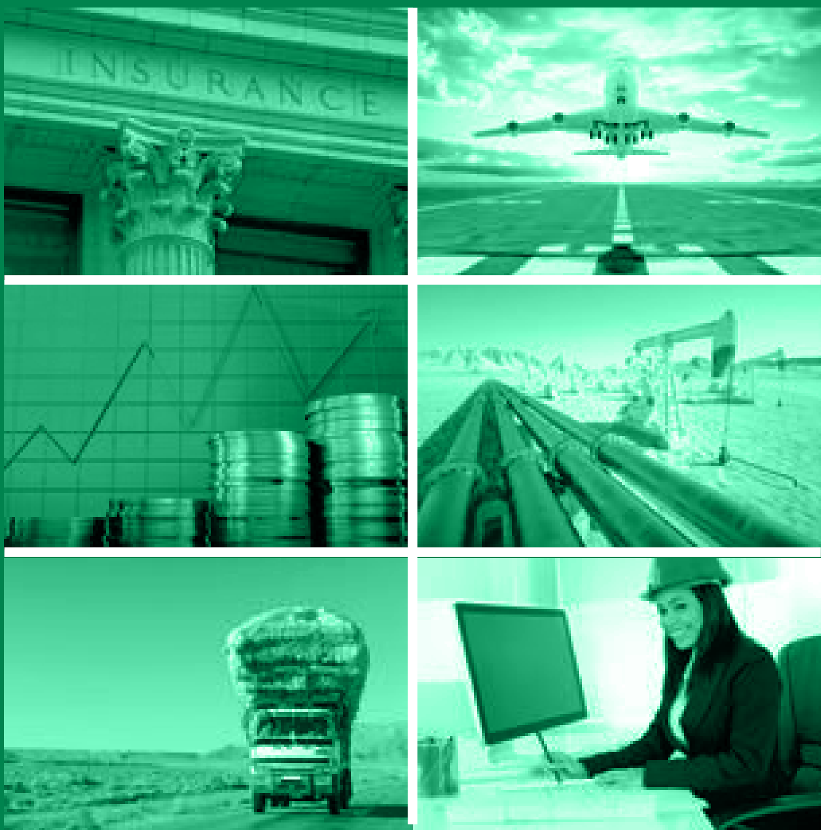
UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT

UNCTAD

SERVICES POLICY REVIEW

ECOWAS (I)



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The publication is in two volumes. Volume I contains an overview of ECOWAS economy and its services sector. It also contains sectorial reviews of the following services: Banking and other financial services; Insurance and insurance-related services; Telecommunications services; Road transport services; Air transport services; and Tourism services. Volume II contains sectorial reviews of the following services: Energy services; Accounting services; Legal services; Architectural services; and Trade in education services. It also summarizes conclusions and recommendations for advancing development of key priority services sectors in ECOWAS Member States.

Values are presented in short scale and references to dollars are United States of America dollars, unless otherwise stated.

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This publication in two volumes presents the result of a Services Policy Review (SPR) for the ECOWAS region. It was undertaken by the ECOWAS Commission with support from the West African Economic and Monetary Union (UEMOA) Commission, and in cooperation with UNCTAD Secretariat. Under the guidance of Tei Konzi, Commissioner for Trade, Customs and Free Movement, the ECOWAS team was led by Gregory Gbenga Obideyi, Director of Trade, Trade Directorate. The UNCTAD team was led by Liping Zhang, Senior Economic Affairs Officer, Trade Negotiations and Commercial Diplomacy Branch (TNCDB), Division of International Trade and Commodities (DITC) under the guidance of Pamela Coke-Hamilton, Director of DITC.

The review draws on the ongoing substantive work of UNCTAD in the services sector. Draft chapters of the publication were prepared by Jonathan Aremu; Sekou Falil Dombouya and Abiodun Bankole, experts recruited by the ECOWAS Commission. Joy Kategekwa of the Regional Office for Africa of UNCTAD; Martine Julsaint-Kidane of TNCDB; Gregory Gbenga Obideyi, Peter Joy Sewornoo and Antoine Agbadome of the ECOWAS Commission contributed inputs to the draft chapters. Substantive comments were received from Liping Zhang and Vincent Valentine of TNCDB; Edwini Kessi, Director of the Agriculture and Commodities Division, World Trade Organization; Amanda Bisong, Head of Unit, Trade and Customs, Support Programme to the ECOWAS Commission; Bernard Tayoh, Senior Trade Advisor of the GiZ; and by Members of the ECOWAS Technical Working Group on Trade in Services. The publication was finalized by Liping Zhang in consultation with the ECOWAS team.

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Laura Moresino-Borini designed the cover and performed the desktop publishing, in collaboration with Belén Camarasa, both from TNCDB.

ABBREVIATIONS AND ACRONYMS

AACB	Association of African Central Banks
ACP	African, Caribbean and Pacific
ADB	African Development Bank
AfCFA	African Continental Free Trade Area
AfDB	African Development Bank
AFCAC	African Civil Aviation Commission
ASAs	air service agreements
AUC	African Union Commission
BASAs	bilateral air service agreements
BCEAO	*Banque Centrale des États de l'Afrique de l'Ouest*
CET	common external tariff
CIMA	Conference of Insurance Market
CPC	Central Product Classification
CRCA	The Regional Commission of Insurance Control
CREPM	Regional Council for Public Saving and Financial Markets
CSTT	Committee on Surface Transport
CTP	common trade policy
ECIM	ECOWAS Common Investment Market
ECOWAS	Economic Community of West African States
EMCP	ECOWAS Monetary and Cooperation Programme
EPA	economic partnership agreement
EPSS	ECOWAS Payments and Settlements System
ERERA	ECOWAS Regional Electricity Regulatory Authority
ETLS	ECOWAS Trade Liberalization Scheme
FDI	foreign direct investment
FTA	free trade agreement
GATS	General Agreement on Trade in Services
GDP	gross domestic product
GTBank	Guaranty Trust Bank
GSMA	*Groupe Spécial Mobile Association*
IAIS	International Association of Insurance Supervisors
ICAO	International Civil Aviation Organization
ICT	information and communication technology
IDI	ICT Development Index
IIP	international investment position
IFRS	International Financial Reporting Standards
IGF	Internet Governance Forum
IMF	International Monetary Fund
MFN	most favoured nation
MoU	memorandum of understanding

MTN	mobile telephone network
NTDC	Nigeria Tourism Development Corporation
OECD	Organization for Economic Co-operation and Development
PPP	Public Private Partnerships
REC	regional economic community
RTA	regional trade agreement
RTGS	Real-Time Gross Settlement System
SADC	Southern African Development Community
SDGs	Sustainable Development Goals
SME	small and medium-sized enterprise
SPR	Services Policy Review
TNC	trans-national corporation
UBA	United Bank of Africa
UEMOA	West African Economic and Monetary Union
UNCPC	United Nations Central Product Classification
UNCTAD	United Nations Conference on Trade and Development
UNECA	United Nations Economic Commission for Africa
UNESCO	United Nations Educational, Scientific and Cultural Organization
USAID	United States Agency for International Development
WABA	West African Bankers' Association
WAEC	West African Examination Council
WAICA	West African Insurance Companies Association
WAISA	West African Insurance Supervisors Association
WAMA	West African Monetary Agency
WAMI	West African Monetary Institute
WAMZ	West African Monetary Zone
WARTU	West African Road Transporters Union
WATRA	West Africa Telecommunication Regulators Assembly
WTO	World Trade Organization

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PREFACE

Trade in services has become a dominant driver of economic growth and development in both developed and developing economies. Since the 1980s, evidence has shown that a stronger correlation exists between trade in services growth and gross domestic product (GDP) than is the case for merchandised growth and GDP. Services account for more than 70 per cent of GDP in developed countries and more than 50 per cent in developing countries. On average, trade in services account for more than 70 per cent of employment in developed countries, and more than 80 per cent of female employment. Evidence also shows a higher correlation exists between services growth and poverty reduction, largely because the services sector generally employs more women.

Trade in services sectors are essential to the efficient functioning of all economies. They strengthen countries' productive capacity and have the potential to induce structural transformation in support of the 2030 Agenda for Sustainable Development. The quality of policies, regulations and institutional frameworks is a key determinant of services performance. Because services are increasingly subject to liberalization under multilateral, plurilateral and regional trade agreements it is important that countries develop coherent approaches to domestic regulation and trade liberalization in the services sector, prior or at least in parallel to engaging in such negotiations. Instituting effective coordination mechanisms between trade negotiators, policymakers and regulators will be an essential tool for the development of such coherent approaches.

ECOWAS Member States are engaged in trade in services at many levels. They are Members of the World Trade Organisation (WTO) and as such have already negotiated liberalization of trade in services. Despite the current stall in the market access negotiations, Economic Community of West African States (ECOWAS) Member States – as Members of the WTO – are also involved at the multilateral level in the ongoing work of various bodies on services issues (*e.g.* the Working Party on Domestic Regulation). At regional level, despite an initial focus of the ECOWAS Trade Liberalization Scheme (ETLS) on agricultural products, handicrafts and crude products, followed by industrial products and a common external tariff (CET) that defines Member States external trade relations, there is growing recognition of the importance of services for regional integration.

Preferential trade in services is an essential component of Revised ECOWAS Treaty. Paragraph 2(d)(iii) of Article 3 of the 1993 ECOWAS Revised Treaty states the trade objective of ECOWAS as "…the establishment of a common market through the removal, between Member States, of obstacles to the free movement of persons, goods, services and capital, and to the right of residence and establishment." On the one hand, there is no full specific services protocol or services-only agreement in ECOWAS preferential trade. On the other hand, ECOWAS has some relevant regional rules for the establishment of enterprises in goods and services: The Free Movement Protocols on the right of entry, residence and of the right of establishment. Whereas liberalization of trade in services according to the WTO General Agreement on Trade in Services (GATS) model includes the right of non-establishment (the pursuit of an economic activity by a person in another Member State without having the principal or secondary place of business in that State, *i.e.* Mode 1), the right of establishment in ECOWAS rules entails permanent installation in a Member State in order to pursue an economic activity in that State. For the treatment of the right of non-establishment in services, ECOWAS has adopted a sector-specific approach. For example, under this approach ECOWAS created specific rules for the regional liberalisation of specific sectors.

With this in mind, ECOWAS Member States – through the ECOWAS Commission's Department for Trade, Customs and Free Movement – with the assistance of UNCTAD, initiated the ECOWAS Services Policy Review (hereinafter ECOWAS SPR), the outcome of which is this report. The report has been developed in close communication and collaboration with the ECOWAS Commission and the Member States and a broad range of national government, business and civil stakeholders.

The ECOWAS SPR is envisioned to:

- Assess, in general terms, the current state of development in the services sector
- Identify achievements, weaknesses, opportunities and challenges in specific services subsectors

- Identify or determine policy options, including regulatory, institutional and sector-specific trade policy reform measures that can enhance the contribution of services to the advancement of national/regional developmental objectives
- Articulate ways to ensure the sustainability of the development gains occasioned by services sector reforms, including in their contribution to the achievement of the Sustainable Development Goals (SDGs)
- Identify specific measures aimed at strengthening capacities to engage effectively in services trade and services trade negotiations such as the African Continental Free Trade Area (AfCFTA) and other future external trade in services negotiations.

A. Methodology

The SPR methodology developed by UNCTAD was followed in undertaking the ECOWAS SPR. Discussions between the ECOWAS and the UNCTAD constituted the groundwork for the ECOWAS SPR, thereafter, followed by introductory desk study by consultants with support from donor agencies. The introductory desk study provided a first, comprehensive overview of the services economy at the ECOWAS level as well as an in-depth analysis of the impacts of the regulatory, institutional and trade reforms undertaken to date. The introductory study identified and analysed the development and trade-related opportunities and challenges in each of the priority services sectors. A regional stakeholder workshop was organized to seek inputs and guidance from the ECOWAS Commission and Member States on the study and next steps of the SPR process. UNCTAD presented the SPR methodology and examples from other countries' SPRs.

A national team of experts embarked on a research process that involved using extensive statistical data of key stakeholders in the ECOWAS region, the content of the UNCTAD SPRs and country examples, together with previous studies undertaken for individual Member States and regional agreements.

The ECOWAS Commission, working in close collaboration with regional consultants ensured the prompt completion of the SPR reports. The SPR became the basis for discussion at the Regional Validation Workshop in Accra, Ghana, from 8 to 10 October 2018. The validation workshop provided an opportunity for consultants to make presentations and receive feedback from Member States. The feedback was used to revise the draft reports, thereafter, amalgamated and redrafted for quality assurance by another consultant.

B. Sectoral coverage

The ECOWAS SPR was launched at a Training for ECOWAS Trade in Services Experts from Across The region in Abuja, Nigeria, in July 2016. At that training session, Member States requested the ECOWAS Commission to compile a list of selected sectors on the basis of the following criteria:

- Importance of the sector to the regional economy
- Existence of meaningful restrictions on trade in services
- Commitments undertaken by Member States at the WTO
- Economic importance from a development perspective (export, employment, linkage with non-services sector, etc.)
- Existence of meaningful regulatory externalities from the jurisdiction of the exporter country to the jurisdiction of importer country
- Feasibility of collecting relevant policy data.

Reference documents considered to guide this process were:

- Revised ECOWAS Treaty
- ECOWAS Member States Commitments at the WTO
- Sectors referenced in the African Union Boosting Intra-Africa Trade
- Sectors referenced in the UEMOA Common Trade Policy (CTP)
- Sectors mentioned in the Abuja Treaty establishing the African Economic Communities
- Sectors under consideration in the ECOWAS Trade in Services Technical Working Group
- Revised national positions/plans.

As the initiators of this process, ECOWAS Member States suggested 13 services sectors/subsectors to form the focus of the SPR that are of particular interest to the region as they possess the potential to significantly contribute to the future growth and development of ECOWAS Member States' economies:

1. Banking and other financial services
2. Insurance and insurance-related services
3. Telecommunications services
4. Road transport services
5. Air transport services
6. Tourism services
7. Energy services
8. Accounting services
9. Legal services
10. Architectural services
11. Cultural services
12. Education services
13. Construction and related engineering services.

Chapter

ECONOMIC PANORAMA

A. Economic growth and development

With a rapidly growing and mainly young population (Table 1), ECOWAS is faced with a number of challenges which have economic, political, social and security impact, in particular. In this respect, wealth creation (estimated by the GDP) and its quantitative growth are essential if the region is to make appreciable economic and social progress.

ECOWAS GDP, at current prices, was estimated at $556.9 billion in 2017 (Figure 1), that is about 35 per cent of the GDP of sub-Saharan Africa, with forecasts for 2018 and 2019 estimated at $600 billion and $665.4 billion respectively. GDP *per capita* slightly increased to $1,892.6 in 2018, from $1,822.1 in 2017. Expected GDP *per capita* in 2019 is estimated to be $2,059.[1]

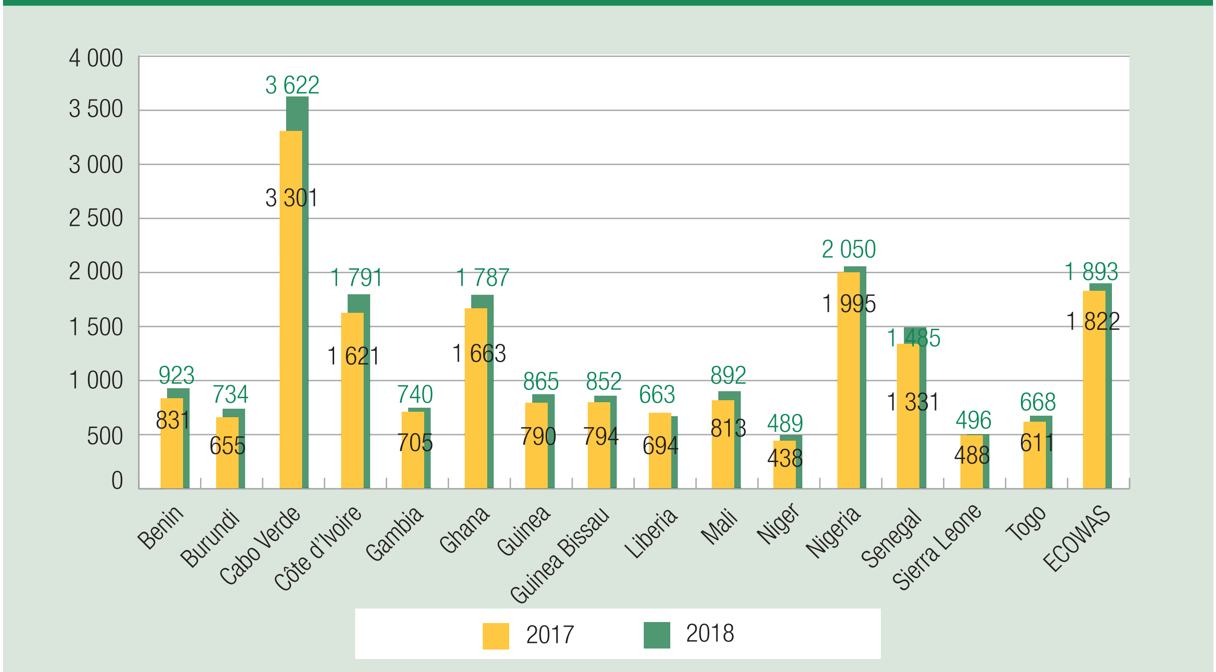
Nevertheless, the region's wealth remains inadequate in relation to the persistent social and demographic

Table 1. Some socio-economic indicators of ECOWAS in 2017 compared with sub-Saharan Africa

Indicators	ECOWAS	Sub-Saharan Africa
GDP at current prices (in billion dollars)	556.9	1 594.8
GDP per inhabitant (in dollars)	1 822.1	1 572.3
Total external trade (in billion dollars)	155.5	635.4
Intra-regional trade (in percentage of total trade)	10.6	18.5
Total population (in million)	367.6	1 014.3
Less than 25 years (in percentage of total population)	62.9	62.5
Total birth rate (live birth per women)	5.3	4.8
Mortality rate of less than 5 years (for 1,000 live births)	85.2	75.5
Neonatal mortality rate (for 1,000 live births)	29.2	27.2

Source: ECOWAS Commission and World Bank.

Figure 1. Gross domestic product per inhabitant of ECOWAS Member States



Source: ECOWAS Commission.

challenges linked with fertility, mortality (both maternal and child mortality) which are among the highest in the world. The situation in the individual countries highlights the disparities in income *per capita*, a situation that calls for the need for convergence of living standards in the countries involved in the integration process.

ECOWAS GDP growth prospects indicate a relatively slow pace of wealth creation (Figure 2). Since 2015, the region's real GDP growth has slowed down considerably and is down at least 3 percentage points compared to the historical trend.

The region's growth prospects are driven, on the one hand, by the gradual recovery of the Nigerian economy and, on the other hand, by strong and sustained growth in economic activity in some countries. Nigeria's GDP is expected to improve from 0.8 per cent in 2017 to 1.9 per cent in 2018, due to the strong performance of the oil sector, whose average price is expected to rise by 31.4 per cent in 2018. The positive momentum in the Nigerian economy is expected to continue in 2019 in view of the positive short-term outlook for the oil sector.[2]

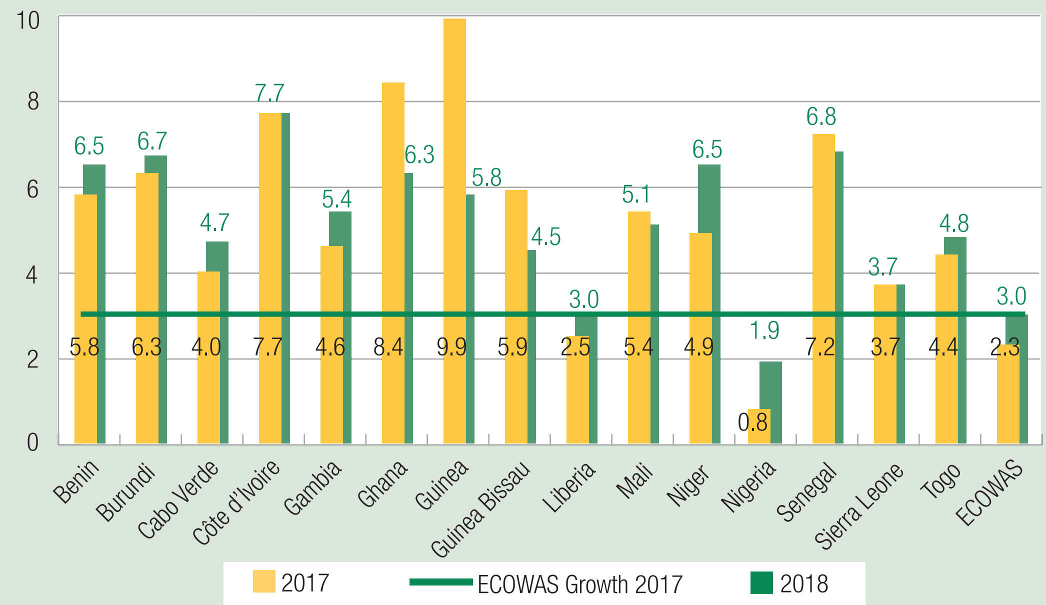
In addition, economic growth is projected to remain strong in several countries in the region, buoyed by agricultural production, public investment and services.

In particular, six countries are expected to record growth rates above 6 per cent in 2018, although with different dynamics. These are primarily Côte d'Ivoire, with a steady growth rate of 7.7 per cent, followed by Burkina Faso (6.7 per cent), Benin (6.5 per cent) and Niger (6.5 per cent) with an acceleration in activity and finally Senegal (6.8 per cent) and Ghana (6.3 per cent) with a slowdown in their GDP growth rate, compared to 2017.[3]

In addition to the aforementioned-mentioned countries, Gambia (5.4), Guinea (5.8 per cent) and Mali (5.1 per cent) are expected to grow by more than 5 per cent, even though growth in the last two countries is likely to slow down compared to 2017. Apart from Nigeria, Liberia and Sierra Leone are projected to have the lowest economic growth in 2018, with a slight rise of 3 per cent and a stable rate of 3.7 per cent respectively. This mixed result is linked to the contraction of the mining sector on which these countries are heavily dependent.[4]

The outlook for 2019 confirms the gradual acceleration in the pace of ECOWAS economic activity, with a projected growth rate of 3.4 per cent. Forecasts suggest a consolidation of the performance of all countries, with only Nigeria (2.3 per cent) and Liberia (4.5 per cent) posting growth of less than 5 per cent.

Figure 2. Growth rates of ECOWAS Member States



Source: ECOWAS Commission.

Côte d'Ivoire (7.8 cent), Ghana (7.6 per cent) and Burkina Faso (7 per cent) are expected to grow by at least 7 per cent.[5]

B. Trade structure and performance

ECOWAS trade performance strengthened in the last two decades following the adoption and implementation of the ETLS. In this period, there was a marked increase measured either in value or volume of exports, or in the share of exports and imports in GDP or in trade ratio. Whilst the regional trade represented only $16 billion, *i.e.* about 11 per cent of total trade (Table 2), the total value of ECOWAS trade in goods (sum of exports and imports) is estimated at $155 billion in 2017 (Table 3) .

The region's positive balance is mainly linked to Nigeria's current account surplus (+2 per cent), with other countries remaining in deficit, of varying degrees. Only Côte d'Ivoire (3.6 per cent), Ghana (4.1 per cent), Guinea-Bissau (3.6 per cent) and Mali (4.9 per cent) are expected to post a deficit of less than 5 per cent in 2018.[6] On the contrary, the current account deficit is projected to remain relatively high in Benin (11.1 per cent), Gambia (12.5 per cent), Liberia (18.3 per cent), Niger (16.8 per cent) and Sierra Leone (13.4 per cent) in 2018 (Figure 3).[7]

However, certain internal and external factors could hinder the projected positive outlook. These include international trade tensions and uncertainties related to commodity prices, mainly oil, which fell significantly (by approximately 25 per cent) in October 2018.

Table 2. Trend of intra-regional trade in value

Flows/Years	2013	2014	2015	2016	2017	Average
Intra trade exports (in million dollars)	14 004	13 314	10 229	9 166	9 154	11 173
Intra trade imports (in million dollars)	12 762	10 429	9 104	6 515	7 281	9 218
Total intra trade (in million dollars)	26 766	23 743	19 333	15 682	16 435	20 392
Share of intra trade exports (in percentage)	12	10	13	15	11	12
Share of intra trade imports (in percentage)	14	11	11	8	10	11
Share of total intra trade (in percentage)	13	10	12	11	11	11
Variation of intra trade exports (in percentage)		-5	-23	-10	-0	-10
Variation of intra trade imports (in percentage)		-18	-13	-28	12	-12

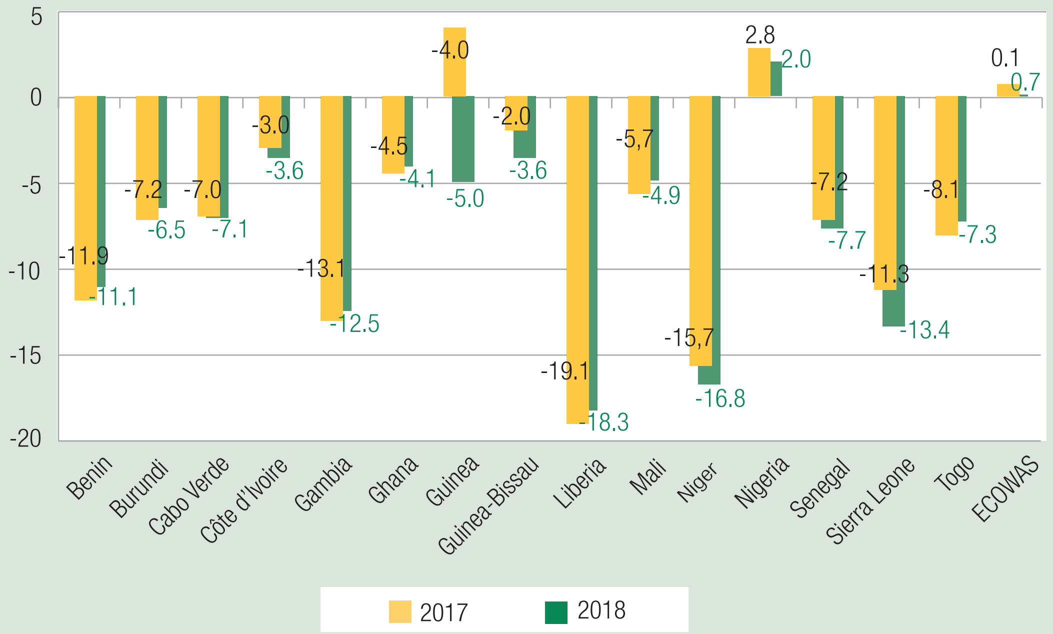
Source: ECOWAS Commission.

Table 3. Trend of ECOWAS external trade

Flows/Years	2013	2014	2015	2016	2017	Average (2013–2017)
Exports (in million dollars)	118 793	131 960	78 877	61 616	79 555	94 160
Imports (in million dollars)	92 503	97 042	81 785	81 043	75 991	85 673
Total trade (in million dollars)	211 296	229 002	160 662	142 659	155 546	179 833
Trade balance (in million dollars)	26 290	34 917	-2 908	-19 426	3 564	8 487
Variation export (in percentage)		11	-40	-22	29	-6
Variation import (in percentage)		5	-16	-1	-6	-5
Variation total trade (in percentage)		8	-30	-11	9	-6

Source: ECOWAS Commission.

Figure 3. Current account balances of ECOWAS Member States



Source: ECOWAS Commission.

As in the case of total ECOWAS trade, intra-ECOWAS trade includes limited range of products such as mineral products, products of food industries, chemicals, transport equipment, live animals, and vegetables. Petroleum products alone account for 41.5 per cent of intra-ECOWAS exports and 62.9 per cent of intra-ECOWAS imports in 2017 (Tables 4 and 5).

Europe continues to be the main trading partner of ECOWAS. On average, between 2015 and 2017, it absorbed nearly 41.4 per cent of the goods of the region, while ECOWAS depends on it for about 41.9 per cent for its external supplies. The Asian continent follows with an average of 32.5 per cent of exports and 40.2 per cent of ECOWAS imports.

It is worth noting that estimates of informal cross border trade could represent 20 per cent of GDP in Nigeria and 75 per cent of GDP in Benin,[8] which highlights a strong informal cross border trade links between Nigeria and neighbouring countries. The ratio of informal trade to formal trade between Benin and its major trading partner Nigeria is about 1 for imports and 5.1 for exports, signalling that informal trade is significant.[9]

C. ECOWAS Common Trade Policy

ECOWAS' strategy to promote regional integration and foster deeper cooperation among Member States is described in its Vision 2020: "From an ECOWAS of States to an ECOWAS of People". The aim is to create a sound and borderless regional environment, where resources are available and easily accessible to the people. Emphasis is placed on the development of human capital (women, children and youth); good governance; integrated economic and monetary zone; regional peace and security and the promotion of the private sector. The Regional Strategic Action Plan sets the direction and establishes a strategy for the fulfilment of the ECOWAS Vision 2020.

The implementation of the ECOWAS Vision 2020 has been substantially achieved in, among others, eliminating tariffs and facilitating trade; advancing services trade liberalization through regulatory frameworks; development of regional frameworks on competition and consumer protection; narrowing the development gap; and strengthening ECOWAS' relationship with external partners.

