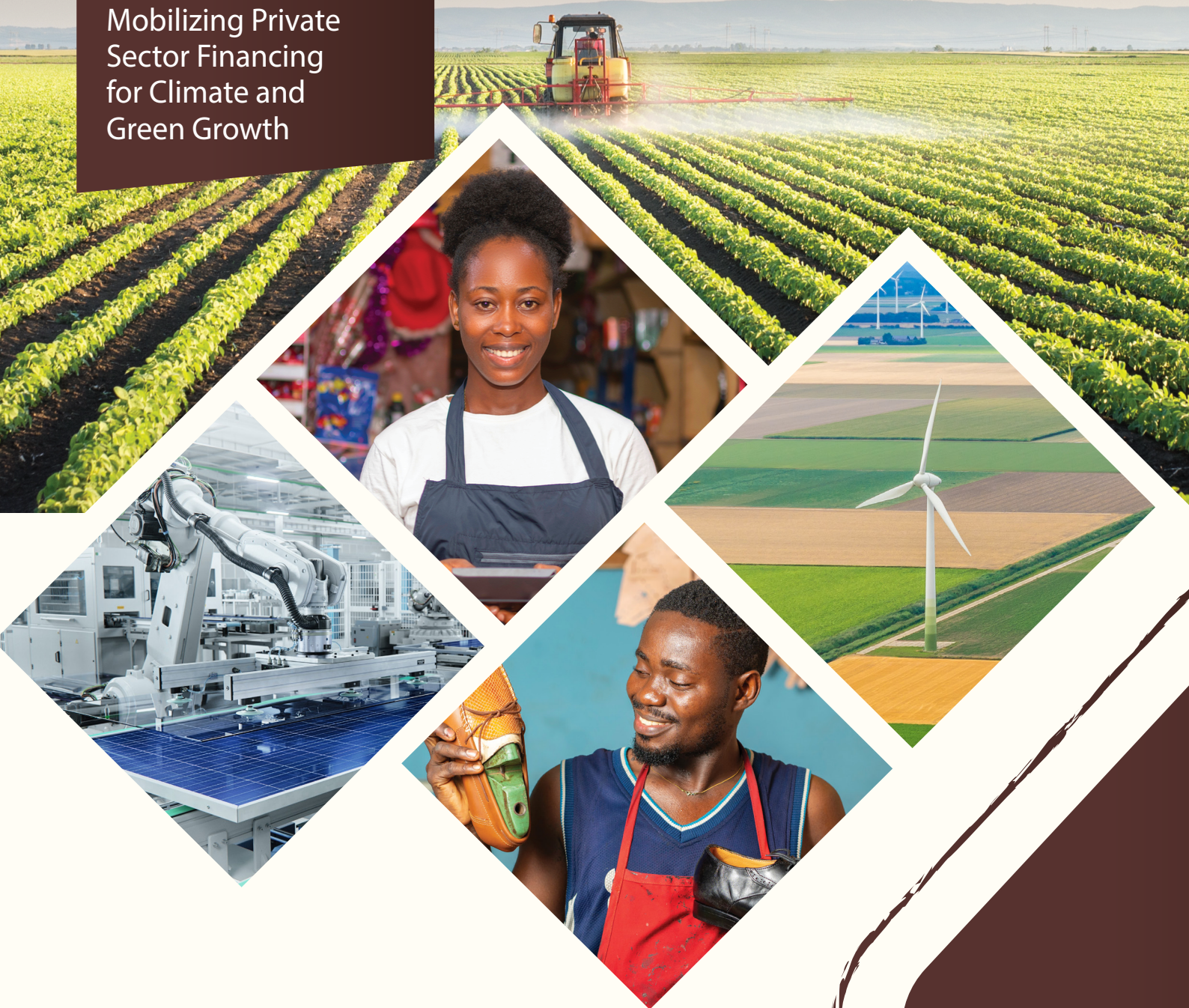


West Africa Economic Outlook 2023

Mobilizing Private
Sector Financing
for Climate and
Green Growth



AFRICAN DEVELOPMENT BANK GROUP
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African Development Bank Group
Avenue Joseph Anoma
01 BP 1387 Abidjan 01
Côte d'Ivoire
www.afdb.org

The 2023 edition of the West Africa Economic Outlook examines the development challenges on the continent with specific focus on East Africa. The theme of the 2023 edition of the Report is “Mobilizing Private Sector Financing for Climate and Green Growth in West Africa”.

Chapter 1 examines the recent macroeconomic, financial, and social developments in East Africa and provides the outlook for the region, including the tailwinds and headwinds. The chapter also presents policy options to respond to the region's macroeconomic and socio-economic challenges.

Chapter 2 investigates the current state of private financing for climate action and green growth in West Africa and explores innovative options for catalyzing additional private sector finance and investment to bridge the region's climate finance gaps.

Chapter 3 considers natural capital as a key source of financing for climate action and green growth in West Africa, including approaches to increase natural capital's contribution to financing climate action and green growth.

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The preparation of the outlook was led and coordinated by Ferdinand Bakoup, Acting Director, Country Economics Department, with a core team consisting of Audrey Chouchane, Lead Economist for North Africa and Acting Division Manager, Country Economics Division 1 (Central Africa, North Africa, and West Africa), Guy Blaise Nkamleu, Lead Economist for West Africa, Olivier Manlan, Principal Country Economist, Ibrahim Sawadogo, Senior Country Economist, Ameth Saloum Ndiaye, Principal Country Economist, Wolassa Lawisso Kumo, Principal Country Economist, Joel Muzima, Principal Country Economist, Jean Marie Vianney Dabire, Chief Country Economist, Issiaka Coulibaly, Senior Macroeconomist, Olivier Beguy, Principal Country Economist, Foday Yusuf, Senior Country Economist, Kalidou Diallo, Senior Country Economist, Tankien Dayo, Principal Country Economist, Diatou Elisabeth Diouf, Senior Macroeconomist, Richard Doffonsou, Chief Country Economist, Leonce Yapo, Principal Country Economist, and Tricia Effe Baidoo, Team Assistant, Country Economics Department.

Peer review comments were received from Arron Alie Tchouka Singhe, Chief Oil Sector Regulatory Officer, Maina Nelly, Principal Gender Officer, Felicitas Chi Cho Atanga, Principal Country Program Officer of the West Africa Regional Team led by Joseph Ribeiro Deputy Director General, Western Africa region, Omolola Amoussou, Hammed Amusa, Francis Anguyo, Alexandre Kopoin, Blaise Gnimassoun and Adamon Mukasa of the Macroeconomics Policy, Forecasting and Research Department led by Abdoulaye Coulibaly, Director, Officer-in-Charge, Anthony Simpasa and Jaoui Fadel, Division Managers of the Macroeconomics Policy and Debt Sustainability Division and Microeconomic and Institutional Impact Assessment Division respectively, Jerry Ahadjie, Innocent Onah, Leontine Kanziemo of the African Natural Resources and Investment Centre led by Vanessa Ushie, Acting Director, and Fred Kambanda, Division Manager, Renewables, Marwan Ladki, Principal Irrigation Engineer of the Agriculture and Agro-Industry Department led by Martin Fregene, Director.

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LIST OF ABBREVIATIONS

ABM	Adaptation Benefits Mechanism
ACMI	Africa Carbon Markets Initiative
ADF	African Development Fund
AEO	Africa Economic Outlook
AF	Adaptation Fund
AFAC	Africa Financial Alliance Climate Change
AfCFTA	African Continental Free Trade Area
AfDB	African Development Bank
AFOLU	Agriculture, Forestry, and Other Land Use
AGRHYMET	Agriculture, Hydrology, Meteorology
BOAD	West African Development Bank
bpd	barrels per day
BSO	Balance Sheet Optimization
CBAM	Carbon Border Adjustment Mechanism
CBD	Convention on Biological Diversity
CDM	Clean Development Mechanism
CDM	Clean Development Mechanism
CFA	Central African franc
CIF	Climate Investment Funds
CILSS	Permanent Inter-State Committee for Drought Control in the Sahel
CIMAF	Ciment d'Afrique
COP 27	27th Conference of the Parties
Covid-19	Coronavirus Disease 2019
CPI	Consumer Price Index
DFIs	Development Finance Institutions
ECOWAS	Economic Community of West African States
EIB	European Investment Bank
EITI	Extractive Industries Transparency Initiative
ESG	Environmental, Social, and Governance
FAO	Food and Agriculture Organization
FAOSTAT	Food and Agriculture Organization Statistics
FDI	Foreign Direct Investment
FiTI	Fisheries Transparency Initiative
GCF	Green Climate Fund
GDP	Gross Domestic Product
GEF	Global Environment Facility
GGGI	Global Green Growth Institute
GHG	Greenhouse Gas
GHI	Global Horizontal Irradiance
HIPC	Heavily Indebted Poor Countries
HIT	Household Impacts of Tariffs
ICT	Information Technology and Communication
IFFs	Illicit Financial Flows

IMF	International Monetary Fund
IPPU	Industrial Processes and Product Use
IUU	Illegal, Unreported, and Unregulated
KP	Kyoto Protocol
MDBs	Multilateral Development Banks
MRE	Mineral Resource Estimate
MRV	Monitoring, Reporting and Verification
MSMEs	Ministry of Micro, small & Medium Enterprises
mt	metric ton
NAPs	National Adaptation Plans
NBAPs	National Biodiversity Action Plans
NCIP	Natural Capital Investment Plans
NDCs	Nationally Determined Contributions
NRGI	Natural Resource Governance Institute
PCG	Partial Credit Guarantee
PND	National Development Plan
REC	Regional Economic Community
REE	Rare Earth Elements
SDGs	Sustainable Development Goals
SDRs	Special Drawing Rights
SMEs	Small and Medium-sized Enterprises
SOE	State-Owned Enterprises
SOFI	State-Owned Financial Institutions
SST	Synthetic Securitization Transaction
SWFs	Sovereign Wealth Funds
UEMOA	West African Economic and Monetary Union
UN SEEA	United Nations System of Environmental Economic Accounting
UNCTAD	United Nations Conference on Trade and Development
UNECA	United Nations Economic Commission for Africa
UNEP	United Nations Environment Programme
UNFCCC	United Nations Framework Convention on Climate Change
US	United States
USAID	United States Agency for International Development
USD	United States Dollar
USGS	United States Geological Survey
WA BiCC	West Africa Biodiversity and Climate Change
WAEMU	West African Economic and Monetary Union
WAMA	West African Monetary Agency
WB DSA	World Bank Debt Sustainability Analysis

EXECUTIVE SUMMARY

Recent macroeconomic trends and prospects: Following the publication of the African Economic Outlook 2023, which addressed development challenges on the continent, this West African Development Outlook report addresses the same issues, with a particular focus on the West African region. The theme of the 2023 edition of the report is “Mobilizing Private Sector Financing for Climate and Green Growth in West Africa”.

GDP Growth. West Africa’s average GDP growth decelerated to 3.8% in 2022 from 4.4% in 2021, implying that growth recovery from the 2020 downturn has slowed. Growth is driven, on the demand side, by household consumption and investment, and on the supply side by the services sector. Growth deceleration is attributable, among other causes, to successive shocks e.g., resurgence of Covid-19 in China, West Africa’s major trade partner; Russia’s invasion of Ukraine causing inflationary pressures in net food, fuel and fertilizer in importing countries; monetary policy tightening in advanced economies, which caused global risk averse sentiments, thereby contributing to exchange rate pressures; and lastly lingering security-related challenges.

GDP growth decelerated in all countries in the region, except Cabo Verde, The Gambia, Guinea, Mali, and Niger. Cabo Verde, a tourism dependent economy, registered the region’s fastest growth. It grew by 10.5% from 7% in 2021. The magnitudes of GDP growth deceleration are expected to be, on average, smaller in oil-exporting and resource-intensive economies than non-resource intensive economies. This is on expectation that countries in the former group would utilize shock-instigated commodity price surges (windfall incomes) to support growth. This argument is supported by data at the continental level. However, this was not true in most of the resource rich economies of the West African region.

The GDP growth outlook for the region is positive. It is projected to slightly pick up in the medium term (3.9% in 2023 and 4.2% in 2024). This is on the assumption that global inflation would recede in the medium term. Growth is projected to be driven, on the demand side, by domestic absorption (i.e., household consumption and investment) and external demand (due to an upturn in activities in emerging economies such as China). On the supply side, it should be driven by agriculture, industry, and services. In terms of country groupings, regional growth is projected to be driven by the non-resource-intensive economies (Cabo Verde, Togo, Senegal, Guinea-Bissau, Benin, The Gambia, and Côte d’Ivoire), and few other resource-intensive countries. The relatively high growth performance in non-resource-intensive economies could be attributed to the diversified nature of their growth base (e.g., Côte d’Ivoire and Senegal) and improved policy management.

Inflation. In West Africa, the rate of inflation rose from an average of 9.7% in 2014-2020 to 12.7% in 2021 and 17% in 2022. Average regional inflation is projected to stabilize at 17.5% in 2023 and decline to 11.1% in 2024 and will stay higher than the continental average both in 2022, 2023 and 2024. It is higher than all the other regions on the continent, except the East Africa region. Because of the conventional peg regime of the West African Economic and Monetary Union (WAEMU), inflation in West Africa tends to be much lower than in East Africa where currencies are not pegged. The inflation rates were, however, higher in West Africa than in other regions except the East Africa. Higher inflation in 2022 in West Africa and on the continent is primarily due to rising food and energy prices. The build-up in global supply chain pressures, amplified by effects of Russia’s invasion of Ukraine, has resulted in a sharp rise in global commodity prices, especially for food and energy in 2022.

Fiscal Deficit. As in most African economies, West African countries are characterized by structural fiscal deficits, resulting from sustained public infrastructure spending and low domestic resource mobilization. In 2014-2020, fiscal deficits in West Africa averaged 3.6% of GDP, lower than the continental average of 5.4%. Central Africa is the only region which had a lower deficit (2.7%) while larger deficits were recorded in Southern Africa (4.6%), Eastern Africa (4.8%), and North Africa (8.7%). In 2021, the region’s average fiscal deficit increased to 5.6% and remained unchanged in 2022, despite a decrease in the deficit observed in all other regions of the continent. In 2022 fiscal deficit was higher in West Africa than in the other regions.

West Africa's fiscal deficit is projected to narrow in percent of GDP to 5.2% and 4.9% in 2023 and 2024. It is higher than the continental averages of 4.1 of GDP and 3.8% of GDP in 2023 and 2024, respectively. Fiscal deficit is projected to narrow in all the countries in the region with the exception of Guinea. This is expected to be supported by improved revenue collections, thanks, among other things, to an upturn in economic activities and to the gradual lifting of fuel and food subsidies. The subsidies were introduced to cushion households and businesses from price surges caused by Russia's invasion of Ukraine. Further, improvement in the fiscal metrics will be supported by growth-friendly fiscal consolidation programs.

