country.

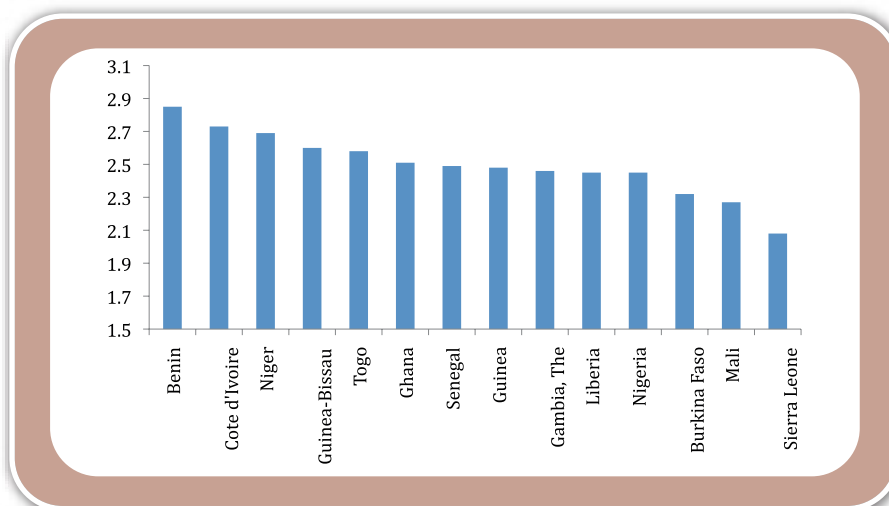
Studies²⁵ conducted on West African landlocked countries (Mali, Burkina Faso and Niger) show that transport cartels between coastal and landlocked countries unreasonably cause price increases which are sapping the country's competitiveness, and impose structural distortions on the market that could potentially negate the positive impact that investment in infrastructure would bring about.

B Improving Logistics

It is emerging that poor logistics can be as harmful to trade as poor infrastructure, and can undermine the progress the region has done in improving physical infrastructure.

West African countries perform poorly logistically. The main impediments to international transport are usually the regulation and market structures of the road freight industry rather than the infrastructure itself²⁶. Furthermore, a logistics chain characterized by low automation and weak monitoring is exposed to bribery, which can significantly raise the costs of transportation²⁷. In this regard the regulatory framework is both the problem and the solution. Once again, differences across countries emerge. According to the World Bank's Logistics Performance Index, a weighted average of 6 indicators pertaining to the efficiency and quality of trade logistics. No West African country scores about 2.9 or appears in the top 40% of the ranking, but Benin, Cote

Logistics Performance Index (2012)
from 1 to 5, worst to best



²³ OCDE, « Cahiers de l'Afrique de l'Ouest Atlas régional de l'Afrique de l'Ouest », 2009.

²⁴ ECOWAS-SWAC/OECD, "Atlas on Regional Integration in West Africa: Transboundary River Basins" www.oecd.org/swac/publications/38409569.pdf p.13

²⁵ Teravaninthorn et Raballand, « Les prix et coûts du transport en Afrique : un examen des corridors internationaux ». Banque Mondiale, 2008 et Sadok Zerelli, Andy Cook, "Le transport routier vers les pays enclavés de l'Afrique de l'Ouest: structure et fonctionnement du marché". West Africa Trade Hub / USAID, Septembre 2010 <http://www.watradehub.com/sites/default/files/resourcefiles/jan11/le-transport-routier-vers-les-pays-enclaves-de-lafrique-de-louest.pdf>

²⁶ Teravaninthorn, Supee, and Gaël Raballand, "Transport Prices and Costs in Africa: A Review of the Main International Corridors". Directions in Development Series. Washington, DC: World Bank, 2008.

²⁷ Vivien Foster and Cecilia Briceño-Garmendia, "Africa's Infrastructure: A time for transformation". Washington DC: Agence Française de Développement and World Bank, 2010.





d'Ivoire and Niger fare better than others, while Burkina Faso, Mali and Sierra Leone trail the list.