Table 4. Top 10 intra-ECOWAS exports (in million dollars)

CET HS2012/Years	2015	2016	2017	Average (2015–2017)	Share (%)
Mineral products	3 950.5	3 793.1	4 112.4	3 952.0	41.5
Products of the food industries	871.7	797.9	844.9	838.1	8.8
Chemicals and related products	739.7	710.0	752.3	734.0	7.7
Transport equipment	935.0	448.6	532.2	638.6	6.7
Plastics and rubber	490.3	524.1	511.0	508.5	5.3
Precious stones and metals	662.9	322.3	318.3	434.5	4.6
Machines and appliances	359.6	663.0	269.9	430.8	4.5
Common metals and structures	434.8	356.5	423.2	404.8	4.3
Live animals	427.4	409.8	321.0	386.0	4.1
Fats and oils	337.8	393.3	338.9	356.7	3.7

Source: ECOWAS Commission.

Table 5. Top 10 intra-ECOWAS imports (in million dollars)

CET HS2012/Years	2015	2016	2017	Average (2015–2017)	Share (%)
Mineral products	6 383.1	3 690.5	4 324.6	4 799.4	62.9
Products of the food industries	512.8	564.1	586.8	554.6	7.3
Transport equipment	615.7	451.2	554.9	540.6	7.1
Chemicals and related products	323.2	360.2	326.5	336.7	4.4
Fats and oils	187.5	220.4	290.4	232.8	3.0
Live animals	211.7	216.5	212.0	213.4	2.8
Machines and appliances	124.4	270.4	209.1	201.3	2.6
Common metals and structures	174.5	171.7	194.0	180.1	2.4
Plastics and rubber	147.1	137.0	154.9	146.3	1.9
Vegetable products	126.0	121.3	122.4	123.2	1.6

Source: ECOWAS Commission.

ECOWAS recognizes that regional economic integration is a dynamic, on-going process as economies as well as domestic and external environments are constantly evolving. In this context, the ECOWAS Commission initiated a region-wide process towards the formulation of a CTP that will reflect the aspirations of all Member States. The ECOWAS CTP (which is yet to be adopted) has been developed taking into account the recommendations from Member States' stakeholder consultations and the study into the formulation of the CTP, as well as inputs from other stakeholders. The measures taken have to lead in creating a networked, competitive, innovative and single and productive ECOWAS market.

The ECOWAS CTP is built on five interrelated and mutually reinforcing characteristics:

1. A single market and productive ECOWAS
2. A competitive, innovative and dynamic ECOWAS
3. Enhanced connectivity and sectoral cooperation
4 An inclusive and people-centred ECOWAS
5. A fully integrated and global ECOWAS.

The **first** CTP characteristic seeks to create a single market and productive ECOWAS through the free movement of goods, services, investment and freer movement of skilled labour and businesspersons for the purposes of the aforementioned. The **second** characteristic helps to create a business-friendly and innovation-supporting regional environment through the adoption of common frameworks, standards and mutual co-operation across many areas such as competition policy, intellectual property rights, and consumer protection. The **third** characteristic supports improvements in transport connectivity and other infrastructure networks. The **fourth** characteristic seeks to achieve equitable economic development through creative initiatives that encourage small and medium enterprises to participate in regional and global value chains. The **fifth** characteristic envisages ECOWAS' full integration into the global economy pursued through a more coherent approach towards external economic relations, and with enhanced participation in global supply networks.

D. Overview of the services sector

1. The role of services in ECOWAS

The expected improvement in real GDP growth to 3 per cent in 2018, from 2.3 per cent in 2017,[10] can be attributed to the dynamism of the service sector on the production side, as well as to household consumption and public investment on the demand side. Forecasts suggest a steady rise in the contribution of the tertiary sector, with a projected growth of 3 per cent in 2018, reflecting the GDP growth. Figure 4 shows the composition of regional GDP by sector. Final consumption remains the main driver of ECOWAS economic growth, contributing nearly 85 per cent of GDP demand (Table 6).

2. Trade in services in ECOWAS

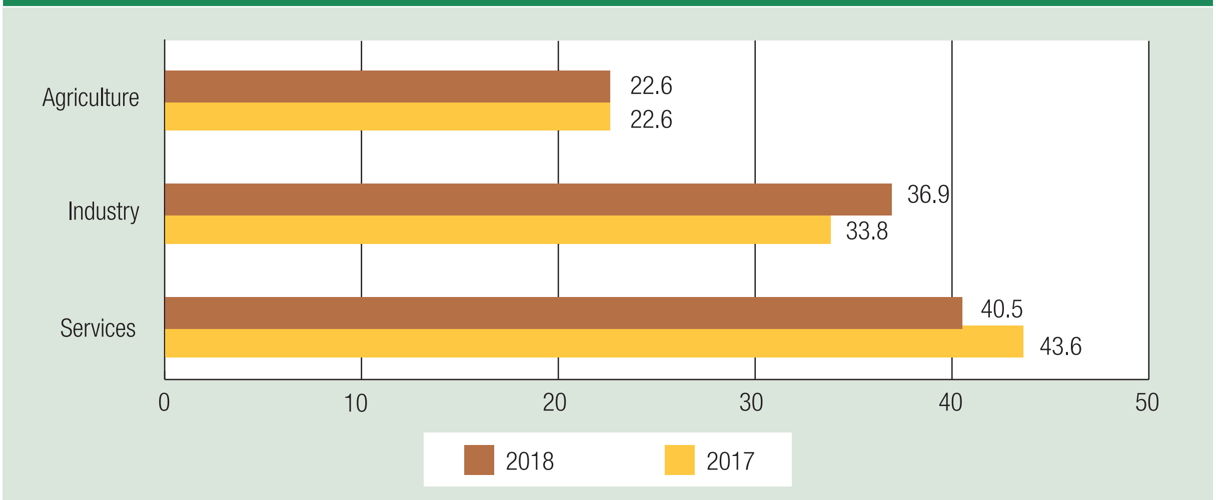
Preferential trade in services is an essential component of ECOWAS Revised Treaty. Paragraph 2(d)(iii) of Article 3 of the 1993 ECOWAS Revised Treaty states the

Table 6. Final use of gross domestic product (in percentage)

Use	Percentage
Final consumption (private + public)	85,1
Investment	14,3
Trade balance	0,6

Source: ECOWAS Commission.

Figure 4. Sector contribution to gross domestic product (in percentage)



Source: UNCTADStat.

trade objective of ECOWAS as *"…the establishment of a common market through the removal, between Member States, of obstacles to the free movement of persons, goods, services and capital, and to the right of residence and establishment."*

On the one hand, there is no full specific services protocol or services-only agreement in ECOWAS preferential trade. On the other hand, ECOWAS has some relevant preferential rules that establish disciplines for establishment in goods and services: The Protocol relating to the Free Movement of Persons, Residence and Establishment.

Whereas liberalization of trade in services according to the WTO GATS model includes the right of non-establishment (the pursuit of an economic activity by a person in another Member State without having the principal or secondary place of business in that State, *i.e.* Mode 1), the right of establishment in ECOWAS rules entails permanent installation in a Member State in order to pursue an economic activity in that State.

While Protocol A/SP.2/5/90 may cover the situation of the person (natural or legal) who establishes himself by creating a permanent link with the country of establishment, it does not cover the situation of the person who provides services in a country other than that of his permanent establishment.

For the treatment of the right of non-establishment in services, ECOWAS has adopted a sector-specific approach. For example, under this approach ECOWAS created specific rules for the regional liberalisation of specific sectors.

ECOWAS Member States individually undertook various horizontal and sector-specific commitments under the GATS.

3. Level of services integration, cooperation and harmonization achieved

To exploit the economies of scale of services market, ECOWAS worked to reduce the regulatory heterogeneity among Member States in the following areas:

i. Pro-competitive regulations

- Supplementary Act A/SP.6/02/12 relating to the common rules on tariffs applicable to passengers, freight and mail within, from and to ECOWAS Member States
- Supplementary Act on the establishment, duties and functions of the regional authority trade in digital services and free data flows
- Supplementary Act A/SA.1/01/10 on personal data protection within ECOWAS
- Supplementary Act A/SA.1/12/08 adopting Community Competition Rules and the Modalities of their Application within ECOWAS
- Supplementary Act A/SA.3/12/08 adopting Community Rules on Investment and the Modalities of their Implementation within ECOWAS.

ii. Infrastructure-related regulations

- ECOWAS Energy Protocol A/P4/1/03
- West African Power Pool, Articles of Agreement, 200
- Supplementary Act A/SA.2/01/08 establishing the ECOWAS Regional Electricity Regulatory Authority
- Directive C/DIR.1/06/13 on the Organization of the Regional Electricity Market.

iii. Telecommunications network services

- Supplementary Act A/SA.1/01/07 on the harmonization of policies and the regulatory framework for the information and communication technology (ICT) sector
- Supplementary Act A/SA.2/01/07 on access and interconnection in respect of ICT sector networks and services
- Supplementary Act A/SA.3/01/07 on the legal regime applicable to network operators and service providers
- Supplementary Act A/SA.4/01/07 on numbering plan management
- Supplementary Act A/SA.5/01/07 on the management of the radio-frequency spectrum.

iv. Diplomas, certificates and other qualifications

- Convention 2003 A/C.1/1/03 on recognition of equivalence of diplomas, certificates and other qualifications in ECOWAS educational

- Supplementary Act A/SA.6/01/07 on universal access/service.

v. Educational services

- Protocol A/P3/1/03 on education and training.

vi. Insurance

- Protocol A/P1/5/82 on ECOWAS brown card.

vii. Financial services

- Supplementary Act A/SA.4/06/12 on Macroeconomic Stability and Convergence Pact among ECOWAS Member States
- Decision A/DEC/6 /5/83
- Decision A/DEC.2/7/87
- Decision A/DEC.17/12/01 establishing a mechanism for the multilateral surveillance of financial and economic policies of ECOWAS Member States
- Supplementary Act A/SA.1/12/15.

4. Free movement of persons, right of residence and establishment

The Protocol on Free Movement of Persons stipulates the right of ECOWAS citizens to enter, reside and establish economic activities in the territory of other Member States. The implementation of the Protocol was in three phases with a roadmap of five years each, covering cumulative implementation of 15 years. **Phase 1** was the right of visa-free entry, **phase two** was the right of residency, and **phase three** concerns the right of establishment in another Member State. The first and the second phases have been fully implemented, given that ECOWAS citizens have free entry into any of the Member States without visa as stipulated; and obtained an ECOWAS residence card or permit as stipulated in the Protocol. The third phase, the right of establishment, is in the process of being implemented in most Member States.

The Free Movement Protocol is considered as one of the significant achievements of ECOWAS, having introduced and implemented the following measures:

- ECOWAS Member States, since 1980, do not require visas from its citizens.
- Existence of a community identity with the ECOWAS travel document and ECOWAS passport, nationals enjoy a right of residence and access to jobs in other Member States.
- Introduction of harmonized immigration forms; a measure adopted by all Member States.
- Adoption of a biometric identity card as travel document, to replace the ECOWAS travel certificate.
- Introduction of the ECOWAS brown insurance card: adopted by all Member States countries except Cabo Verde.
- Free access to employment in Member States.

Furthermore, after consultation with technical partners, the ECOWAS Commission is working toward establishing an electronic registration system at the borders (entry and exit points) with the new ECOWAS biometric identity cards that will, eventually replace national identity cards. ECOWAS has also implemented measures to ease the movement of persons transported in private and commercial vehicles by harmonizing policies that enable vehicles to enter and temporarily reside in a Member State for up to ninety and fifteen days respectively.

However, there are still significant obstacles to the free movement of persons. These include a) selective implementation of the Free Movement Protocol and related relevant texts; b) proliferation of unauthorized roadblocks; c) harassment at border crossings; and d) inadequate sensitization of community citizens and security agents on the rights set out in the Free Movement Protocol.

To address these problems in recent times, the ECOWAS Commission, in collaboration with some development partners, have instituted a project "Support to Free Movement of Persons and Migration in West Africa" to develop a monitoring mechanism to facilitate regular assessments of the status of implementation of the protocols and provide advocacy and sensitization in Member States, especially the law enforcement agents.

The Commission has also developed a programme on cross-border cooperation and dialogue to settle trade disputes and address other free movement issues.

5. ECOWAS monetary cooperation

Following the conception of a single currency in the ECOWAS region in 1983,[11] the Authority of

ECOWAS Heads of States and Government adopted the ECOWAS Monetary Cooperation Programme (EMCP).[12]

The Programme, which was to lead to the creation of the ECOWAS Monetary Union in 2000, is a combination of consistent programmes aimed at harmonizing the national monetary systems and creating a stable macroeconomic environment ideal for the establishment of the monetary union and the introduction of a common currency. The review of the implementation of the EMCP, carried out in 1999, revealed that some level of progress has been made in macroeconomic convergence; however, the progress remained inadequate for the launch of the Monetary Union in 2000.

Besides the challenges inherent in maintaining macroeconomic stability due to exogenous shocks, the problem of political instability in some countries was one of the factors responsible for the modest results. Also, the level of performance of Member States in terms of meeting the convergence criteria differs significantly.

In this regard, the authorities of the Community were made to reconsider the overall convergence strategy and opted for a fast-track approach for monetary integration. The fast-track approach led to the creation of the second monetary zone, the West African Monetary Zone (WAMZ), in December 2000, which today comprises Gambia, Ghana, Guinea, Liberia, Nigeria and Sierra Leone. Subsequently, the West African Monetary Institute (WAMI) was established in January 2001 to oversee the implementation of the WAMZ Single Currency with a deadline of 2003. The ECOWAS Single Currency was to be the outcome of the merger of WAMZ and UEMOA.

In 2001, the ECOWAS Authority of Heads of State and Government adopted Decision A/DEC.17/12/01, establishing a mechanism for the multilateral surveillance of financial and economic policies of ECOWAS Member States. The decision led to the adoption of the ECOWAS macroeconomic convergence criteria.

In 2012, the Decision 2001 was amended to strengthen the institutional frameworks. Thus, the Authority adopted Supplementary *Act A/SA.4/06/12 on Macroeconomic Stability and Convergence Pact among ECOWAS Member States*. The Pact enshrines the establishment of the convergence criteria, 11 in all, consisting of 4 primary criteria and 7 secondary criteria as well as a convergence target. The Pact was subsequently amended in December 2015 by Supplementary Act A/SA.1/12/15 reducing the number of convergence criteria to 6 of which four primary criteria and two secondary criteria.

The underwhelming macroeconomic performance of WAMZ Member States and delays in the effective implementation of various integration projects on the other hand, led the Heads of State and Government of WAMZ to decide to modify the timetable for the launch of the second monetary union. The deadline was moved from December 2003 to December 2005 and from December 2005 to December 2009. This was to enable Member States attain a sufficient level of progress across all aspects of the programme. The deadline was once again postponed to January 2015, thanks to the adoption, in May 2009, of the roadmap of the ECOWAS single currency.

In June 2007, the Council of Ministers requested for the review of the monetary integration process with a view to fast tracking the creation of the ECOWAS Monetary Union. In response, the Convergence Council formulated and adopted the Roadmap for the ECOWAS Single Currency programme on 25 May 2009, with key deadlines of 2015 and 2020 for the common currency in the WAMZ Member Countries and the ECOWAS Single Currency, respectively.

In 2017, ECOWAS Member States took a decision to launch the ECOWAS Single Currency in the form of “Unit of Account” in 2020 and the effective date for the circulation of the ECOWAS Single Currency (paper money) is scheduled for 2022. It was agreed that only countries that have actually fulfilled all the integration requirements will be fully-fledged Member of the ECOWAS Monetary Union.

In February 2018, ECOWAS Members States decided upon the effective introduction of the Single Currency in 2020, a step conducive to the financial integration.

6. Negotiations on trade in services

ECOWAS is continuing to make steady progress towards integrating the region into the global economy through FTAs such as the AfCFTA and the economic partnership agreement (EPA) with the European Union as well as engagements at the multilateral level through the WTO. ECOWAS Member States also have bilateral agreements with a number of third countries.

Some third countries have also approached ECOWAS for free trade agreement (FTA) arrangements.[13]

ECOWAS considers trade negotiations and trade agreements as a way to improve socioeconomic opportunities for Member States, via increased trade and investment. For Member States, trade negotiations and agreements provide opportunities to improve supply capacity, correct distortions in global markets, account for economic asymmetries and provide infrastructure through aid for trade. The negotiations and agreements are strengthening ECOWAS' position as an open and inclusive economic region and laying the foundation for ECOWAS to retain its centrality in global and regional engagements, where possible.

Under the ECOWAS Revised Treaty, Member States are obliged to formulate and adopt common positions within the Community on issues relating to international negotiations with third parties in order to promote and safeguard the interests of the region. In this regard, the ECOWAS Commission is mandated to prepare studies and reports designed to help Member States to better harmonize their positions on the said issues.

All ECOWAS Member States are Members of the African Union. Negotiations for the AfCFTA were launched in June 2015, and a consolidated text (the Protocol on Trade in Goods; the Protocol on Trade in Services; the Protocol on Rules and the Procedures on the Settlement of Disputes) was adopted in March 2018. As at July 2019, all ECOWAS Member States had signed the AfCFA. The remainder of the Member States have taken steps to ratify the AfCFTA Agreement.

All ECOWAS Member States are also Members of the WTO. ECOWAS was notified to the WTO in 2005 under the Enabling Clause. All ECOWAS Member States except Cabo Verde, Côte d'Ivoire, Ghana and Nigeria have least developed country (LDC) status and are therefore eligible for the WTO's Enhanced Integrated Framework initiative. None of the ECOWAS Member States are either a signatory or an observer to any of the WTO plurilateral agreements.

At the WTO, ECOWAS Member States participate in, and align their positions with, those of the following negotiating groups: African, Caribbean and Pacific (ACP) countries; the African Group; and the G-90.

ECOWAS Member States made GATS commitments in 1 to 11 of the 12 main services sectors, and 2 to 102 of the 160 subsectors. There are common elements in the schedules: all ECOWAS Member States made commitments in tourism and travel-related services. Most scheduled commitments for transport services and financial services. In their GATS Schedules, ECOWAS Member States included horizontal commitments on the movement of natural persons and the provision of services through commercial presence. Employment of foreign natural persons is subject to work permit regulations and labour and immigration laws.

Chapter

II

BANKING AND OTHER FINANCIAL SERVICES

A. Introduction

The financial services sector is typically composed of banks, trust and loan companies, credit unions, life and health insurance companies, property and casualty insurance companies, securities traders and exchanges, investment fund companies, pension funds, finance and leasing companies, and a myriad of auxiliary service providers, such as independent financial advisors, actuaries, and intermediaries. In playing the critical role of enabling the smooth running of any modern economy, the financial sector facilitates transactions amongst households, firms and governments; mobilizes savings; allocates capital funds to finance productive investment in the form of secured and unsecured loans and revolving credit facilities; monitors managers to appropriately spend allocated funds and transforms risks by aggregating and spreading same toward risk lovers.

The broad objectives of the banking services include to:

- Enhance competition among the various participants is expected to improve efficiency, leading to lower costs, better quality, and more choice of financial services
- Improve financial intermediation and investment opportunities through better resource allocation across sectors in Member States, and through better means of managing risks and absorbing shocks
- Encourage Member States' governments to improve macroeconomic policy, as well as financial sector regulation and supervision
- Address the limitations associated with market fragmentation.

In the WTO Services Sectoral Classification List (W/120) banking and other financial services include about 15 subsectors ranging from acceptance of deposits and other repayable funds from the public, and lending of all types, to guarantees and commitments, money broking, asset management, and advisory and other financial services in between.

B. Performance of the sector

Financial services are governed by two distinct regimes in the ECOWAS region, one by UEMOA,[14] and the other by different mechanisms in individual non-UEMOA countries. In the UEMOA area, broad money grew by about 12 per cent per year on average over 2012–2017, mostly reflective of increase in personal and corporate deposits. Gross assets of commercial banks reached 56 per cent of the regional GDP at end–2016 as compared with 43 per cent at end–2013. Over the same period, the number of clients' accounts in the banks increased from 7.8 million to 10.3 million. The estimated share of households with a bank account more than doubled from about 7 per cent in 2007 to 16 per cent in 2016. There were 140 credit institutions in UEMOA banking sector in 2017, comprised of 125 banks (including 17 bank branches) and 15 non-bank credit institutions (including 4 branches). There were 94 foreign-owned, 12 public, and 13 privately owned regional credit institutions. Thirty-one of the credit institutions are large (accounting for more than 10 per cent of banking sector assets in their country of operation), while 25 are of average size (more than 5 per cent of assets), and the remaining 63 being relatively small.[15]

As of end-2017, commercial banks in UEMOA zone attracted household deposits of about 11.3 per cent of regional GDP and returned 6.6 per cent of GDP as credits to the households. Banks attracted deposits of about 15.4 per cent of GDP from private companies while providing credits of about 18.7 per cent of GDP in return to them, which resulted in net claims on the private non-financial companies of about 3.4 per cent of GDP. Banks' credit to public non-financial companies of 2.1 per cent of GDP slightly exceeded their deposits of 1.7 per cent of GDP.[16]

Commercial banks have accumulated net claims of 10.2 per cent of GDP on the central governments of the zone. Commercial banks' net claims on the governments was partly made possible by the net liquidity support from the *Banque Centrale des États de l'Afrique de l'Ouest* (BCEAO) of about 4.7 per cent of GDP, which was provided largely under collateral of government debt securities.[17]

Member States of the WAMZ[18] aimed to develop a second monetary zone in the region to facilitate progress towards a common market in financial services by harmonizing legal and regulatory frameworks. This is, however, are hindered by the heterogeneous nature of WAMZ Member States.

The banking sector dominates the WAMZ's financial system, accounting for over 70 per cent of total financial sector assets. The size of the banking sector continues to expand rapidly both in terms of assets, number of banks and bank branch penetration. The increase in bank assets was mainly funded by the growth in deposit. Non-bank financial institutions including insurance companies, pension funds, finance houses and micro finance institutions are nonetheless steadily emerging and making remarkable strides in Member States. Money market operations are now fully developed in all Member States while debt and capital markets are generally underdeveloped except in Nigeria and Ghana, where there are fairly well developed and vibrant capital markets. In addition, both Nigeria and Ghana issue long tenured debt instruments.

The banking market of the zone is dominated by Ghana and Nigeria with the combined banking systems of Gambia, Guinea, and Sierra Leone amounting to about 0.37 per cent of WAMZ's total banking assets, 0.45 per cent of WAMZ's total deposits and short-term funding, and 0.29 per cent of WAMZ's total loans.[19]

The financial system in ECOWAS is composed of 232 commercial banks, 309 insurance companies and 1,818 microfinance institutions and 5 stock exchanges (Table 7). The biggest banks in this zone are mostly Nigerian. Two of the country's biggest banks (*e.g.* United Bank for Africa (UBA), First Bank of Nigeria) operate on many parts of the continent. This is due to the relatively big size of the country's financial sector with over 20 banks, 825 microfinance institutions and 58 insurance companies.

In 2016, the financial systems remained relatively stable, though macroeconomic stability was threatened by falling commodity prices and depreciation pressures on the exchange rates which further burdens government fiscal position in some Member States (Table 8). Sierra Leone has the highest non-performing loan ratio of about 22.6 per cent, even after falling from 33.4 per cent in 2014. In 2016, Guinea-Bissau has the lowest ratio of about 8 per cent. The highest and lowest values of 2016 capital adequacy ratio are 35 per cent and 4.4 per cent for the Gambia and Togo

Table 7. Overview of financial Institutions in ECOWAS member States, 2016 (in units)

Member State	Banks	Insurance	Microfinance institution	Stock exchanges
Benin	15	20	81	NA
Burkina Faso	13	10	74	NA
Cabo Verde	8	2	NA	1
Côte d'Ivoire	27	28	64	1
Gambia	12	13	71	NA
Ghana	30	50	65	1
Guinea	16	11	20	NA
Guinea-Bissau	5	1	18	NA
Liberia	9	20	122	NA
Mali	13	18	127	NA
Niger	12	20	42	NA
Nigeria	22	58	825	1
Senegal	24	27	208	NA
Sierra Leone	13	12	13	1
Togo	13	18	88	NA
UEMOA	**122**	**142**	**702**	**1**
ECOWAS	**232**	**309**	**1 818**	**5**

Source: ECOWAS Central Banks and WAMA.
Note: NA = Not available.

Table 8. Key financial stability indicators in ECOWAS Member States/zone (in percentage)

Member State/zone		NPL 2014	NPL 2016	CAR 2014	CAR 2016	ROE 2014	ROE 2016	ROA 2014	ROA 2016
WAMZ	Gambia	7.0	9.3	30.0	35.0	77.0	11.1	11.0	1.8
	Ghana	11.3	17.4	17.9	17.8	32.3	18.0	6.4	3.8
	Guinea	4.9	9.4	18.2	13.5	21.2	13.3	0.0	0.0
	Liberia	19.2	14.8	20.6	23.8	-4.5	-7.0	-0.6	-0.9
	Nigeria	2.9	14.0	17.2	13.9	21.2	1.8	2.5	0.2
	Sierra Leone	33.4	22.6	30.2	30.7	14.9	18.3	2.7	3.2
UEMOA	Benin	21.5	21.8	7.1	8.5	14.4	7.2	0.9	0.4
	Burkina Faso	8.6	9.7	9.8	10.8	19.4	21.0	1.5	1.6
	Côte d'Ivoire	10.6	10.9	8.7	7.2	24.4	22.1	1.5	1.4
	Guinea-Bissau	43.4	8.0	18.0	19.7	-13.6	9.9	-1.4	1.5
	Mali	17.0	16.6	11.7	13.1	19.7	16.9	1.5	1.4
	Niger	17.6	17.2	14.4	14.4	20.5	20.8	1.8	2.0
	Senegal	18.6	19.0	16.4	14.3	3.6	8.4	0.3	0.8
	Togo	15.6	20.2	12.5	4.4	11.9	12.7	0.7	0.8
	UEMOA	15.1	15.2	12.6	10.3	12.8	15.5	1.1	1.2
	Cabo Verde	18.7	15.5	14.4	15.5	3.5	3.4	0.3	0.2

Source: ECOWAS Central Banks and WAMA.
Note: CAR = Capital Adequacy Ratio; NPL = Non-Performing Loans; ROE = Return on Equity; ROA = Return on Assets.

respectively. The highest value of return on equity and return on assets are 22 per cent and 3.8 per cent for Côte d'Ivoire and Ghana respectively, in the year 2016.

In 2011, eight major groups dominated the UEMOA banking landscape. These are: Ecobank Transnational Incorporated, Société Générale, Bank of Africa (BOA Group), Attijariwafa Bank, BNP Paribas, Atlantic Financial Group, UBA and the Sahel-Saharan Bank for Investment and Trade. Their influence extends to almost all the UEMOA countries. They represent 64 per cent of total assets, 59 per cent of branches, employ 60 per cent of total agents, hold 49 per cent of customer accounts and control 69 per cent of ATMs.[20]

While data for most member states are not available in 2015, it would appear that Nigeria accounted for the bulk of inflows of financial services into the region in 2014. Burkina Faso was the other prominent country to have received second biggest inflows of financial services (Table 9).

Table 10 shows the distribution of the three most important banks in the region that are engaged in cross-border activities. They are: Ecobank, Guaranty Trust Bank (GTBank) and the UBA. As at 2014, Ecobank operated in all 15 ECOWAS Member States with 600 branches in Nigeria alone out of the total 935 branches in the region; UBA maintained 583 branches in Nigeria and the remaining 72 branches spread across 10 of the other 14 Member States; while GTBank, with a total of 308 branches in the region, has 231 of them in Nigeria alone.

C. Linkage with other sectors

By their nature, banks have linkages with various sectors of the economy through financial intermediation, pooling savings and demand deposits from the public which they make available for economically and socially desirable purposes. Banks receive savings deposits from farmers, pay small interest but allow occasional withdrawal using their savings account passbooks. This has improved farmers savings habit, while making possible prompt payments and settlements and financing of agricultural, commercial and industrial activities of ECOWAS Member States. More than 90 per cent of the UEMOA's bank loans go to the private sector, unlike in other ECOWAS Member States. The Union's private credit increased from 28.5 per cent in 2015 to 28.7 per cent in 2016 in relation to GDP. Credit to the government remains low (11.0 per cent of GDP against 8.3 per cent of GDP in 2015).[21]

Table 9. Financial services trade in ECOWAS Member States, 2010–2015 (in millions of dollars)

Member State	2010		2012		2014		2015	
	Export	Import	Export	Import	Export	Import	Export	Import
Benin	7.1	5.1	41.3	11.8	17.6	2.8	-	-
Burkina Faso	10.8	3.4	108.9	121.3	75.1	103.4	-	-
Cabo Verde	-	-	2.1	2.4	0.6	12.1	2.1	5.5
Côte d'Ivoire	62.2	128.9	51.2	131.2	-	-	-	-
Gambia	-	-	-	-	-	-	-	-
Ghana	-	-	-	-	-	-	-	-
Guinea-Bissau	4.5	0.2	0.3	0.0	1.1	0.4	-	-
Guinea	-	-	-	-	-	-	-	-
Liberia	-	-	-	35.7	18.1	22.8	-	-
Mali	5.4	4.8	9.1	0.5	6.5	18.7	-	-
Niger	4.9	19.3	4.2	2.0	2.9	2.6	-	-
Nigeria	-	-	11.3	430.5	14.0	1 231.3	258.5	1 149.5
Senegal	4.0	8.4	11.3	16.0	12.8	13.6	-	-
Sierra Leone	0.4	0.2	0.6	1.2	0.8	12.8	-	-
Togo	10.7	2.9	17.9	0.9	8.6	1.5	-	-
Total	**110.0**	**173.2**	**258.2**	**753.5**	**158.1**	**1 422**	**260.6**	**1 155.0**

Source: WTO.