Current Account. In 2022, amid the lingering disruptions in global supply chains caused by Russia's invasion of Ukraine, the current account deficit in West Africa widened to 2.9% of GDP from 2.3% in 2021. This was caused by widening current account deficits in Guinea, Cabo Verde, Senegal, Ghana, Guinea Bissau, Togo, Côte d'Ivoire, and Niger. This could be attributed, among other causes, to a trade balance decrease, especially in oil- and food-importing economies due to higher fuel and food prices. The current account deficit is projected to slightly widen to 2.8% of GDP in 2023 and narrow to 2.4% of GDP in 2024, reflecting projected trends in the global demand. It is projected to be higher than the continental average of 2.3% of GDP in 2023. Only the Eastern Africa region is projected to register a wider current account deficit than the West Africa region. On average, current account deficits are projected to be driven by deficits in trade balances driven by export and import performances, in line with movements in the global demand.

A mix of policy interventions should be considered to accelerate the region's economic growth and stable macroeconomic environment amid the existing and emerging shocks. In the short run, restoring growth recovery requires addressing the costs associated with shocks, which is a tough task amid tightening financial conditions on a global scale. This calls for international financial assistance to facilitate short-term and immediate growth, as well as the medium to long-term implementation of growth-oriented structural changes. These changes are essential to support rapid, sustainable, and inclusive growth. It is worth noting that the region has experienced a shift in its economic structure, transitioning from agriculture to services, with a limited contribution from the industrial sector. If not corrected, a GDP growth higher than current rates would be needed to absorb new entrants into the labor market.

Member States are projected to operate under constrained fiscal policy spaces in the short to medium term. This is especially relevant in countries where the negative gaps in debt sustainability are widening, unless external financial assistance is sought. Overcoming these gaps can be a daunting task for countries that already face external financing pressures due to limited market access. Under suitable circumstances, these countries could contemplate the option of seeking international financial assistance, which can provide them with the necessary breathing space to implement growth-oriented fiscal consolidation programs, while also working towards achieving a sustainable trajectory for public debt.

Many countries in the region have implemented fiscal consolidation programs for many years. Regardless, debt sustainability is far from being achieved. This is because implementations have been hampered by successive shocks, which derailed fiscal reforms and disrupted growth-enhancing structural policy reforms. Furthermore, where room for policy maneuver existed, clarity was lacking on the drivers of fiscal consolidation programs – revenue enhancement-led, or expenditure reduction-led or a combination of both.

The fiscal policy direction to be pursued in situations of lower growth and high debt burden remains to be a growth-enhancing fiscal consolidation program complemented with a debt restructuring initiative (external and domestic). This approach has gained currency in recent policy discourses. Should the crisis persist (i.e., Russia's invasion of Ukraine and monetary policy tightening in advanced economies), gross financing needs are expected to increase across all countries in the region. This could increase the adjustment costs to be incurred to achieve fiscal and debt sustainability. Countries with constrained finances (limited fiscal buffer) could find it cost effective to seek international financial assistance. On the contrary, countries on the other side of the isle, might consider embarking on preemptive debt restructuring initiatives to create fiscal spaces. According to the IMF/WB DSA, 10 countries in the region were assessed to be facing a moderate risk of debt distress situations. These countries are expected to utilize the available fiscal policy spaces with care – need to strike a balance between growth and debt sustainability.

Improvement in the global inflationary outlook is expected to enhance global liquidity. This, in turn, is expected to bolster capital inflows into the region. This could go a long way towards

supporting capital/financial account balances and ease the burden on the foreign exchange reserves. The year 2022 was characterized by significant capital reversal, erosion of external positions, and foreign exchange reserve financing of current account deficits. Foreign exchange reserve positions, measured in months of imports, declined significantly. They fell below the ECOWAS currency union convergence criteria for some countries. This means that should global financial tightening persist, the fiscal position of many countries in the region could be impacted. Impacted countries could be forced to seek balance of payment support of some sort as a result.

In general, the policy direction that needs to be pursued to sustainably address external sector exposure should be around expanding the export base (away from primary to secondary commodities through domestic value addition); mineral resource beneficiation to retain employment opportunities locally as mineral exports out of the region are mostly done in raw forms; diversifying export destinations, among others steps, by enhancing regional integration; and improving domestic resource mobilization and consolidation of public finance to bridge the saving investment gap. Fiscal imbalances are major drivers of external imbalances in many countries in the region.

Boosting private finance for climate and green growth. As the world faces the urgent challenge of climate change and the depletion of its natural resources, there is a growing imperative for businesses and governments to act toward sustainable and green growth. West Africa has enormous potential to achieve green growth, green industrialization being the most obvious pathway. Besides, the rationale for green growth across the region is quite comprehensive: climate change impacts and risks, natural capital depletion, poverty and food insecurity, as well as limited employment creation and many capital-intensive enclaves. West Africa ranks amongst the most vulnerable regions to climate change and environmental hazards in the world. In fact, out of the fifteen countries that make up the ECOWAS/West African region, four (Guinea-Bissau, Mali, Liberia, and Niger) are ranked among the ten most vulnerable countries to climate change and environmental hazards in the world.

This high level of vulnerability has been worsened by the Covid-19 pandemic and other epidemics like Ebola that have affected various countries in the region. With the region hosting a third of the population of the entire African continent, the economic and livelihoods conditions of a large part of the African population are at stake. The West African region is also notorious for developmental challenges such as recurrent power outages, poor transport and health infrastructure, skills deficiencies, trade, and tariff barriers as well as high rates of unemployment, especially among its youthful population. All these challenges make the transition to green growth economies an imperative for the West African region. Also, West African countries that have made considerable strides in attaining green growth such as Côte d'Ivoire, Ghana, Nigeria, and Senegal are more resilient to the adversities of climate change since green growth is positively correlated to climate change resilience outcomes. Investing in green growth is the best pathway for West African countries seeking to build resilience and achieve the SDGs.

However, the path towards a green transition in the context of the triple crises of COVID-19, climate change, and the war in Ukraine, presents a significant challenge for many countries across the continent. For West Africa, a mix of policy interventions should be considered to accelerate the region's economic growth amid the existing and emerging shocks, boost private sector financing for climate and green growth, and harness natural capital as a complementary financing option for climate and green growth.

Finance is critical to West African countries' transition to green growth, although the region is still very much reliant on public sector finance which is insufficient. The need for private sector financing has become very imperative in the region. Financing flows for climate action in West Africa reached an average of \$7.9 billion in 2019/2020. Public finance in West Africa (\$6.8 billion, or 87 percent of the total) was on average more than six times the private finance (\$1.03 billion, or 13 percent). West Africa collectively require an estimated USD 36.3 billion per year over the period between 2020 and 2030 to implement their current NDCs. That is a total of around \$400 billion for the entire period. Hence, the annual climate financial gap is estimated at 28.5 billion.

Private sector financing is now key to achieving green growth across Africa in general and West Africa in particular. By 2030, West African countries are expected to have several billion dollars' worth of investment opportunities arising from climate change. A significant portion of this investment is projected to be sourced from private sector financing, which will complement

public sector financing efforts.

To boost private sector financing for climate and green growth, innovative private sector finance instruments and mechanisms should be at the heart of the green growth and climate change finance agenda in West Africa. Unlocking private sector finance will require the region to engage with emerging innovative financing instruments and direct private climate finance towards sectors and regions that not only generate the lowest risks and highest returns for private sector investors, but also the greatest impact for green growth outcomes.

Harnessing natural capital as a complementary financing option for climate and green growth. West Africa is blessed with huge natural capital including crude oil, natural gas, minerals, forests and wildlife. It hosts Guinean forests, one of Africa's eight global biodiversity hotspots. Three of its countries, Nigeria, Niger and Ghana are listed amongst the top ten African countries with the best natural resources. Senegal and Burkina Faso are located in the Sudano-Sahelian zone and, therefore, are relatively rich in natural resources. As a region, West Africa is endowed with underexplored mineral resources, especially in Burkina Faso and Côte d'Ivoire, which are the least-explored countries within the Birimian Greenstone Gold Belt which stretches across Ghana, Côte d'Ivoire, Guinea, Mali, and Burkina Faso.¹ However, the exploitation and mismanagement of these resources have also contributed to political instability, corruption, and poverty in many countries in the region. Dependence on natural resources has also led to a lack of economic diversification, making the region vulnerable to fluctuations in global commodity prices.

To address these challenges, West African governments need to employ effective natural resource policies and instruments to finance sustainable and green economic growth in the region. This includes utilizing optimal fiscal instruments to maximize resource rents; controlling illegal, unreported, and unregulated fishing and curbing the high rate of deforestation; building robust negotiation capacity and expertise; and building transparent and accountable institutions to govern their resources and guard against corruption, illicit trade, and illicit financial flows. In this regard, West Africa can utilize various policy measures to effectively shift towards a development Model driven by natural capital. The region will need a combination of policy actions encompassing the following: (i) investments in data collection for improved valuation, (ii) implementation of natural capital accounting to keep track of the most important stocks of natural capital, (iii) serious implementation of a range of fiscal instruments on both renewable and non-renewable resources; (iv) investments in the capacity, technology, approaches and tools needed to benefit from best practices in exploration and licensing initiatives, and international agreements; and (v) deep institutional reforms to reduce illicit financial flows and corruption, improve transparency and implement best practices when it comes to natural resource governance.

STRUCTURE OF THE REPORT

Just like in previous years, the 2023 edition of the West Africa Economic Outlook delves into the development challenges faced across the continent with a specific focus on the West African region. The theme of the 2023 edition of the Report is “Mobilizing Private Sector Financing for Climate and Green Growth in West Africa”.

Chapter 1 focuses on the current status of macroeconomic, financial and social developments in West Africa and provides a comparative analysis of the outlook over time, across sectors and countries.

Chapter 2 identifies innovative ways to attract the private sector (both domestic and international) into financing climate and green growth in Africa and to address barriers and challenges that still impede private sector participation.

Chapter 3 explores the role of natural capital in closing the climate finance gap and transitioning to green and inclusive growth in West African countries. It identifies the challenges and opportunities involved in harnessing natural resources as an asset class for wealth creation and explores various financing options for implementing nature-based solutions in Africa.

RECENT MACROECONOMIC TRENDS AND PROSPECTS

1

KEY MESSAGES

- **Following a robust recovery in 2021, growth in West Africa moderated to an estimated rate of 3.8% in 2022.** Despite the slowdown, this growth rate remains higher than the pre-Covid-19 growth average of 3.5% in 2019. Following a contraction in 2020 due to the impact of the covid pandemic, growth in West Africa rebounded to reach 4.4% in 2021, before showing signs of a relative slowdown in 2022 and emerging as one of the least performing regions on the continent in 2022. The deceleration in growth can be attributed to various factors, including successive shocks such as the resurgence of COVID-19 in China, a key trading partner for the region. Additionally, the invasion of Ukraine by Russia led to inflationary pressures in countries that rely on net imports of food, fuel, and fertilizers. Tightening monetary policies in advanced economies also contributed to global risk aversion and the depreciation of local currencies. Lastly, security-related challenges have also played a role in the growth slowdown.

- **Growth was driven, on the demand side, by household consumption, and on the supply side by services.** In 2022, private household consumption accounted for 179% of the 3.8% GDP growth, much lower than its 273% contribution to GDP growth in 2021. On the supply side, the services sector has witnessed remarkable growth and has made significant contributions to regional GDP growth. In 2022, the sector accounted for approximately 84% of the overall GDP growth in the region (3.2% out of 3.8%). %, which is higher than the 72% contribution in 2021 and 46% contribution in 2019.

- **The GDP growth outlook for the region is positive. Growth is projected to remain stable at 3.9% in 2023 with a subsequent increase to 4.2% in 2024.** The growth forecast is premised on the assumption that commodity prices and global inflation will decline. On the demand side, growth is projected to be driven by domestic absorption and external demand. On the supply side, all three sectors—agriculture, industry, and services—are anticipated to contribute to the overall growth.

- **Inflation has drastically increased to reach an estimated 17% in 2022, from 12.7% in 2021.** This inflation rate is higher than continental average of 14.2% in 2022, and higher than all the other regions on the continent except the East Africa region. The rise in inflation in West Africa in 2022 reflects large food and/or energy prices increase in Ghana, Sierra Leone and Nigeria caused by disruptions in the global supply chain caused by Russia's invasion of Ukraine. Inflation is expected to stabilize in 2023, then begin to decline in 2024.

- **The average fiscal deficit narrowed in all regions of the continent, but West Africa recorded a higher deficit in 2022, estimated at 5.6% of GDP, resulting from sustained public infrastructure spending and low domestic resource mobilization.** This deficit is projected to narrow in percent of GDP to 5.2% in 2023 and 4.9% in 2024, but will remain the largest on the continent. The tax-to-GDP ratio of 7.4% in 2022 is still far lower than the 15% minimum average to adequately finance progress towards the SDGs in developing countries.

- **Russia's invasion of Ukraine has prompted a surge in food and fuel prices that threatens the region's socioeconomic situation.** Relative to the counterfactual scenario, the international poverty rate based on the \$2.15 a-day poverty line is estimated to have increased in eight countries in West Africa. The regional average poverty rate has increased by 10% between 2019 and 2022. This latest setback could not have come at a worse time—as growth was starting to recover and policymakers were beginning to address the social and economic consequences of COVID-19 pandemic and other development challenges.

- **Assertive monetary, fiscal, and structural policy actions are needed to address the effects of rising inflation and subdued growth in West Africa,** with a view to supporting a pro-growth structural transformation to sustain rapid, sustainable, and inclusive growth.

1.1: Regional Growth Performance

1.1.1 The Regional Context

West Africa has the highest GDP on the continent, and Nigeria is by far the largest economy in the region.