C Lack of multimodal regional infrastructure

One of the major challenges is the weak integration between various means of transport (railway and port, road and airport, etc.) occurs at the interchanges: in the absence of proper physical infrastructure as well as regulatory framework for transshipment, transportation is delayed, expenses accumulate with various taxes and bribes, and costs rise unnecessarily. Estimates show that inland transport accounts for an estimated 40% of the total cost, from the point of origin to the port of destination, for West African cocoa and coffee exports: this is a heavy burden on foreign trade promotion in the region²⁸.

Inefficiencies don't only occur when moving from one mode of shipping to the other, but also within the same mode across countries. West African railways have been cognizant to this risk; and the existence of binational railways (such as Cote d'Ivoire-Burkina Faso, or Senegal-Mali) smoothes any potential waste.

D Maintenance

Road maintenance is a major challenge across West Africa's countries; and failing to uphold the maintenance

schedule and earmarking the necessary resources only compounds the infrastructure investment problem. All road maintenance funds fail to cover their spending needs; the best, such as Mali or Benin's road maintenance funds, cover around 60% of the maintenance needs, while some countries only cover 20 to 30%. The lack of maintenance results in a more rapid destruction of the infrastructure assets. The Association of African Road Maintenance Funds (Association des Fonds d'Entretien Routier Africains – AFERA), a continental gathering of national road management funds, advocates for 1.5% of the national GDP of each country to be earmarked for maintenance, which is significantly above any country's maintenance budget it stands.

The problem of financing maintenance is compounded by the lack of application of regulation intended to protect road infrastructure. Overweight trucks destroy the road surface, but also cause accidents and the damaged road causes accelerates the wear and tear on other trucks as well. ECOWAS has issued a series of directives, most notably "Convention A/P2/5/82 regulating inter-state road transportation between ECOWAS member states"²⁹ and "Decision C/DEC.7/7/91 relating to the road traffic regulations based on the 11.5 Tons Axle Load to protect road infrastructure and road transport vehicles"³⁰, have set limitations and the types and weight of vehicles allowed to travel on Community Road axes. The UEMOA and Ghana also agreed on a 'roadmap' to implement axleweight regu-

lations³¹. Yet a big challenge remains the compliance by truck drivers and business owners³², contributing to the rapid decay of roads on the medium and long term, and subsequently the rapid rise of maintenance costs.

E Capacity-building for state institutions

The past two decades have seen an increased participation of the private sector, represented in construction enterprises and consultancy firms in infrastructure projects, most notably in the project studies (feasibility studies, financial due diligence, etc.), follow-up, and maintenance phases; national administrations have focused their attention on planning.

Nevertheless, it is imperative that governments and transportation authorities have the skills to serve as independent evaluators to any studies and plans which are to be funded by public funds. The dearth of such capacity could result in important hurdles to the completion of projects within time and budget if, for instance, inaccurate financial projections are only found to be erroneous only once the project has begun. Transport management staff likewise could benefit from additional capacity building. For landlocked countries in particular to benefit from integration, smooth corridor management as well as cross-border relations among stakeholders and key³³. Such an endeavor requires upgrading the

²⁸ Vivien Foster and Cecilia Briceño-Garmendia, "Africa's Infrastructure: A time for transformation". Washington DC: Agence Francaise de Developpement and World Bank, 2010.

²⁹ ECOWAS Convention A/P2/5/82 regulating inter-state road transportation between ECOWAS member states www.comm.ecowas.int/sec/?id=ap020582&lang=en

³⁰ ECOWAS Decision C/DEC.7/7/91 relating to the road traffic regulations based on the 11.5 Tons Axle Load to protect road infrastructure and road transport vehicles www.comm.ecowas.int/sec/index.php?id=cdec070791&lang=en

³¹ USAID, "Implementation of axleweight rules in UEMOA member states", July 2010. www.watradehub.com/sites/default/files/resourcefiles/jul10/implementation-axleweight-rules-ghana.pdf

³² "Enforce axle load limit — Alhaji Sulemani" - Graphic Online, 12 September 2013. graphic.com.gh/archive/General-News/enforce-axle-load-limit-alhaji-sulemani.html





capacity of a myriad of actors, including government officials from the relevant ministries, customs, police, as well as transport operators, insurance companies, and freight forwarders, among others³⁴.