D. Institutional framework and main actors

There are two types of institutional framework for the ECOWAS region: The Single Regulator within UEMOA and WAMZ institutional framework. Within the single regulator concept is embedded the supervisory framework, which is organized around several community institutions, namely: BCEAO, UEMOA Banking Commission, Regional Council for Public Saving and Financial Markets, Inter-African Conference of Insurance Markets (CIMA), and Inter-African Conference on Social Security (CIPRES). BCEAO and ministries of finance of the Member States are represented at varying degrees in each of these institutions. In addition, these ministries are also mainly responsible for the supervision of the micro-finance sector, with especially the support of BCEAO and the Banking Commission. The core objective of the framework in the UEMOA is to ensure the soundness and stability of the banking system.

Banking regulation and supervision in the UEMOA zone is the responsibility of a single Banking Commission, a regional body established by a convention signed by Member States of the Union on 24 April 1990, which replaced the national commissions that supervised banks and financial institutions in each country. The arrangement established a single banking law in the UEMOA zone and a single set of prudential norms. In effect, a single banking license is enough to set up banking operations in the UEMOA. The General Secretariat of the Banking Commission is headquartered in Abidjan, Côte d'Ivoire, and collaborates with the National Agency of BCEAO in each Member State for the on-site and off-site inspections. The Banking Commission issues instructions to banks and other financial institutions, defines accounting standards and prudential rules, and conducts on-site and off-site supervision of financial institutions licensed to operate in the region.

Table 10. Branches of Ecobank, United Bank for Africa and Guaranty Trust Bank in the ECOWAS Member States, 2014

Member State	Ecobank	UBA	GTBank
Benin	31	13	0
Burkina Faso	13	26	0
Cabo Verde	17	0	0
Côte d'Ivoire	55	2	4
Ghana	79	16	34
Gambia	5	0	17
Guinea	21	2	0
Guinea-Bissau	0	0	0
Liberia	18	4	8
Mali	33	1	0
Niger	19	0	0
Nigeria	600	583	231
Senegal	37	4	0
Sierra Leone	3	4	14
Togo	4	0	0
Total	**935**	**655**	**308**

Source: WAMA .

Unlike in the UEMOA zone, the banking systems in the WAMZ are not uniform. Each country in the WAMZ has its own banking system, a major cause of the weak financial sector integration in this zone, even though its country level banking sub-sector continues to significantly grow, manifesting in increased number of banks, with foreign correspondent banks, and performing all kinds of banking transactions.

Banking supervision in all WAMZ countries is the responsibility of national central banks which also bear responsibility for licensing and supervising community and microfinance banks, including licensing and supervision of foreign exchange bureaus. In Nigeria, the Nigeria Deposit Insurance Corporation also supervises commercial banks.

WAMZ has adopted a framework for bringing supervision under a common authority in a West African Financial Supervisory Authority (WAFSA). However, such developments – along with the legal instruments supporting the common central bank – will require ratification by all WAMZ Member States.

The West African Monetary Agency (WAMA), an autonomous and specialized agency of the ECOWAS, was established in 1996, as a result of the transformation of the West African Clearing House, which was established in 1975 to serve as a multilateral payment facility to promote trade among ECOWAS Member States. The Agency's objective is to promote the use of national currencies in trade and non-trade transactions within the sub-region bringing about savings in the use of Member States' foreign reserves; encourage and promote trade and exchange liberalization and enhance monetary cooperation and consultation among them; facilitate the harmonization of and coordination of monetary, fiscal and structural adjustment policies/programmes. WAMA is responsible for monitoring, coordinating and implementing the EMCP, geared towards the creation of the ECOWAS Single Currency: the ECO.

WAMA is placed under the authority of the Committee of Governors of ECOWAS Member States' central banks and maintains close collaboration with the West African Bankers' Association (WABA), the International

Monetary Fund (IMF), African Development Bank (ADB), Association of African Central Banks (AACB) and the World Bank.

WAMA also collaborates with a number of financial services professional bodies in the ECOWAS region towards financial market integration of the region, among which are: WABA; West African Insurance Companies Association (WAICA); Association of African Central Banks (AACB); West African Capital Market Integration Council; and West Africa Security Regulations Association.

E. Policy framework

As mentioned earlier, the EMCP adopted in 1987 called for the creation of a single monetary zone in the sub-region. As part of regional efforts to implement the programme, the Heads of State and Government of WAMZ have been working since the year 2000 to establish a second monetary zone in the sub-region, the WAMZ. WAMZ comprises Sierra Leone, Gambia, Ghana, Guinea, Liberia, and Nigeria and is due to be in place in 2020 after it was postponed several times.

WAMA, in collaboration with relevant stakeholders in the community is working on the following programmes in the ECOWAS Monetary and Cooperation Programme:[22]

- **Harmonization of Regulations Capital Account Regulations**: Following the development and validation of the harmonization matrix in 2013, the relevant institutions are expected to implement the various aspects of the harmonization scheme assigned to them.
- **Harmonization of Regulatory and Supervisory Frameworks**: Following development of an action plan outlining the steps for the harmonization process of regulatory and supervisory frameworks of banks and non-bank financial institutions, WAMA conducted a study on harmonization of regulatory and supervisory frameworks in ECOWAS. The study also facilitated development of a transition mechanism, detailing the activities as well as steps to be taken by each country or zone in order to achieve the desired harmonization.
- **Harmonization of Accounting and Financial Reporting Standards**: Work carried out by WAMA facilitated the adoption of International Financial Reporting Standards (IFRS) as a basis for harmonization of accounting and financial reporting frameworks of banks and nonbank financial institutions in the ECOWAS area. The assessment conducted by WAMA revealed that ECOWAS countries were at different levels with respect to the migration to IFRS.
- **Harmonization of Balance of Payments Statistics**: The implementation of this project, carried out in collaboration with the ECOWAS Commission, is being pursued. Following the finalization and validation of the Regional Methodological Guide for Compilation of Balance of Payments and International Investment Position (IIP) in ECOWAS Member Countries in 2014, efforts are now focused on the adoption of the institutional framework, preparing the framework for compilation of regional external accounts and capacity building.

In pursuance of the EMCP objective, ECOWAS Payments and Settlement System (EPSS) intervention within the framework of the ECOWAS Common Investment Market (ECIM) programme aims to facilitate the development of payments systems in the region. Its components include to: a) speed up the exchange and settlement of funds; b) prevent and or contain risks in payment, clearing and settlement systems; c) improve access, efficiency and convenience to user; d) improve upon the central bank's monetary management activities; e) deepen financial intermediation; and f) develop an integrated electronic payment infrastructure that will enhance interoperability of payment and securities infrastructures.

The payment arrangements will provide banks in ECOWAS region with a multi-currency cross-border mechanism and thus allows them to provide real-time foreign-currency money-transfer and settlement services to their customers with no time difference. It will increase the efficiency of cross-border multi-currency payments and reduces settlement risks and costs. It will also satisfy the need for same-day payments arising from financial and business activities in the region.

WAMA has strengthened its collaboration with the Industry and Private Sector Department, ECOWAS Commission on the EPSS project, comprising a regional Real-Time Gross Settlement System, a Regional Clearing House System and a Regional Switch. WAMA is the role of regulator and supervisor of the EPSS and responsible for coordinating work relating to the harmonization of regulations.

While there appears to be a lack of a coherent finance policy for small and medium-sized enterprises (SMEs) in the ECOWAS region, unfriendly business environment, poor funding, low managerial skills and lack of access to modern technology led Nigeria to establish a N200 billion ($653.5 million) SMEs Credit Guarantee Scheme, for promoting access to credit by SMEs in Nigeria. Wholly financed by the Central Bank of Nigeria, its objectives are to provide guarantee for credit from banks to SMEs and manufacturers; increase the access of promoters of SMEs and manufacturers to credit, and set the pace for industrialization of the Nigerian economy; with an overall goal to increase output, generate employment, diversify the revenue base, increase foreign exchange earnings and provide inputs for the industrial sector on a sustainable basis.

Due to the economic and empowerment strategy adopted in the mid–2000s in Nigeria, Nigerian banking system was consolidated through an increase in the minimum capital requirement, with the objectives to strengthen the Nigerian banking system and to improve the quality of bank governance in the country.

F. Regulatory framework

Coordination of the supervision of banks are undertaken separately within the two sub-regions rather than at the level of ECOWAS requiring harmonization of banking supervision which will be crucial to further integration within the region for ensuring good cross-border activities greater confidence in the stability of financial markets. A study by WAMA[23] revealed that progress towards the integration of ECOWAS financial systems has been slow.

All Member countries of the UEMOA have the same legislation and have established a regional banking commission, which has been entrusted with the responsibility to supervise banking activities within its purview. Indeed, financial institutions established in the UEMOA region operate within a harmonized regulatory framework. In this regard, legal and regulatory instruments are implemented by regional supervisory bodies. These instruments, which are largely based on international regulations in force, aim to ensure the stability of the financial system.

WAMZ has adopted a framework for bringing supervision under a common authority in a WAFSA. A WAFSA statute has been drafted and work is also in progress on a common banking statute and non-bank financial institution statute. However, progress has been slowed by the failure of some states to formally ratify the relevant legal documents. A Committee of WAMZ bank supervisors currently discusses supervisory issues and the agenda of convergence of supervisory approaches in the interim.

G. Trade commitments affecting the sector

The transformation of the banking sector within WAMZ is being driven by three main factors: i) liberalization of cross-border banking activities, primarily in the form of the willingness of Member States to permit the establishment of subsidiaries of banks domiciled in other African countries; ii) a dramatic increase in the capitalization of Nigerian banks (reinforced by increases in the minimum capital of Ghanaian banks) which has encouraged these banks to seek additional markets within West Africa; and, iii) the growth of pan-African banking groups (such as Ecobank and UBA), which have moved quickly to establish subsidiaries in countries across West Africa and the rest of the continent.

Cross-border expansion of banks is driven by the direction of trade – for example, Ghanaian banks planned to expand into Niger (following Ghana's trans-shipment trade from the coast to the interior) – or by the perception of market opportunities and the need to service corporate clients expanding abroad, as in the case of Nigerian banks expanding into Ghana.

In the WAMZ, many local banks have correspondents with financial institutions around the world. These banks and other financial institutions perform almost all kinds of banking transactions. In the entire region, despite the non-conclusion of the EMCP, cross-border banking has become a major feature of the banking system in West Africa.

Nine of the 15 ECOWAS Member States of have scheduled varied levels of commitments in relation to financial services under the GATS. These Member States are Benin, Cabo Verde, Côte d'Ivoire, Gambia, Ghana, Liberia, Nigeria, Senegal and Sierra Leone. The remaining six Member States (Burkina Faso, Guinea, Guinea-Bissau, Mali, Niger and Togo) have not scheduled any commitments.

H. Strengths, weaknesses, opportunities and threats

Strengths

- The emerging policy and regulatory framework under the EMCP in the Multilateral Directorate of the ECOWAS Commission coupled with the Capital Market Integration and the Regional Payment System in the Private Sector Directorate of the ECOWAS Commission are all expected to enhance productive capacities and competitiveness.
- The activities of the AfDB in the region could foster credit availability. As a continental public entity, credit could be provided in accordance with the needs of the entire continent, thus providing for more policy space.

Weaknesses

- The administrative efficiency level of most financial services providers in the region is still low because the business model in some Member States relies heavily on manual handling of payment systems and other banking operations. The absence of relevant documentation discourages task automation and other efficiency-improving measures.
- Financial intermediation margins among the economic actors in the region are still very high, which prevent access to finance for SMEs as well as rural populations, thus making the level of financial inclusion to be low compared to other developing regions.
- Regional regulation is lacking regarding credit and savings cooperatives as the EMCP is yet to be concluded.

Opportunities

- Enhanced financial services in the ECOWAS region can result in an improvement in the living standards of people, as they can get access to cutting edge services at affordable rates.
- Developing the ECOWAS financial sector through the various programmes of ECOWAS Commission could strengthen other services sectors, particularly the transport and tourism sectors, where important spill-over effects could be created.
- Regional integration of ECOWAS financial system could allow for economies of scale in the region and streamlining of processes by offering a fairly broad portfolio and complementary businesses.
- The current insolvency of the banking system could be reversed as financial resources could now move to financial scarce economies from financial abundant ones profitable and liquid; and currently, a larger number of suitable financial products from Nigerian economy, compared with the rest of the region, would be mobile across the entire region.
- Financial inclusion, efficiency and service standards in the sector could be enhanced to ensure that it contributes more to the socioeconomic welfare of ECOWAS individuals and corporate citizens.
- The introduction of measures to reduce market credit risks through collaboration between ECOWAS Commissions and Member States could facilitate access to credit for SMEs and individuals.

Threats

- In spite of the various economic integration efforts of the ECOWAS Commission, the new rules and new capital requirements arising from implementation of the Basel III recommendations may imply higher operational costs for financial institutions in the region. Considering that the ECOWAS region is considered high risk, banks operating in the region are scrutinized very carefully by external creditors making cross-border operations difficult.

Chapter

III

INSURANCE AND INSURANCE-RELATED SERVICES

A. Introduction

Insurance services often develop in the process of safeguarding the interest of people or entities from loss and uncertainty. It may be described as a social device to reduce or eliminate risk of loss to life and property. It is an arrangement by which an insurance company gives customers a financial protection or alleviation against loss or harm such as theft, illness, or accident in return for payment of premium. With globalization enabling transnational corporations (TNCs) to operate in virtually every sovereign state, the activities of the insurance industry are expanding to include globalization risk-induced protection products and risk management services.

Essentially, there are three types of stakeholders in the insurance process: i) the insured: the consumer; ii) the insurer: the provider of a service; and iii) the regulator: generally, the Government or an independent authority. Other stakeholders in the sector include actuaries and auditors.

The specialized financial services provided by insurance companies range from the underwriting of risks inherent in economic entities and the mobilization of huge amount of funds through premiums for long-term investments. Insurance contributes significantly to the general economic wellbeing of society by providing stability to the functioning of process. Insurance industries have stakes in financial institutions and reduce uncertainties by making available financial resources. Thus, insurance is important to the extent that it provides safety and security by ensuring financial support and reducing uncertainties in the event of sudden loss due to death, fire, accidents, and natural calamities.

Secondly, insurance generates financial resources by collecting premiums eventually invested in government securities and stocks contributing to capital formation and economic growth. Thirdly, medical insurance provide essential medical support to manage health risks and fund unexpected illnesses and associated high medical costs, thereby spreading of risk among a large number of people through insurance policies and attracted premiums paid to the insurer, and contributing to the economy both directly or indirectly via direct job provision and investment generation, as well as enabling other commercial (and non-commercial) activities by providing a cover against risk. The increasing global interconnectedness is creating cross-border contagion of risks thus making the need for insurance cover inevitable.

The buffer function of insurance is important for a modern economy because it allows the filtering out of sudden surges in financial needs linked to a disaster for all insured players that might otherwise be pushed into bankruptcy. The existence of insurance gives the opportunity to plan ahead with more certainty, avoiding or mitigating specific risks that are deemed to be threatening to the general business process. Insurance has a doubly positive impact on the savings of an economy. Firstly, it increases the general savings rate (especially through the existence of life insurance products) thus creating deeper markets and allowing for more investments. Secondly, it decreases the level of unnecessary precautionary savings (savings often not available to capital markets) and stimulates investment and consumption by reducing bound (and therefore unproductive or less productive) capital. Insurance mechanisms transform dormant capital into free capital.[24]

B. Performance of the sector

The insurance market in the UEMOA region remains modest, largely because of its population's lack of purchasing power, but it is growing strongly in some Member States, in particular, thanks to “mobile” bancassurance. It mainly consists of majority foreign-owned insurance groups, either European (*i.e.* AXA, Allianz) or African (*i.e.* NSIA, SAHAM SUNU, SAAR).

The WAICA Reinsurance Corporation PLC (WAICA Re)[25] recorded 47 per cent growth in gross premium income from $33.5 million in 2015 to $49.2 million in 2016.[26] Among the WAICA Re Company Member States, Sierra Leone recorded the highest level of growth of 153 per cent, followed by Liberia 60 per cent, then the Gambia 26 per cent, Ghana 23 per cent and Nigeria 8 per cent (Table 11). WAICA Re recorded a 26 per cent growth in gross premium income from $49.2 million in 2016 to $62.1 million in 2017.[27] However, 2017 witnessed a change in the performance of n these WAICA Re Member States. While Gambia recorded the highest level of growth of 30 per cent, followed by Nigeria 19 per cent and Ghana 15 per cent, the Corporation recorded negative growth of 36 per cent and 8 per cent in Sierra Leone and Liberia respectively This suggests that the insurance market is growing strongly in Gambia, Nigeria and Ghana.

Table 11. Premium income by West African Monetary Zone country

Country	($ million)			Growth (%) 2016	Growth (%) 2017
	2015	2016	2017		
Nigeria	10.8	11.7	13.9	8	19
Ghana	9.9	12.2	14.0	23	15
Sierra Leone	0.53	1.3	0.85	153	-36
Liberia	0.14	0.23	0.21	60	-8
Gambia	0.14	0.17	0.23	26	30

Source: WAICA Reinsurance Corporation PLC (2016 and 2017). Annual Report.

Like banking markets, insurance markets in most ECOWAS Member States are still very small, both in comparison to developed- and other developing-country markets in other regions of the world. In fact, insurance services penetration across all ECOWAS Member States had remained very low.

The level of insurance inclusion in ECOWAS has been rather low. For instance, in Nigeria, approximately only 1.5 per cent of all Nigerian adults are currently covered by insurance).[28] The low insurance penetration in West Africa is, in part, a consequence of the lack of trust and confidence in insurance companies. It is therefore not surprising that the level of import and export of insurance in the region is still very low (Table 12). The highest insurance exports of about $153.8 million was recorded in the year 2012, while, the least exports of about $48.9 million was recorded in the year 2015. Though, insurance services import was a bit higher than exports as it reduced from highest value of $1.4 billion in the year 2012 to about $550.6 million in the year 2015.

C. Linkages with other sectors

It is difficult to quantify the full welfare benefit resulting from the insurance sector, partly because some of the benefit comes in the form of higher welfare (*i.e.* lower disutility of risk) rather than higher GDP, and partly because some benefits accrue to others. Some academic studies provide estimates of consumer and producer surpluses associated with particular insurance products.

The ties between insurance companies (insurers) and banks have increased, either through a combination of banks and insurers or conglomerates (broader financial groups). In Nigeria, for example, many banks and insurers have joined forces, motivated by expected synergies, economies of scale and higher revenues from cross selling each other's products. While the extent of actual synergies in Nigeria remains to be seen, such financial conglomerates could pose challenges for regulators (*i.e.* between the Central Bank of Nigeria and the National Insurance Commission). Though as insurers diversify into banking and asset management products, it may pose challenges for regulation and supervision in terms of understanding them, identifying their precise impacts and deciding on the most appropriate supervisory approach. The linkages between Insurance and financial sectors are explained in Figure 5.

D. Institutional framework and main actors

The insurance services sector in ECOWAS composed of national and sub-regional institutions that supervise the activities of insurance companies.

i) *Conférence Interafricaine des Marchés d'Assurances* (CIMA)

CIMA has supervised insurance activities in the UEMOA region since February 1995. It brings together Member States and those of the Central African Economic and Monetary Union. Within this framework, the applicable legislation, known as "CIMA Code", regulates the organization, operations and supervision of the insurance sector.

Table 12. Insurance services in ECOWAS Member States, 2010–2015 (in millions of dollars)

Year	2010		2011		2012		2013		2014		2015	
Member State	Export	Import	Export	Import	Export	Import	Export	Import	Export	Import	Export	Import
Benin	0.7	19.2	3.3	23.7	5.2	31.4	0.8	21.7	0.3	18.4	-	-
Burkina Faso	2.6	96.9	2.9	135.0	4.0	128.7	4.9	140.1	5.5	136.2	-	-
Cabo Verde	-	-	7.3	20.5	3.7	18.2	5.4	13.9	7.9	12.4	3.7	12.0
Côte d'Ivoire	39.2	89.4	35.2	77.6	39.5	94.6	1.3	101.9	-	-	-	-
Gambia	0.4	5.5	0.6	7.2	9.1	17.4	5.2	10.9	-	-	-	-
Ghana	-	-	28.3	113.4	39.0	151.7	36.3	149.9	34.9	117.7	-	-
Guinea-Bissau	-	4.5	13.0	5.7	-	1.2	-	4.7	-	5.3	-	-
Guinea	9.6	27.5	8.2	42.2	24.3	47.5	5.4	47.8	-	-	-	-
Liberia	-	-	-	-	-	1.0	-	90.1	-	91.8	1.0	195.1
Mali	2.3	41.3	6.0	34.1	7.5	36.6	6.0	38.5	0.4	20.2	-	-
Niger	1.3	24.1	19	9.1	1.5	3.4	1.9	2.3	0.2	11.9	-	-
Nigeria	-	-	1.6	703.4	1.8	727.5	4.1	220.9	21.8	332.4	44.2	343.5
Senegal	10.3	114.9	14.9	116.9	16.7	133.2	9.7	129.5	13.7	131.9	-	-
Sierra Leone	0.4	6.7	0.2	17.2	0.5	21.7	0.2	37.4	0.6	36.0	-	-
Togo	2.3	40.4	3.5	46.6	1.0	42.0	2.3	42.7	2.4	43.2	-	-
Total	**69.1**	**470.4**	**144.0**	**1 352.6**	**153.8**	**1 456.1**	**83.5**	**1 052.3**	**87.7**	**957.4**	**48.9**	**550.6**

Source: WTO.
Note: "-" = not available.

ii) The Regional Commission of Insurance Control (CRCA)

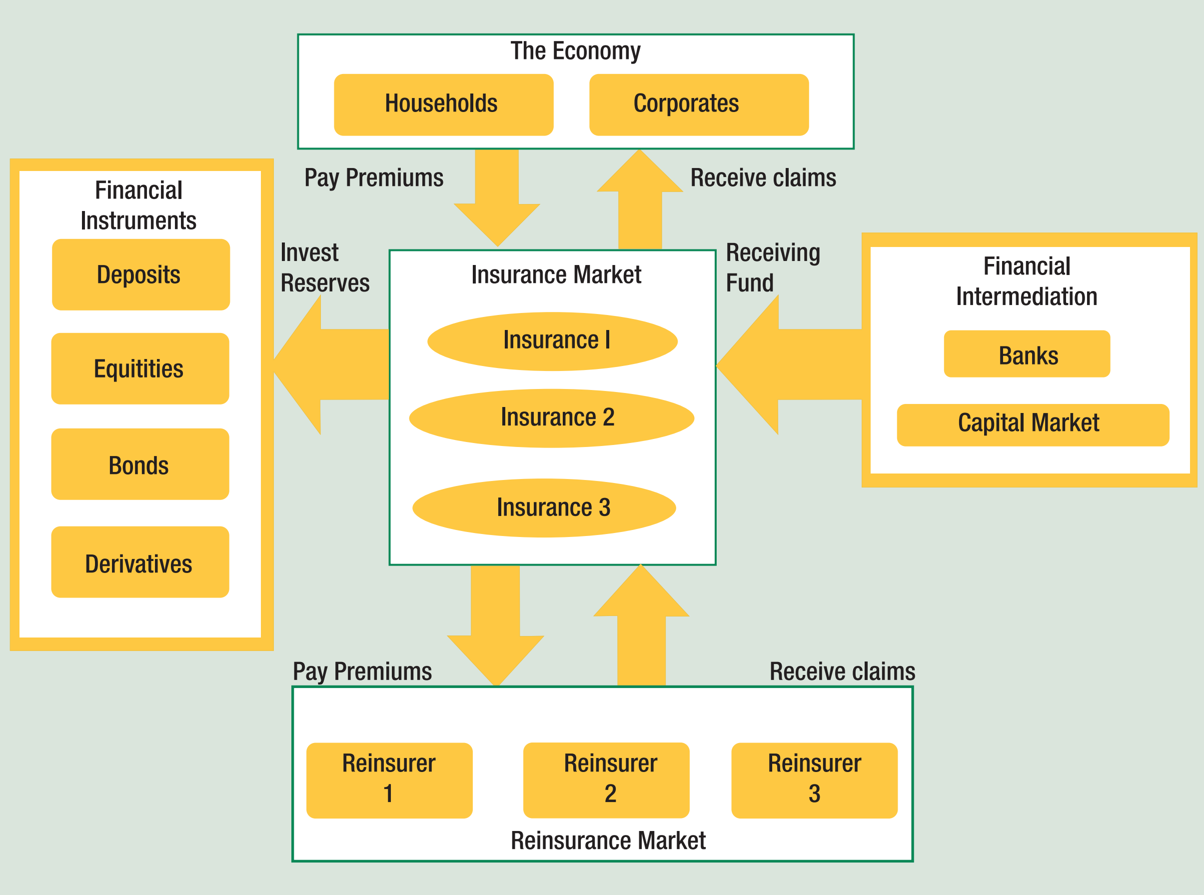
This is the body responsible for market surveillance and has the powers to carry out on the-spot and records-based audits of insurance companies. The supra-national character of this mechanism is an additional element of autonomy required to ensure actions taken by these bodies are effective. Consequently, the implementation of control procedures and sanctions has contributed significantly to the reorganization of the insurance sector within the CIMA space.

iii) The insurance regulators of the WAMZ countries

The regulators are at various stages of development across all the Member States in the zone, with the Ghanaian and Nigerian supervisors best staffed and equipped. Consequently, the degree to which the industry is supervised varies significantly across the WAMZ countries. The zone's regulators share little information amongst each other. There is no formal memorandum of understanding (MoU) whereby information could be shared even within the zone. The relatively high levels of capital requirements in Nigeria constitute a significant barrier to entering the Nigerian insurance market from other countries in the zone and from UEMOA zone as well.

In Ghana and Nigeria regulations of insurance services are under National Insurance Commissions. While in The Gambia and Guinea, the regulators and supervision are in a department within the national central banks, but in Liberia, the insurance regulator is situated within the ministry of transport. There are no formal arrangements in place between the insurance regulators of the various WAMZ countries, for such purposes as information sharing like in the UEMOA. The only

Figure 5. The linkages between insurance and financial sectors



Source: Adapted from: Vucetich A, *et al*. (2014). The Insurance Sector and Economic Stability. *The Reserve Bank of New Zealand Bulletin*. Vol. 77, No. 3. September 2014.

formal cross border agreement currently in place is the brown card scheme. Presently, companies operating in more than one WAMZ country have not yet established functions which are centralized across all countries, such as claims handling or underwriting.

iv) West African Insurance Companies Association (WAICA)

This is a sub-regional association of insurance companies from the five English Speaking WAICA (*i.e.* Sierra Leone, Nigeria, Ghana, Gambia and Liberia). It exerted great efforts to conclude an MoU with the ECOWAS Commission so as to have a uniform regulatory system in the entire ECOWAS region, but this has not been successful. This should be re-visited with a view to concluding the MoU as soon as possible. It will not be advisable for ECOWAS Member States to conclude either the EPA or AfCFTA without a regional position on services including insurance.

v) West African Insurance Supervisors Association (WAISA)

The association was established following the signing of a multilateral MoU on the establishment of the WAISA, by national insurance supervisors of Ghana, Liberia, Nigeria, Sierra Leone and the Gambia, in Abuja, Ghana, in 2015. This was to establish a mutually acceptable basis for cooperation and to achieve the following common strategic objectives of: a) enhancing exchange of information; b) developing standards and guidelines; c) encouraging implementation and application of guidelines; d) conducting peer review of companies with International Association of Insurance Supervisors standards; e) enhancing micro economic development/stability; f) creating better crisis management system; g) supporting effective supervision; h) facilitating the pooling of expertise; helping to understand supervisory practice of each other country; i) reducing regulatory burden; j) enhancing coordinated supervisory review; k) collaborating in cycle of licensing and supervision; l) enhancing effective oversight; m) enhancing macro-prudential analysis; n) monitoring systemic risk; and o) collaborating in insurance access facilitation.[29] The establishment of this association facilitates the exchange of information between the English-speaking WAISA and helps harmonize markets in this sub-region.[30]

E. Policy framework

In order to guarantee the security and safety of citizens that are moving, the need for an insurance cover was established through the ECOWAS common insurance-liability scheme for transit and transport operations in 1982. This system, known as the ECOWAS brown card, makes it possible to manage cross-border claims in connection with the third-party motor insurance of engine-propelled land vehicles.

Specifically, the ECOWAS brown card scheme was established by Protocol A/P1/5/82 signed by the Authority of Heads of States and Governments. The main objective of the Scheme is to guarantee to the victims of road accident a prompt and fair compensation of damages caused by non-resident motorist from ECOWAS Member states visiting their territory. It functions through a network of fourteen national bureaus disseminated in each of the fourteen countries. Each national bureau performs two main tasks:

1. Make the brown card available to resident motorists: The National Bureau performs as an issuing bureau. In Nigeria, National Insurance Corporation was acting as the handling bureau but currently any major insurance company that is a Member of the Nigerian Insurance Association can operate the brown card.

2. Carry out investigations and settlements of claims arising from accidents incurred by brown card holders. This can be described as a handling Bureau.

F. Regulatory framework

An insurance company or other insurance entity (including agents and brokers) conducting an insurance business in the territory of any ECOWAS Member State or if it is domiciled or licensed there, is subject to that country's insurance legislation and insurance regulations implemented by its State insurance department, which is mandated to ensure compliance with the relevant legislation. The regulatory authorities of insurance services in many ECOWAS Member States are the central banks.