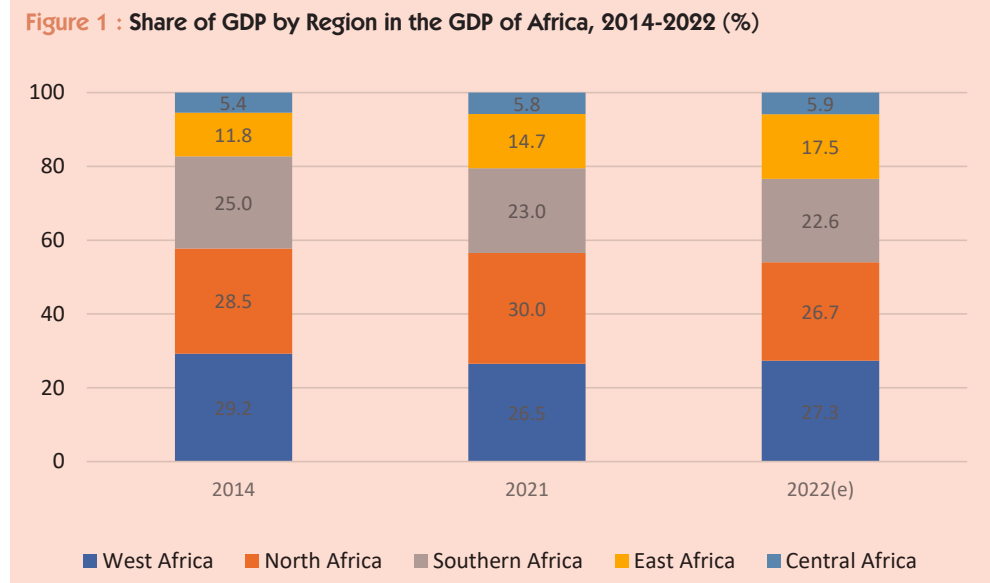
The West Africa region is one of five regions in Africa. It encompasses fifteen (15) countries that exhibit a wide range of economic structures, sizes, and performance levels². Three of these countries (Burkina Faso, Niger, and Mali) are landlocked, which hampers their economic development. The remaining countries (Benin, Nigeria, Côte d'Ivoire, Gambia, Ghana, Guinea Bissau, Guinea, Liberia, Senegal, Sierra Leone, and Cabo Verde) are coastal countries.

This offers them access to international markets and economic development opportunities. Seven countries belong to the West African Economic and Monetary Union (WAEMU) and use a common currency, the CFA. And all 15 countries are members of the Economic Community for West Africa States (ECOWAS).

The West Africa region is the largest on

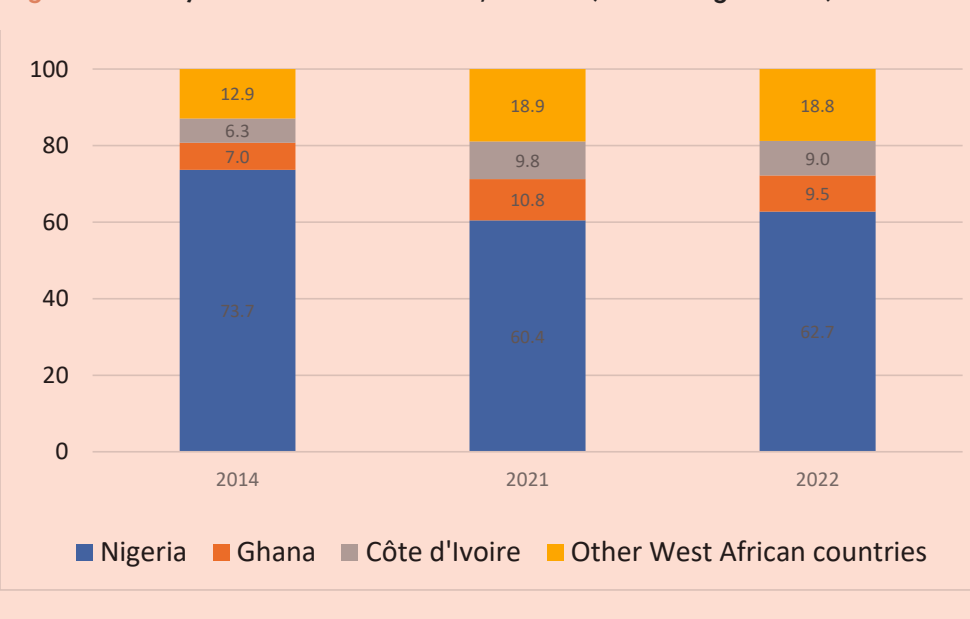
the African continent in terms of shares in continental GDP. It accounted for more than 27.3% of the continent's GDP in 2022, followed by North Africa, a close second at 26.7%, and Southern Africa, at 22.6% (Figure 1). In 2022, the West Africa region surpassed North Africa, with its share of the continental GDP increasing while North Africa's share declined. Among the five regions, West Africa, East Africa, and Central Africa witnessed an increase in their continental GDP shares, while the shares of North Africa and South Africa regions decreased. Notably, the North Africa region experienced the largest drop, with a decline of 3.3 percentage points.

Nigeria, the region's only oil exporter is by far the largest economy in the region (Figure 2). Although its share in the region's GDP has decreased over time from 73.7% in 2014 to 62.7% in 2022. Three countries in the region hold 81% of the regional GDP, namely Nigeria, Ghana, and Côte d'Ivoire. Hence, due to their significant contribution to the regional economy in terms of GDP shares, any macroeconomic changes, whether positive or negative, in these countries are likely to have a notable impact on the overall regional aggregates. This is especially true for Nigeria and, to a lesser extent, Ghana and Côte d'Ivoire.



Source: African Development Bank statistics

Figure 2 : Country Shares in West Africa's GDP, 2014-22 (% of the region's GDP)



Source: African Development Bank statistics

1.1.2 Growth Performance

Following a robust recovery in 2021, growth in West Africa has decelerated to 3.8% in 2022.

West Africa's real GDP contracted by 0.2% in 2020 compared to a growth rate of 3.5% in 2019. This downturn is due to the COVID-19 pandemic. Growth rebounded to 4.4% in 2021 thanks to the normalization of economic activities and positive policy responses. In 2022, real GDP growth is estimated to have slowed to 3.8%, but still higher than the average in 2014-2019 (Figure 3).

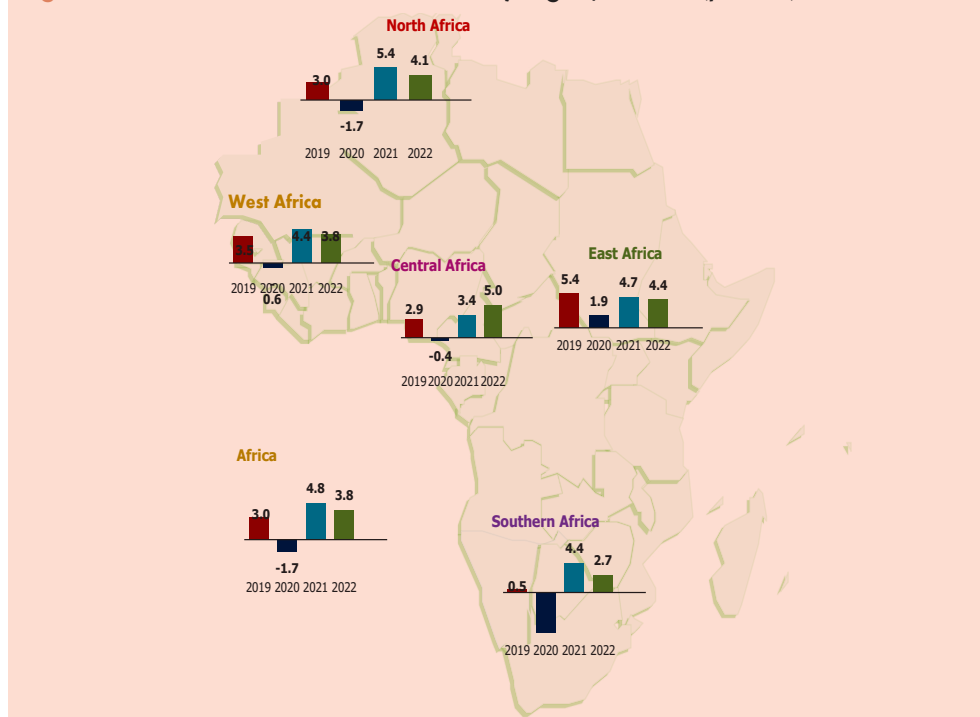
The slower growth in 2022 is attributed mainly to the headwinds (identified in West African Economic Outlook 2022) namely, the lingering effect of the COVID-19 pandemic, especially in China, higher global food and energy prices, reinforced by supply chain disruptions resulting from the Russia's invasion of Ukraine; and tight global financial market conditions caused by shifts in monetary policies in advanced economies.

Figure 4 reveals notable disparities in growth rates among countries, suggesting that these variations can be attributed to factors such as economic characteristics and the extent of policy flexibility to address shocks. In 2020, five

out of the 15 countries in the region experienced a contraction in real GDP growth. However, in line with the global economic recovery, almost all countries in the region witnessed a rebound in real GDP growth in 2021. However, the growth differentials varied across countries depending on the depth and breadth of policy responses implemented to minimize the socio-economic effects of COVID-19, degree of normalization of economic activities, and countries' access to the COVID-19 vaccines.

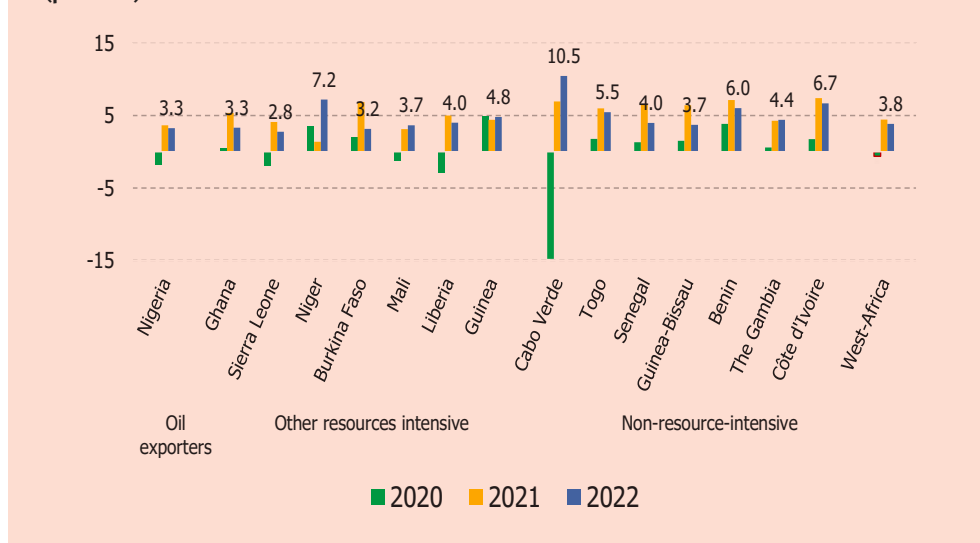
In 2022, GDP grew in all countries within the region. However, growth recovery was largely determined by the availability of policy buffers to respond to the triple shocks. Consequently, certain countries experienced positive growth differentials, indicating progress towards economic recovery, while others faced negative differentials (demonstrating a situation of delayed recovery). GDP growth slowed in larger economies like Nigeria, Ghana, and Côte d'Ivoire. Burkina Faso was among the countries in the region where growth deceleration was the greatest, falling from 6.9% to 3.2% in 2022. Five countries (Benin, Cabo Verde, Côte d'Ivoire, Niger, Togo) recorded average growth rates larger than 5 percent in 2022. Cabo Verde recorded the strongest growth performance (10.5%), supported by services (e.g., tourism) and investment.

Figure 3 : Growth Performance and Outlook by Region, 2019-22 (percent)



Source: African Development Bank statistics

Figure 4 : Real GDP Recent Growth in West Africa by Group and Country, 2020-2022 (percent)

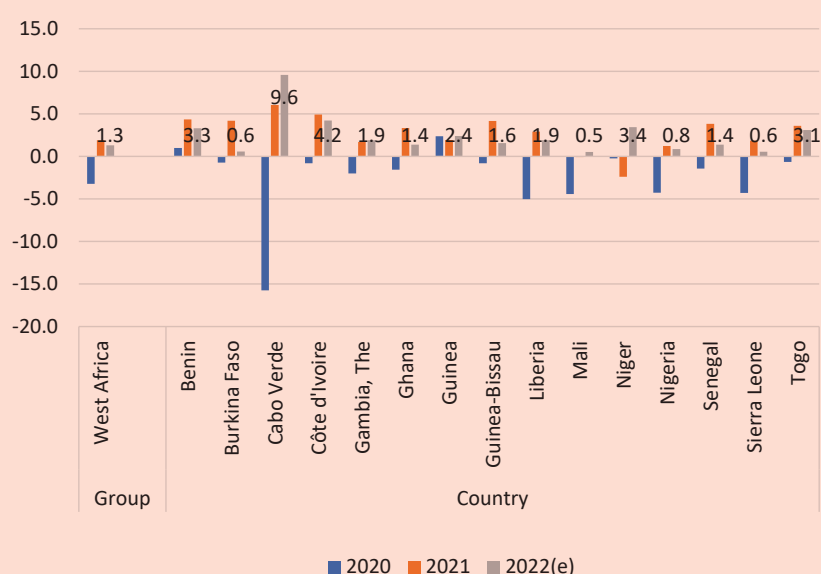


Source: African Development Bank statistics

Real GDP growth slowdown in 2022 resulted in lower per capita income growth (Figure 5). Per capita income growth declined to 1.3% in 2022 from 1.9% in 2021. Considering that a

majority of countries in the region are classified as low-income countries, this situation has the potential to undermine the developmental progress achieved over the past decade.

Figure 5 : Real GDP per Capita Recent Growth in West Africa 2020-2022 (percent)



Source: African Development Bank statistics

1.1.3 Growth Drivers

In 2022 growth in West Africa was driven, on the demand side, by household consumption, and, on the supply side, by the services sector.

a – Structure of West African Economies

The structure of West Africa's economies is dominated by the services sector. The services sector accounted for 46% of region's average GDP in 2022, which is much higher than industry, at 29.1%, and agriculture at 24.6% (Figure 6). Services dominated economic activities in all countries in the region except in Liberia, Mali, and Sierra Leone. Increases in the GDP share of services can be explained by expansion in activities, namely information technology and communication (ICT). This is supported by improved internet penetration, expansion in mobile banking and other internet-based transactions. The services sector is highly dominant in Cabo Verde.

On average, the industrial sector accounted for 29.1% of the regional GDP in 2022, which is higher than the 20.0% rate recorded in 2020 and the 24.0% rate achieved over the 2013–2019 period. This shift is happening on the back of stagnating agriculture (22% of GDP since 2013) and declining services (53% over 2013–2019 and 46.3% in 2022). The increase in the share of industry in the region's GDP is a positive development, although it – varies across countries. Nigeria has played a significant role in driving this increase, with its industry share rising from 24% during the period of 2013–2019 to 28% in 2020 and further to 31.2% in 2022.