Likewise, in the sea transportation sector, improvement port management and the ensuing reduction of turnaround time are key to develop the maritime transportation sector; otherwise, regional ports will become increasingly marginalized. A study of West African ports recommends labor and institutional reform, developing knowledge sharing and collaboration on port reforms between countries in the region, and introducing IT-based management systems and developing labor capable of handling it, are key to ensure West African ports remain competitive³⁵.

IV Key opportunities

A Innovative tools to finance infrastructure

The emergence of innovative tools for infrastructure financing is both a key opportunity for the region, as well as a necessity to fill the financing gap. "Infrastructure Project Bonds" are gaining grounds as mechanism to provide long-term funding from local and international institutional investors. The use of such bonds, only nascent in Africa, is not suited to all projects nor all countries, as attracting investors requires a stable

economy, a subdued interest rate, and a project that would be able to generate sufficient revenue to repay the bonds³⁶.

Public-private partnerships and BOT-schemes are increasingly common in the region. Though not applicable to all infrastructure projects, PPPs can be of interest for projects with a high return-on-investment that would justify private involvement. A prime example is the ongoing construction of the 1600 metres Henri Konan Bedié bridge in Abidjan. Nevertheless, PPPs are not a panacea; they are inapplicable for projects with low return on investment, such as rural roads, and they require careful planning to evaluate the costs to the government on the long term, compared to their costs if they were exclusively funded by the government.

There is also an untapped potential of collecting tolls on main roads. Tolls could also result in a significant source of income that would contribute the maintenance budget, with a minimal investment. Here again, the usage of tolls differs significantly from one country to the other. Both national and international highways are prime candidate for the implementation of toll collection.

B New Players

The region is experiencing a new wave of countries and investors, eager to provides a means of funding large in-

frastructure projects. China, for instance, offers direct funding for infrastructure projects, as well as a line of credit for projects related to infrastructure, agriculture, manufacturing and small and medium sized enterprises. Such examples of foreign-funded infrastructure projects include participation in the Trans-West African highway, and the construction of the ECOWAS headquarters building extension.

International partnerships can be beneficial; nevertheless we remain cognizant that this close relationship can have positive and negative effects on regional integration if borrowing is left unchecked. Maximizing the impact of foreign infrastructure investments in West Africa also requires solid regulations in terms of transparency and social and environmental policies, encouraging a transfer of knowledge from the investor, the use of local manpower and materials when possible.³⁷

C Improving the development of corridors

Corridors development represents another emerging opportunity for landlocked countries and for regional integration as a whole; they are also a tool to stimulate social and economic development in areas surrounding the route³⁸. Being the lifeline for many countries, corridors should be perceived as regional endeavors rather than local projects, and their development goals be clarified.

³³ United Nations Economic Commission for Africa, "Building Capacity for Cross-Border and Transit Transport Management in Eastern Africa", February 2014. www.uneca.org/media-centre/stories/building-capacity-cross-border-and-transit-transport-management-eastern-africa

³⁴ idem

³⁵ The World Bank, "Port and Maritime Transport Challenges in West and Central Africa". Sub-Saharan Africa Transport Policy Program Working paper n.84, 2007.

³⁶ Cedric Achille MBENG MEZUI, Bim HUNDAL, "Structured Finance - Conditions for Infrastructure project bonds in African Markets". Tunis: African Development Bank, 2013.

³⁷ Richard Schiere, Léonce Ndikumana et Peter Walkenhorst (eds.), « La Chine et l'Afrique: un nouveau partenariat pour le développement ? » African Development Bank, 2011.

³⁸ Gadzeni Mulenga, "Developing Economic Corridors In Africa". African Development Bank Regional Integration Brief, April 2013. <http://www.afdb.org/fileadmin/uploads/afdb/Documents/Publications/Economic%20Brief%20-%20Developing%20Economic%20Corridors%20in%20Africa%20-%20Rationale%20for%20the%20Participation%20of%20the%20AfDB.pdf>





Furthermore, their integration in regional transportation projects should be embedded in their development plans.