With globalization interconnecting financial markets across the world, the insurance sector must be well structured to avoid from broader crises arising from the bankruptcy of a large insurer. This could have severe ramifications in a less well-regulated country. By acceding to the African Trade Insurance Agency Treaty, many ECOWAS Member States (Benin, Côte d'Ivoire, Ghana and Nigeria) are insured against credit risk and investment failures.

A well-functioning and efficient insurance services sector in any part of the world requires legislation, which provides for the role, functions and powers of an independent supervisory authority. Insurance legislative measures regulate the insurance industry and those engaged in the industry. Such laws are primarily enforced through regulations, rules and directives by State insurance departments, or Commissions as authorized and directed by statutory law enacted by a country's legislature.

However, court decisions and administrative adjudications also play an important role as well. The activities of participants in insurance industry are subject to a wide variety of insurance and other laws and regulations. Such laws and regulations are generally designed to ensure financial solvency of insurance companies, as well as fair and adequate service and treatment for policy holders.

G. Trade commitments affecting the sector

Seven out of the fifteen ECOWAS Member States have made varying levels of commitments on insurance and insurance-related services. These Member States are: Cabo Verde, Côte d'Ivoire, Gambia, Ghana, Liberia, Nigeria and Sierra Leone. As is the case in almost all the sectors, The Gambia has the most liberal GATS commitments. The country has the same commitment across the different segments of insurance services. It has no restrictions on market access and national treatment across the different modes except Mode 4, which is unbound though subject to the horizontal commitments.

Insurance in the UEMOA Member States are open to foreign presence. Only Benin, Côte d'Ivoire and Senegal, among UEMOA Member States, have undertaken commitments in respect of insurance under the GATS. These commitments reflect the provisions of the Insurance Code of the Member States of the CIMA, created in 1992 within the franc zone, which establishes the framework regulations for all direct non-marine insurance activities in fourteen African countries, including the Member States. By and large, the Member States have not undertaken to open up insurance services for risks located in their respective countries, either to international competition or even to competition from insurers situated in other Member States.[31] Among recent developments was the simultaneous transposition of the regulatory provisions of "Basel II" and "Basel III" in 2016. Moreover, since 2016, any reinsurance contract assigned abroad concerning over 50 per cent (75 per cent prior to 2016) of a risk required authorization. In addition, 15 per cent and 5 per cent of the amounts reinsured must be assigned in priority to *Compagnie Commune de Réassurance des États Membres de a Conférence Interafricaine des marchés d'Assurances* (CICA-Re) and African Reinsurance Corporation, respectively, two multilateral reinsurance companies.[32]

H. Strengths, weaknesses, opportunities and threats

Strengths

- With a population of 367 million people in 2017, there is a vast untapped potential for life insurance products.
- Millions of people in the region could be encouraged to subscribe to cross-border insurance instruments as well as take out overseas medical claim and travel insurance policies.
- ECOWAS provides international insurance companies with the middle market segment that is of interest to them.
- There is an increasing pool of skilled professionals in the region, particularly in Nigeria and Ghana.
- The ECOWAS Regional integration process allows for economies of scale in the region and streamlining of processes among Member States.

Weaknesses

- Regulatory standards implementation in the insurance sector varies across Member States. The low level of compliance by ECOWAS Member States may be attributed to weaknesses in corporate governance or internal controls; assets or investments; and organization of the supervisors.
- Supervisory agencies are incorporated into the ministries of finance (like in Nigeria and Ghana), where insufficient resources and unclear budgetary autonomy have proved to be problematic.
- Risk management with regard to asset portfolio is still not adequately supervised in many Member States. Other areas of concern relate to market conduct across borders due to lack of a regional agreement on exchange of information with other supervisors.

Opportunities

- ECOWAS' improving economic fundamentals will support faster growth in per capita income in the coming years, which will translate into stronger demand for insurance products.
- ECOWAS' middle income populace is rapidly growing.
- Rising household income and risk awareness will be the key catalysts to spurring more demand for these lines of business in the future. Health insurance could potentially have an important role in driving forward insurance market development.
- A range of new products are being introduced into the ECOWAS market to cater to the specific needs of certain groups. At the same time, traditional agents are being supplemented through other mediums, including the internet and bank branches.
- There is a rise in personal accident, health and other liability classes that call for insurance.
- WAICA, as a regional body supported by the ECOWAS Commission, should work towards establishing an enabling environment for integrating insurance activities of Member States.

- There is also great scope for deepening research and development to create new products across Member States.

Threats

- ECOWAS Member States are among the lowest-spending nations in the world with respect to the purchasing of insurance.
- Even after the liberalization of the insurance sector, public sector insurance companies have continued to dominate the insurance market in many of the Member States.
- A key challenge for ECOWAS' non-life insurance sector will be to reform the existing tariff structure.
- The share of foreign companies in the insurance market is low and newcomers could be attracted after reforms.
- Strong growth prospects pose pressure on the industry, and the economy at large, to better manage the exposure to natural perils.

Chapter IV

TELECOMMUNICATIONS SERVICES

A. Introduction

Critical to the growth and development of all aspects of a nation's economy is access to telecommunication services. *Basic telecommunications services* are public and private telecommunications services that involve end-to-end transmission of customer supplier information. These include voice telephone services, packet-switched data transmission services, circuit-switched data transmission services, telex services, telegraph services, facsimile services, and private leased circuit services.[33] A modern telecommunication infrastructure is not only important for domestic growth but also critical for connecting the domestic market of commodities and credit with international commodity and financial markets. Paragraph 3(a) of The Annex on Telecommunications defines telecommunications as "*the transmission and reception of signals by any electromagnetic means*". Services commonly known as "*basic*"[34] telecommunications are strictly designated by "*public telecommunication transport networks and services*" in the Annex and are defined there.

The role of telecommunication infrastructure in enhancing economic growth has been a subject for discourse in recent time in the economic literature. It is argued that the development of a modern nation to its full potential in contemporary world can never be attained without adequate telecommunications infrastructure.[35] Rapid technological progress, especially in mobile wireless technology, has made greater coordination and harmonization of telecommunications policy more attractive. Information communication technology has been adjudged as having the potential in reducing poverty through extensional services in health, education, agriculture, and social systems, especially in rural and disadvantage areas and groups; enhancing intra and inter country trade for economic expansion as well as improving efficiency, ensuring reduced transaction costs and attracting private investments and foreign direct investment. However, the advantage of ICT in developing countries has not found a much stronger relationship with growth unlike the advanced countries where substantial improvements in the telecommunications infrastructure had facilitated massive increases in the use of information technology in other industries, and has led to many cautious statements by researchers about the wisdom of emphasizing ICT development as a growth strategy.

Generally, telecommunication and it's ancillaries contribute to economic growth through: Increasing productivity across all sectors; facilitating market expansion beyond borders to harvest economies of scale; lowering costs of and facilitating access to services, notably in administration, education, health and banking; providing access to research; development of ICT products and services; contributing to better governance, a prerequisite to growth, through increased participation, accountability and transparency.

While telecommunications reform generally leads to rapid and socially beneficial growth in telecommunications services, many countries including ECOWAS have not captured the spill over benefits in other industries, and so have not experienced a large increase in long-term economic growth as it has occurred in other countries that have pursued a broader array of policy reforms.

B. Description and performance of the sector

To monitor and compare developments in ICT between countries and over time, we use the ICT Development Index (IDI). The Index is designed to be global and reflect changes taking place in countries at different levels of ICT development. Four countries (Burkina Faso, Côte d'Ivoire, Gambia, and Togo) out of 12 ECOWAS Member States available in the IDI ranking, have improved their position between 2016 and 2017 (Table 13). Togo and Côte d'Ivoire achieved the largest improvement with 3 places won in the ranking. It should be noted that the Cabo Verde, which is the highest ranked of ECOWAS, has achieved a drop in the ranking; in addition, it is still poorly ranked against the best African performer, Mauritius, which is ranked 72nd in the world.

The worst ranked country in 2017 in ECOWAS is Guinea-Bissau. The weakest components of IDI for ECOWAS lie particularly in the intensity of use and the skill in terms of ICT. The ECOWAS countries are very poorly ranked compared to the LDC average. Thus, ECOWAS efforts should be made in terms of fixed (wired)-broadband subscriptions per 100 inhabitants where all ECOWAS countries except Cabo Verde (3.03) have indices below the average for all LDCs (0.90).

Table 13. Information and communication technology development in the ECOWAS Member States

Year	Developing	Least Developing countries	Mauritius	Benin	Burkina Faso	Cabo Verde	Côte d'Ivoire	Gambia	Ghana	Guinea	Guinea-Bissau	Mali	Nigeria	Senegal	Togo
IDI 2017 Rank	-	-	72	161	162	93	131	144	116	166	173	155	143	142	156
IDI 2016 Rank	-	-	75	157	163	91	134	145	113	166	173	153	143	142	159
IDI 2017 Value	4.26	2.20	5.88	1.94	1.90	4.92	3.14	2.59	4.05	1.78	1.48	2.16	2.60	2.66	2.15
IDI 2016 Value	4.07	2.07	5.51	1.92	1.74	4.83	2.84	2.43	3.88	1.71	1.38	2.05	2.44	2.48	1.86
IDI ACCESS SUB-INDEX	4.80	2.82	7.04	2.63	2.82	5.76	3.92	3.77	4.36	2.51	2.43	3.16	3.16	3.57	2.71
Fixed-telephone subscriptions per 100 inhabitants	8.54	0.90	30.65	1.12	0.35	11.65	1.33	1.87	0.91	0.00	0.00	1.20	0.08	1.86	0.46
Mobile-cellular telephone subscriptions per 100 inhabitants	96.25	67.67	144.24	79.65	83.63	122.02	126.01	139.63	139.13	85.33	70.26	120.31	81.82	98.68	74.91
International internet bandwidth per Internet user (Bit/s)	53 000	6 000	63 490	1 655	2 810	23 356	6 825	13 296	9 850	589	4 706	598	11256	4976	4489
Percentage of households with computer	34.35	7.64	61.23	5.81	5.82	37.39	10.40	9.26	20.84	2.84	2.78	3.18	10.56	15.10	6.81
Percentage of households with Internet access	40.43	12.88	63.80	6.61	10.59	62.00	22.65	11.21	32.51	7.65	2.20	8.95	15.23	19.93	7.74
IDI USE SUB-INDEX	3.32	1.27	4.44	0.63	1.13	4.11	2.50	1.34	3.55	0.83	0.36	1.19	1.58	1.76	1.06
Percentage of individuals using the Internet	38.98	15.62	53.23	11.99	13.96	48.17	26.53	18.50	34.67	9.80	3.76	11.11	25.67	25.66	11.31
Fixed (wired)-broadband subscriptions per 100 inhabitants	8.71	0.90	16.90	0.81	0.05	3.03	0.63	0.18	0.31	0.01	0.04	0.03	0.01	0.64	0.61

Table 13. Information and communication technology development in the ECOWAS Member States *(cont.)*

Year	Developing	Least Developing countries	Mauritius	Benin	Burkina Faso	Cabo Verde	Côte d'Ivoire	Gambia	Ghana	Guinea	Guinea-Bissau	Mali	Nigeria	Senegal	Togo
Active mobile-broadband subscriptions per 100 inhabitants	43.58	19.10	51.75	5.58	19.87	70.01	47.53	21.26	71.34	15.01	6.89	24.40	21.80	26.08	19.55
IDI SKILLS SUB-INDEX	5.05	2.82	6.43	3.18	1.59	4.89	2.88	2.75	4.43	2.23	1.82	2.12	3.53	2.62	3.22
Mean years of schooling	**7.40**	**4.38**	**9.10**	**3.50**	**1.40**	**4.80**	**5.00**	**3.30**	**6.90**	**2.60**	**2.90**	**2.30**	**6.00**	**2.80**	**4.70**
Secondary gross enrolment ratio	**74.88**	**47.35**	**95.70**	**56.81**	**33.67**	**92.90**	**43.87**	**57.45**	**71.04**	**38.82**	**32.64**	**41.31**	**55.70**	**49.65**	**54.71**
Tertiary gross enrolment ratio	**28.25**	**8.62**	**36.67**	**15.36**	**4.78**	**21.71**	**9.16**	**3.10**	**15.94**	**10.85**	**2.50**	**6.87**	**10.07**	**10.39**	**10.63**

Source: ITU Development Index, 2017.
Note: The data aren't available for Sierra Leone, Liberia and Niger.

In respect of skill indicator, ECOWAS Member States are performing below the average of developing countries in all the three parameters: i) mean years of schooling; ii) secondary gross enrolment ratio; and iii) tertiary gross enrolment ratio. Higher education in all the ECOWAS member countries is particularly lacking as indicated by their much lower tertiary gross enrolment ratio than the average of developing countries. The ratios in Burkina Faso, Gambia and Guinea-Bissau were also significantly lower than the LDC average of tertiary enrolment ratio. At the same time, while secondary education enrolment ratio appears to be better than the tertiary education enrolment in the ECOWAS region in general, these countries still fall behind the average of developing countries, with the exception of Cabo Verde where the secondary enrolment ratio reached 92.90 per cent, much higher than the average of developing countries at 74.88 per cent. Burkina Faso, Côte d'Ivoire, Gambia, Guinea, Guinea-Bissau and Mali are the countries where secondary enrolment ratios are far below 50 per cent. There is clearly a need for the ECOWAS Member States to reinforce their efforts, including increasing investment in the education sector to build necessary skills available for the development of the information technology services sector.

Over the past years, ICT infrastructure in West Africa, particularly with the mobile telecommunications, has increased in spite of the low population density, low incomes and large rural populations challenges. Mobile phones in Côte d'Ivoire, Ghana and Nigeria surpassed the region's average subscribers of 11 million, 17 million and 21 million as at the end 2010, 2013 and 2017 respectively (Table 14).

The Nigerian market has proved to be the fastest growing mobile-cellular telephone market in West Africa with about 87 million subscribers in 2010 to over 144 million subscribers as at the end of 2017, representing over 65 per cent subscriber increment (Table 14). Ghana, as at year 2010, had about 17.4 million subscribers, which have increased to 36.7 million as at end of 2017, while Côte d'Ivoire experience show that cellular telephone subscribers increased from about 15.5 million subscribers to 31 million subscribers. The smallest country in terms of mobile cellular phone subscribers is Cabo Verde, with 371,871 subscribers by 2010 and increased to 499,458 subscribers at the end of 2017. The values of mobile cellular subscriptions increased massively overtime and virtually all other ECOWAS Member States have experienced the increase.

In 2017, Ghana recorded highest mobile teledensity of 99.55 per cent followed by Mali at 91.29 per cent, Burkina Faso at 86.42 per cent, the Gambia at 84.69 per cent, Côte d'Ivoire at 84.50 per cent and Niger closing the trend at 30.43 per cent.

While the mobile telecommunication teledensity has enjoyed a steady growth in the last decade for visually all ECOWAS Member States (with the exception of the Gambia), the fixed telephone teledensity has been on the decline for countries *i.e.* Burkina Faso, Cabo Verde, Côte d'Ivoire, Ghana, Guinea, and Nigeria; stagnated for some countries *i.e.* Benin, Guinea-Bissau and Togo, while it increased in others. Table 15 reveals that as at 2017, Cabo Verde has the highest fixed telephone teledensity 13.66 per cent followed from a distance by the Gambia at 3.56 per cent while Guinea-Bissau has no fixed telephone teledensity.

Although internet usage came late to West Africa, the statistics show that as at 2017, Cabo Verde, Côte d'Ivoire, Ghana, Senegal and Nigeria are leading in terms of percentage of individuals using the Internet posting 57.16 per cent, 43.84 per cent, 37.88 per cent, 29.64 per cent and 27.68 per cent in that order respectively. The lowest percentage of internet users is recorded for Guinea-Bissau (3.93 per cent). With the rapid development of wireless broad band, mobile communications are evolving from simple voice communication services and text messaging to a more sophisticated offering with a wide range of applications in locations where conventional services are not available. Smart wireless phones, for example, now allow users to also browse the Internet, download music, and access information services.

C. Linkages with other sectors

There are few reliable ICT statistics and other related information regarding Africa. It is even more difficult to obtain information in West Africa, particularly information organized to give an overview of the ICT sector link with other sectors. ICT have been linked to the growth of many sectors like education, energy, transportation, insurance and so on but data to support these beliefs are still limited in West Africa. For the purpose of this review, country specific ICT-Power linkage of Nigeria and Ghana for ECOWAS is examined (Figures 6 and 7), based on the data from the

Table 14. Information and communication technology infrastructure and access indicators

	Mobile-cellular telephone subscriptions (in millions dollars)			Mobile-cellular telephone subscriptions (per 100 inhabitants)			Fixed telephone subscription (per 100 inhabitants)			Percentage of individuals using the internet		
	2010	2013	2017	2010	2013	2017	2010	2013	2017	2010	2013	2017
Benin	7.07	9.63	8.77	76.91	82.08	86.42	1.45	1.61	1.61	3.13	4.9	14.12
Burkina Faso	5.71	11.24	17.95	36.58	47.77	60.20	0.92	0.88	0.85	2.4	9.1	15.88
Cabo Verde	0.37	0.50	0.61	74.02	78.03	82.75	14.33	14.66	13.66	30	37.5	57.16
Côte d'Ivoire	15.60	19.39	31.75	76.46	83.01	84.50	1.39	1.32	1.29	2.7	12	43.84
Gambia	1.48	1.85	2.97	87.37	80.23	84.69	2.88	2.89	3.56	9.2	14	19.84
Ghana	17.44	28.03	36.75	71.14	84.25	99.55	1.13	1.13	1.11	7.8	15	37.88
Guinea	4.00	7.44	11.70	37.06	44.05	49.50	0.17	0.16	0.00	1	4.5	11.4
Guinea-Bissau	0.68	0.94	1.43	43.54	45.90	64.05	0.00	0.00	0.00	2.45	3.1	3.93
Liberia	1.57	2.55	2.66	39.80	49.65	56.91	0.15	0.23	0.33	2.3	3.2	7.98
Mali	7.44	19.75	22.03	49.36	69.63	91.29	0.76	0.67	0.70	2	3.5	12.72
Niger	3.67	7.01	8.78	22.33	27.79	30.43	0.51	0.50	0.57	0.83	1.15	10.22
Nigeria	87.30	127.25	144.92	55.05	58.43	67.41	0.66	0.44	0.25	11.5	19.1	27.68
Senegal	8.34	13.13	15.76	64.60	70.32	83.71	2.65	2.60	2.48	8	13.1	29.64
Sierra Leone	2.00	4.00	6.63	30.97	32.32	32.66	0.22	0.24	0.27	0.58	4	13.24
Togo	2.60	4.26	6.07	40.02	40.35	48.29	0.92	0.90	0.90	3	4.5	12.36
Total	**165.27**	**256.96**	**318.78**	**805**	**894**	**1 022**	**28**	**28**	**28**	**87**	**149**	**318**
Average	**11.02**	**17.13**	**21.25**	**54**	**60**	**68**	**2**	**2**	**2**	**6**	**10**	**21**

Source: ITU Statistics. Avalable at: http://www.itu.int/ict/statistics.

Green Power for Mobile, a joint International Finance Corporation and *Groupe Spécial Mobile Association* (GSMA) for Development programme.[36]

Power and telecoms in Nigeria and Ghana

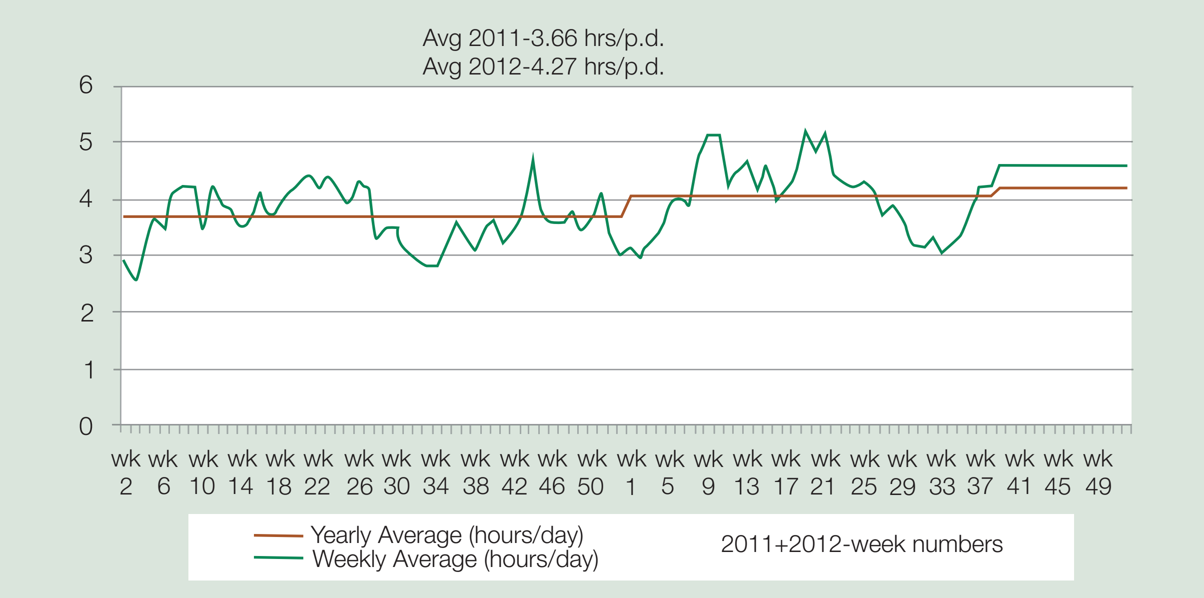
The growth and expansion of mobile telecom networks depends on key support infrastructure including power and transportation. Power supply infrastructure plays a major role in running the mobile network with a benchmark network uptime of 99.98 per cent in order to maintain the reliability and quality of services.[37] An unreliable and poor power supply to the telecom tower sites hampers the efficient running of mobile telecom network's operations. The key power sectors indicators and their impact on telecom operations in Nigeria and Ghana are presented in the following sections.

The reach and expansion of power infrastructure has impacted the growth of the telecom sector in Ghana and Nigeria. Ghana's telecom infrastructure sector has experienced a decrease in the reliability of grid power supply owing to an unbalanced growing grid infrastructure and stagnating power generation capacities. Figure 6 shows the trend in the usage of diesel generator power between 2011 and 2012 for the grid-connected telecom tower sites (Figure 6).

Figure 6 shows that the usage of diesel generator has increased from an average of 3.66 hours/day in 2011 to 4.27 hours/day in 2012. This increased dependence on diesel generators can be attributed to reduced availability of grid power supply and to the deterioration in the quality of grid power supply.

On the other hand, Nigeria's telecom infrastructure sector has long been challenged by poor grid power

Figure 6. The usage of diesel generator power in Ghana

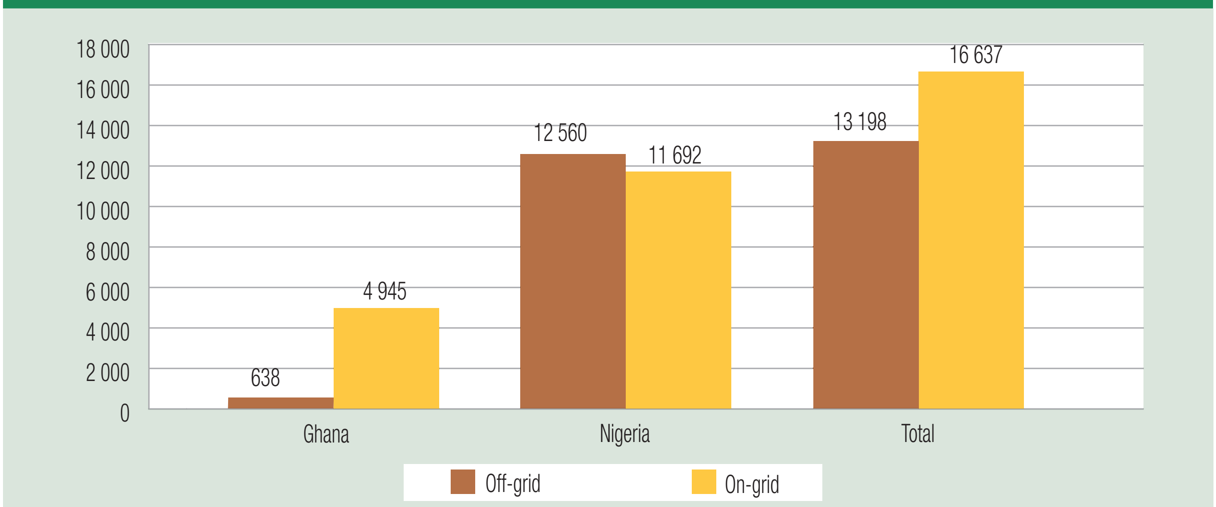


Source: GSMA (2013). Powering Telecoms: West Africa Market Analysis. Available at: http://www.millennia2015.org/files/files/Zero_mothers_die/gpm_market_analysis_west_africa_.pdf.

infrastructure. Despite a reasonable electrification rate, the grid power availability is a concern due to acute shortages in supply. The supply shortages in Nigeria can be attributed to dwindling investments in power generation despite huge resource potential.

The expansion in power infrastructure and supply has fallen short of the tremendous expansion of telecoms infrastructure across Ghana and Nigeria. This has led to mobile network growth in regions without access to grid power supply. The breakup of telecom tower sites in terms of their grid power connection status is presented in Figure 7.

Figure 7. Sites by on/off grid (in numbers)



Source: GSMA (2013). Powering Telecoms: West Africa Market Analysis. Available at http://www.millennia2015.org/files/files/Zero_mothers_die/gpm_market_analysis_west_africa_.pdf.

Nigeria has a total of 12,560 sites deployed in off-grid locations constituting about 52 per cent of the total (Figure 8). Ghana, with a network of 5,583 tower sites, has 638 sites (~11% of the network) deployed in locations without access to grid power supply.

The grid power supply scenarios in Ghana and Nigeria are completely different in terms of grid power reliability and average power availability. For instance, Ghana has a more reliable grid power supply than Nigeria has. The availability of grid power supply to on-grid sites also varies greatly across those two countries. The number of on-grid sites, along with the average daily power outage scenario, is presented in Figure 8.

Power outages are commonly up to 6 hours a day, minimum. Therefore, Ghana, with 83 per cent of the grid-connected sites experiencing up to 6-hour power outages per day are better off than in Nigeria, where 81 per cent of sites experience power outages that last more than 6 hours. The unreliable grid power supply in Nigeria has forced the telecom operators and tower companies to heavily rely on diesel power as a backup power source to run the network.

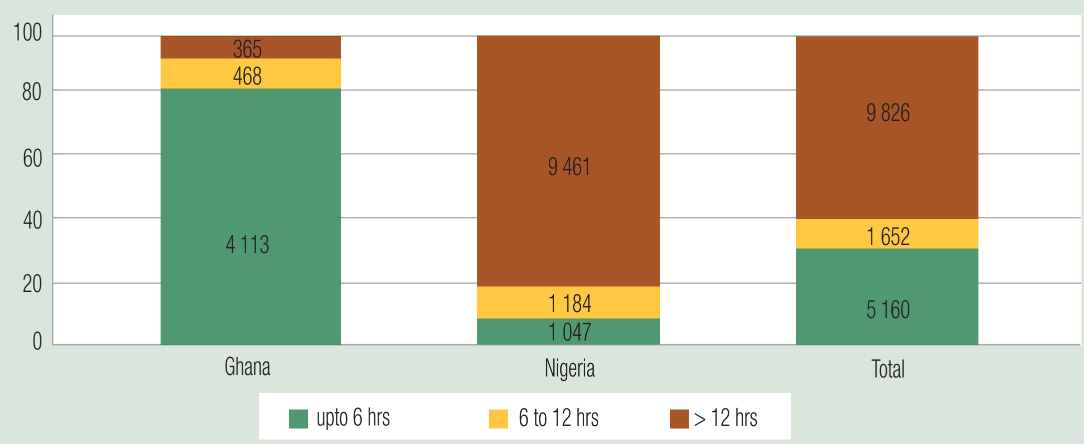
Many people consider communications and ICT services as a development engine and an unavoidable tool for economic growth. According to a 2009 World Bank report, "*digital platforms are more and more multipurpose and use large band technology with the effect of changing economic development*".[38] A study[39] indicated that during the period 2004 to 2011, every increase of 10 per cent of mobile phone penetration rate in Senegal was equivalent to economic growth rate increase of about 0.44 per cent in the country. Like many services, ICT are inputs into the production of other services and goods. As a result, their cost and quality impacts on the growth performance of the economy.