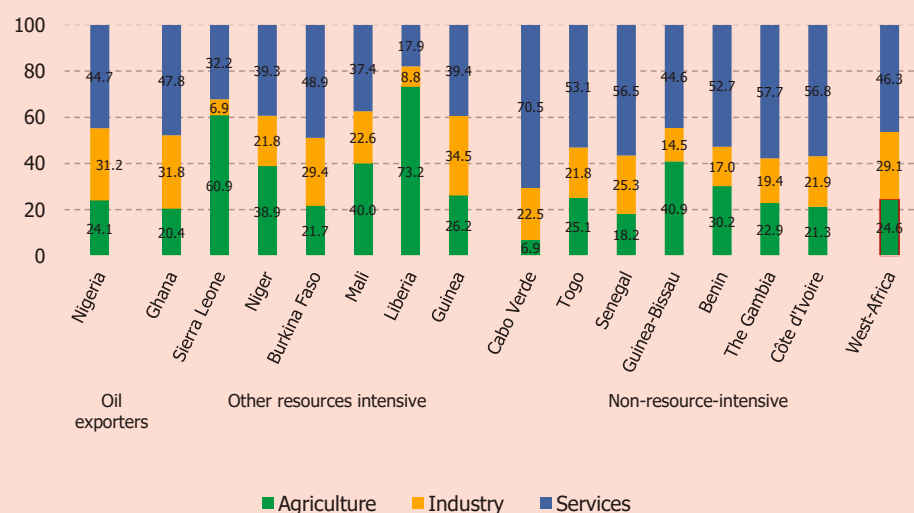
In contrast, in Ghana and Côte d'Ivoire – the second and third largest economies in the region – the industrial sector stagnated at 33% and 21%, respectively. The share of industry is only higher than the regional average in four countries: Ghana (31.8%), Guinea (34.5%), and Nigeria (31.2%), Burkina (29.4%). This, coupled with notable disparities in sectoral contributions among other countries in the region, highlight the need for further efforts to ensure that economic transformation drives growth.

b – Supply Side Decomposition of Growth

On the supply side, GDP growth in the West Africa region is driven by the services sector. Its contribution to regional GDP growth has grown in leaps and bounds. In 2022, the sector accounted for about 84% of the GDP growth of the region (3.2% percentage point out of 3.8%). It is higher than 72% (of the 3.2% GDP growth) in 2021 and 46% (of the 3.5% GDP growth) in 2019.

The sector was among the hardest hit in 2020 due to the lockdown measures imposed to minimize the spread of COVID-19 (Fig. 1.1.7). Within the services sector, hotels and tourism, and transport were among the most heavily impacted. In addition to its significant contribution to GDP growth, the services sector has also played a pivotal role in driving employment and investment growth. Based on country-level data, the region's overall growth has predominantly been driven by factors such as increased human and physical capital. The

Figure 6 : Sectoral Components of GDP in West Africa by Group and Country, 2022 (percent).

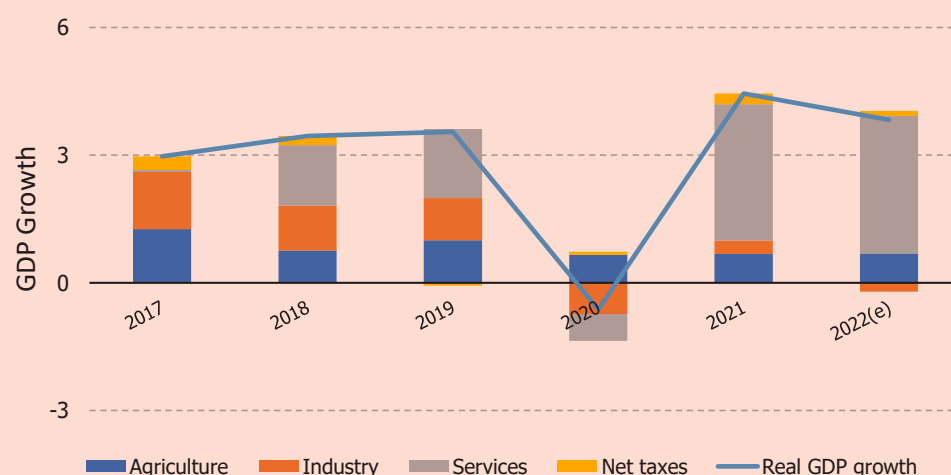


Source: African Development Bank

services sector, in particular, has reaped the greatest benefits from this growth model, as it has consistently accounted for the highest share of employment and investment growth. Agriculture made the second largest contribution to GDP growth in 2022 (18% of the 3.8% growth). It contributed on average about 17% of the GDP growth in 2021 and 2022. Agriculture was the only sector that registered positive GDP growth in 2020 (Figure 7).

The industrial sector, with a negative GDP growth contribution in 2022 (i.e., -0.2 percentage point out of the 3.8% of GDP growth) was a drag on growth. Its contribution to GDP growth has declined over time. From 28% (of the 3.8%) of the GDP growth before the COVID-19 crisis to 16% in 2021. This, coupled with declines in share in employment may suggest sings of de-industrialization.

Figure 7 : Sectoral Decomposition of GDP Growth in West Africa, 2017-22



Source: African Development Bank

c – Demand Side Decomposition of Growth

Private household consumption and investment (gross fixed capital formation) have been the main drivers of growth on the demand side. In 2022, the two together accounted for 201% of the 3.8% GDP growth (i.e., household consumption 179% and investment 21%) (Figure 8), much lower than the 273% contribution it made to GDP growth in 2021.

Also individually, their contribution to GDP growth declined in 2022 compared to 2021. The decline in household consumption could be attributed to a decrease in the real per capita income of households. On the other hand, much of the decline in the contributions of investments could be attributed to interest rate hikes. In the near term, high interest rates are likely to remain a drag on investment, while high food and energy prices and depreciating currencies could weigh on private consumption spending indicating that consumption spending (private and public) and investment are likely to remain fragile over the medium term, as uncertainty lingers.

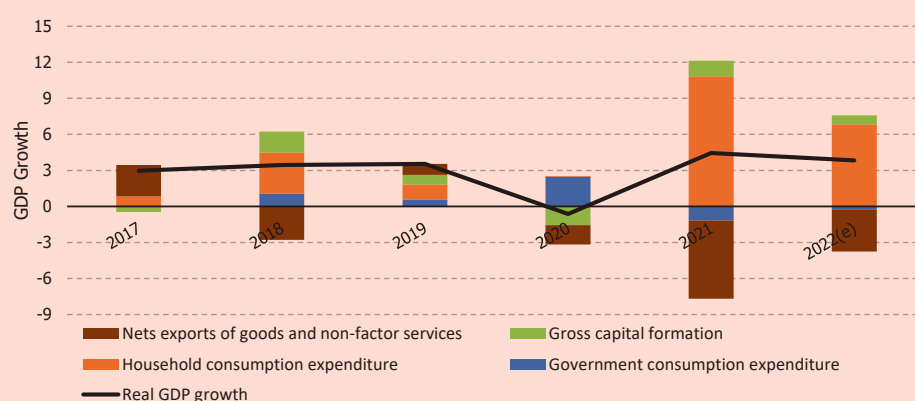
Government consumption dragged GDP growth by -0.2 percentage point in 2022 against -1.2 in 2021. This improvement could be attributed to the gradual decline in COVID-19 related government expenditures (health and subsidies) in 2021 and 2022. They were introduced in 2020 to contain the

spread of COVID-19. Many countries in the region introduced fuel and food subsidies to minimize the socio-economic impact of Russia's invasion of Ukraine on food and energy inflation. The additional financing needs were significantly lower compared to those caused by the COVID-19 pandemic. In contrast to the COVID-19 pandemic, which required borrowing from both external and domestic sources to cover the adjustment costs (resulting in significant debt burdens), the subsidies prompted by Russia's invasion of Ukraine were financed through the reallocation of government expenditures.

Except in 2017 and 2019, external demand (i.e., net export) was a drag on GDP growth in the region. It dragged GDP growth by 92% in 2022 against 148% in 2021. The region continues to rely heavily on primary commodity exports (i.e., with limited value addition) which are highly susceptible to terms of trade shocks. This could be addressed by promoting policies that support diversification of the export base towards manufactured goods. Priority could be given to activities where the comparative and competitive advantages are the greatest e.g., mineral beneficiation in the case of resource intensive economies.

In general, countries in the region require industrial policies that prioritize competitiveness in exports to penetrate the global markets. The African Continental Free Trade Area (AfCFTA) is also beneficial as it could help diversify export destinations and import sources.

Figure 8 : Demand-Side Decomposition of GDP Growth, 2017-22



Source: African Development Bank statistics

1.2 Trends In Macroeconomic Fundamentals

1.2.1 Inflation, Exchange Rate and Monetary Policy Developments

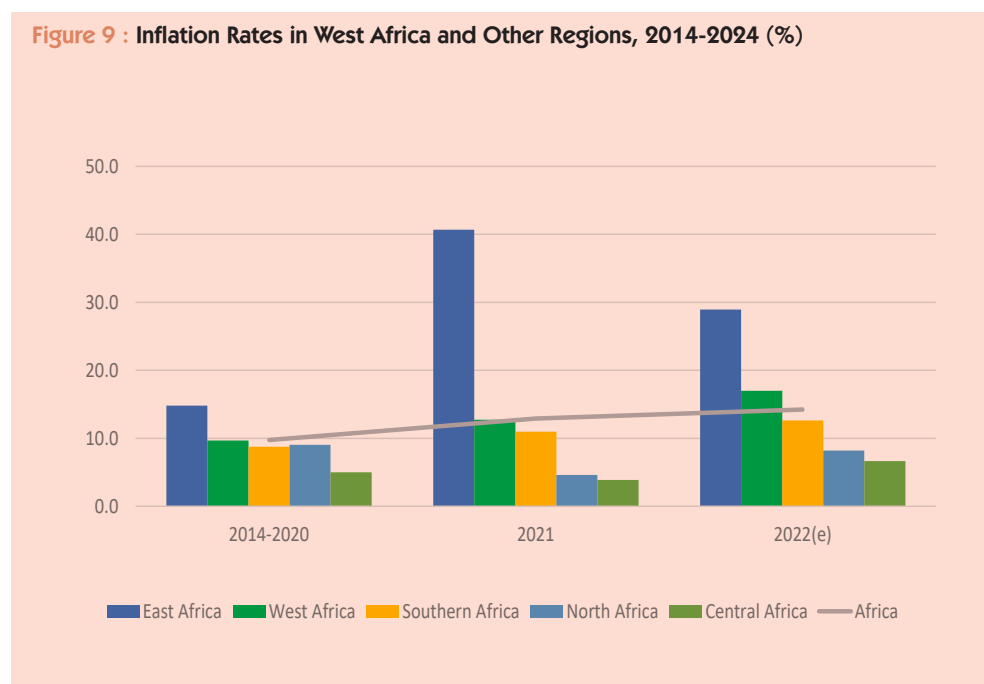
In West Africa, inflation rose from an average of 9.7% in 2014-2020 to 12.7% in 2021 and 17% in 2022 (Figure 9). Due to the conventional peg regime of the West African Economic and Monetary Union (WAEMU), inflation in West Africa tends to be much lower than in East Africa, where currencies are not pegged (East Africa recorded inflation of 15% in 2014-2020, 40.7% in 2021, and 29% in 2022). The inflation rate is, however, higher in West Africa than in Central Africa. Central Africa recorded inflation rates of 4.9% in 2014-2020, 3.8% in 2021,

and 6.7% in 2022.

All Central African countries are members of the Central African Economic and Monetary Community and operate under a conventional peg regime where their common currency, the Central African franc (CFA) is anchored to the euro.

Higher inflation in 2022 in West Africa and on the continent is primarily due to rising food and energy prices caused by disruptions in global supply chain due to Russia's invasion of Ukraine. The build-up in global supply chain pressures, amplified by effects of Russia's invasion of Ukraine, was reflected in a steep rise in global commodity prices, especially for food and energy in 2022.

Figure 9 : Inflation Rates in West Africa and Other Regions, 2014-2024 (%)



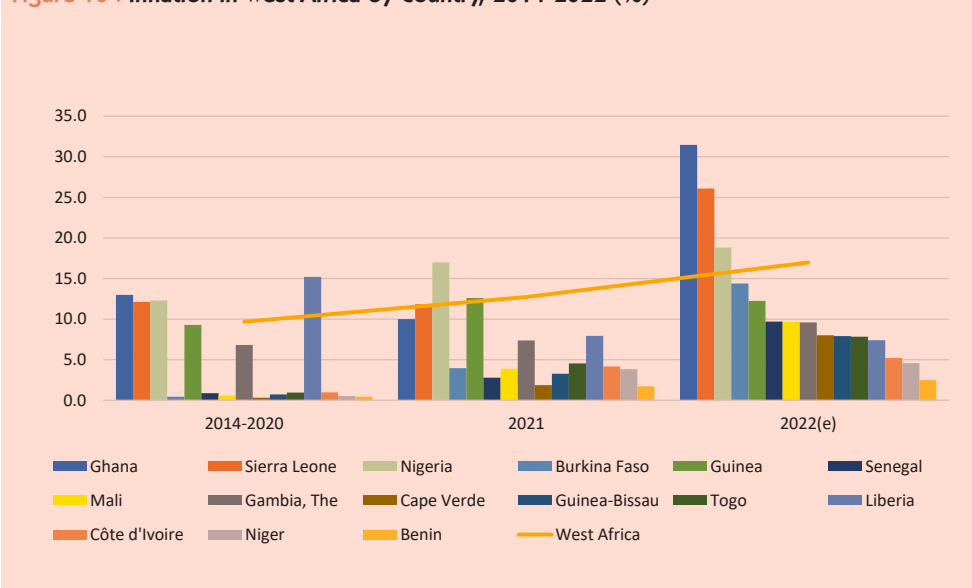
Source: African Development Bank statistics

Higher inflation in West Africa in 2022 reflects large consumer price increases in Ghana, Sierra Leone and Nigeria. All three countries experienced large pass-through effects from global to local food prices as well as rapid exchange rate depreciation in 2022. Inflation soared in Ghana to 31.5% in 2022 from an average of 13% in 2014-2020 and 10% in 2021; Sierra Leone (to 26.1% from 12.1% and 11.9%), and Nigeria (to 18.8% from 12.3% and 17%) (Figure 10).

Inflation also accelerated in Burkina Faso (to

14.4% in 2022 from an average of 0.5 in 2014-2020 and 3.9% in 2021) and Mali (to 9.7% in 2022 from 0.5% and 3.9%), mainly due to the effects of the rise in food and fuel prices as well as depreciation of the domestic currency. However, in Liberia, inflation moderated to 7.4% in 2022 from an average of 15.2% in 2014-2020 and 7.9% in 2021, reflecting the strengthening of the domestic currency. While nine countries met the ECOWAS inflation threshold of $\leq 5\%$ in 2021, only two countries, Benin and Niger, met the inflation convergence criterion of 5% in 2022.