Developing corridors hence entails not only the physical construction, but also developing the appropriate logistics and subsequently enabling economic and social development around them, integrating and encouraging multi-modalism. Improved transportation and better connectedness then become an important but not sole goal of developing corridors, as fully taking advantage of improved transportation infrastructure should increase and facilitate the movement of people, goods, and reduce the cost of integrating formerly disconnected regions into the economy³⁹.

of quotas, queuing and the ban on freight transport in one country by truckers from another country, subsidies for truck fleet modernization, and major reductions in en route checkpoints and border transit times" Governments could save 200 to 300 million USD in road maintenance. Transport costs per ton/km would decrease by 20%, and transport prices would decline by 19%. Jobs lost in the informal trucking sector, due to higher productivity and lesser waiting time at borders, would be more than offset by jobs created in trade⁴⁰.

The region displays a huge potential to foster greater competition in the transport sector. A major opportunity consists in the review of the 1982 ECOWAS

maintenance funds. This would result in improved maintenance budgets, and greater long term savings. More autonomous funds would be able to directly collect receipts earmarked for maintenance without the additional management costs that result of the normal state budget expenditure procedure.

Conclusion

The importance of adequate infrastructure to support productivity growth has long been established. It is a continuous process: not only does quality infrastructure reflect positively on economic growth, but larger infrastructure stocks accumulated also mean an accelerated growth. Transport infrastructure is particularly critical for the development of the West Africa region.

Bringing West Africa's transport infrastructure up to par is a colossal endeavor, but the benefits are well worth it. Raising the adequate financing for infrastructure is certainly challenging, but new opportunities arise from the emergence of innovative financing mechanisms, the arrival of new partners, and the possibility to free up resources, through more solid regulations and oversight mechanisms. A concerted action from regional organisations alongside national governments and local actors is necessary to ensure that these assets, which are both local and regional in nature, is developed to its best potential and for the betterment of all West Africans.

Infrastructure needs in the region are far too large for one country or organisation on its own. As such, diversified

Box 2 Corridors in West Africa

Ground transport links are organized in Corridors for West Africa's three landlocked countries. These are the principal corridors giving them access to the coast:

Burkina Faso	Abidjan-Bobo-Ouagadougou-Kaya railway Abidjan-Bobo-Ouagadougou road Lomé-Ouagadougou road
Mali	Dakar-Bamako railway Abidjan-Bamako road Abidjan-Bamako-Bobo ou Ouagadougou railway followed by the Bobo-Bamako ou Ouagadougou-Bamako road
Niger	Cotonou-Parakou-Niamey rail-and-road connection Lagos-Niamey by road or by rail-and-road connection

Source: Performance Management Consulting, "Les Infrastructures de transport en Afrique", March 2009. www.perfcons.com/page/doc/NS%20Infrastructure_trans_2009.pdf

D Regulatory reforms and transportation sector liberalization

Studies point out to a potential saving of 400 to 500 million USD per year if regulatory reforms on the transport sector in West Africa are put in place, such as "reforming axle load controls, elimination

agreement, the Convention on "Transport Routier Inter-Etat (TRI)", which determined the shipping rights between transporters from the coastal and landlocked countries - thus blocking competition and allowed the capture of monopolistic rent.

Another area of reform is the improvement the autonomy of infrastructure

³⁹ Idem.

⁴⁰ USAID, "Impact of Road Transport Industry Liberalization in West Africa". February 2012. www.nathaninc.com/sites/default/files/Pub%20PDFs/West_Africa_transport_liberalization.pdf





sources of financing, as well as a concerted approach from various regional organisations, are necessary. In this regard the AfDB is collaborating with NEPAD and the African Union Commission on the Programme for Infrastructure Development in Africa (PIDA), with the goal of bringing regional infrastructure up to level. A key component of the PIDA is its

emphasis on transnational programmes and shared benefits. The Programme will cost \$360 billion by 2040, and has the specificity of relying public-private partnerships, not only on public or donors funds. For the first phase, running into 2020, West Africa infrastructure needs under the program are estimated to be \$6.2 billion.

The note however concludes that lots can be done on and beyond the realization of physical infrastructure. Improving logistics will be key to boost trade and regulatory reforms can lead to important results at little costs – necessitating however political will and organizational skill to potentially mitigate and redistribute gains.