Figures 9 and 10 plot the 2011 World Bank Export Value Added data for Ghana on forward linkages – the value added generated by a sector, such as, other business services and ICT or communication services, as an intermediate input into the value-added and the exports of all industries. These illustrate that different services, particularly business services and ICT and communication services play an important input role in Ghana. This confirms the findings that services dependency is not unique to Organization for Economic Co-operation and Development (OECD) countries.[40]

D. Institutional framework and main actors

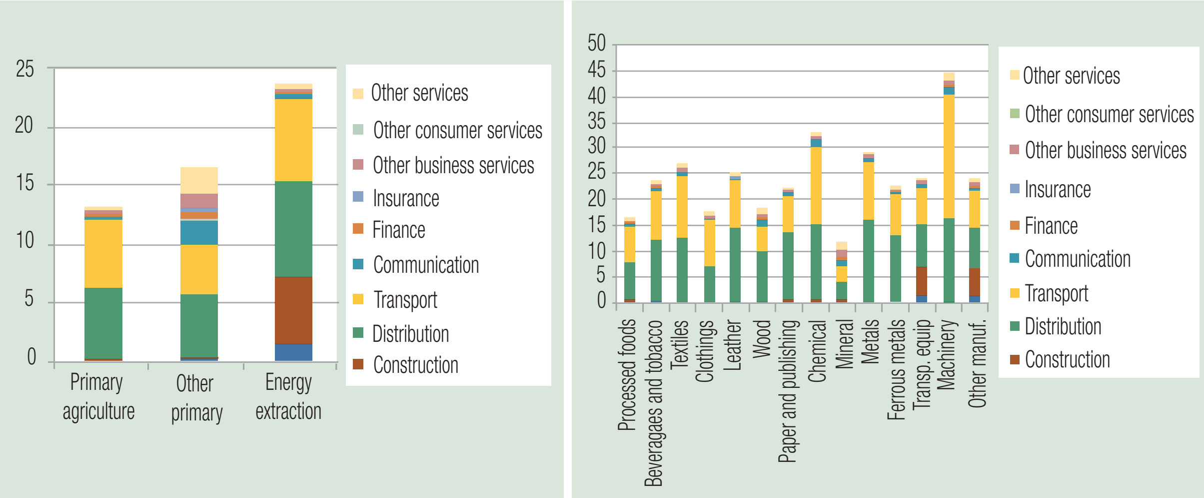
Several ECOWAS Member States currently operate multiple (at least two) cellular telephone operators, regardless of *per capita* GDP and access to main lines (Table 15). With multiple operators, some degree of competition is certain, not only among

Figure 8. Sites by grid power outage (on-grid)



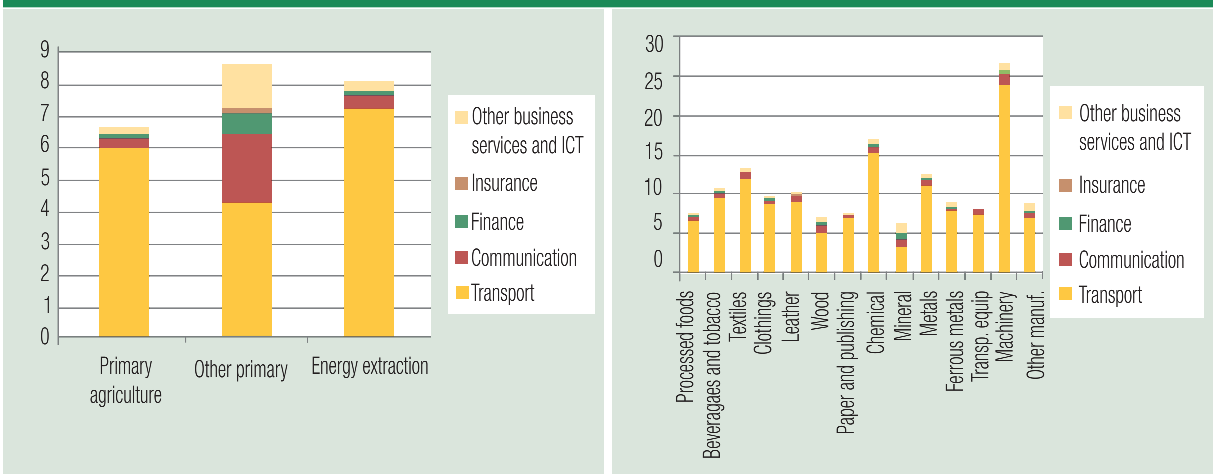
Source: GSMA (2013). Powering Telecoms: West Africa Market Analysis. Available at http://www.millennia2015.org/files/files/Zero_mothers_die/gpm_market_analysis_west_africa_.pdf.

Figure 9. Service value added in domestic production in Ghana, 2011



Source: World Bank Export Value Added data for 2011.

Figure 10. Service value added in exports in Ghana, 2011



Source: World Bank Export Value Added data for 2011

cellular providers but also between incumbent firms and cellular providers. In what follows, we present some of the major private and public institutions as well as the regional and international organizations that have become the main actors and at the same time constitute the institutional framework for telecommunication sector.

Private Services Providers of the Global System for Mobile Communications (GSM)

These include the MTN Group Limited, based in South Africa, and a leading mobile telecommunications company providing different communication services including mobile telephony, cellular network access, internet access, fixed wired/wireless satellite connections, digital TV service, microwave-and-fibre-optics transmission-network and other business solutions. Africell Ltd, Airtel Africa, Glo World, second largest Mobile Network Operator in Nigeria; and Orange, the largest operators of mobile and internet services in Europe and Africa and a global leader in corporate telecommunication services, present in 27 countries.

West Africa Telecommunications Regulators' Association (WATRA)

The WATRA was established in November 2004. Its current membership is fifteen countries with

Table 15. Number of Telecom operators in ECOWAS Member States

Member State	Number of Mobile Broadband operators	Number of Fixed Broadband operators
Benin	5	1
Burkina Faso	3	0
Cabo Verde	2	2
Côte d'Ivoire	3	2
Gambia	4	1
Ghana	0	0
Guinea	3	0
Guinea-Bissau	3	0
Liberia	3	1
Mali	3	0
Niger	4	0
Nigeria	5	0
Senegal	5	0
Sierra Leone	0	0
Togo	2	1

Source: ECOWAS Commission.

headquarters in Abuja, Nigeria. WATRA consists of independent National Regulatory Authorities and departments for regulation of Telecommunications services established by governments of Member States in the ECOWAS sub-region and Mauritania.

The WATRA focuses on the need for West Africa to evolve a harmonised regulatory identity to boost investment and investor-confidence and to more effectively regulate and monitor telecommunications service. WATRA also facilitates information exchange, offers non-binding advice on procedural issues (such as dispute resolution), and makes substantive recommendations on policy matters (such as standardization, interconnection, and methods for estimating costs and setting prices). WATRA equally aims at benefiting more countries from the limited resources available in the region for the development of regulatory frameworks for the promotion of ICT development.

WATRA comprises of three institutions namely: i) The Conference of Regulators, ii) The Executive Committee and iii) The Secretariat. The Secretariat is the Administrative organ of WATRA.

Internet Governance Forum (IGF)

The IGF is a forum for multi-stakeholder dialogue on public policy issues related to key elements of Internet governance. The IGF was mandated by paragraphs 72 and 80 of the Tunis Agenda on the Information Society adopted during the second phase of the World Summit on the Information Society. Its main aim is to facilitate inclusive, productive discussions on Internet related public policy issues from a general perspective, while keeping all stakeholders involved.

The African Internet Governance Forum (AfIGF)

This is an offshoot of IGF. The AfIGF aims to be a platform for an inclusive multilateral, multi-stakeholder and multilingual discussion on issues pertinent to the Internet in Africa in general and Internet Governance issues, in particular. It aimed at increasing awareness and build capacity on Internet Governance for African users to ensure that all stakeholders are well prepared for contribution and interaction and to ensure that the concerns of Africa are taken into account in the IGF process.

The forum has five sub-regional initiatives of which West Africa is one. Specifically, the five regional initiatives are West Africa Internet Governance Forum (WAIGF), East Africa Internet Governance Forum (EAIGF)/*Forum de Gouvernance de l'Internet en Afrique Centrale* (FGI-CA), North Africa Internet Governance Forum (NAIGF), and Southern Africa Internet Governance Forum (SAIGF). The AfIGF Secretariat is hosted by the African Union Commission (AUC) and supported by the United Nations Economic Commission for Africa (UNECA), in accordance with the Joint AUC and UNECA Communiqué on the Secretariat of the African IGF, dated 3 September 2014.

E. Policy framework

The ICT environment is changing rapidly and keeping the policy and regulatory frameworks in line with the constant evolution of technologies, applications and services is a challenge for governments and regulators around the world. The ECOWAS ICT policy framework is geared towards the promotion of the development of economic and technological infrastructure. The framework must promote rather than hinder the development of these key technologies. Such a framework is defined in a policy, which looks at the realities of the market and defines the vision and the enabling factors for the development of the sector. To this end, ECOWAS ICT policy framework is meant not only to bring about a harmonized but also a standardize ICT infrastructure across the region. In addition to this is the creation of a uniform operations procedure and frameworks for all ECOWAS institutions and the Commission.

The harmonized ICT regulatory decisions adopted by the 6th Meeting of the ECOWAS Ministers in charge of Telecommunications and ICT, held in Abuja Nigeria

Table 16. Institutional framework in the telecommunication sector in ECOWAS Member States

Member State/ Sectors	Existence of regulatory authority	Independence of regulatory authority	Right to appeal	Prior observations
Côte d'Ivoire				
Fixed-line	Yes	No	Yes	No
Mobile	Yes	No	Yes	No
Ghana				
Landphone	Yes	…	Yes	Yes
Mobile	Yes	Yes	Yes	Yes
Mali				
Fixed-line	Yes	No	Yes	No
Mobile	Yes	No	Yes	No
Nigeria				
Fixed-line	Yes	Yes	Yes	Yes
Mobile	Yes	Yes	Yes	Yes
Senegal				
Fixed-line	Yes	No	No	No
Mobile	Yes	No	No	No
Guinea				
Fixed-line	Yes	No	Yes	No
Mobile	Yes	No	Yes	No

Source: World Bank Services Trade Restrictions Database (for Côte d'Ivoire, Ghana, Mali, Nigeria, Senegal) and Doumbouya (2013).

Table 17. Telecommunication trade restrictiveness in some ECOWAS Member States in Mode 3, in comparisson with Mauritus

Label	Africa's IDI best performer	ECOWAS Member States				
	Mauritius	Côte d'Ivoire	Ghana	Mali	Nigeria	Senegal
Telecommunications	0	25	25	50	25	25
Fixed-line telecommunications	0	25	25	50	25	25
Mobile telecommunications	0	25	25	50	25	25

Source: World Bank's services trade restrictions database.

on 11 May 2006, were developed within the spirit of addressing this ICT challenge and providing for an ICT enabling environment for the region.

Information and communication technology policy

ECOWAS has adopted the following guidelines relating to a model ICT policy:

- ICT policy must give prime focus to the sector
- ICT policy should address the following objectives:
  - Increasing the benefits from information technology for the country.
  - Building and contributing to a competitive national and regional ICT sector respectively.
  - Providing affordable, ubiquitous and high-quality service.
  - Creating an enabling environment for sustainable ICT diffusion and development.
  - Providing wide-spread access to ICT, including broadband through relevant universal access policies and programs.
  - Encouraging innovations in technology development and use of technology.
  - Promoting information sharing, transparency and accountability and reducing bureaucracy within and between organizations, and towards the public at large.
  - Attaining a specified minimum level of information technology resources for educational institutions and government agencies.
  - Providing individuals and organizations with a minimum level of ICT knowledge, and the ability to keep it up to date.
  - Helping to understand information technology, its development and its cross-disciplinary impact.

F. Regulatory framework

The existence and independence of the regulatory authority, the right to appeal and the possibility of prior observations in telecom sector are important elements of the quality of the telecom regulatory institutions. The database of the World Bank on restrictions to trade services with respect to sampled ECOWAS Member States is shown in Table 16.

There is homogeneity in telecom regulatory institutions in the region regarding the existence of sectoral regulatory authority. But the heterogeneity of telecom regulatory institutions is persistent concerning other criteria of governance such as the independence of the regulator, the right to appeal and the possibility of prior observations for law changes (Table 17).

The structure of regulatory framework in ECOWAS is determined, in part, by the legal and constitutional system of each Member State. Although they have different legal traditions, regulatory models of Member States have been patterned in line with the internationally recognized best practices based on the WTO Reference Paper on Telecommunications, and the WATRA.

The Reference Paper, which consists of six principles that serve as a "checklist of success" of telecommunications reform in many countries, was conceived as a necessary instrument for the removal

Table 18. Overview of the telecommunication commitments of ECOWAS Member States at the WTO, 2017

Member State	a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p	Total
Cabo Verde	X	X	X			X	X	X	X	X	X		X		X	X	12
Côte d'Ivoire	X	X	X	X	X	X	X								X	X	9
Gambia	X	X	X	X		X	X	X	X	X	X	X					11
Ghana	X	X	X	X	X	X	X								X	X	9
Liberia	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	16
Nigeria																	
Senegal	X	X	X	X		X	X	X					X		X	X	10
Total	**6**	**6**	**6**	**5**	**3**	**6**	**6**	**4**	**3**	**3**	**3**	**2**	**3**	**1**	**5**	**5**	

Source: WTO.
Legend:
a Telephone services
b Data transmission services with packet switching
c Data transmission services with circuit switching
d Telex services
e. Telegraph services
f Telefax services
g Private hired circuit services
h E-mail services
i Telephone audio message services
j Direct services for permanent information research and data base server
k Electronic data exchange services
l Added value/improved telefax services, including recording and broadcasting, recording and research
m Codes and protocols conversion services
n Live information processing services and/or data (including transactions processing)
o Other services, land mobile services
p Other services, satellite mobile services

of regulatory barriers to market access, and its implementation is aimed at preventing anticompetitive practices by major suppliers.31 Members may adopt the Reference Paper in whole or in part, and by doing so, they commit to maintain appropriate regulatory measures to ensure a competitive marketplace, as well as transparent and fair regulatory procedures.

The West African Telecommunications Regulation Association (now Assembly) was formed in 2002 to serve as a vehicle for harmonizing policies and integrating telecom development in the region with the primary purpose of ensuring cooperation among West African States in the field of telecommunications regulation. Specifically, WATRA is charged with the following roles:

- To encourage the establishment of modern legal and regulatory structures for telecommunications service; and to encourage the separation of policy, regulation, and operations, and the establishment of distinct, independent and adequately empowered national telecommunications regulatory agencies.
- To seek the development and harmonization of regulations.
- To promote the establishment and operation of efficient, adequate, and cost-effective telecommunications networks and services.
- To encourage increased liberalization and competition initiatives in networks development and to enhance efficiency in telecommunications service delivery.
- To contribute to the development of policies to enhance universal access and telecommunication penetration in rural and underserved areas in the sub-region.
- To facilitate the exchange of ideas, views and experiences among Members on all aspects of regulation of the telecommunications sector.

G. Trade commitments affecting the sector

Telecommunications operate more efficiently if their networks are organized according to the patterns of transactions, and trade liberalization has made these patterns increasingly international.[41] In West African countries, like most of developing countries in Africa, privatization and liberalization initiatives were undertaken in the context of structural adjustment programs by the IMF and World Bank. Some of these developments even led to a coordination of efforts at the sub-regional level, like in the case of ECOWAS. ECOWAS Member States have moved away from state monopolies to a more liberal market environment in the telecommunications sector for both fixed and mobile telephony.

Liberalization commitments have been made in different service sectors with some being more or less ambitious. In the telecommunication sector, of the 15 ECOWAS Member States, only seven have made GATS commitments and the two recently acceded Members (Cabo Verde and Liberia) took deeper commitments. The overview of ECOWAS Member States took telecommunication commitments are provided in Table 18.

Commitments in telecommunications services were first made during the Uruguay Round (1986–94), mostly in value-added services. In post-Uruguay Round negotiations (1994–97), WTO Members negotiated on basic telecommunications services. Since then, commitments have been made by new Members, upon accession to the WTO, or unilaterally at any time. Most African governments including ECOWAS undertook to liberalize the sector well after the WTO talks ended in early 1997. This explains why WTO commitments on telecommunications services do not reflect the liberalization efforts African countries have made to date. Nigeria was the only ECOWAS Member State that made commitments during the Uruguay Round (1986–94) to open its market for mobile telephony and in value added services. Only three ECOWAS Member States (Côte d'Ivoire, Ghana and Senegal) out of seven African countries made commitments in post-Uruguay Round negotiations (1994–97).

Like other developing countries, they mostly made the so-called "phased-in" commitments to liberalize their telecommunication sector on a given date, in line with their reform plan. Côte d'Ivoire, Ghana and Senegal equally added the Reference Paper to their commitments, that is, a multilateral obligation to introduce a procompetitive regulatory regime. Further, at the launch of Doha Round in 2001 which includes negotiation of telecommunications services and audio-visual services, African countries made no offers in the telecommunications sector, despite the liberalization efforts in many countries. This may not change to any major extent, since the LDC modalities[42] are applicable to most African countries. Least developed countries are given maximum flexibility in making commitments if they so choose.

With the exception of the Gambia, ECOWAS Member States have undertaken commitments in relation to the WTO Reference Paper on Telecommunications, which is a set of regulatory principles that is legally binding for those WTO governments which have committed to it by appending the document, in whole or in part, to their schedules of commitments. Senegal did a small deviation to adopt the Reference Paper document fully as the country indicated that its commitments on interconnection are conditional on the approval of the authorities. The other countries adopted the document fully.

H. Strengths, weaknesses, opportunities and threats

Strengths

- Institutional reforms in telecommunications administrations from the traditional monopolistic structure to independent commercial entities.
- Market liberalization in telecommunications and the existence of multinational services providers.
- Growth in population contributing to increased demand for goods and services combined with an abundant supply of cheap (albeit unskilled) labour.
- Increased financing options, such as equity participation.
- Increased investments from new entrants and from the incumbent leading to upgraded infrastructure.
- Increased data services arising from smartphone adoption.

Weaknesses

- Slow growth in fixed line teledensity.

- Limited access to technology and telecommunications infrastructure.
- Inadequate access to affordable telephones, broadcasting services, computers and the Internet.
- Weak and disparate policy and regulatory frameworks and the limited human resource capacity.
- Rapidly changing technologies and deregulation are changing traditional market segmentation.
- A decline in the number of GSMA subscribers.

Opportunities

- Mobile phone subscriptions are expected to grow.
- Penetration of internet in households and business is increasing.
- Increased competition will expand and diversify service providers' offer.

Threats

- Inability to deploy, harness and exploit the ICT developmental.
- Differing roll-out rates in different areas and Member States.
- Poor grid power supply.
- Lack of financial support to the ICT sector.
- Political instability.

Chapter V

ROAD TRANSPORT SERVICES

A. Introduction

Good transportation infrastructure is indispensable to economic growth and development. Road transport services provide access to consumer markets and connects raw materials to beneficiation markets. Furthermore, it has a direct impact on a country's capacity to handle imports and exports, the development of distribution routes, frequency of shipments, and the cost of freight handling, storage, distribution and related services. This sums up why it is vital to the development of any country, especially for developing countries, where many businesses rely upon it, particularly those in the agricultural and manufacturing sectors. One of the major factors that impact the competitiveness of businesses in the global market is the efficiency level of transport services. Road transportation, as one of the modes of transportation, usually involves the use of motor vehicles such as cars, lorries, buses, trucks, tricycle or even bicycle and sometimes animals can be used as the means of road transportation.

At the WTO, road transport includes subsectors such as a) passenger transportation; b) freight transportation; c) rental of commercial vehicles with operator; d) maintenance and repair of road equipment; and e) supporting services for road transport services.

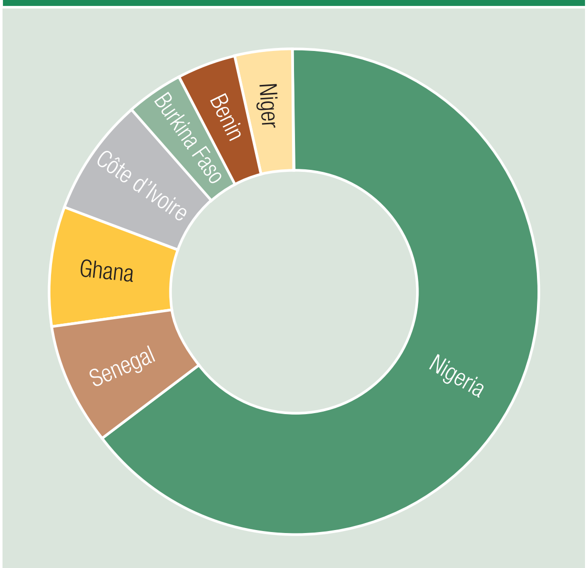
About 80 per cent to 90 per cent of passenger and freight traffic in Africa were undertaken by the road mode of transportation.[43] It is on the backdrop of this importance that ECOWAS has a strategic regional plan that covers infrastructural development; including transport infrastructure. The idea is to enhance competitive business environment and enhance veritable investment capabilities (see Goal 2 of the ECOWAS Strategic Plan). Particularly, there are two corridors that are central to efficient intra-regional trade within the West African sub-region.[44] One of these two corridors is Coastal (the Trans Coastal Dakar–Lagos Corridor) while the other is Sahelian (the Trans-Sahelian Dakar–Niamey–N'Djamena Multimodal Corridor). An addition of five other arteries, along the sea corridors, are provided for the three landlocked countries of Burkina Faso, Niger and Mali, within the ECOWAS sub-region. These landlocked countries relied heavily on road network of Member States to access the regional markets. The efforts towards road transportation are long-run programme. There are other complementary short-run programmes around the conventions, road legislations, controls and usual project evaluations and insurance of the two highways.

B. Performance of the sector

Transportation by road is the most utilized mode of transport within the ECOWAS region. Of all the West African countries, Nigeria has the most road network maintenance needs among the selected ECOWAS Member States (Figure 11). This could be explained by the population growth in Nigeria, the most populated nation in Africa.

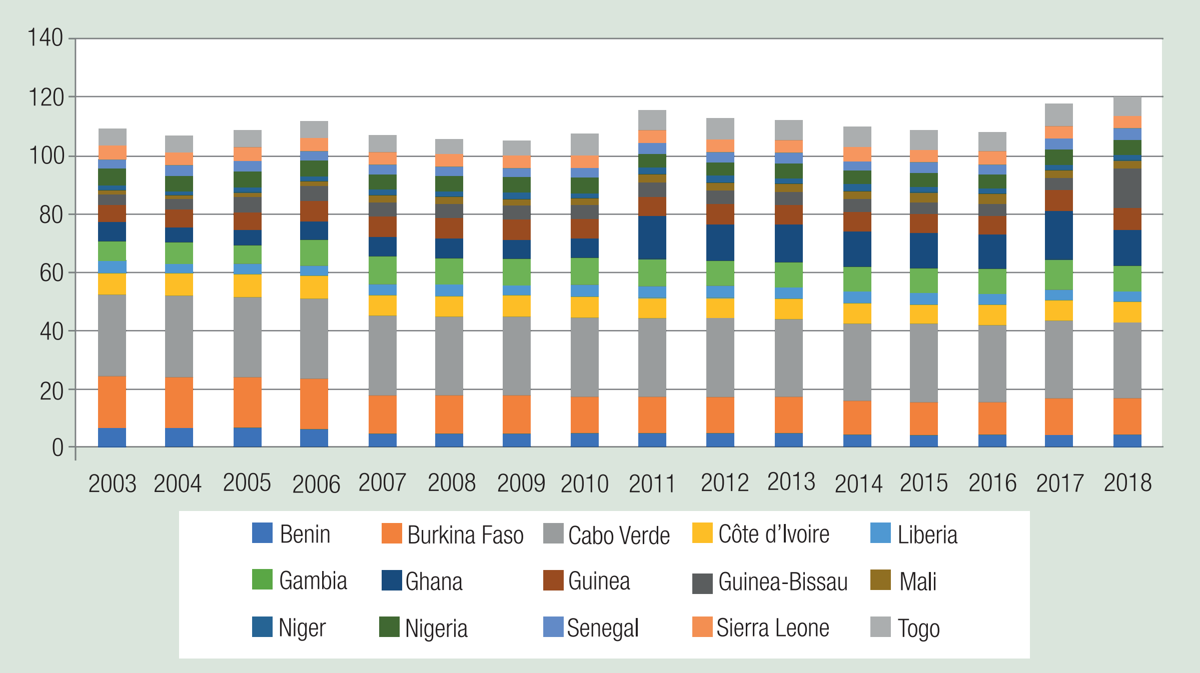
Burkina Faso and Cabo Verde have the most developed transportation sector for the period 2003–2018 (Figure 12). However, this transportation development for Cabo Verde, though still the highest for the whole sub-region, reduced marginally and consistently from 28.27 to 26.56 points, from 2003 to 2018. Also, there is a reduction in transportation development for Burkina Faso from 17.36 points in 2003 to 11.82 points in 2018. This reduction showed a more substantial decline in the level of transportation development for Burkina Faso as compared to Cabo Verde. Mali and Niger have the least developed transportation sectors while Ghana, which is closely followed by the Gambia, has the most improved transportation sector. All other countries exhibit a similar trend of decline in their respective transportation sector. Côte

Figure 11. Road network preservation needs in selected ECOWAS Member States



Source: Author with data from African Development Bank Group.

Figure 12. Trend of ECOWAS Member States transportation development, 2003–2018



Source: Author with data from African Development Bank Group. Available at: http://dataportal.opendataforafrica.org/AIDI.

d'Ivoire, Guinea-Bissau and Gambia have relatively consistent development in their transportation sectors as the development indexes for these three countries averaged 7.0, 5.0 and 4.0 points respectively.

Also, Nigeria, Senegal and Sierra Leone have consistent transportation development for the period under review. Altogether, 120 points of the transportation development index was obtained for all the West African countries in 2018, 118 points in 2017 and 116 points in 2011. The year 2009 has the least aggregate index with 114 points.

The parameters in Table 19 are more instructive for the selected ECOWAS Member States. These parameters are length of road, paved road network in poor condition, unpaved road network in poor condition, daily traffic (in terms of vehicles) for paved and unpaved roads. Also, vehicle utilization for paved and unpaved roads. Nigeria has the longest road network in the whole of the West Africa sub-region with 158,608 km. Ghana came a distant second with 42,623 km length of road network while Côte d'Ivoire came third with 26,074 km length of road. Benin has the least length of road network among the selected ECOWAS Member States with just 7,368 km length of road network. However, vehicle utilization rate is high on paved roads within the West African sub-region with Burkina Faso being the least to the tune of 75 per cent vehicle utilization rate.

The excessive number of checkpoints along inter-state roads in West Africa has been, and still is, an important barrier to the free movement of goods and people. UEMOA, with the support of United States Agency for International Development (USAID)'s West Africa Trade Hub, established an *Observatoire des pratiques anormales* ("observatory of bad practices") in 2006 to document this widespread practice, hoping that monitoring and advocacy would solve the problem. Nevertheless, the problem has not been solved and in early 2008, the number of checkpoints in Burkina Faso, for example, had mushroomed to 40 (Table 20).

The existence of roadblocks and numerous checkpoints on African corridors has created a serious challenge to transport facilitation and trade in the region. It leads to excessive traffic delays thus resulting in substantial increases in transport costs.

C. Linkages with other sectors

Road transportation has both forward and backward linkages to the economy. As an engine of growth and

Table 19. Current parameters on road infrastructure in selected ECOWAS Member States, 2008

Parameters	Benin	Burkina Faso	Côte d’Ivoire	Ghana	Niger	Nigeria	Senegal
Length of road (in km)	7 368	22 310	26 074	42 623	16 945	158 607	18 063
Paved road network in poor condition (in percentage)	50	4	20	5.01	11	33	19
Unpaved road network in poor condition (in percentage)	27	10	28	19	42	37	48
Daily traffic paved road (vehicles)	2 036	722	843	1 314	387	1 772	945
Daily traffic unpaved road (vehicles)	10	28	14	28	28	20	34
Vehicle utilization (paved road) (in percentages)	91	75	84	86	79	94	91
Vehicle utilization (unpaved road) (in percentages)	9	25	16	14	21	6	9

Source: ADB (2017). Available at: http://infrastructureafrica.opendataforafrica.org/wdstmmf/national-infrastructure-database-2017.

Table 20. Checkpoints on selected west African highways

Corridors	Number of checkpoints per corridor		Ratio of checkpoints per 100 km	
	27/05/07 to 31/12 /07	1/01/08 to 15/06/08	27/05/07 to 31/12 /07	1/01/08 to 15/06/08
Tema–Ouagadougou	29	25	2.40	2.4
Ghana	23	21	2.50	2.41
Burkina Faso	6	40	3.30	2.39
Ouagadougou–Bamako	24	19	2.70	2.09
Burkina Faso	4	6	0.80	1.27
Mali	20	13	4.80	3.01
Lomé–Ouagadougou	17	23	1.7	2.22
Togo	11	18	1.50	2.35
Burkina Faso	6	5	2.20	1.84

Source: UEMOA (2008). Report of Observatory of Abnormal Practices.

economic development, the transportation sector is well linked to the real sector of the economy. In principle, the inherent benefits from access to roads network permeates every aspects of an economy and revolutionizes the industrial sector to bring about social change. Road network creates value for the general public and the link-ping to regional integration and development, as well as investment catalyst for regional territorial cohesion, reducing regional economic disparities.

Regional road transportation enhances efficient service delivery, timely arrival and distribution of materials and products at every stage of the production process. Moreover, it facilitates the finished goods to get to the final consumers; thereby, increasing the living standard. The transmission linkages of road transportation to other sectors prepare an economy for global competition through a wide-ranging chain of benefits. These are reduced product prices, elimination of internal trade barriers, speed and efficiency of materials and products transportation, making transport infrastructure central to the vision of economic development.

Specifically, the lack of efficient road transport services is a major constraint to agriculture and rural development, stunting growth of agrarian communities due to unreliable road transport system for internal transportation and of linking rural communities to market centres. Further, the availability of an effective and efficient road transport system facilitates industrial production by increasing accessibility and mobility through low transportation costs, connecting raw materials to beneficiation markets, and directly impacting capacity to handle imports and exports, distribution routes, frequency of shipments, freight handling, and storage. Poor road networks and the use of obsolete vehicles are major constraints to agriculture and manufacturing development.