Figure 10 : Inflation in West Africa by Country, 2014-2022 (%)



Source: African Development Bank statistics

Exchange rate developments. Exchange rate depreciation was one of the main drivers of inflation in West Africa in recent years. While the dynamics of exchange rates in West Africa were mixed, the majority of currencies depreciated against the US dollar (Figure 11) due to the US Federal reserve's aggressive interest rate hikes in 2022; global uncertainty driving investors away from emerging market economies' assets, towards "safe haven" US treasuries; decline in international reserves; increase in trade deficits; imported inflation from increased energy and food prices that were driven by Russia's invasion of Ukraine, and low foreign currency inflows, especially for commodity exporters. All West Africa's leading commodity-exporting countries except Nigeria, Guinea and Liberia experienced sustained exchange rate depreciations despite higher international commodity prices in 2022.

Among the currencies of other resource-intensive countries, Ghana's cedi was West Africa's worst performing, depreciating by 33.6% against the US dollar in 2021-2022 compared to 3.6% in 2020-2021. The effects of declining investor confidence about the sustainability of the country's large debt and pressure on its reserves owing to strong demand for foreign exchange led to the sharp depreciation.

In another resource-intensive country, Sierra Leone, an increase in trade deficits and a decline in international reserves exerted significant pressures on the Sierra Leone which depreciated by 24.3% against the US dollar in 2021-2022 compared to 8.7% in 2020-2021. In Nigeria, an oil-exporting country, the parallel market exchange rate depreciated by nearly a third year-on-year, dwarfing the

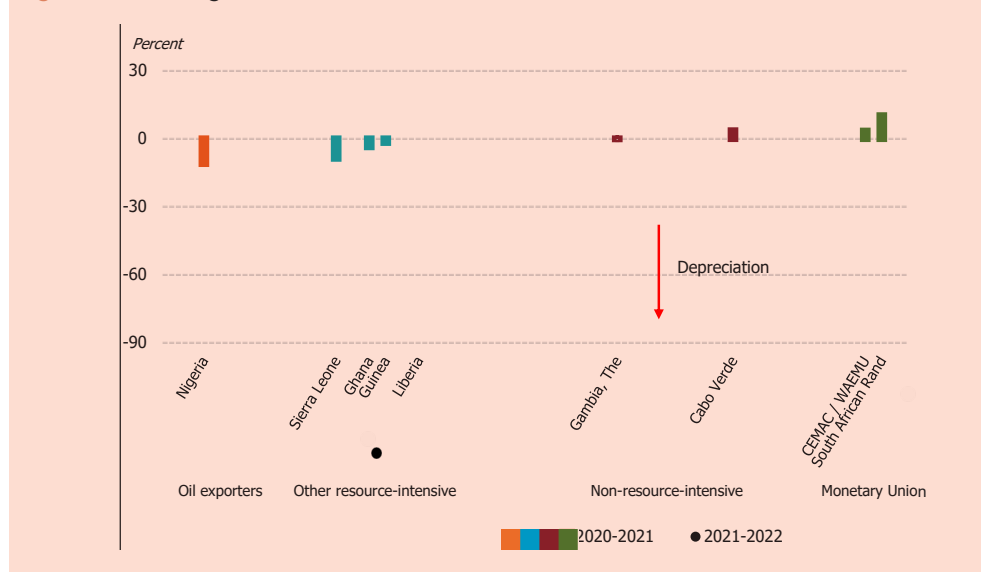
2.9% depreciation for the official rate in 2021-2022 compared to 11% in 2020-2021. This widened the premium between the two rates by about 70% - see Africa's Macroeconomic Performance and Outlook 2023 (AfDB, 2023).

In countries where exchange rate depreciations or devaluations happened, it exacerbated the already higher price of imported food and fuel. Among the other resource-intensive countries, Liberia's currency remained stable in 2021-2022 due to persistent intervention by the central bank to stabilize the local currency through its monetary policy stance and government fiscal operations and net inflows of private remittances.

Among the non-resource-intensive countries, the Gambian dalasi depreciated by 6.7% in 2021-2022 compared to 0.9% in 2020-2021 due primarily to higher demand for foreign currency to finance payments for imports. Likewise, the Cabo Verdean escudo, officially pegged to the euro, depreciated by 11.8% in 2021-2022 compared to an appreciation of 3.5% in 2020-2021 due to widening current account deficit.

The best performing currency in West Africa was the Guinean franc which appreciated against the US dollar by 3.7% in 2021-2022 driven largely by net inflows of foreign exchange and central banks' interventions in the exchange market. The Guinean franc continued to appreciate due to the repatriation of export earnings coupled with the reform undertaken in the foreign exchange market to strengthen the currency- see ECOWAS Macroeconomic Convergence Report for First Half of 2022 (WAMA, 2023).

Figure 11 : Exchange Rate Trends, 2020-2021 vs 2021-2022



Source: African Development Bank statistics

Currency depreciation pressures were also significant in WAEMU countries with CFA franc down by 11.9% in 2021-2022 compared to an appreciation of 3.4% in 2020-2021. To maintain exchange rate stability, countries in the region need to tighten monetary policies to counter inflationary pressures and reverse exchange rate depreciation while striking a balance between desired economic management and achievement of the exchange rate stability, build foreign exchange reserves, strengthen policy actions directed towards economic diversification focusing on manufacturing and tourism, among others.

Monetary policy developments. Following monetary policy normalization efforts in advanced economies in response to multiple global shocks, central banks in West Africa tightened monetary policy to tame rising inflationary pressures. Nonetheless, the objective of monetary policy in West Africa varied across the region between reducing inflationary pressures on the one hand and supporting the recovery process on the other.

Consequently, the policy rate was increased in The Gambia, Ghana, Nigeria, Sierra Leone, and WAEMU to counter the inflationary pressures. In Guinea and Cabo Verde, the policy rates remained unchanged to ease liquidity conditions in the banking system, despite the rising inflation. However, in Liberia,

the policy rate was reduced to support the growth recovery process while endeavoring to moderate inflation during the period. The Central Bank of Nigeria increased its policy rate four times in 2022 from 11.5% to 16.5%.

The Bank of Ghana raised the policy rate five times in 2022 from 14.5% in March to 27.0% in November (raising the rate by a cumulative of 750 basis points). The Bank of Sierra Leone also increased the policy interest rate four times since end of 2021 from 14% in 2020 to 18.25% in January 2023 (raising the rate by a cumulative of 425 basis points in just over a year).

The latter two countries have also the highest inflation rates in West Africa. The Central Bank of Gambia increased the policy rate from 11.0% in February 2022 to 12.0% in September 2022. Despite large increases in policy interest rates, real interest rates in all countries remain negative, challenging the potency of traditional monetary policy tools. The failure of higher policy rates to alleviate inflationary pressures thus implies that more innovative instruments should be explored to deal with nondemand shocks propelling the current wave of structurally driven inflation and avoid stalling economic recovery— see Africa's Macroeconomic Performance and Outlook 2023 (AfDB, 2023).

1.2.2 Fiscal Position and Domestic Resource Mobilization

West Africa's budget deficit remains high and now exceeds that of all other regions.

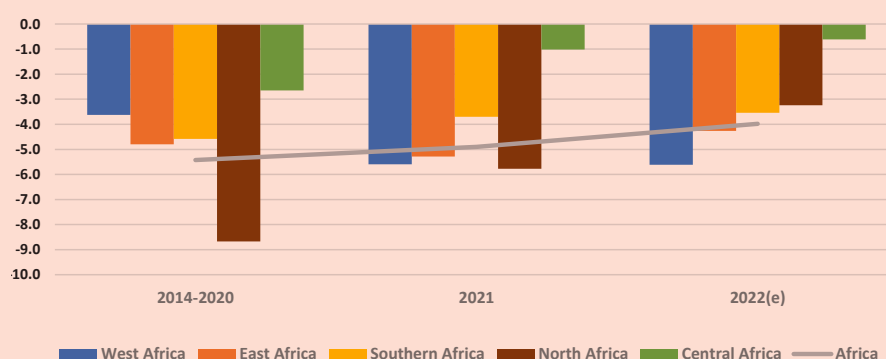
Fiscal Position. Like most African economies, West African countries are characterized by structural fiscal deficits, resulting from sustained public infrastructure spending and low domestic resource mobilization. In 2014-2020, fiscal deficits in West Africa averaged 3.6% of GDP, lower than the continental average of 5.4% (Figure 12). Central Africa is the only region which had a lower deficit (2.7%). Whereas it was larger in Southern Africa (4.6%), Eastern Africa (4.8%), North Africa (8.7%).

In 2021, despite the lingering effects of the COVID-19 pandemic which still posed significant risks to public finances, the overall

fiscal performance on the continent showed some improvement, reflecting a slowdown in COVID-related expenditures and improved revenue collection across Member States. Despite this, the region's average fiscal deficit increased to 5.6% of GDP in 2021 compared to an average of 3.6% in 2014-2020, the largest increase among the five regions. On the other hand, fiscal deficit declined in Central Africa, North Africa, and Southern Africa while it marginally increased in East Africa in the same period.

In 2022, estimates suggest that on average, the fiscal deficit narrowed, in all the regions: North Africa (3.2%), Southern Africa (3.5%), East Africa (4.3%), and Central Africa (0.6%). The fiscal deficit in West Africa is estimated to remain unchanged at 5.6% of GDP in 2022 on the back of the continued global headwinds and slow improvement in domestic resource mobilization.

Figure 12 : Fiscal Balance in Africa and by Africa Region, 2014-2022 (% of GDP)



Source: African Development Bank statistics

In 2014-2020, Sierra Leone, Ghana, and Cabo Verde registered the largest fiscal deficits in West Africa, 6.1%, 5.8% and 5% of GDP, respectively due to fiscal measures to support pandemic-affected households and businesses (both the Ebola pandemic in 2014-2015 and COVID-19 in 2020, in the case of Sierra Leone) as well as lower tourism revenue in the case of Cabo Verde and lower public revenues, especially from oil production in Ghana in 2020 (Figure 13).

In 2021, fiscal deficit increased in all countries in the region except Guinea and Liberia where it declined by 0.4 and 2.1 percentage points, respectively. The increase in fiscal deficit was the largest in Ghana, where it increased to 9.2% of GDP in 2021 from an average of 5.8% in 2014-2020 attributable to underperformance in domestic revenue despite a slowdown in

COVID-19- related health expenditure. Fiscal deficit also increased in Sierra Leone (7.3% of GDP) in 2021 due to higher recurrent and capital expenditure despite a strong performance in revenue collection, and Cabo Verde (7.2%) due to a weak performance in domestic revenue and decline in grants.

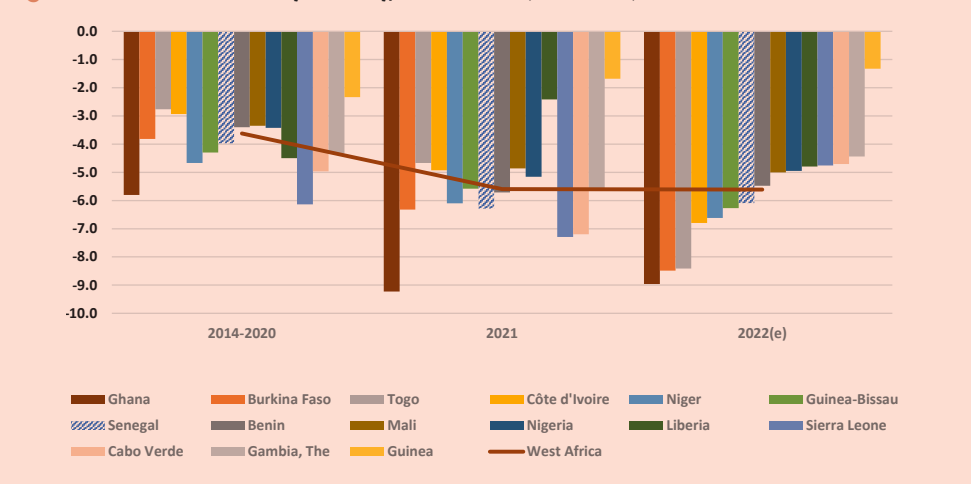
In 2022, fiscal deficit narrowed in some countries but increased in others. The decline in fiscal deficit was the largest in Sierra Leone, where it fell from 7.3% in 2021 to 4.8% in 2022 due mainly to higher grants, despite slow improvement in domestic resource mobilization. The fiscal deficit also declined in Cabo Verde from 7.2% of GDP in 2021 to 4.7% in 2022, which is attributable to the drop in total expenditures despite the underperformance of the domestic revenue.

Fiscal deficit also declined in The Gambia from 5.6% of GDP in 2021 to 4.4% in 2022; Ghana (From 9.2% to 9%), Senegal (From 6.3% to 6.1%), Nigeria (From 5.2% to 4.9%), Guinea (From 1.7% to 1.3%) and Benin (From 5.7% to 5.5%). On the other hand, fiscal deficit increased in Liberia from 2.4% of GDP in 2021 to 4.8% in 2022 due to a slow growth in tax revenue and a decline in non-tax revenue amid rising expenditure and net lending.

Fiscal deficit increased in Côte d'Ivoire from

4.9% in 2021 to 6.8% in 2022 driven by a rapid increase in expenditure mainly attributed to the continuation of socio-economic infrastructure projects carried out as part of the implementation of the 2022-25 National Development Plan. Similarly, fiscal deficit increased in Burkina Faso from 6.3% of GDP in 2021 to 8.5% in 2022 due mainly to decline in external grants and non-tax revenue. Fiscal deficit also slightly increased in Mali (From 4.9% to 5%) and Niger (From 6.1% to 6.6%).

Figure 13 : Fiscal Balance by Country, 2014-2022 (% of GDP)



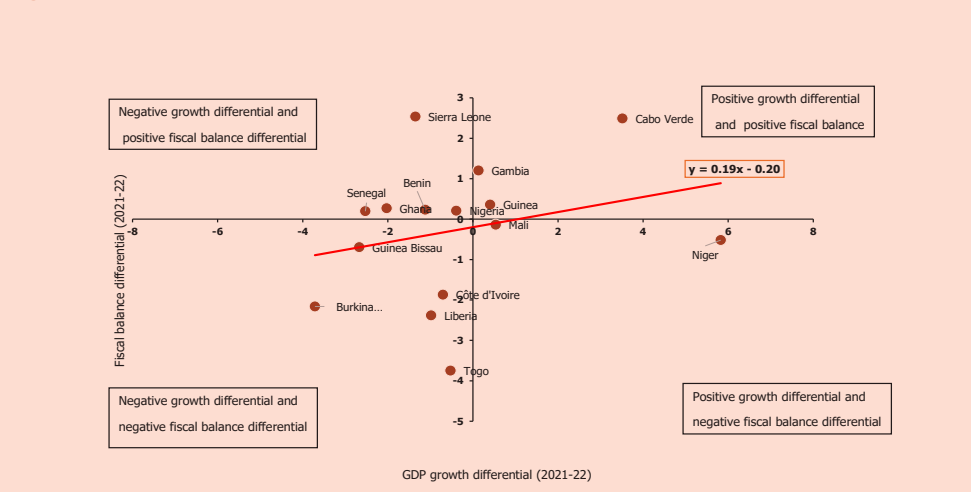
Source: African Development Bank statistics

Overall, countries with better growth performance also recorded improved fiscal positions in 2021-2022 (Figure 14). According to the AfDB's Africa's Macroeconomic Performance and Outlook Report (2023), between 2021 and 2022, countries with growth differentials of 1 percentage point reduced the fiscal deficit by 0.19 percentage point on average. Higher sustained growth, especially when accompanied by productive and efficient public spending, is important for

fiscal consolidation.

Countries like Guinea and Gambia have shown stronger resilience to the adverse effects of the COVID-19 pandemic and other external shocks. Their GDP growth and fiscal positions both improved in the two years following the outbreak of the pandemic. Other countries, including Sierra Leone, Benin, Ghana, Senegal, and Nigeria reduced their fiscal deficits despite a negative real GDP growth differential.

Figure 14 : Real GDP Growth and Fiscal Balances, 2021-22 Differential



Source: African Development Bank statistics

Domestic resources mobilization.

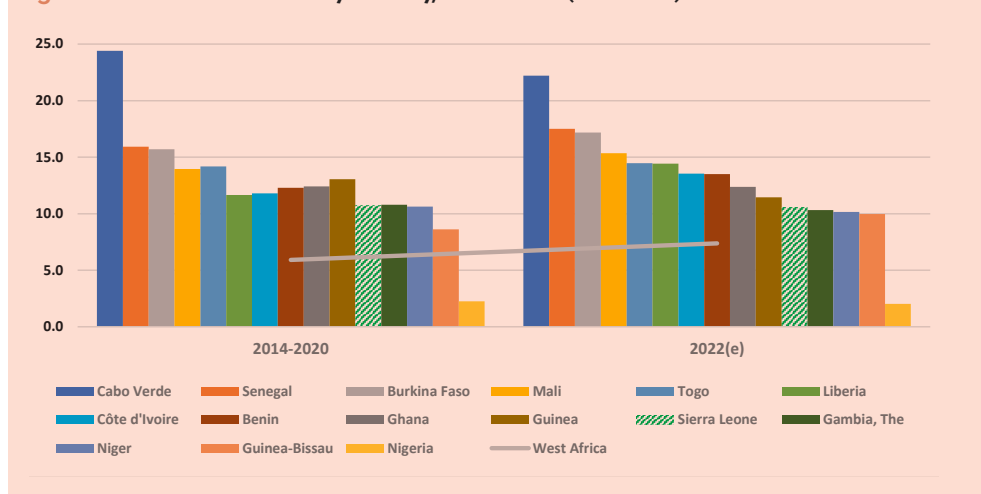
Enhancing domestic resource mobilization is one of the most pressing policy challenges facing countries in West Africa to achieve their national development priorities. In all West African economies except Nigeria, the main sources of government revenue are taxes on goods and services, trade, incomes, profits, and capital gains. In Nigeria, the bulk of public revenue is nontax revenue from oil production.

Tax systems in West Africa have a narrow base and are subject to inefficient collection -see the

West Africa Economic Outlook 2022 (AfDB, 2022). Cabo Verde and Senegal recorded the largest average tax-to-GDP ratio at 24.4% and 15.9% in 2014-2020, respectively followed by Burkina Faso (15.7%), Togo (14.2%).

The average tax-to-GDP ratio was the smallest in Nigeria (2.8%), Guinea Bissau (8.6%). Overall, West Africa recorded an average tax-to-GDP ratio of 5.9% in 2014-2020, and 7.4% in 2022 less than half the 15% average minimum to adequately finance progress toward the SDGs in developing countries.

Figure 15 : Tax-to-GDP Ratio by Country, 2014-2022 (% of GDP)



Source: African Development Bank statistics

In 2022, the tax-to-GDP ratio declined in some countries in the region and increased in others. In Cabo Verde it declined to 22.2% from an average of 24.4% in 2014-2020. Guinea (to 11.4% from 13.1%) Niger (to 10.2% from 10.6%), and Nigeria (to 2.3% from 2.0%). The largest increase was observed in Liberia, where tax-to-GDP ratio increased to 14.4% in 2022 from an average of 11.6% in 2014-2020, Côte d'Ivoire (to 13.5% from 11.8%) and in Senegal (to 17.5% from 15.9%).

Tackling weaknesses in enforcing compliance and improving tax administration more generally must be imperative for mobilizing domestic resources to support economic recovery and foster sustainable, inclusive, and resilient growth for the region. Improving the efficiency of revenue collection through institutional reforms such as improved governance and accelerating investments in digitalization and e-governance will improve transparency and reduce illicit financial flows.

These policies, if sequenced and implemented appropriately, could enhance domestic resource mobilization to complement private resources in meeting financing needs for green growth and sustainable development— see Africa's Macroeconomic Performance and

Outlook 2023 (AfDB, 2023).

1.2.3 Dynamics of Public Debt Burden and Implications for Debt Relief

In West Africa, despite elevated fiscal deficits in the past decade due to large financing needs for infrastructure investment and weak domestic resource mobilization, the average public debt-to-GDP ratio remained relatively low. The average total gross public debt increased by 7 percentage points from 37.1% of GDP in 2019 to 44.1% in 2020 due to the impact of the COVID-19 pandemic (Figure 16). The average total gross public debt in the region increased to 46.9% and 49.3% in 2021 and 2022, respectively due mainly to a widening fiscal deficit.

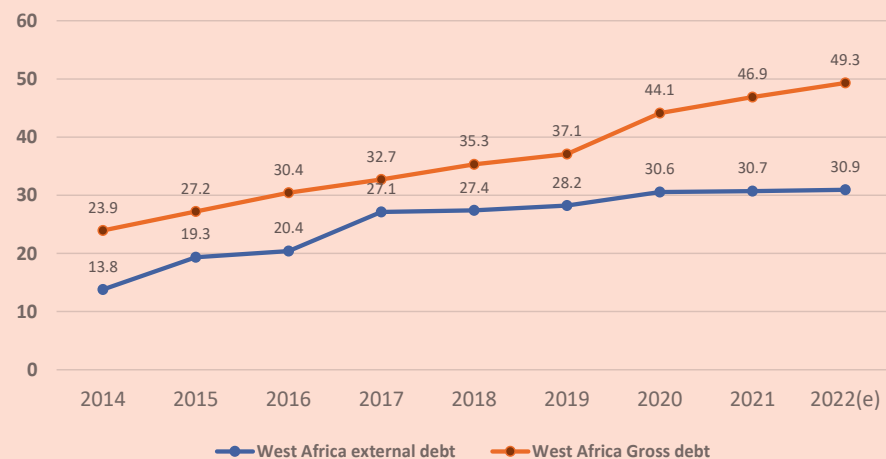
General government gross debt is especially high among other resource-intensive (non-oil) economies. For this group of countries, the public debt increased to 73% of GDP in 2022 from 67% in 2021 (Figure 17) reflecting lower average economic growth, rising interest rates, and depreciating currencies. The public debt is projected to decline to 71% and 70.8% of GDP in 2023 and 2024 respectively, mainly due to the projected decline in fiscal deficits in

most countries in this group.

For oil-rich countries, general government gross debt was relatively low, averaging 37% of GDP for 2021-2022 due mainly to higher

export earnings driven by increases in oil prices in this period. For this group of countries, the average public debt is projected to increase to 38.6% of GDP in 2023 and 39.8% in 2024 driven by higher debt accumulation in Nigeria.

Figure 16 : Dynamics of West Africa's Total Gross and External Debt as a Percentage of GDP, 2014-22



Source: African Development Bank statistics

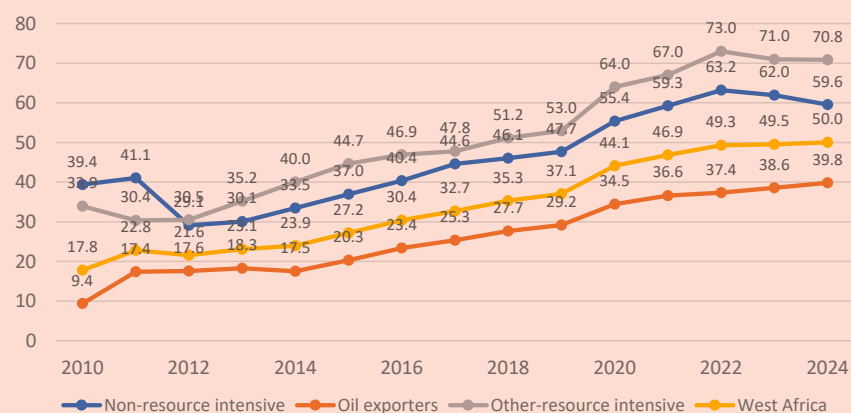
Non-resource intensive countries saw their general government gross debt accelerate to 55.4% of GDP in 2020 from 47.7% in 2019 due to the impact of the pandemic. The average public debt in this group increased further to 59.3% of GDP in 2021 and 63.2% in 2022.

The rise in the debt ratio reflects a deteriorating primary fiscal deficit, significant weakening of domestic currencies, and rising debt service costs. For this group of countries, the public

debt is projected to decline to 62% and 59.6% of GDP in 2023 and 2024, respectively due to the projected higher GDP growth and fiscal consolidation efforts.

The average general government gross debt in the region is, however, projected to increase to 49.5% and 50% of GDP in 2023 and 2024, respectively driven largely by rising external debt financing costs.

Figure 17 : West Africa General Government Gross Debt as a Percentage of GDP, 2010-24



Source: African Development Bank statistics

In West Africa, external debt accounts for the largest proportion of the total public debt portfolio in most countries except Nigeria and Togo— see West Africa Economic Outlook 2022 (AfDB, 2022). External debt increased from an average of 13.8% of GDP in 2014 to 29.6% in 2022 (Figure 18). External debt accumulation was facilitated by a rise in the issuance of Eurobonds. Eurobonds have been issued by Côte d'Ivoire, Ghana, Nigeria, and Senegal since 2011, and by Benin since 2019.

This suggests that exchange rate depreciation as well as the current normalization of monetary policy across the world, reversing the historically ultra-low interest rate environment are important risks for these countries.

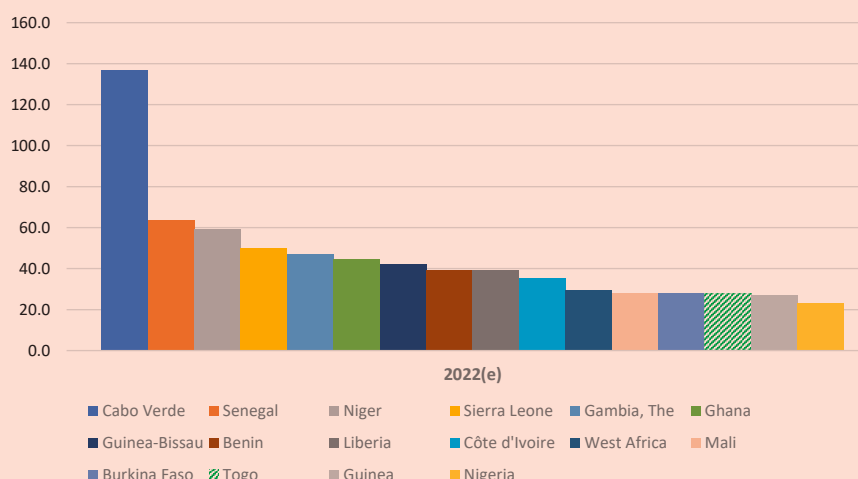
In Cabo Verde, the region's most indebted country, the external debt stood at 137.1% of GDP in 2022 (Figure 18). External debt-to-GDP ratios were also high in Senegal (63.8%), Niger (63.8%), Sierra Leone (50.3%) and Guinea Bissau (50.3%) in 2022. The external debt-to-GDP ratio was

the lowest in Nigeria at 23% of GDP in 2022. Countries in the region with an external debt-to-GDP ratio below the West Africa average of 29.6% in 2022 include Mali, Burkina Faso, Togo, Guinea and Nigeria.

The key drivers of external debt dynamics in West Africa were the rapid exchange rate depreciation especially in commodity exporting countries as well as high primary fiscal deficits and weak economic growth caused by the COVID-19 pandemic in 2020 and Russia's invasion of Ukraine in 2022.

Higher nominal interest rates due to the current tightening of monetary policy in advanced economies has also contributed significantly to higher debt burden in the region. Projected higher economic growth and efforts to reduce the fiscal deficit through domestic resources mobilization, fiscal consolidation and spending restraint are expected to contain external debt accumulation in the region in the medium term.

Figure 18 : Total External Debt by Country, 2022 (% of GDP)



Source: African Development Bank statistics

Debt vulnerabilities in West Africa have increased since 2016, with more countries progressively sliding into debt distress or high risk of debt distress (Table 1). Unless bold fiscal policy measures are implemented, these vulnerabilities are likely to linger as countries continue to grapple with the economic shocks from the COVID-19 pandemic and Russia's invasion of Ukraine.

In 2022, Ghana, The Gambia, Sierra Leone, and Guinea Bissau were at high risk of debt distress. Sierra Leone slid into high risk of debt distress since 2018 from moderate risk of debt distress in the previous year. Senegal

slid into moderate risk of debt distress since 2020 owing to the impact of the pandemic from low risk of debt distress prior to 2020. On the other hand, Cabo Verde's debt vulnerability improved to moderate risk of debt distress in 2021 and 2022 from high risk of debt distress in the preceding years.

Most West African countries remain at a moderate risk of debt distress in 2022. Debt vulnerabilities in many West African debt-distressed economies preceded the pandemic and have since been exacerbated by the effects of the pandemic and Russia's invasion of Ukraine.

Table 1: External Debt Distress rating for West Countries, 2016–22

	2016	2017	2018	2019	2020	2021	2022
Benin	L	M	M	M	M	M	M
Burkina Faso	M	M	M	M	M	M	M
Cabo Verde	H	H	H	H	H	M	M
Côte d'Ivoire	M	M	M	M	M	M	M
Gambia	M	D	D	D	H	H	H
Ghana	H	H	H	H	H	H	H
Guinea	M	M	M	M	M	M	M
Guinea-Bissau	H	M	M	M	M	H	H
Liberia	M	M	M	M	M	M	M
Mali	M	M	M	M	M	M	M
Niger	M	M	M	M	M	M	M
Senegal	L	L	L	L	M	M	M
Sierra Leone	M	M	H	H	H	H	H
Togo	M	M	M	M	M	M	M

High: H Low: L Moderate: M In Distress: D

Source: Staff calculations based on IMF Low-Income Country Debt Sustainability

Monetary policy tightening by the US Federal reserve since March 2022 led to sharper increases in some countries, highlighting increased debt vulnerability. Persistently tight global financial conditions pose the threat of more countries sliding into debt distress or high risk of debt distress. The high debt burden, coupled with weak revenue performance, limits public sector investment capacity in West Africa.