D. Institutional framework and main actors

With the existence of abundant institutional arrangements and various ECOWAS decisions and protocols, it is necessary to have professional associations of road transporters before the implementation of these initiatives in the subsector. A body of political, administrative and operational structures has been set up to facilitate transport coordination. These include:

- The Higher Committee on Surface Transport (CSTT) by Decision C/Dec 7/12/88 of 6 December 1988, the CSTT was made a part of the ECOWAS executive secretariat. The CSTT is a decision-making body at ministerial level, responsible for road legislation and the regulation of surface transport.
- The West African Road Transporters Union (WARTU)/*Union des transporteurs routiers de l'Afrique de l'Ouest* (UTRAO) founded by the road hauliers' unions, this body plays an important role in promoting free movement of people and goods. The pressure it has been able to apply has led to the adoption of the Resolution C/RES/4/5/90 concerning the reduction of control posts in Member States.
- With institutional and material support from the Member States, the Professional body of road transporters can: initiate actions of common interest (training, fleet improvement, forming of associations, search for markets, etc.); follow the activities of their Members; and provide themselves with the means to defend their interest against the State and end users and thereby actively participate in the activities of the sector, the preparation and implementation of transport policies.
- Though road transporters across the Member States have been collaborating on a range of issues to further their common interests, they need to create organized cells at every level of government comprising technicians, who shall operate under the responsibility of transporters. The duty of these cells would be to provide administrative and technical support to their members in order to enable them to realise their objectives across the entire region. The cell system approach will equally provide a feedback mechanism to the governments of the various countries, as they implement ECOWAS' transport and transit facilitation programmes.
- Road transit transport is still entangled by the activities of so many uncoordinated interest groups across ECOWAS Member States. The ECOWAS Commission should try to forge links between any such existing organizations and to help to strengthen them. Efforts made to strike a balance of interests in the transportation sector likely to be a pivotal factor in facilitating effective implementation of the various road transport initiatives of Member States. The WARTU has indicated that it will review road transport agreements ECOWAS Member States with a view to facilitating the transportation of cargo along the ECOWAS corridor.[45]

Facilitation Institutions were also established for the implementation of the road facilitation programme. They include: a) national facilitation committees; b) cross border corridor management committees; and c) a regional inter-State road transport and transit facilitation committee.

E. Policy framework

Regional transport policy first emerged in the ECOWAS Treaty of 1975, where a declaration was made as follows:

> *"Member States undertake to evolve gradually common transport and communications policies through the improvement and expansion of their existing transport and communications links and the establishment*

> *of new ones as a means of furthering the physical cohesion of the Member States and the promotion of greater movements of persons, goods and services within the Community".*

The protocol on ECOWAS transport programme (A/DEC.20/5/80) was adopted on 28 May 1980, and regarding road, it stated that the region will harmonize road legislation, harmonize road controls, conduct a transport cost study and feasibility studies for the trans-coastal and trans-Sahel highways, as well as establish a motor insurance scheme. The aim of this protocol was to promote the development and integration of transport infrastructures, harmonize regulations, eliminate physical and non-physical barriers between ECOWAS Member States, and open up landlocked countries.

On the basis of *Article 3 (2) of the Revised Treaty of 1993*, the following needs were identified a) streamlining and harmonization of road transport and transit regulation and procedures (implementation of the revised regulation on axle load control, assessment and correction of the differences between regional and national regulation); b) facilitating the transit along regional corridors (joint border posts, implementation of the regional bond guarantee system, creation in ports of one-stop windows for customs and other formalities, sealing of trucks used for international transit); c) improving information systems (monitoring of corridor performance, electronic monitoring of truck movements, electronic data interchange); d) improving transit infrastructure (road rehabilitation and maintenance, port security); e) instituting the needed reform and capacity building; and f) mitigating the impact for corridor neighbouring population (road safety, environment, among others). Also, in the Revised Treaty, special case of the landlocked countries was addressed.

The ECOWAS transport programme was expanded by the decision C/DEC.8/12/88 adopted on 6 December 1998, with the addition of a second phase of road connections, particularly aiming at opening-up landlocked countries. Earlier, the resolution C/RES.6/5/90 was adopted on 27 May 1990, for the completion of the remaining sections of the Trans-African highway network. These protocols, among others reaffirmed the priority to be given to roads facilitation in the entire region.

To facilitate the regional transport and transit, the following programs emerged:

- **Inter-State Road Transport**: The Protocol A/P.2/5/82 on Inter-State Road Transport (also known as "Convention ISRT") to regulate the conditions of transport by road between Member States.
- **Brown Card Insurance Scheme**: The final main facilitation instrument is the Protocol A/P.1/5/82, establishing the ECOWAS brown card, a third-party motor vehicle insurance. The Protocol is supplemented by the Decision C/DEC.2/5/83 relating to the implementation of the Brown Card scheme .
- **Joint Border Posts**: The lead for the establishment of joint border posts has been taken by UEMOA, and later absorbed by the ECOWAS. The European Union support to the ECOWAS regional facilitation programme includes the creation of joint border posts.
- **Integrated Facilitation Programme**: The Heads of State and Government issued Decision A/DEC.13/01/03 dated 31 January 2003, relating to the establishment of a Regional road transport and transit facilitation programme in support of intra-community trade and cross-border movements. The main components of the Programme are a) harmonization and simplification of regulations and procedures; b) construction of "joint border posts"; c) improvement of information system by implementing the Advance Cargo Information System model with road tracker and port tracker modules and by creating observatories of abnormal practices along the inter-States roads; and d) implementation of actions related to road safety, HIV/AIDS, environment and gender awareness.

F. Regulatory framework

Documented evidence shows that 10 legal frameworks for transit transport cooperation exist across the ECOWAS region. They are the following:

- Supplementary Act/SA.1/07/13 relates to the establishment and implementation of the Joint Border Posts Concept within Member States of ECOWAS was approved and signed in June 2013.
- ECOWAS Supplementary Act/SP.1/02/12 relates to the Harmonization of Standards and Procedures

for the Control of Dimensions, Weight and Axle Load of Goods Vehicle within Member States of the ECOWAS.

- Decision C/DEC.13/01/03 establishes a Regional Road Transport and Transit Facilitation Programme in support of Inter-Community Trade and Cross-Border Movements (joint border posts, Observatories, ISRT Awareness).
- Convention A/P.1/7/92 of 29 July 1992 relating to mutual assistance in criminal matters.
- Resolution C/RES/.4/5/90 of 27 May 1990 on the resolution of the number of road check points in ECOWAS Member States.
- ECOWAS Convention No A/P2/5/82 of 29 May 1982 Regulation Inter-State Road Transportation between ECOWAS Member States.
- Convention A/P4/5/82 concerning inter-State transit of goods by road comprises economic or suspensive arrangements which allow goods to be transported by road, with all duties, taxes and restrictions suspended by the customs service of a given Member State, to the customs agency of another Member state, under cover of a single document, without any unloading.
- Protocol A/P1/5/82 established the ECOWAS brown card for the purposes of third-party civil liability motoring insurance. In addition to the ECOWAS brown card, the CIMA Code has now also come into effect in the French-speaking West and Central African countries. The CIMA Code's advantage over the brown card is that it provides simultaneous cover for vehicle, drivers and passengers.
- Convention A/P5/5/82 of 29 May 1982 for mutual administrative assistance on custom matters.
- ECOWAS Protocols A/P.1/5/79 of 29 May 1979 as amended relating to free movement of persons, residence and establishment.

G. Trade commitments affecting the sector

Basically, trade commitments revolve around five sub-sectors of road transport such as passenger transport, freight transport, rental of commercial vehicles with operator, maintenance and repair of transport equipment, and supporting services for road transport services. ECOWAS Member States have different levels of commitments on trade in transport services under the GATS. Six out of fifteen Member States have undertaken market access and national treatment commitments in this sector (Cabo Verde, Côte d'Ivoire, Gambia, Guinea, Liberia and Niger) while Sierra Leone has included the sector in its most favoured nation (MFN exemption list and the eight remaining have not made any commitments (Benin, Burkina Faso, Ghana, Guinea-Bissau, Mali, Nigeria, Senegal and Togo). Commitments were undertaken across all five subsectors, namely passenger transport, freight transport, rental of commercial vehicles with operator, maintenance and repair of transport equipment, and supporting services for road transport services.

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Looking at the applied regimes of road transport services within some ECOWAS Member States, there is a remarkable difference between the scheduled commitments on road transportation and what is obtainable on the ground. For instance, in all UEMOA Member States, cabotage (*i.e.*, carriage of cargo between two points within a country by a vessel or vehicle registered in another country) is reserved to local suppliers for passenger and freight transportation. Road transport of goods among UEMOA Member States continue to be governed by bi-lateral agreements between the states, which generally provides for the distribution of freight by truckers' councils. This system, which discourages competition by keeping underperforming carriers in operation, is being revised as part of the regional road transport and transit facilitation programme.[46]

Table 21. Trade commitments on road transportation in selected ECOWAS Member States

Member State	Mode 1	Model 2	Model 3	Mode 4
Cabo Verde	+ a, b, c, d, e	+ a, b, c, d, e	+ a, b, c, d, e	+/- a, b, c, d, e
Côte d'Ivoire	- a, b, d	+ a, b, d	+/- a, b, d	+ a, b, d
Gambia	+ a, b, c, d, e	+ a, b, c, d, e	+ a, b, c, d, e	+/- a, b, c, d, e
Guinea	+ a, b, d	- a, b, d	+ a, b, d	+/- a, b; -d
Liberia	+ a, b, c, d, e	+ a, b, c, d, e	+/- a, b, c, d, e	+/- a, b, c, d, e
Niger	- b	+/- b	+/- b	+/- b
Sierra Leone	+ a, b	+ a, b	+ a, b	+ a, b

Note: + denotes full commitment; +/- partial commitment; - no commitment.
Legend:
a Passenger transport
b Freight transport
c Rental of commercial vehicles with operator
d Maintenance and repair of transport equipment
e Supporting services for road transport services

Other non-Member states of UEMOA that have not scheduled any commitments under GATS apply various regimes to their road transportation sector. Ghana does not maintain restrictions on access to road transport services, including cabotage, and in particular does not maintain bilateral agreements with neighbouring countries that attempt to restrict traffic rights; foreign transport companies that establish themselves as legal entities in Ghana are subject to the same regulations as domestic companies.[47] In addition, there is provision for expatriate staff (Mode 4) but the applicable immigrant quota depends on the amount of paid-up capital invested. Nigeria allows entry for foreign investors (Mode 3) without limitations. However, the use of expatriate staff is subject to general regulations on expatriate quota at Ministry of Interior.

The full commitment suggests any form of barrier or restriction is not allowed for the movement of passenger along the sub-region; especially for Modes 1–3 for most of the countries. Most countries have partial (in the form of horizontal) commitment for Mode 4 (temporary movement of natural persons). This partial commitment is mainly temporary visa stay subject to the approval of the Presidency for a limited number of time duration; usually a period of 3 months or 90 days; whichever is earlier. Moreover, the commitment to temporary movement of natural persons is sometimes limited to individual's expatriate and at the strategic levels in specific areas of disciplines that are central to national developments of the country in concern. The most favoured expert discipline is the ICT. This is the case for Niger under freight transportation for Mode 4. It is only Côte d'Ivoire and Guinea that has no commitment on cross border trade and consumption abroad; termed Mode 1 and 2 respectively. Partial commitments under Mode 3 (commercial presence), indicates no limitations to market access but limited under national treatment with prior approval of the Ministry of Transport. Sierra Leone, Cabo Verde, Côte d'Ivoire, Gambia, Guinea and Liberia maintained the same commitment to freight transportation and rental of commercial vehicles with operator as did to passenger transportation. The same commitment for these Member States was observed under maintenance and repair of transport equipment except for Guinea which has no commitment for the temporary movement of natural persons (Mode 4).

H. Strengths, weaknesses, opportunities and threats

Road transport activities are a prime integrating force in the context of ECOWAS Economic Integration Agenda. Member States are expected to approach road transport policy and activities in a community-wide fashion at all levels. A welcome development in this regard is the creation of the West African Forum, which created the Observation Centre on Unfair Practices at Border Crossings.[48]

The proliferation of decisions and recommendations on the various programs affecting road transport and transit in West Africa has not significantly improve the road transport situation in the region, due to ineffective implementation. There remains the need for appropriate governance structure for road transport facilitation issues, as well as increased coordination between ECOWAS and UEMOA. The current situation regarding road transport in the ECOWAS region is as follows:

Strengths

- Road transport policies and strategies, both short and medium-term, are in place, at national and regional levels.
- Collaboration between Member States governments and development partners in support of sub-sectors, particularly on trade facilitation aspects of road transport.
- Development of new road networks connecting the region to the main production and consumption centres.
- Road networks are connecting to other regional transport corridors are being put in place.
- Legislation is in place in some countries to facilitate collaboration with private sector financing of public roads.
- Reasonable level of trained professional staff available in the road subsector of transport.

Opportunities

- Professional expertise and experience are available in the region for road infrastructure development.
- Multi-lateral partners support development of roads of regional importance, particularly to support trade facilitation through cross-border financing.
- Innovative maintenance practices are being developed across the region (*e.g.* multi-year maintenance contracts).
- Adequate labour and local road construction materials are available in abundance.
- Institutions of higher learning in the area of road engineering and transport economics are available in the region for training engineers and economists in specialised areas, particularly towards inter-modal allocation of traffic for landlocked economies of the region.
- Opportunities for on-the-job training of road construction staff are available in ongoing projects, across ECOWAS Member States.

Weaknesses

- Unpaved road networks in deteriorated condition due to inadequate maintenance and low investment leading to low levels of service and continuity.
- Overloaded trucks across ECOWAS Member States lead to a deterioration of the roads.
- Prioritization of road maintenance based on current classification does not adequately consider functions, construction materials and level of usage of each link.
- Differing standards, guidelines and specifications with respect to quality control and assurance of road infrastructure combined with insufficient funding for roads infrastructure maintenance and development.

Threats

- Inadequate professional staff to support the development of local expertise; low quality construction and maintenance by local contractors; and heavy axle loads causing rapid deterioration of road infrastructure.

Chapter VI

AIR TRANSPORT SERVICES

A. Introduction

Air transport services provide transportation to passengers and/or cargo using aircraft, such as airplanes and helicopters. Air transport services have experienced dynamic growth across the world during the past decade and have become vital to international trade. Air transport is traded not only in its own right but also as an intermediate service for other kinds of trade. In particular, international air passenger transport is considered a prerequisite for the development of the tourism industry accounting for nearly 80 per cent of international tourist arrivals in developing countries.[49] The contribution of tourism to economic growth and social development in the region is well recognized by policymakers.

The major sub-sectors that will enhance the operations in the air transport services sub-sector to perform its critical role as driver of economic and social development, connecting people to jobs, education, and health services; enabling the supply of goods and services around the world and allowing people to interact and generating the knowledge and solutions that foster long-term growth.

Air transport services are composed of services which prevent collisions and maintain traffic (*e.g.* flight information services; alerting services). Commercial air transport services are divided into passenger (CPC 731 includes scheduled and unscheduled flight services) and freight (CPC 732 includes mail, containerized freight and other freight). Other components are rental of aircraft with crew (CPC 734 includes rental and leasing services of aircraft); maintenance and repair (CPC 8868 is the overhaul, repair, inspection or modification of an aircraft or aircraft components) and supporting services for air transport (CPC 746 includes passenger air terminal services and ground services, aircraft cleaning and disinfecting, firefighting and hangar and towing services).

B. Performance of the sector

ECOWAS Member States are not numerically short of airports; but the problem is that many of the airports tend to be of extremely poor quality that can, at best, provide very rudimentary commercial air transportation services. Many do not have good concrete runways or recognizable terminal buildings and have no or very limited tower control or landing aids (Table 22). Larger airports, often the national hub for domestic services and international operations, vary in quality between countries.[50] Some are quite sophisticated with modern infrastructure that can handle significant flows of tourist traffic, but many more are equipped with outdated and poorly maintained equipment. National ownership of air transportation infrastructure is still the norm in most ECOWAS Member States meaning that in most of these airports, facilities are not run on a commercial basis but rather to meet wider social/public objectives.

Many airports serve only smaller aircrafts for domestic services. A significant number of Africa's airports do not meet the standards and recommended practices

Table 22. Number of airports and airfields with paved runways in ECOWAS Member States, 2013

Member State	Number of airports and airfields with paved runways
Gambia, Sierra Leone	1
Benin, Burkina Faso, Guinea-Bissau, Liberia, Togo	2
Guinea	4
Côte d'Ivoire, Ghana	7
Mali	8
Cabo Verde, Senegal	9
Niger	10
Nigeria	40
Sub-Saharan average	11.88

Source: NationMaster. Available at: http://www.nationmaster.com/country-info/stats/Transport/Airports/With-paved-runways/Total.

of the International Civil Aviation Organization (ICAO). Runaways, taxiways, parking spaces, passenger and freight terminals as well as cargo handling and electro-mechanical equipment are in such a poor condition that they require major rehabilitation and upgrading. Against this background, many of the 'international airports' in ECOWAS Member States do not merit to be called as such.[51] These issues in the air transport services sector are areas where ECOWAS need to focus if it is to improve the sector and enable it to compete effectively with other countries around the world.

ECOWAS has focused less on modernizing airports than on establishing safe and reliable air transport system to connect Member States, with equal access to airlines that meet air transport market conditions in West Africa.[52] The capacity building programme for institutions in charge of aviation safety in Member States within the framework of the Cooperative Development of Operational Safety and Continued Airworthiness Programmes has made significant progress, with the creation of a sub-regional aviation safety oversight organisation in 2010 among seven Member States. Majority of the passengers in the air services industry is concentrated in a few key cities such as Lagos, Abidjan, Accra, and Dakar. Of the 120 possible routes linking the 16 national capitals in the region, only 10 have a yearly traffic in excess of 20,000 passengers, or 25 passengers a day for every destination. Kotoka International is Ghana's largest and most important airport by a significant margin. In recent years, the airport achieved a substantial increase in passenger traffic from 1.4 million in 2010 to 1.8 million in 2011; 1.6 million international passengers and 0.2 million domestic passengers. Other commercial airports are located at Tamale, Kumasi and Sunyani. Eagle Atlantic Airlines is the first wholly Ghana-owned flag carrier after the demise of Ghana Airways and Ghana International Airlines. The air carrier focuses on providing low cost airline service to West African countries through its main hub at Kotoka International.[53].

Sedar Senghor International is Senegal's primary airport, serving over 1.7 million passengers in 2011, the vast majority of whom were international passengers. Senegal Airlines is the country's predominant carrier, operating a scheduled domestic network and regional flights to neighbouring countries. The airline was launched after Air Senegal International ceased operations in 2009. It made its first flight on 25 January 2011. Over 14.9 million passengers transited through Nigeria's airports in 2011, 11.3 million international passengers and 3.6 million domestic passengers. The airports in Lagos (6.7 million passengers), Abuja (4.2 million passengers), and Port Harcourt (1.3 million passengers) accounted for over 80 per cent of the country's air traffic flows. Murtala Muhammed International in Lagos is Nigeria's predominant international airport and is operated by the Federal Airports Authority of Nigeria. It serves as a hub for domestic carriers Aero and Arik Air. Nnamdi Azikiwe International in Abuja also serves as a hub for Arik Air, as well as IRS Airlines. Air Nigeria was also a notable domestic player until the company announced the closure of its worldwide operations in September 2012, due, in-part, to non-compliance with tax obligations.[54]

However, recent developments in the region have seen the emergence of new airports of international standards. A new terminal of the Gnassingbe Eyadema International Airport in Togo opened its doors to passengers in 2016. The ultramodern terminal handles about 2.5 million passengers per year while its annual freight handling capacity has been increased to 35,000 tons.[55]

A decade after construction began, Senegal opened a new airport in 2017, the centrepiece of an ambitious plan to try to catapult the nation to become a top economic player in ECOWAS Community. The new Blaise Diagne International Airport is part of Senegal's plan to position country towards its steadily growing economy.[56] The new airport, being more modern, may give an edge to Senegal over many other older airports in the ECOWAS region.

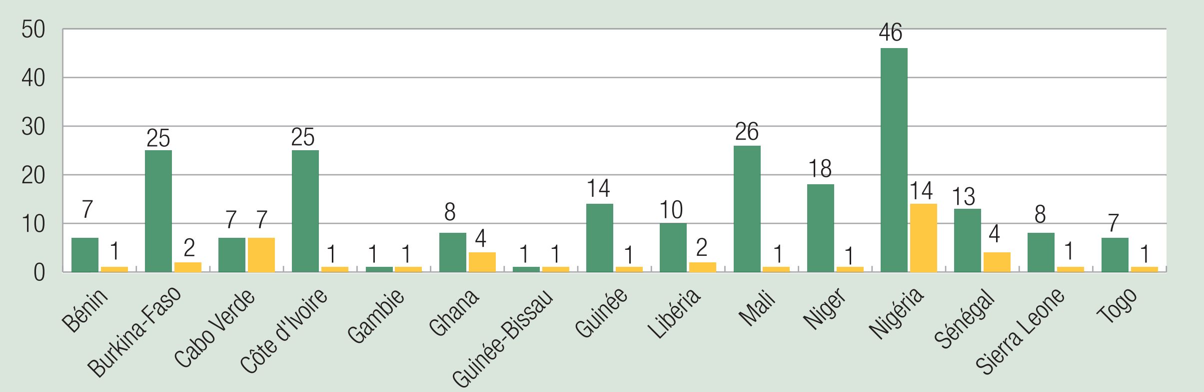
Ghana's Ministry of Transport and the Ghana Airport Company Limited together with the Ghanaian government are seeking funds from China to construct an international airport at Pampram in the Greater Accra region. The new airport will be constructed by China Airport Civil Construction, one of the biggest airport construction companies in the world, it has built over 150 airports across the globe. The airport will also include a terminal area of 45,000 sq. metres, cargo throughput of 30,000 tonnes, a cargo warehouse area of 7,000 sq. metres and a car park area of 42,000 sq. metres. Accra's Kotoka International Airport currently serves 1,726,051 passengers annually of which 543,379 are domestic and 154,723 transit passengers.[57] It is envisaged that the new airport will serve as an international airport while the Kotoka airport will be used as domestic airport in the future.[58]

In whole, Figure 13 shows the total number of airports and scheduled advertised service in these airports. It is evident that Nigeria, with a total of 46, has the highest number of airports in the whole of West African countries. This is followed by Mali, Côte d'Ivoire and Burkina Faso with 26, 25 and 25 total number of airports respectively. The Gambia and Guinea-Bissau (with 1 airport each) have the least total number of airports in ECOWAS Member States. Benin, Cabo Verde and Togo have 7 airports each while Ghana and Sierra Leone have 8 airports each. Liberia has 10 airports and Senegal has 13, while Guinea has 14 and Niger 18 airports.

In terms of utilization, however, Figure 14 shows that most of the airports in ECOWAS Member States are under-utilized. The implication is that most of the airports would be redundant and are bound to impose high costs of maintenance on the economies. Only three Member States, namely, Cabo Verde, Gambia and Guinea-Bissau have utilization of their airports to full capacity. However, while Cabo Verde fully utilized all the 7 airports, the full capacity utilization of airports in the other two countries could be because they each have just one airport in their country. Ghana has 50 per cent airport utilization, because 4 out of its 8 airports were fully utilized.

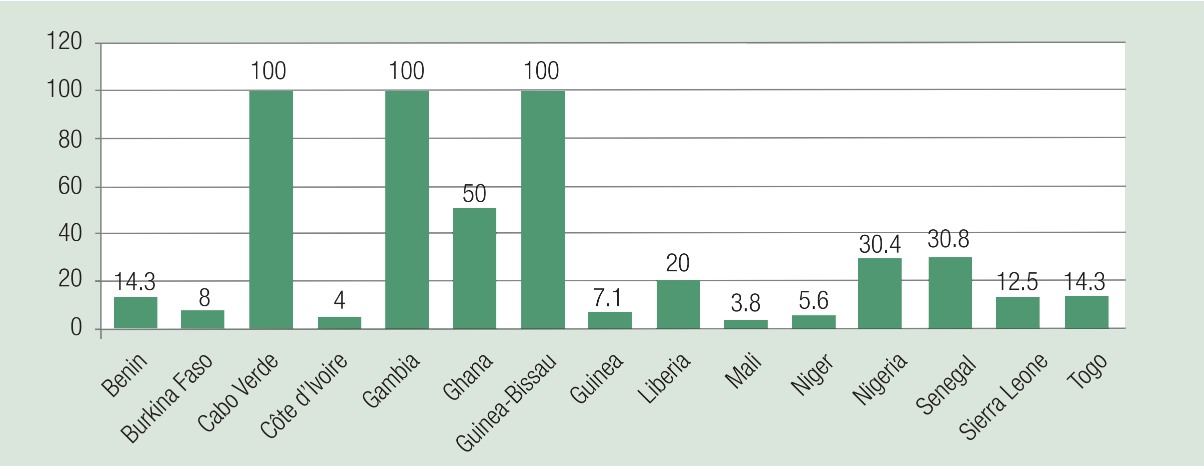
For these utilized airports, the total number of seats is fewer than 2,000,000 annually except for Nigeria,

Figure 13. Total airports and airports with scheduled advertised airport service in ECOWAS Member States



Source: Authors with Data from African Development Bank Group.

Figure 14. Airport utilization rate in ECOWAS Member States (in percentage)



Source: Authors with Data from African Development Bank Group.

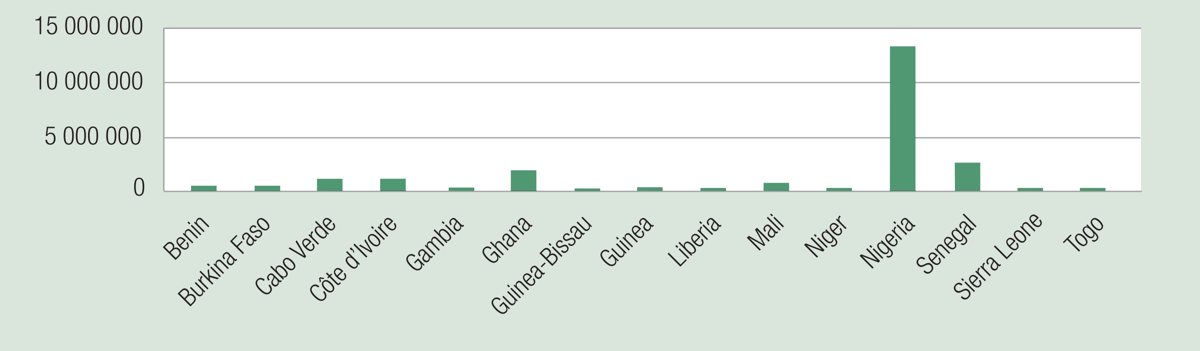
where it is more than 12,000,000. Senegal has seat capacity above 2,000,000 while seat capacity for Ghana is a little below 2,000,000 (Figure 15). Total annual seats for air transport in all other countries are far less than 2,000,000. This is reasonable as the total number of scheduled advertised services in these countries is just 1 except for Liberia, which is 2.

For these annual seats in airplanes, virtually all these countries served international destinations with less focus on domestic activities (Figure 16). The extreme case is that of Guinea with a total of ten international city pairs being served by the airports without any domestic flight service. In relation to air transport quality, this implies that most of the ECOWAS Member States offer relatively high-quality air transport services to the world. This is more evident in Nigeria and Senegal. Nigeria has the highest number of international cities served by its airports while Senegal ranks second in this respect. In contrast, Guinea-Bissau has only 3 international city pairs, which is the lowest among the ECOWAS member states. Nigeria also has an appreciable number of 7 domestic scheduled passenger carriers compared with other member states.

C. Linkages with other sectors

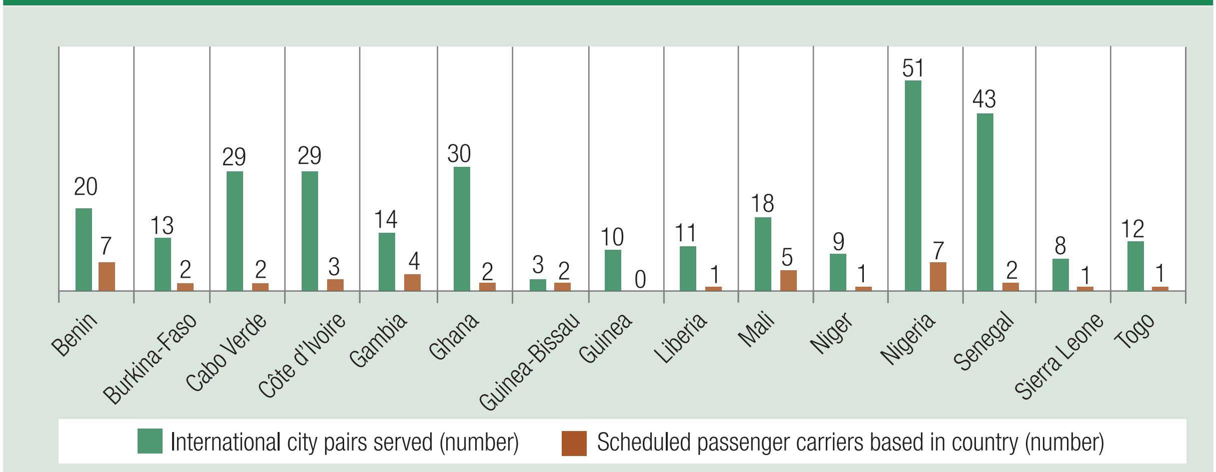
The provision of air transport services is strongly linked and integrated with numerous other economic activities including, but not limited to, the distribution of many high value goods and the transportation of passengers.

Figure 15: Total annual seats for air transport in ECOWAS Member States



Source: Author with data from African Development Bank Group.

Figure 16. Air transport quality for ECOWAS Members States



Source: Author with data from African Development Bank Group.