Thus, restoring debt sustainability could expand fiscal space but will require debt reprofiling or an outright restructuring for some countries in the region- see Africa's Macroeconomic Performance and Outlook 2023 (AfDB, 2023). For instance, in 2022 Ghana has reached an agreement with the IMF for a \$3 billion loan to support the government's debt restructuring plan to restore public debt sustainability.

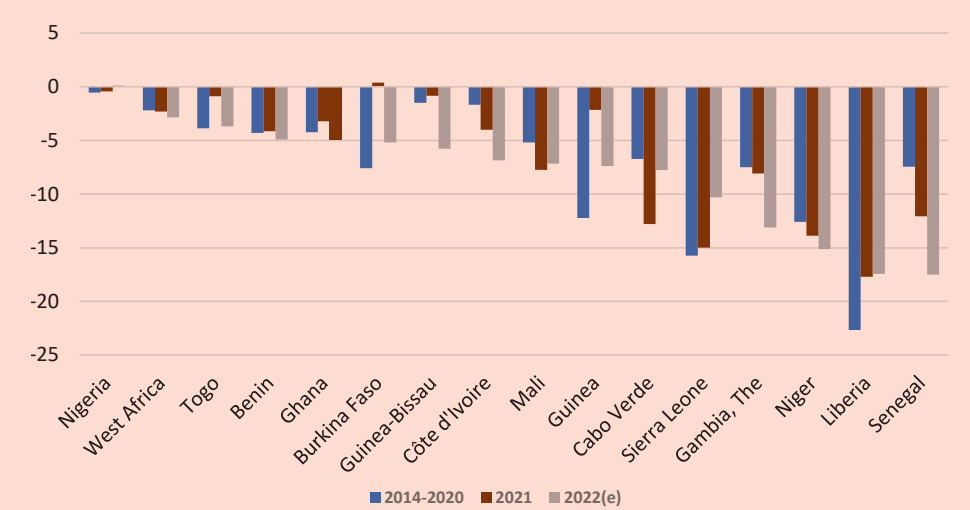
1.2.4 External Positions and External Financial Flows

Current account deficit. In 2014-2020 the current account deficit averaged 2.2% of GDP in the region. The size of the current account deficit differs widely across West African economies. Due to the Ebola and COVID-19 crises and continued imports of capital goods for the mining sector, Liberia experienced the largest current account deficit as a percentage of GDP in 2014–2020, at 22.6% (Figure 19). Due

to Ebola and COVID-19 induced disruptions in external trade, Sierra Leone, also had a higher current account deficit in 2014-2020: 15.7% of GDP. The current account deficit was also higher in Guinea (12.2% of GDP) in 2014-2020 due to massive imports for mining activities and infrastructure development as well as disruptions in global supply chains due to the impact of the pandemic in 2020. The smallest current account deficit was recorded in Nigeria (0.5% of GDP) in 2014-2020 mainly due to higher oil revenue pre-2020.

In 2021, the current account deficit in West Africa region widened to 2.3% of GDP from an average of 2.2% between 2014–2020. The current account balance deteriorated the most in Senegal, where it increased from an average of 7.4% of GDP in 2014-2020 to 12.1% in 2021 (Figure 19). This was attributed to worsening balances of primary and secondary income accounts. Current account deficits also deteriorated in Cabo Verde to 12.8% of GDP in 2021 from an average of 6.7% in 2014-2020 due primarily to an increase in import and a decrease in budget support despite improvements in primary and secondary income balances. Current account deficit deteriorated to 7.7% of GDP in Mali in 2021 from an average of 5.2% in 2014-2020 attributable to deterioration in the trade balance.

Figure 19 : Current Account Balance by Country, 2014-2022 (% of GDP)



Source: African Development Bank statistics

The current account deficit improved the most in Guinea declining to 2.1% of GDP in 2021 from an average of 12.2% in 2014-2020. This was mainly due to improvements in trade and secondary income balances reflecting the greater increase in value of exports (especially mining products— gold and alumina) and fishing and agricultural products compared with imports. The current account deficit also narrowed in Liberia, Togo, Ghana, and Nigeria. In the case of the latter two countries, this could be attributed, among other things, to increases in the trade balance caused by higher oil prices on the international market following the reopening of the global economy. Burkina Faso was the only country in the region that recorded a current account surplus (0.4% of GDP in 2021) from an average deficit of 7.6% of GDP in 2014-2020 due to its strong performance in export driven mainly by shipments of non-monetary gold and cotton fiber.

In 2022, amid the lingering disruptions in global supply chains due to Russia's invasion of Ukraine, the current account deficit in West Africa widened to 2.9% of GDP from 2.3% in 2021. This was caused by widening current account deficits in Guinea, Cabo Verde, Senegal, Ghana, Guinea Bissau, Togo, Côte d'Ivoire and Niger. This could be attributed, among other things, to a decrease in trade balance especially in oil- and food-importing economies due to higher fuel and food prices. The current account deficit declined in some West African economies, such as, Sierra Leone, Liberia, Mali, and Nigeria.

So far, many countries financed current account deficits with surpluses in their financial accounts. However, capital inflows could be adversely impacted by policy shifts in source countries. In the short-term, policy options to

address this include diversifying import sources and embarking on export promotion and export diversification; while in the medium-to-longer term, countries could pursue structural reforms aimed at diversifying the export base by adding more value and adding to the beneficiation of mineral resources— see West Africa Economic Outlook 2022 (AfDB (2022)). Such reforms could include creating an enabling environment for the private sector to optimize the economic benefits through the African Continental Free Trade Area arrangement that presents a unique opportunity for countries in the region to withstand exogenous shocks while improving their trade balances and build future economic resilience.

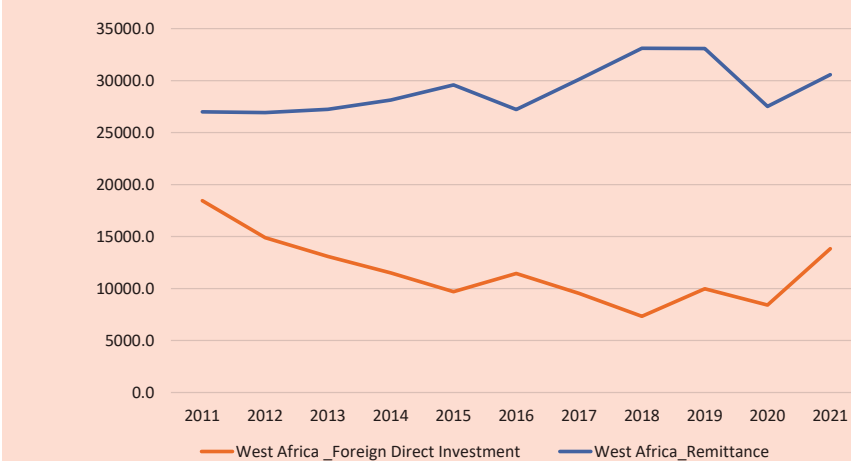
Financial inflow. Financial inflows have rebounded from the fallout of the COVID-19 pandemic but remain volatile amid tighter global financial conditions. After a decline in 2020 due to the COVID-19 pandemic, external financial flows to West Africa have rebounded. Foreign direct investment (FDI) has increased by 48% to \$13.8 billion in 2021, from \$8.4 billion in 2020 (Figure 20). FDI in West Africa declined by 15.6% in 2020 to \$8.4 billion from \$9.9 billion in 2019. FDI inflows to West Africa accounted for 16.6% of the total FDI inflows to Africa (\$83 billion) in 2021, the second largest share in Africa, following Southern Africa, which accounted for 50% of total FDI inflows to the continent in the same period— see United Nations Conference on Trade and Development, World Investment Report 2022 (UNCTAD, 2022).

FDI inflows to West Africa were buoyed by higher inflows to Nigeria, Ghana, and Senegal. Nigeria saw its flows double to \$4.8 billion in 2021, mainly because of a resurgence in oil investment and expansion in gas. International project finance deals in the country jumped to

\$7 billion, with some large projects in residential and commercial real estate. FDI flows to Ghana rose by 39% to \$2.6 billion in 2021, again mainly owing to projects in extractive industries; for example, the construction of an \$850 million gold mining facility by Newmont Corp (United States) and the construction of a cement factory by Ciment d'Afrique (CIMAF)

(Morocco) for \$436 million— see UNCTAD (2022). FDI inflows to Senegal was \$2.2 billion in 2021 followed by Côte d'Ivoire (\$1.4 billion), Niger (\$754 million), Mali (\$660 million) and The Gambia (\$252 million). Nigeria, Ghana, Senegal, and Côte d'Ivoire accounted for 80% of FDI inflows to West Africa in 2021.

Figure 20 : Remittance and FDI Inflows from all Donors in West Africa 2011-2021 (Millions US \$)



Source: African Development Bank statistics

Remittances to West Africa also rebounded in 2021 increasing by 11% in 2021 to \$30.5 billion from \$27.5 billion in 2020, driven by economic recovery in host countries, exchange rate depreciation in receiving countries, and a shift from cash (informal) to digital (Formal) transfers. Nevertheless, these are only recorded flows.

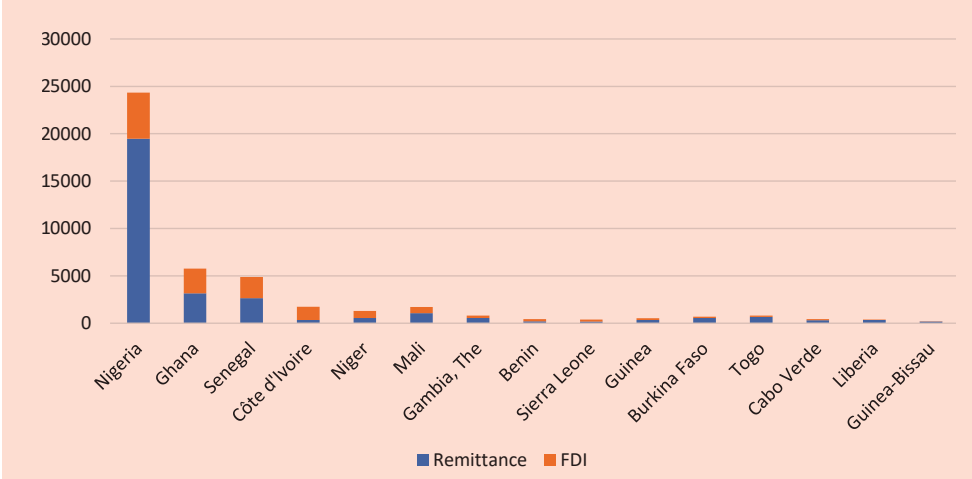
The true size - including those through informal channels - is expected to be even larger. Remittances to the West Africa region declined by 17% in 2020 to \$27.5 billion from \$33.1 billion in 2019 due to the impact of the COVID-19 pandemic on the host economies. Remittances were far larger external financial flows to West Africa compared to FDI in the past decade, highlighting the significance of migrants' countercyclical support to families in the region.

Nigeria was by far the leading recipient of remittances in the region, accounting for \$19.5 billion (64% of the West Africa total) in

2021 (Figure 21). The distant second and third recipients of remittances in the region were Ghana (\$3.1 billion) and Senegal (\$2.7 billion) in 2021. Mali received \$1 billion in remittances in 2021. Nigeria, Ghana, Senegal, and Mali accounted for 86% of the total remittance inflows to the region in 2021.

In the near term, high global inflation could reduce remittances to West African countries. However, the depreciation of domestic currencies against the US dollar could increase remittances due to high local currency equivalent in recipient countries. Sustained high oil prices could also boost remittances to West Africa from the oil exporting Middle Eastern countries (Bahrain, Kuwait Qatar etc.). At the same time, uncertainty surrounding the dynamics of remittance flows to Africa could weigh on growth prospects and exacerbate poverty in Africa – see Africa's Macroeconomic Performance and Outlook 2023 (AfDB, 2023).

Figure 21 : Remittance and FDI Inflows by Country, 2021 (millions US\$)

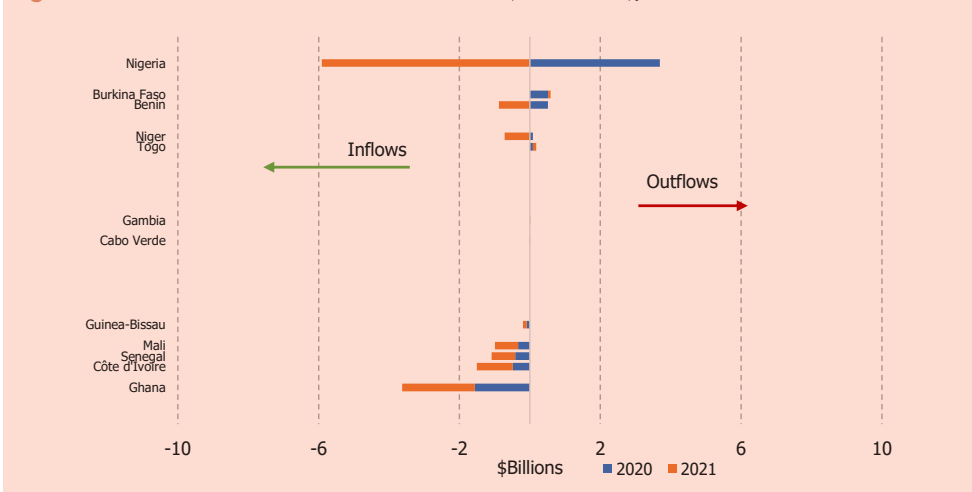


Source: African Development Bank statistics

Unlike FDI, which recovered strongly in 2021, performance in portfolio investments in West African economies was mixed. Nigeria, after a net outflow of \$3.7 billion in 2020, recorded inflows amounting \$5.9 billion in 2021 (Figure 22). Similarly, Ghana's portfolio position improved by \$2.1 billion in 2021, from \$1.6 billion in 2020. Côte d'Ivoire, Senegal and Mali saw their portfolio investment inflows increase to \$1 billion, \$670 million and \$658 million in 2021 from \$486 million, \$418 million and \$332 million in 2020, respectively.

Benin and Niger recorded inflows of \$881 million and \$719 million in 2021 compared to net outflows of \$509 million and \$86 million in 2020, respectively. Other countries in the region, such as, Burkina Faso, Togo, Gambia and Cabo Verde recorded net portfolio outflows in 2020 and 2021. Increased financial volatility and global risk aversion have reduced capital flows to emerging markets and developing economies negatively impacting capital flows to the West Africa.