In fact, many activities relating to travel depends on air transport, but in addition other activities, such as telecommunications or electronic commerce are also related. In recent years, researchers have stressed the poverty reduction potential of transport infrastructure in Africa and other developing regions.[59] A key message of this research is that transport infrastructure is a necessary condition for economic growth. Although transport in itself cannot reduce poverty, it is a facilitator of and complement to policies that improve living standards. Broadly speaking, the expansion of air services and other forms of transport infrastructure is expected to contribute to poverty alleviation directly by improving access to services, increase personal mobility and lowering transport costs, and indirectly through its effects on economic growth, efficiency and employment creation. Improvement in transport facilities raise living standards, as access to basic infrastructure services (clean water, electricity, health and education) is an essential component of welfare.[60]

The importance of air transport services to developing countries can be viewed from two perspectives. First, is the direct economic contribution of the sector in itself, and second is the multiplier effect created through catalytic and induced demand effects on other economic activities. While the direct economic contribution is measured in terms of the consolidated output of air carriers, other commercial operators and their affiliates, the multiplier or ripple effect of non-direct output is measured by combining what is referred to as catalytic and induced demand effects. The catalytic demand effects refer to "off-airport expenditures directly related to the use of air travel and shipment of freight and mail". This includes travel and tourism businesses such as hotels and restaurants, travel agencies, tour operators and retailers, and freight businesses. Induced demand effects occur when employees spend their income derived from direct and catalytic activities and when governments spend from tax revenue accruing from those activities.

Although improving rural transport is a priority in the area of transport infrastructure in Africa, the contribution and potential of air transport to the continent's economic and social development should not be under-estimated. The air service industry is particularly important for countries that adopt an outward-oriented development strategy, including the promotion of international tourism, and can support efforts to alleviate poverty. Moreover, in large countries with difficult geographical terrain and long distances, air infrastructure offers an effective way of linking such communities and making possible economic activity around the production of agricultural exports or tourism. The development of commercial aviation is instrumental in reducing the cost of trade and movement of goods and people, attracting new investments to locations with good air transport links to the rest of the world.

D. Institutional framework and main actors

As the specialized agency of the African Union responsible for civil aviation matters in Africa, the African Civil Aviation Commission (AFCAC) was established to facilitate cooperation and coordination among African States towards the development of an integrated and sustainable air transport system. It is also responsible for fostering the implementation of ICAO rules as well as to develop harmonized rules and regulations consistent with best international practices in civil aviation for the continent. AFCAC works with the eight regional economic communities (RECs) in Africa to execute its programmes. To implement the vision, AFCAC has established five strategic objectives for the period 2011–2016 as follows: strategic objective A-Air transport, strategic objective B-Safety, strategic objective C-Security, strategic objective D-Human Resources Development, and strategic objective E-Rule of Law.

A Steering Committee of ECOWAS Airlines was established in 2012 in Bamako, Mali. It was mandated to work out the modalities for airlines cooperation aimed at facilitating air transportation in the region as well as ensuring optimal operations by the airlines. The committee is composed of Air Burkina, Aero Contractors, Asky, Fly540, and Arik Air.

The Champion Air Transport Steering Committee, held in Abidjan, Côte d'Ivoire, from 11–12 February 2014, proposed the Roadmap and Action Plan to implement the Heads of State and Government decision. Roadmap identifies barriers to air services between Member States: air traffic rights, unfair competition, high operation costs (such as fuel, handling, navigation charges), governmental charges/fees and interference, Conditions for smooth cooperation among airlines (recruitment of an air transport coordinator to assist airlines).

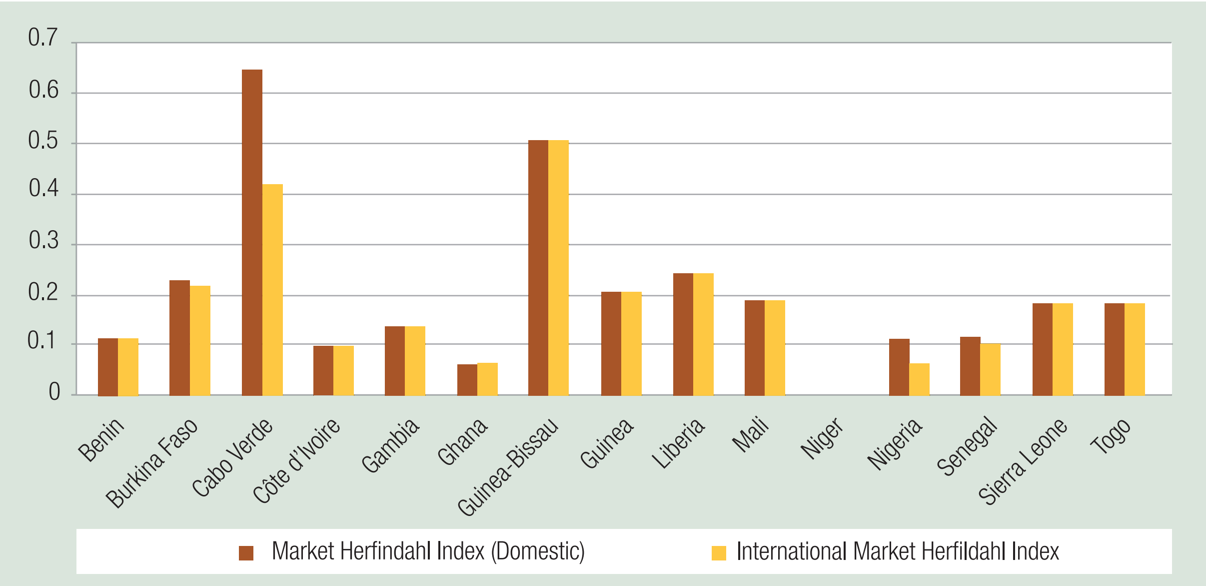
As depicted in Figure 17, measured by Herfindahl Index,[61] the institutional quality of air transportation for countries in ECOWAS region are far below average, except for Cabo Verde and Guinea-Bissau. On a scale of 0–1, Cabo Verde is well above 0.6 scale while Guinea-Bissau has an index of 0.5 point. However, only Guinea-Bissau is consistent on both domestic market Herfindahl Index and international market Herfindahl measures of institutional quality. Cabo Verde has 0.4 point in the latter measure. All the other countries have poor institutional quality of air transportation services. With an index less than 0.1, Ghana, Nigeria, Benin and Côte d'Ivoire perform the worst on this ladder of institutional quality in air transportation services across the ECOWAS region. This analysis suggests that most ECOWAS member states need to improve their institutional quality of air transport services.

E. Policy framework

In the ECOWAS region, international air transport services are conducted under bilateral air service agreements (BASAs), with the exception being the "Horizontal Agreement" between the European Union and UEMOA which seeks to consolidate existing BASAs between European Union Member States and UEMOA Member States. The combination of the Yamoussoukro Decision (with respect to other African countries who are parties to the Declaration) and the ECOWAS Treaty (with respect to other ECOWAS Member States) underpins regional cooperation in air transport services. Article 32 of the ECOWAS Treaty covers cooperation on Transport and Communication. In respect of air transport services, it commits Member States to a) encourage co-operation in flight-scheduling, leasing of aircraft and granting and joint use of fifth freedom rights to airlines of the region; b) promote the development of regional air transportation services and endeavour to bring about the merger of national airlines in order to promote their efficiency and profitability; c) facilitate the development of human resources through the harmonization and coordination of their national training programmes and policies in the area of transportation in general and air transport in particular; and d) endeavour to standardise equipment used in transport and communications and establish common facilities for production, maintenance and repair.

The ECOWAS Air Transport Action Plan 2009–2015 sets out the objectives of the air transport, which is to implement the Yamoussoukro Decision. The plan serves to promote air transport liberalization, strengthen aviation safety and security, enhance capacity building for the civil aviation authorities within the region, facilitate operation and cooperation of West African Airlines and other relevant stakeholders (airport, air navigation services providers, ground holding companies). In pursuance of these objectives,

Figure 17: Institutional quality for air transportation in ECOWAS Member States



Source: Author with data from African Development Bank Group.

the Commission has taken a number of initiatives aimed at assisting Member States to develop a safe, reliable and coordinated air transport system that can provide regular air links among the Member States as well as promoting equitable access of eligible airlines to the West African air transport market. In summary, the initiatives include: a) fostering implementation of the Yamoussoukro Decision for air transport liberalization through the adoption of Supplementary Acts; b) strengthening of aviation safety and security through new regulations and capacity building initiatives; c) promotion of a viable airline industry in ECOWAS region by fostering cooperation (interline agreements, code sharing, consortium, joint venture, alliances, mergers, etc.) among airlines in the region; d) implementation of ECOWAS air transport flagship projects; e) negotiation of air services agreements with third parties; f) aeronautical cooperation; and g) financial resource mobilization.

One example of achievements to date in the area of air transport services is the implementation in Ghana[62] of the trade and investment gateway projects, sponsored by the World Bank to attract a critical mass of export-oriented investors and to place the country as a hub in ECOWAS region for trade and passengers flow, is beginning to yield positive results. The plan envisages, among other initiatives, the creation of a free trade zone with labour intensive export industries, deregulation of the air traffic sector and investment in the Kotoka International Airport to improve efficiency, security and safety.

F. Regulatory framework

Trade in air transport services has been heavily restricted by governments around the world since the Chicago Conference of 1944. Market access is largely determined by a complex system of some 3,500 BASAs, which typically stipulate the traffic rights of airlines operating on bilateral routes, as well as the airlines allowed to operate such routes, the tariffs, and the number and frequency of flights. The elaborate structure of restrictions in BASAs effectively imposes country-specific quotas in each market, where markets are defined as routes between two countries. Under pressure for change, the regulatory framework for air transport has become increasingly more liberal in recent years. Liberalization of international air transport has taken place through more open bilateral agreements.

To quantify these regulatory efforts made by various countries on air transportation, three basic criteria, such as the known carriers based in country having passed an audit (in percentage of total) by the International Air Transport Association's Operational Safety Audit (IATA IOSA) Program and the Federal Aviation Administration's International Aviation Safety Assessment Program (FAA IASA) Safety Audit Status (0-no audit, 1-passed audit, 2-failed audit) and whether country has registered carriers that are on the European Union blacklist (1-yes, 0-no) – have been adopted. For ECOWAS, only 3 Member States have known carriers based in country having passed an IATA IOSA audit test to a varying degree. Fifty per cent each for Cabo Verde and Senegal but 28.57 per cent for Nigeria. For the two other criteria, none of these three countries, or any ECOWAS State member whatsoever, have recorded any regulatory success by the status of this criterion. More so, all other countries record no audit success in all three criteria (Table 23).

The Supplementary Act No. A/SP.8/02/12 relating to Common Rules on the Conditions of Access to Air Transport Markets in ECOWAS Member States aims at opening up the air transport market within the ECOWAS region and develop intra community air links through operation of all air traffic rights including cabotage. To this end, the Act was expected to a) fast track creation of a Common Air Transport Market for ECOWAS region; b) eliminate protectionism barriers; and c) facilitate implementation of public service obligations.

G. Trade commitments affecting the sector

As the Annex on Air Transport Services to the GATS states that the agreement does not apply to measures affecting traffic rights or services directly related to the exercise of traffic rights. GATS commitments therefore usually only cover aircraft repair and maintenance services; the selling and marketing of air transport services; and computer reservation system services.[63] Notwithstanding this limited coverage of the GATS, the Services Sectoral Classification (W/120) includes under the heading of Air Transport Services the following sub-sectors: a) passenger transportation (CPC: 731); b) freight transportation (CPC: 732); c) rental of aircraft with crew (CPC: 734); d) maintenance and repair of aircraft (CPC: 8868**); and e) supporting services for air transport (CPC: 746).

Table 23. Regulatory quality of air transportation of ECOWAS Member States

Member State	Known carriers based in country having passed an IATA IOSA audit (per cent of total)	FAA IASA Safety audit status (0-no audit, 1-passed audit, 2-failed audit)	Country has registered carriers that are ou European Union Blacklist (1-yes, 0-no)
Benin	0	0	0
Burkina Faso	0	0	0
Cabo Verde	50	1	0
Côte d'Ivoire	0	2	0
Gambia	0	2	0
Ghana	0	2	0
Guinea	0	0	0
Guinea-Bissau	0	0	0
Liberia	0	0	0
Mali	0	0	0
Niger	0	0	0
Nigeria	29	0	0
Senegal	50	0	0
Sierra Leone	0	0	1
Togo	0	0	0

Source: Authors with data sourced from African Development Bank Group.

Only two ECOWAS Member States (Gambia and Sierra Leone) have made commitments on air transport services under the GATS. However, it is noteworthy that they have gone beyond the sector explicitly listed by the Annex on Air Transport Services.

i) Commitments in air transport services by the Gambia

The Gambia took identical commitments for all five sub-sectors listed in the Services Sectoral Classification under air transport services, *i.e.* passenger transportation; freight transportation; rental of aircraft with crew; maintenance and repair of aircraft; and supporting services for air transport. For Modes 1, 2 and 3 for both market access and national treatment the Gambia took full liberalization commitments with no limitations. For Mode 4 it referred to its horizontal commitments, which allow for entry and stay of natural persons employed in management and expert jobs for the implementation of foreign investment. Such employment is subject to the approval by the office of the President and enterprises must provide for training in higher skills for Gambian nationals to enable them to assume specialized roles. Conditions for approval include the payment of payroll tax and minimum investment above a certain threshold and unavailability of qualified Gambian for the position.

ii) Commitments in air transport services by Sierra Leone

Sierra Leone took identical commitments for all five subsectors listed in the Services Sectoral Classification under air transport services, *i.e.* passenger transportation; freight transportation; rental of aircraft with crew; maintenance and repair of aircraft; and supporting services for air transport. For Modes 1, 2 and 3 for both market access and national treatment Sierra Leone took full liberalization commitments with no limitations. For Mode 4 it referred to its horizontal commitments which allow supply through the temporary movement of senior management personnel and technical experts not available in the local labour market. A work permit must, however, be obtained prior to a foreign natural person working in Sierra Leone.

H. Strengths, weaknesses, opportunities and threats

West African connectivity gaps still exist, mainly because of non-conducive aviation policy environment consisting of traffic rights restrictions on the frequency and destinations that airlines can fly as well as the prohibitive cost in the aviation environment. The cost of over-flying in West Africa is twice as expensive as in East Africa. Ground handling operations is 30–40 per cent more expensive and aircraft fuel costs 20–30 per cent more than rest of the world.

Strengths

- The emerging regional air transport network, which has spawned the construction or upgrading of airports in or near the main tourist destinations. The regional airports also contribute to the development of places where they are sited, as businesses tend to converge at such places.
- Different airline companies operating domestic flights, with different traffic volumes, services and objectives. A few Member States have adopted a liberal skies policy to boost flights, especially to those countries with no direct flights to many places and for new airlines to connect with countries with a view to increasing trade and tourism.

Weaknesses

- Many airports and airlines still lack adequate facilities, appropriate taxiways or defined aprons for aircrafts to park.
- Airports are usually located far from the cities they are meant to serve.
- The terrain in some cases make it impossible to install radio navigation aids which ensure the safety of flights, while the expansion of some of these airports would present difficult technical challenges and be very expensive (*e.g.* Lungi Airport in Freetown, Sierra Leone).
- There is no regional airport infrastructure plan in the region.
- Master Plans and aviation development projects are still nationally pursued in spite of the regional economic integration agenda.
- The fleet of many airlines in the ECOWAS region are not modern and not regularly maintained and some fly obsolete airplanes increasing the risk of major accidents.

Opportunities

- ECOWAS Member States are parties to a number of multilateral and regional agreements on aviation to assist them to increase passenger and cargo traffic, which can make a significant contribution to economic growth and development.
- The region is a top biodiversity and cultural destination, and home to more than 500 ethnic groups and 1,000 spoken languages offering a wide diversity of activities to fulfil the demands of sophisticated as well as ordinary tourists; Strategic plans for the development of the tourism sector provide additional rationale for the development of air transport services.
- Many modern airports are being developed.

Threats

- The cost of doing business in ECOWAS Member States is among the highest in Africa affecting the competitiveness of firms located in the ECOWAS region.
- Protracted political instability and insurgence across many Member States represent a clear obstacle in the development of the region.
- Private airlines are usually reluctant to provide services to them as such routes can be unprofitable, unless the government provides some subsidies. Unlike other parts of the world, there is no common transport plan for the region that considers the different means of transportation in an integrated manner to achieve efficiency and cost effectiveness.

Chapter VII

TOURISM SERVICES

A. Introduction

Tourism is a multidimensional activity that involves not only the movement of people from one place to another, but also all of their direct and indirect activities that are interlinked towards the facilitation of this process. The sector has emerged as a driver not only for economic progress but also for social development. There are several reasons for considering tourism an important contributor to economic development. First, tourism has the capacity to significantly contribute to GDP, employment and export earnings.[65] The sector can also offer a compelling case for prioritization for socioeconomic development in Africa. Further, it also helps revive declining urban areas, open up and develop remote rural areas, and promote the conservation of countries' environmental endowments and cultural heritages. The industry continues to be a force that provides unique opportunities for developing and emerging nations to move up the value chain. In 2017, the travel and tourism industry continue to make a real difference to the lives of millions of people by driving growth, creating jobs, reducing poverty and fostering development and tolerance.[66]

Due to the several advantages of tourism to nation's economy, countries are constantly in competition with one another to acquire their share of the foreign exchange that international tourists bring into the country. Hence, the competitive environment of tourism continuously changes, and countries need to adapt to the changes as quickly as possible. Africa international tourism arrivals increased slightly to 62.9 million in 2016 with an international tourism receipts totalling $6.2 billion, which comprises 3 per cent of global tourism receipts[67]. Some of the destinations with the strongest growth in international arrivals compared to 2015 were Sierra Leone (+30,000, a 126% increase), Nigeria (+634,000, a 50.5% increase), Burundi (+56,000, a 42.7% increase), Eritrea (+28,000, a 24.6% increase), Togo (+65,000, a 23.8% increase), and Madagascar (+49,000, a 20% increase).[68] In addition, the direct travel and tourism employment in Africa in 2017 rose to 9.3 million (an 11.2% increase from 2016), with 2.5 million jobs in North Africa and 6.8 million jobs in Sub-Saharan Africa.[69]

ECOWAS on aggregate remains one of the least developed in the region in terms of travel and tourism competitiveness. Although regional performance has increased, it has improved less compared to other parts of the region. Southern Africa remains the strongest sub-region, followed by Eastern Africa and then Western Africa. Yet, on average, Eastern Africa is the most improved region, while Southern Africa has experienced a slight decline.[70]

B. Description and performance of the sector

Although tourism has been acknowledged as a driver of socio-economic development and growth in Africa, as evidenced in the 2018 edition of African Tourism Monitor of the Annual Report on Competitiveness in Travel and Tourism, released by the World Economic Forum, West Africa lags behind when it comes to the travel sector. The ten West African countries assessed in the report all appear in the bottom half of the ranking. The top-ranked country from the region, Cabo Verde, ranks 83rd out of 136 (Table 24). The remaining eight West African countries are in the bottom quarter, among the least globally competitive countries in terms of tourism. Mali recorded the lowest score at 130th to secure the last position among West African countries in the overall ranking.

Although ECOWAS Member States are blessed with vast resources, the lack of significant investment has hindered its Travel and Tourism competitiveness. While tourism in the region is mainly driven by natural tourism, there is ample room for improvement in protecting, valuing and communicating cultural richness. In several countries in the region, there are numerous cultural sites and intangible expressions that could be better leveraged and combined with the rich natural capital available.

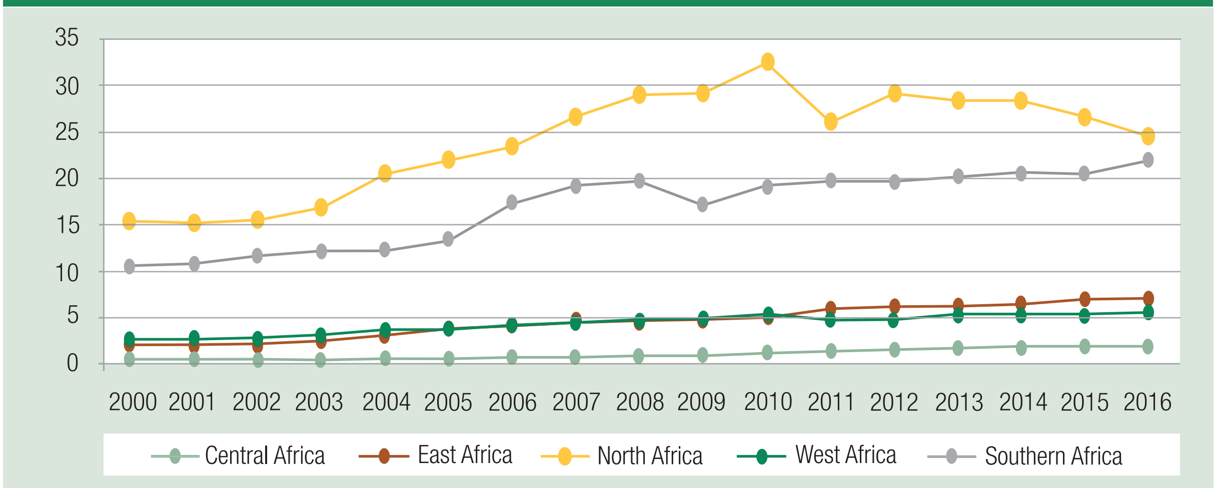
At regional level, while the international tourist arrivals on the whole of Africa continent increased by nearly 30 million between 2000 and 2016, North Africa has experienced the lion's share of this growth, followed by Southern Africa. For one thing, prior to the turn of the century, North Africa and Southern Africa already had a relatively well-developed tourism industry. The international tourism though has been increasing marginally in West Africa with in tight comparable position with the East Africa, the region was overtaken by the East Africa since 2011 (Figure 18). One of the reasons for this decline might be the perceptions of political instability and insecurity associated with the region particularly the threat of Boko Haram in Nigeria and Niger, as well as other forms of terrorism.

Table 24. Sub-saharan Africa top 10 most tourism-ready economies

Country/Economy	Global rank*
South Africa	53
Mauritius	55
Kenya	80
Namibia	82
Cabo Verde	83
Botswana	85
United Republic of Tanzania	91
Rwanda	97
Uganda	106
Zambia	108
Other West African countries	
Côte d'Ivoire	109
Senegal	111
Gambia	112
Ghana	120
Cameroon	126
Benin	127
Nigeria	129
Mali	130

Source: World Economic Forum (2015). Travel and Tourism Competitiveness Report 2015.
* 2015 rank out of 141 economies. The Travel and Tourism Competitive Report assesses the set of factors that enable the sustainable development of the travel and tourism sector, which in turn contributes to the development and competitiveness of a country.

Figure 18. International tourism arrivals in West Africa and other regions, 1995–2016



Source: Graphed from underlying data from African Bank Development database, 2018.

Table 25 also points to the level of attractiveness to West Africa as a destination for international tourism. In 2016, the region as a whole welcomed around 5.6 million tourists, which generated $3.2 billion in revenue. These figures represent respectively 9.1 per cent of international arrivals and 9.0 per cent of tourism revenues recorded in Africa in 2016. The figure is clearly below that of other regions in Africa except Central Africa. While West Africa share of tourist arrival and is about 4 times lower than Southern Africa, it is over 4 times less than what is obtainable in the North Africa.

C. Linkages with other sectors

Tourism is an agglomeration of separate but related services. Apart from the direct and indirect effects of tourist expenditures on the economy, the ability to more broadly spread and share the benefits and opportunities in this sector is contingent upon the degree to which the tourism sector is integrated into national economies through intersectoral linkages that are strong and diverse and that have the potential to generate jobs, foster economic diversification and create export opportunities beyond the sector.[71] Linkages between tourism and other productive sectors can stimulate local entrepreneurship through new business opportunities, employment and address rising levels of unemployment, poverty and social exclusion, as well as intractable environmental challenges among ECOWAS Member States. Tourism creates deep and widespread linkages to other sectors of the economy (Figure 19).

Worthy of note is the growth potential of local tourism enterprises (local suppliers and entrepreneurs) which could yield significant economic benefits in local communities as tourism enterprises comprise most businesses in key market segments such as accommodation, transport and tour operations.

Despite multiple linkages with other productive sectors in the value chain, tourism in Africa is characterized by weak intersectoral linkages owing to limited productive capacities across sectors. Dominance by foreign-owned firms, such as airlines, tour operators, travel agencies and hotel chains, and importation of inputs for use in the sector contribute to high economic and structural leakages, which impede the development of viable linkages at tourism destinations.[72] To some extent, trade in services in general and in tourism in particular which ought to promote growth in West Africa is hampered by institutional, regulatory and infrastructural constraints. In addition to the lack of visibility and data for the potential of the service sector at the regional level, various other internal and external constraints are undermining its competitiveness. Among the internal constraints are fiscal pressure, development of the informal sector, difficulty of access to credit and inadequacy of the financing mechanisms for the export of services, poor quality of performance (poor compliance with ISO Quality Assurance Standards 9001 2000 Version), energy deficit, lack of transparency and good governance, execution of a substantial part of public contracts by foreign companies in many countries, inadequacy of service infrastructure, high cost of trade transactions (factors of production, administrative bottlenecks), etc.[73]

D. Institutional framework and main actors

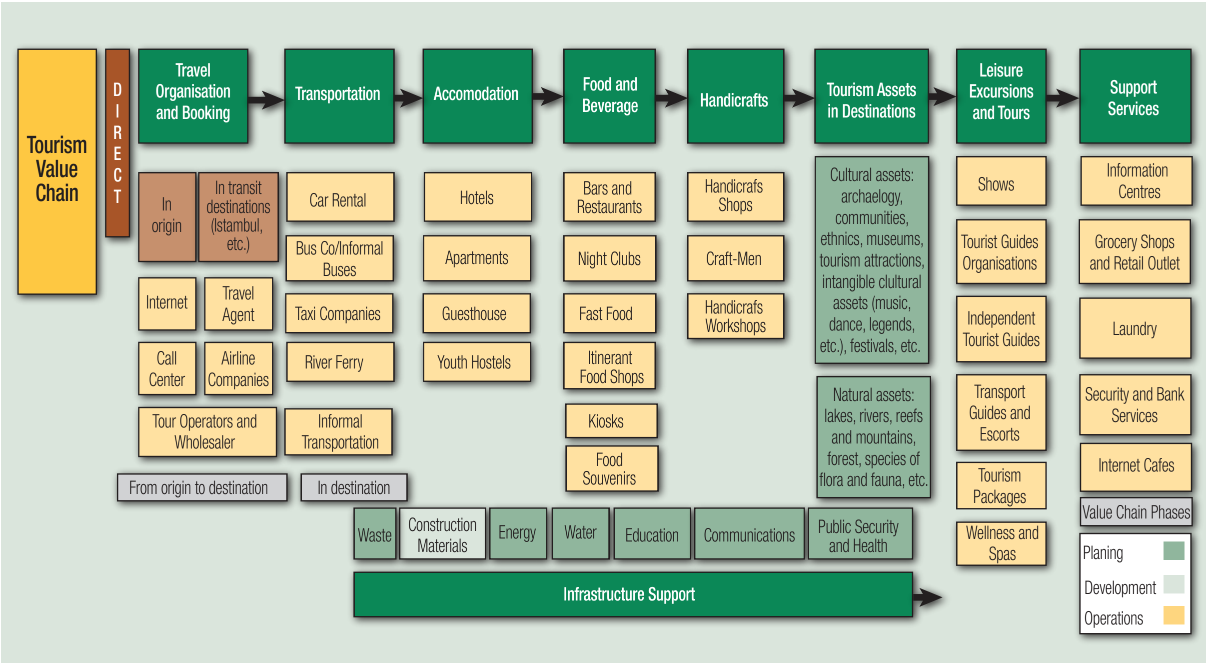
Tourism is multidimensional and multi-sectoral in the sense that it is dependent on several sectors and

Table 25. West Africa's position in Africa as a destination for international tourism, 2018

	Number of arrivals	Share of arrivals in Africa	Revenues in millions dollars	Revenue share in Africa
Central Africa	1 901 994	3.12	599.6	1.66
East Africa	7 108 652	11.67	6 722.8	18.60
North Africa	24 407 735	40.07	13 043.5	36.09
West Africa	5 555 048	9.12	3 248.6	8.99
Southern Africa	21 933 500	36.01	12 526.7	34.66
Africa	60 906 929	100.00	36 141.2	100.00

Source: ADB database, 2018.

Figure 19. Tourism value chain



Source: UNWTO.

requires coordination between many organisations to function effectively. Tourism therefore needs to be organised and sustainably managed if it must realize its full productive potential. In various ECOWAS Member States, tourism activities involve both the public and private sectors working together because of the limited financial resources.

This section discusses the institutional framework and roles of public sector and parastatal institutions, private sector in tourism, and Public Private Partnerships (PPP) that could facilitate productive tourism destinations.

1. Public sector and parastatal institutions

Several public sector institutions promote tourism in different capacities within the Member States under different nomenclature depending on each country. The common representatives of the public sector often come under the name Ministry of Tourism, Metropolitan, Municipal and District Assemblies, Tourism development board etc. The vision of the Ministry is to realise the sector's full potential in contributing to economic wealth, poverty reduction, environmental conservation, national cohesion, and achieve greater GDP growth. In what is common to most ECOWAS Member States, the principle functions of the Ministry are: a) planning and development; b) promulgation of legislation and regulations; c) encouraging investment; d) developing human resources for the sector; e) intergovernmental and industry relations; f) international cooperation and relations; g) policy formulation; h) the regulation of tourism enterprises namely accommodation, catering, travel and charter operations through registration, inspection, licensing and classification; i) the promotion and marketing of tourism, both in within and outside, including the publication of tourism publicity and promotional materials, and participation in fairs and exhibitions; j) carrying out research and studies on trends in the tourism industry both at home; and k) facilitating the development of tourist facilities and products.

2. Private sector institutions

Private sector often participates in tourism promotion through formation of union and associations usually in the form of trade associations or under a single or different recognizable umbrella. The Membership composed of tourism business owners and managers who are being used more and more to fund the promotion and development of tourism.

3. Public private partnership

Public-Private Partnerships are essentially partnerships between public sector organizations and private sector investors and business for the purpose of designing, planning, financing, constructing, providing and/or operating infrastructure, facilities or related services. Public-Private Partnership provides opportunities for development co-operation to harness private enterprise as a locomotive of economic and social development in the interest of the countries involved. Co-operation between the private sector and development co-operation agencies enables both sides to achieve their respective goals better, faster, and at lower costs.

Public-Private Partnerships opportunities in tourism are found in technology; operations; advocacy; product development; human resources; research; marketing; and financing.

A project to establish a framework for PPP in the tourism sector is now being considered a viable option for successful tourism activities in ECOWAS Member States.

Traditional rulers and chiefs

Traditional rulers are important to tourism development as often they own or control land that may be appropriate for tourism development, have strong ideas and opinions about what should be developed in their jurisdiction and can strongly influence local communities. Tourism should always be developed with the acceptance participation of the local communities living in the area. Where there is conflict between local chiefs, this often affects tourism development and community participation.

E. Policy framework

In December 2018, the Authority of ECOWAS Heads of State and Government adopted the regional tourism policy ECOTOUR 2019–2029, together with operational instruments, to boost the tourism sector. To achieve this objective, the regional tourism policy approach focuses on heritage protection and preservation, making the most of them through tourism products, ensuring professionalization of the stakeholders, harmonization and compliance with technical specifications by the private operators, creation of an intra-regional market and promotion of the ECOWAS destination.

In accordance with the revised ECOWAS Treaty, the overall objective of the Regional Tourism Policy is to ensure a harmonious and viable development of tourism to create jobs for young people, increase private sector participation through the development of successful and sustainable businesses and thus contribute to the ECOWAS region's economic development. More specifically, it aims at: creating and promoting an integrated tourism region to pave way for "ECOWAS destination"; developing interstate tourism products; and improving the performances of the tourist private sector and the competitiveness of the sector.

Quantitative outcomes expected from the implementation of the Regional Tourism Policy by 2029 are as follows:

- Number of tourists visiting the ECOWAS region reaching 20 million
- Average length of stay increased to at least 7 days for international tourists
- Average length of stay increased to at least 6 days for regional tourist
- Average contribution of tourism to ECOWAS countries' GDP being at least 12 per cent
- Total number of jobs created reaching 20 million including 08 million direct employment during the period
- Tourism income increased up to approximately $20 billion

For the purposes of ensuring the harmonious and viable development of tourism within the Community, Member States undertake to:

i) Strengthen regional co-operation in tourism, particularly through:

- The promotion of intra-Community tourism by facilitating movement of travellers and tourists
- The harmonization and co-ordination of tourism development policies, plans and programmes
- The harmonization of regulations governing tourism and hospitality management activities
- The institution of a Community reference framework for tourism statistics.
- The joint promotion of tourism products portraying the natural and socio-cultural values of the Region.

ii) Promote the establishment of efficient tourism enterprises to cater for the needs of the peoples of the region and foreign tourists through:

- The adoption of measures aimed at promoting investment in tourism and hotel management
- The promotion of the establishment in Member States of professional tourism and hotel management associations
- The development and optimum utilization of human resources for tourism in the region
- The strengthening or establishment of regional tourism training institutions where necessary.

iii) Eliminate all discriminating measures and practices against Community citizens in the area of tourist and hotel services

In view of the various issues requiring that special emphasis be placed on tourism development in the ECOWAS region, Member States agree to identify five major areas of interventions, namely:

1) **Tourism heritage protection** to preserve nature-based tourism resources.
2) **Tourism heritage development** for diversified, authentic, qualitative and long-lasting tourism.
3) **Professionalization of stakeholders** to give workers in the tourism sector all technical tools, transfer knowledge in tourism; and lastly make know-how and knowledge in tourism, hotel industry and catering available to workers in the sector, as well as local authorities and communities
4) **Promoting ECOWAS destination** or how to showcase the 15 ECOWAS destinations on growth markets, create and disseminate information content to travels and tours agencies and make use of all available visibility platforms (trade shows, Internet, sales catalogues, etc.)
5) **Development of standards and control systems**: to increase products competitiveness and build confidence in ECOWAS destination by updating and harmonizing regulations and standards as well as adopting effective control systems.

At the regional level, the policy frameworks of several regional economic communities highlight tourism's importance in supporting socioeconomic development. Apart from the regional policy and action plan, different policy framework has evolved in Member States national development plans. The national development plans outline the country's vision for its future and identify planned policy and tourism sector priorities and improve citizens' lives, and the likelihood of expansion of and investment in those sectors.

F. Regulatory framework

The UEMOA Regional Tourism Development Programme was launched in 2011, with the aim of harmonizing the regulatory framework for tourism activities and professions in the community area, adopting common rules for classifying tourist accommodation, building the capacity of the actors in the sector and supporting investment in tourism infrastructure. The decisions in this regard are meant to govern the tourism sector to ensure that ECOWAS's approach to tourism development is in line with the principles of sustainability and responsible tourism. This requires the formulation of laws, regulations and policies for the sector to ensure a coherent approach to tourism development. The government of many ECOWAS Member States have equally tolled the lines of formulating regulatory framework for the sustainable development and management of tourism, protection and conservation of natural and cultural resources; and, facilitation of the involvement of private sector and local communities in tourism development activities. Such framework is made to reflects the roles and responsibilities of all stakeholders; ensures the rights of international/local tourists; and, ensures the rights and obligations of participating businesses, inbound-outbound tour operators and all other concerned players in the tourism field. The regulatory framework of ECOWAS is at best narrowed to the industry specific regulations according to each individual country.

The industry specific regulation for tourism in Nigeria for instance is the Nigeria Tourism Development Corporation (NTDC) Act Cap N137, LFN 2004. The NTDC Act establishes the NTDC as the apex regulatory governance body for the tourism industry in Nigeria. The NTDC Act also provides for the establishment of a State Tourism Board in each State which is expected to assist the NTDC in implementing the provisions of the NTDC Act.

Ghana's Tourism Act 817, 2011, provides the sector with a framework to control and regulate the sector as well as empowering the administration with generating its own operational and investment funds, designating tourism sites in the country and formalising the Public Private Sector Forum.

G. Trade commitments affecting the sector

ECOWAS particularly the UEMOA Members has made some far-reaching commitments in the tourism and travel-related services sub-sector in the GATS. Cross-border supply, consumption abroad, and commercial presence in tourism and travel-related services were fully bound and this requires that no limitation of any kind should be imposed on the market access opportunities of foreign services providers in tourism sector for the aforementioned mode of supply. The only types of restrictions are those contained in the horizontal commitments of some countries in the region.

In GATS, category 9 “tourism and travel related services” of the Services Sectoral Classification List (MTN.GNS/W/120) covers four sub-sectors:

1) Hotels and restaurants, including catering (CPC: 641-643)
2) Travel agencies and tour operators’ services (CPC: 7471)
3) Tourist guides and services (CPC: 7472)
4) Other.

Despite the significant amount of progress already accomplished in the tourism sector, a significant amount of limitations still remains. Around 13 ECOWAS Member States have made commitments in the tourism sector, more than in another services sector. Nonetheless, the complete liberalisation of the industry is far from being achieved, even at the level of the limited classification. UEMOA has made the development of tourism one of its stated priorities, having decided to work towards making the Union a major centre for tourism development in Africa. However, most countries in the region were committed to sub-sectors 1) and 2).

H. Strengths, weaknesses, opportunities and threats

Regulatory framework			
Strengths	**Weaknesses**	**Opportunities**	**Threats**
• Revised ECOWAS Treaty (Article 3): Free Movement • UEMOA Regional Tourism Development Programme (PRDTOUR) • National legal instruments (provisions of Constitutions, Legislations and Regulations)	• Obsolete legal texts governing tourism • Inadequate harmonization of national tourism regulatory frameworks • Poor enforcement of standards governing classification facilities in the sector • Lack and/or poor dissemination of codes of tourism ethics	• International instruments on tourism signed and ratified by ECOWAS Member States • Projects on UEMOA and ECOWAS VISAS • ECOWAS single currency	• National Sovereignty on domestication of provisions of Community integration institutions
Tourism offer development and management			
Strengths	**Weaknesses**	**Opportunities**	**Threats**
• Rich and diverse heritage • Ever-changing man-made tourism offer • Existence of cultural events • Holding of many meetings and international congresses • ECOWAS region’s geographical proximity to outbound markets • Emergence of some forms of ecotourism, community-based and solidarity tourism	• Poor management and protection of sites • Poor development of interstate tourism products • Poor development of products with significant impact on local economies • Difficult access to some tourist sites • High cost and poor connectivity of air service • Inadequate understanding and ownership of tourism issues by local governments	• Sub-regional and regional for the provision of access infrastructure to isolated areas. • ECOWAS Environmental Policy	• Recurrent health, security and socio-political crises in the ECOWAS region

Promotion and marketing			
Strengths	**Weaknesses**	**Opportunities**	**Threats**
• Existence of NTAs (National Tourism Administrations) and bodies in charge of tourism promotion • Existence of national Tourism and hospitality shows	• Poor availability of transport services, prohibitive cost of air transport and cargo • Inadequate use of opportunities offered by regional and international shows • Inadequate use of ICTs in tourism promotion and marketing • Inadequate marketing strategy • Low return rate • Difficulty in mobilizing budgets for the public and private sector • Lack of tourism products tailored to national needs	• Growth of the tourism sector internationally • Emergence of a middle-class consumers • Availability of ICTs • Predominantly young population • Existence of financing bodies	• Recurrent health, security and socio-political crises in some ECOWAS countries • Harassment at border posts • Institutional instability of National Tourism Administrations (NTAs)

Source: ECOWAS Commission.

Benin

Strengths

- Cultural proximity to regional markets
- Reputation for hospitality.

Weaknesses

- Macroeconomic vision of development does not encourage Tourism promotion
- Shrinking of technical and financial partners support
- Weak ICT infrastructure
- Low levels of FDI in tourism.

Opportunities

- Improving existing and establishing new accommodation for tourism
- A strong domestic tourism market
- Opportunities from cultural rich heritage
- Untapped tourism potential (*e.g.* ecotourism, culture, conference, and cruise).

Threats

- Insecurity in the region. Tourists and aid workers in this area face an elevated risk of kidnap
- Terrorism risks have risen in northern Benin as jihadist violence spreads in neighbouring Burkina Faso.

Senegal

Strengths

- Close distance to Europe, quality equipment and infrastructure
- Sunshine during the winter months
- Flora, fauna, topography ground and air transportation
- Eco-tourism
- A population with hospitality
- Few complaints by tourists.

Weaknesses

- Lack of local administration integrated tourist system
- Lack of successful marketing strategy
- Lack of security (Casamance region)
- Poverty of the local population
- Expensive air transport and lack of airlines
- Warm weather all year
- No ports or modern medical facilities.

Opportunities

- Tourism can be boosted together with an architectonical rehabilitation of some of the historical buildings.

Threats

- Facing serious environmental impacts and having to compete with the tourists for access to natural resources (*e.g.* water).

Ghana

Strengths

- Strong cultural and tourism heritage and tourism products
- Nature and ecotourism
- Save and secure
- Friendly people
- Well-connected flight network
- Developing communication
- Political stability.

Weaknesses

- Lack of active promotion of Ghana as tourist destination
- Poor online strategies
- Limited international information offices
- Infrastructural deficits
- Lack of services and professional service orientation
- Poor condition of ICT and poorly developed fixed-line infrastructure.

Opportunities

- Increasing interest on the part of African Americans in their heritage
- Tourist potential from West African neighbours like Nigeria
- Attractive to business travellers due to location and safety.

Threats

- Increasing competition from other African countries
- High cost of travel
- Lack of appreciation of tourism's importance by government and society alike
- Increasing worldwide security concerns about overseas travel
- Negative associations with qualities generally associated with Africa (*e.g.* famine, poverty and instability).

Nigeria

Strengths

- Landscape, which gives the country a mild and temperate climate
- Vast human and material resources
- Cultural proximity to regional markets-
- The geographic position of the country, in the heart of West Africa
- Exclusive access to high grade natural cultural resources
- Lack of appropriate tourism policy and regulatory framework.

Weaknesses

- Seasonal nature of tourism puts pressure on the environment during the peak periods
- Weak institutional framework and structures for tourism development.
- A weak local private sector, including poor services provided by tour operators
- Cultural heritage lacks exposure and commitment
- Lack of skilled labour force
- Inadequate recording of tourism information (*e.g.* arrivals, receipts, occupancy rates, etc.).

Opportunities

- Expansion of air and water transportation
- Tourism infrastructure and facility development
- Tourism product diversification (*e.g.* adventure, special interest, etc.).

Threats

- High degree of environmental and forest degradation
- Degradation of the country's environmental resource endowment.

Chapter VIII

RECOMMENDATIONS

A. General recommendations

The ECOWAS region is endowed with abundant natural resources but remains among the poorest regions in the world. The vehicle through which its leaders hope to turn this situation around is economic integration. In this context and given the increasing role of services in productivity and economy-wide growth, it is expected that the attention of policymakers and researchers would turn to the sector and to services trade as a vehicle for growth. Not only do services act as essential inputs to other products and services many of them have emerged as promising tradable services for developing countries and as catalysts for the structural transformation of economics and the expansion of regional and global value chains. ECOWAS Member States would do well to continue exploring the growing importance of services for the achievement of regional integration and of the overall sustainable development objectives of the region.

Despite the ambition goals that the ECOWAS Member States have set for themselves this report acknowledges that deeper progress on regional collaboration has so far been negatively affected by the lack of consistent political commitment from Member States, the weakness of certain ECOWAS institutions and the significant differences between the English – and French – speaking countries stemming from historical antecedents which have led to two distinct sub-regional groupings within ECOWAS. Indeed, the existence within the region of two sub-regional blocs – UEMOA and WAMZ – has led to a situation where the emergence of common policies, the harmonization of regulations and the establishment of centralized institutions are occurring at varying paces, with UEMOA progressing at a faster pace in several of the services sectors analysed in this report. While this will allow the ECOWAS regional block to learn lessons from UEMOA's experiences in specific sectors and to build on these achievements in ECOWAS-wide initiatives the region should also be mindful that recent developments in the AfCFTA will imply that countries further away on the continent will also be expecting to increase their economic and trade ties with the region. In order to clearly determine the extent and depth of the economic relation and trade liberalization that it is ready to extend at continental level, ECOWAS Member States need to have clearly identified their interests and objectives in terms of deeper, intra-ECOWAS integration. What the region will be in a position to offer at continental level will to a large extent be determined by how far it wishes to pursue deep integration amongst the 15 Member States and the REC-level *acquis* on which their negotiating positions in the AfCFTA negotiations can be based.

Several of the sectors analysed have confirmed that the Community has not reached higher levels of trade due to lack of trade-related hard and soft infrastructure and of an enabling environment; the non-implementation of regional protocols and decisions; and persisting trade barriers and high levels of informal trade. Also, in given sectors the absence of a sufficiently skilled labour force to expand the provision of quality services, including for export markets.

The following recommendations could be considered:

- In order to increase the potential leverage of the services sector and of services liberalization for the achievement of regional integration it may be useful to assess whether the existing approach of harmonization of regulatory regimes across Member States is sufficient to address the existing barriers to trade in services. Alternatively, a more formal liberalization framework with specific liberalization targets or schedules of liberalization could be useful to promote deeper integration of the services economies of ECOWAS Member States.
- Services liberalization is complex and should ideally be accompanied by adequate policies, regulations and institutional frameworks aimed at pursuing services sector performance while ensuring universal access to essential services, the promotion of regional supply capacity, a competitive trade environment, and sustained investment flows. Not all the services sectors across the ECOWAS economies may necessarily be ready for immediate or full liberalization. ECOWAS Member States with the support of the ECOWAS Commission should seek to determine which sectors could be prioritized and the ideal sequencing of liberalization, particularly at intra-REC and continental level.
- The pursuit of policy coherence and coordination should not solely be limited to highlighting the linkages between service sectors. Though many ECOWAS economies may be undergoing structural change, in many cases marked by agriculture ceding its pre-eminent role to industry and the services sector, both agricultural production and manufacturing are likely to remain politically and economically important. The trend

towards *servicification* of economies – the growing importance of services in all economic sectors – should be incorporated in the development of the regional strategy as it highlights the role of services in facilitating production and exports throughout productive processes.

- It may be appropriate to focus on the least complex and least costly elements that generate significant benefits first and subsequently on the more difficult, more costly elements or those that generate fewer benefits. Different criteria could be considered in making this determination including that status of existing liberalization within ECOWAS; the existence of regional institutions or policies at the regional level; multilateral commitments of ECOWAS Member States at the WTO level, and the selection of specific services sector for liberalization in the context of the AfCFTA. Also, ECOWAS Member States may wish to consider interim agreements or phasing in of commitments. There could be an agreement that certain sensitive provisions in the agreements would take effect after the lapse of a period of time. Pre-commitments preserves the policy space of countries, while allowing time for the establishment of appropriate regulatory frameworks before liberalization or to strengthening or emergence of regional service suppliers before they are exposed to increased competition.
- The ECOWAS region could seek to increase awareness-raising of the trade in services dimension of the regional integration project and of the specific approach that the Community will use to incorporate going forward services in the CTP. Not only should such awareness-raising target the trade-related institutions in Member and at the Community level but also the services-specific institutions (line ministries, regulators, state-owned enterprises, etc.) but also the private sector (professional associations, services coalitions) and related institutions such as national statistics offices.
- The difference in pace between the UEMOA and WAMZ integration should be specifically addressed in the services trade liberalization strategy that will be developed both for intra-regional integration and continental-wide integration under the auspices of the AfCFTA. A detailed mapping of these differences will be needed and the work of the Joint Technical Secretariat of ECOWAS and UEMOA of various programmes which provide assistance to the technical secretariat (such as the enhanced regional trade information system supported by the European Union and GIZ) could be particularly relevant in this area. There is a need to generate more research that will help inform policy dialogue and more effective advisory services in the area of ECOWAS CTP in services and ECOWAS Member States participation in AfCFTA, GATS and future EPA negotiations in services.

B. Sector specific recommendations

1. Banking and other financial services

In the common market that ECOWAS Member States are striving to establish, integration of financial markets is important. To that effect, the following recommendations are proposed:

- The political will of Member States need to be strengthened in order to move forward with the various integration projects.
- There is urgent need for restructuring the various programmes of the Commission to make them respond to the Community's aspirations.
- Given the dominant importance of banking to the financial markets in ECOWAS, harmonization of banking supervision will be important for further integration within the region both in creating a more level playing field for banks and thereby encouraging banks to engage in cross-border activities and in instilling greater confidence in the stability of financial markets. As of now, most of the efforts to coordinate the supervision of banks are undertaken separately within the two sub-regions rather than at the level of ECOWAS. But, this ought to be at the regional level.
- There is the compelling need to strengthen the regulatory framework and enhance corporate governance which are the cornerstones for promoting investor confidence as well as the sustained long-term growth of the financial system.
- It is imperative to develop a vibrant bonds market to allow the private sector to access a larger number of debt instruments in order to enhance the management of their liabilities. As government securities become active in many ECOWAS Member States, the capital market would be in a position to play a crucial role in the pricing of credit

risks, reducing the heavy concentration of credit risks in the banking sector.

- It is essential to canvass for self-regulation of financial institutions as well as the cooperation and full commitment by operators towards the challenge of employing professionalism and maintaining high ethical management standard. Severely sanctioning market participants by the regulatory authorities of the financial system would be a commendable practice.
- Banks could be facilitated in their operations through eliminating unnecessary existing legal barriers. For example, removal of capital and exchange controls could increase cross-border capital flows and competition which will enable investors and firms to exploit regional markets and opportunities thus of achieving minimum cost of capital as well as reducing eminent risks.
- Differences in laws, regulations, and tax treatment should be harmonized in order to promote banks to build pan-African portfolios of banks. Within a global perspective, it would also be necessary to move towards attainment of global standards/ norms and best practices.

2. Insurance and insurance-related services

While developed countries' insurance sectors usually include life insurers, non-life insurers and reinsurers among other auxiliary insurance-related services providers, many ECOWAS Member States' insurance providers, being smaller in size and operations, generally do not engage in major activities like those enumerated previously.

In the same vein, while the governments' key role in developed countries is to act as a regulator to ensure security and stability of the sector, in least developed and developing countries like those in the ECOWAS region, governments do have the role of providing insurance services as a public good. In many of ECOWAS Member States, apart from Nigeria and Ghana, insurance markets depend extensively (technically and financially) on international services.

The reasons for this include structural, financial and technical constraints such as the small size of markets, under-capitalization of insurance companies and insufficient experience and know-how. In addition, there is shortage of skilled personnel, as well as dependence on foreign reinsurance, which has implications for the contribution of the insurance industry to national development, in particular with respect to savings promotion and mobilization. The following could be considered with a view to strengthening the insurance sector in the ECOWAS region:

- Outsourcing and offshoring (of insurance claims, call centre work related to insurance queries, marketing and claim settlements), provision of insurance advisory services through Mode 1 (*e.g.* the cross-border supply of auxiliary services, such as actuarial and risk assessment services, which require specialized knowledge) and development of offshore insurance centres. To capture this potential, ECOWAS Member States need to build language skills; understand the culture of the target market; comply with standards (*e.g.* privacy requirements); and develop the necessary infrastructure.
- Provision of insurance services through Mode 4 (*e.g.* movement of local insurance specialists to other countries within and outside ECOWAS region) and through Mode 3 (*e.g.* establishment of insurance firms in other ECOWAS Member States, particularly by Nigerian and Ghanaian firms.
- Distribution of insurance services and insurance intermediation: Distribution of insurance services is extremely vital for successful insurance penetration. Effective and efficient access to existing channels for insurance distribution is important. Insurance intermediation is a sector where ECOWAS Member States can benefit by providing local knowledge of domestic markets to foreign suppliers and international knowledge of foreign markets to domestic suppliers as well.
- Local knowledge: Since the marketing of insurance products requires a thorough understanding of the domestic market, including consumers' lifestyles and consumption patterns, acquiring such knowledge requires partnerships of local insurance with other firms in other countries within and outside the region. Such firms could also offer distribution channels, effective marketing strategies and niche areas of operation.
- Portability of insurance: As ECOWAS Member States build up niche areas of services exports (such as health services), insurance services linked to them could be promoted domestically.

- Development of software services related to the insurance sector: Developing insurance-friendly software systems for use domestically in Member States of ECOWAS is becoming important for better services inclusion at the national, regional and global levels. Certain insurance activities such as claim settlements, actuarial services and risk assessment could benefit from the use of specially designed software. With advances in ICT for marketing and promotion, there is great potential export interest in the insurance services sector in the region as well as greater level of services inclusion in the entire region.
- WAICA should finalize its collaboration with ECOWAS Commission: This will allow all the 15 Member States to participate in all of its activities. The association should consider developing a strategic plan to help position the industry to meet its long-term goals for the entire region. To best represent the interests of the industry as a whole, and maintain the support of Members, WAICA should have a well-developed policy formulation and implementation structure. The ECOWAS Commission, in collaboration with Member States' insurance regulatory agencies, should permit WAICA to develop free of regulatory pressure, so as to maintain a proper balance of opinion and to avoid any bureaucratic self-interest.
- The IAIS can provide assistance in governmental policy development on prudential, regulatory and governance matters. Lists of insurance associations around the world and contact points can be found at the IAIS website, which is accessible by most national regulators and multilateral institutions. Membership of IAIS would strengthen the national insurance commissions of ECOWAS Member States.
- It is necessary for ECOWAS Member States to include the insurance sector in their financial architecture. This will lead to increasing public awareness of the benefits and uses of insurance products and inducing demand for such products, and ultimately, to diversifying the insurance sector.
- It is important to set up effective regulatory, supervisory and legislative structures as a prerequisite for liberalization of the industry in ECOWAS Member States to ensure a level playing field between ECOWAS and foreign insurers and to bring benefits of liberalization to ECOWAS people and businesses.

3. Telecommunication services

- Overall, regulation seems to be a key factor affecting the performance of the telecommunications sector. To improve regulation in the region:
  - The ECOWAS region and government of individual Member States should have better data on actual regulatory practices.
  - Countries could have in place a regulatory apparatus that has all the "trappings" of good practice elsewhere and adapt them for the growth of the sector.
  - The West Africa Telecommunications Regulators Assembly could increase engagement with regulators from other countries or regions where the telecommunication sector has achieved better success.
- In addition to regulation:
  - ECOWAS Member States should put in place a framework for developing data sets for telecom and other ICT services that would assist robust research in the area.
  - There is a need to generate more research that will help inform policy dialogue and more effective advisory services in the area of trade in telecom services and trade agreements/trade negotiations.
  - Analysis of the interaction effects between the quality of economic governance and telecom services trade policies to identify which telecom services trade policies impact ECOWAS countries.
  - What type of welfare-enhancing structural reforms should ECOWAS Member States consider in trade integration agreements (*e.g.* the ECOWAS Common Trade Policy or the AfCFTA)?
  - Build dialogue between trade department and telecom department in ECOWAS Commission and in each ECOWAS Member State on these issues is highly recommended. The developments of telecom policies and institutions in another region should also be considered.

- In making policy and institutional decisions, the developments of telecom policies and institutions in another region should also be considered. (this is the 6th point under the heading of “In addition to regulation”).

4. Road transport services

- Efficient and smooth road networks should be constructed by Member States in order to facilitate movement of goods, materials and persons across the region. This will further reduce the costs of transportation as well as cost of production. Private investment, including foreign investment, could be encouraged through appropriate incentives.
- ECOWAS could strengthen its monitoring of its Member States’ implementation of the various decisions and programmes that they agreed upon on facilitating road transport in the region.
- Countries with high number of roadblocks and checkpoints should facilitate road transport by eliminating or reducing the number of these entry barriers.
- ECOWAS could utilize the information gathered by the Observation Centre on Unfair Practices at Border Crossings to address road transport facilitation issues and eventually establish a reginal governance structure for road transport facilitation.
- Coordination between ECOWAS and UEMOA needs to be enhanced on road transport facilitation.

5. Air transport services

- There is a merit to consider relaxing traffic rights restrictions on the frequency and destinations that airlines can fly, as well as reducing the high cost of over-flying in West Africa and the ground handling operations.
- ECOWAS could consider developing a regional air transport infrastructure to better utilize the region’s airport resources. It could also develop a transport plan for the region that considers air transport and other means of transportation in an integrated manner to achieve efficiency and cost effectiveness.
- Safety and security should be beefed up and air transport quality should be improved through ameliorating national airport infrastructure and replacement of old airplanes.
- The technical competence of pilots and other technical staff should be enhanced through structured and regular training in order to reduce negligence and accidents on the runways.
- Redundancy in most of the countries should be substantially reduced considering their airport utilization rate. This measure would reduce the maintenance costs of having these airplanes at the tarmac.

6. Tourism services

- Government and other tourism stakeholders in Member States should take appropriate measures to improve the regulatory framework in order to influence and sustain growth of the sector, which include proper measures to ensure tourists’ safety, to collect tourist visit data, and manage wastes and disposals in tourism sites.
- To guarantee the development of the tourism industry, policy measures must address the legislative framework on transport and tour operations especially in developing regions. foreign ownership and foreign direct investment (FDI), property rights and visitor restrictions.
- Government expenditure on the tourism sector including on skill training of tourism workers, strong destination-marketing campaigns, and country-level presence at key international tourism fairs need to be enhanced.
- The business environment as well as infrastructure need to be improved to service tourists’ needs (including clean sanitary facilities) and encourages investment by the private sector (*e.g.* through tax incentives, special credit schemes).
- Governments should raise awareness, among tourism actors, of the need to comply with ISO Quality Assurance Standards 9001 2000 Version and provide assistance in improving compliance with these standards.
- Local governments with tourism assets should be engaged in developing tourism areas.

ANNEX

GATS Commitments of ECOWAS Member States

Member State	Services sectors											
	1	2	3	4	5	6	7	8	9	10	11	12
Benin	x						x		x		x	
Burkina Faso									x			
Cabo Verde	x	x	x	x	x	X	x		x	x	x	
Côte d'Ivoire	x	x	x				x		x		x	
Ghana		x	x		x		x		x		x	
Gambia	x	x	x	x	x	X	x	x	x	x	x	x
Guinea	x					X		x	x		x	
Guinea-Bissau									x	x		
Liberia	x	x	x	x	x	X	x	x	x	x	x	
Mali					x					x		
Niger									x		x	
Nigeria		x					x		x		x	
Senegal	x	x		x			x		x	x	x	
Sierra Leone	x	x	x		x	X	x	x	x	x	x	
Togo			x						x	x		
Total number of Members with commitments in the sector	**8**	**8**	**7**	**4**	**6**	**5**	**9**	**4**	**14**	**8**	**11**	**1**

Note:
1. Business services;
2. Communication services;
3. Construction and related engineering services;
4. Distribution services;
5. Educational services;
6. Environmental services;
7. Financial services;
8. Health related and social services;
9. Tourism and travel related services;
10. Recreational, cultural and sporting services;
11. Transport services;
12. Other services not included elsewhere.

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