Figure 22 : Portfolio Investments in West Africa (billion USD), 2020 and 2021



Source: African Development Bank statistics

1.3 The Socio-Economic Effects Of Rising Food And Energy Prices

1.3.1 Impacts on Extreme Poverty and Inequality

West African countries find themselves facing another severe and exogenous shock. Russia's invasion of Ukraine has prompted a surge in food and fuel prices that threatens the region's socioeconomic situations. This latest setback could not have come at a worse time - as growth was starting to recover and policymakers were beginning to address the social and economic legacy of the COVID-19 pandemic and other development challenges. The effects of the war will be deeply consequential, worsening malnutrition, eroding standards of living, threatening food and energy security and increasing poverty.

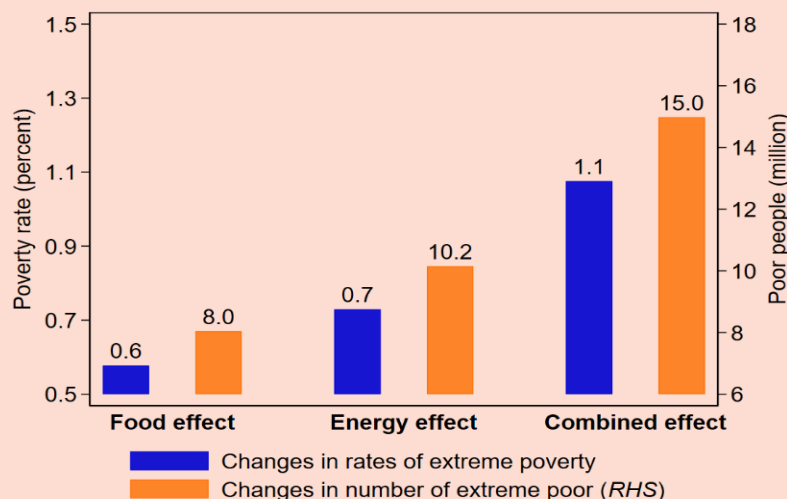
In addition to the macroeconomic impacts, African households face increasing risks on their livelihoods from a surge in commodity prices (see Figure 23). At the start of Russia's invasion of Ukraine in February to March 2022, crude oil prices increased by about 20 percent, from \$93.5 barrels per day (bpd) to \$112.4 bpd and averaged \$102.8 bpd between March and October 2022. Wheat price rose by about 28 percent, from \$364.9 per metric ton (mt) in February 2022 to \$446.5 per mt

in March 2022 and has averaged \$427.2 per mt between March and October 2022. Similarly, fertilizer prices also surged by about 22 percent, from \$ 547.1 per mt in February 2022 to \$ 668.9 per mt in March 2022 and \$624.9 per mt on average between March and October 2022. Prices of other commodities, especially agricultural products and metals have also soared as uncertainty heightens.

Relative to the counterfactual scenario, the international poverty rate based on the \$2.15 a-day poverty line is estimated to have increased in nine countries in West Africa. The regional average percentage of poor has increased by 10% (see figure 23) after accounting for higher food inflation observed since March 2022. The largest increase was in Mali, where the poverty rate rose from 12.4% of the population in 2019 to 19.1% in 2022, or 54% increase (Figure 24). In Africa, the additional number of people falling into extreme poverty due to energy price inflation is estimated at 10.2 million, bringing the combined poverty effect of soaring food and energy prices to about 15 million people or 1.1 percent of Africa's population (Figure 25). The poverty effect of energy price increases is higher than for food prices because the energy impact is fully passed through household income while the negative impact of high food prices is partially offset by increases in household income from net sellers.

Russia's invasion of Ukraine has prompted a surge in food and fuel prices that threatens the region's socioeconomic situation.

Figure 23 : Estimated Impact of Food and Energy Price Inflation on Extreme Poverty in Africa, 2022



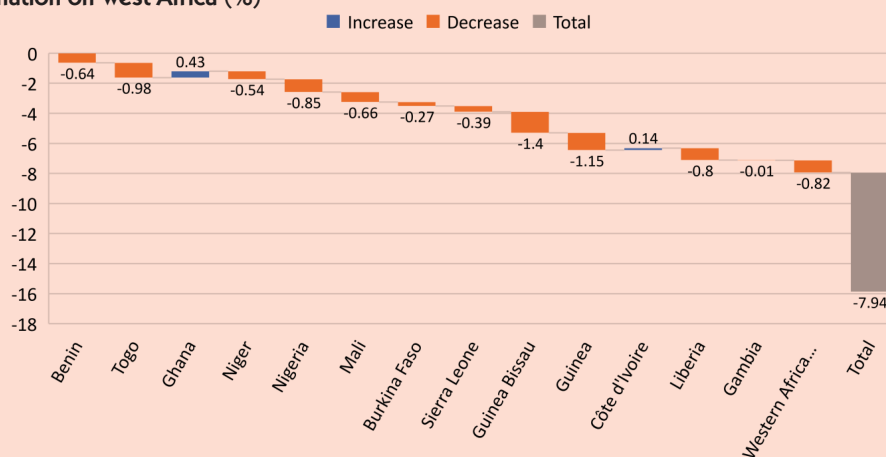
Source: Staff calculations based on Deaton (1989), Artuc et al. (2019), world Bank Commodity Price Data (The Pink Sheet), the world Bank's Povcalnet database, and Household Impacts of Tariffs (HIT) database.

The fall in real household per capita income due to high global food and energy prices has impacted household welfare and exacerbated poverty and inequality in African countries. Changes in extreme poverty have been computed from household income distributions following a counterfactual approach similar to that employed by AEO (2022) and Mahler et al. (2022), that is by comparing the poverty rates in the absence of the shock stemming from Russia's invasion of Ukraine (counterfactual scenario) with those brought by the surge in food and energy prices (commodity price scenario) triggered by the invasion. Household income distributions were re-calculated to account for changes in real income and the net market status of households. Regarding the welfare impacts of food price inflation on

households in West Africa countries, average household welfare decreases in 12 of 14 countries for which data was available, with an average real income loss of 0.82% in the region (Figure 24).

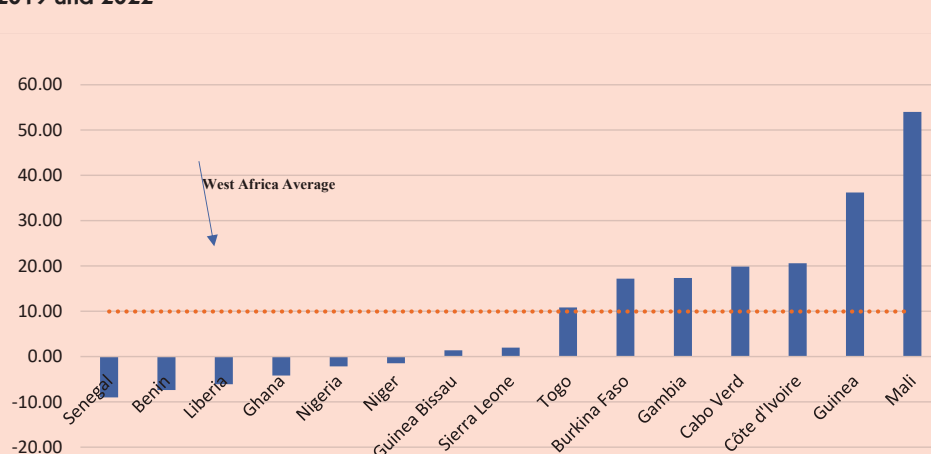
This impact varies substantially both across and within countries, with poorer households suffering systematically larger welfare losses. Protracted price increases will have long-term consequences for prosperity in many of these countries, exacerbating issues of poverty and inequality. At the country level, Guinea Bissau and Guinea received the biggest hit on their real household incomes, losing 1.4 and 1.15 percent of their real incomes respectively. Ghana and Senegal experienced real income gains in the region.

Figure 24 : The Average Impact on Real Household Income of War-Induced Food Price Inflation on West Africa (%)



Source: Computed using data from Bob Rijkers et al., (2022) War-induced food price inflation imperils the poor (War-induced food price inflation imperils the poor | CEPR)

Figure 25 : Percentage Change in the International Poverty Rate in West African Countries 2019 and 2022



Source: Compute from the World Bank macro poverty outlook database. (<https://ourworldindata.org/>)

Table 2 : Heatmap of the Estimated Impact of Food and Energy Price Inflation on Extreme Poverty by Country in 2022

	Food effect	Energy effect	Combined effect
Benin	5	16	18
Burkina Faso	8	38	21
Cabo Verde	15	12	8
Côte d'Ivoire	32	34	42
Gambia, The	42	31	25
Ghana	4	25	12
Guinea	12	3	7
Guinea-Bissau	51	35	49
Liberia	37	1	26
Mali	38	40	30
Niger	49	49	45
Nigeria	50	50	50
Senegal	26	26	27
Sierra Leone	47	20	31
Togo	44	32	48

Note: This heatmap plots poverty impacts of food and energy price inflation across countries. For each (poverty, energy or combined) effect, countries are ranked by the magnitude of the estimated impacts: the first top 10 countries in Africa (low impact) are colored "green"; the bottom 10 countries (high impact) are colored "red"; and the remaining countries (ranked 11th to 41st) are colored "yellow". The numbers in the heatmap refers to each country's ranking for each estimated effect.

1.3.2 Impacts on Food Security, Nutrition and Social Unrest

Rising food costs, along with other shocks such as drought, floods and economic crises can have a major impact on food and nutrition security as they push the most vulnerable households further into poverty and weaken their ability to access adequate food.

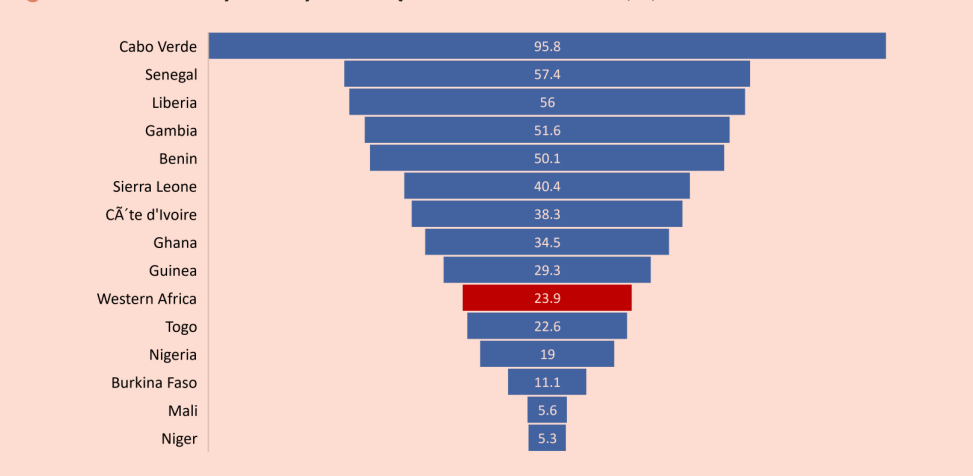
Food security in West Africa has been deteriorating since 2015. The proportion of the population affected by undernutrition rose from 10.6% in 2018 to 14.2% in 2020, a total of 57.3 million people. Now, like the rest of the world, the region faces rapidly growing impacts from Russia's invasion of Ukraine, including spiking food prices and disruptions in markets for cereals and other commodities, including fertilizers and fuels. The immediate socio-economic impact of high food prices is reflected in a higher incidence of malnutrition,

the first order determinant of weak human capital in early years of childhood.

The impacts are particularly alarming and can be long-lasting when children and mothers are exposed to malnutrition and hunger due to high food inflation. Indeed, West Africa is an importer of cereals and other products from the rest of the world. Many of the West African Countries are highly cereal import- dependent.

The average cereal import dependency ratio³, which measures the extent to which a country's domestic supply of cereals is produced domestically and imported for Africa averaged 23.9 percent indicating that the region is a net importer of cereal. At the country level, Cabo Verde, Senegal, Liberia, the Gambia, and Benin are the highest cereal import dependent countries with dependency ratios of 95.8, 57.4, 56, 51.6 and 50.1 percent respectively (see figure 26).

Figure 26 : Cereal Import Dependency Ratio in West Africa (%)



Source: Computed using data from United Nation Comtrade database. (<https://comtrade.un.org/>)

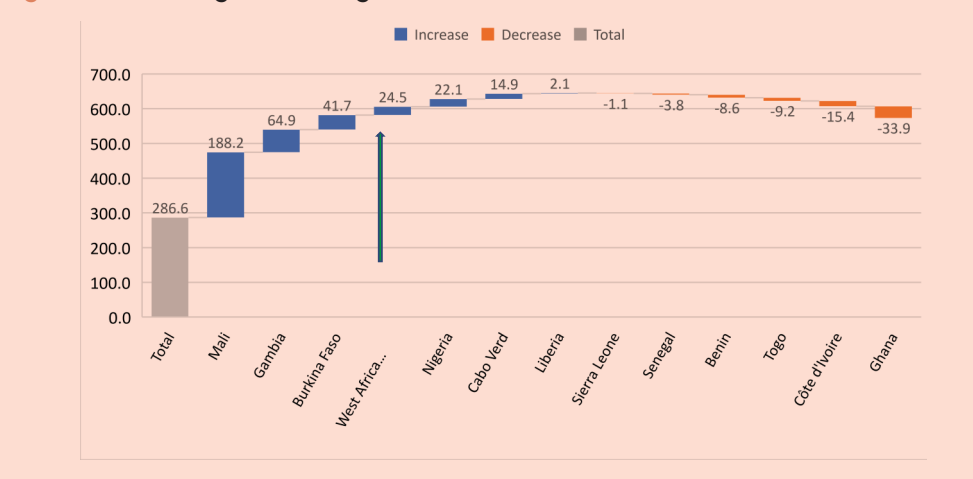
The good news for West Africa is that it trades little with Russia and Ukraine, except for Benin's exports to Ukraine (4.7% of its total exports) and Benin and Senegal's imports from Russia (between 4% and 5% of total imports, respectively).

dependent country on cereal) registering close to a 19-percentage point change in prevalence of undernutrition, with Gambia (6.5%) and Burkina Faso (4.2%) been the other countries that are above the regional average (see figure 27).

Despite the region's less dependence on Ukraine and Russia for cereals, percentage change in prevalence of undernourishment in the region averaged 2.5% with Mali (the highest

At least six countries experienced reductions in the prevalence of undernourishment with Ghana (3.4%) and Côte d'Ivoire (1.5%) taking the lead.

Figure 27 : Percentage Point Change in Prevalence of Undernourishment in West Africa

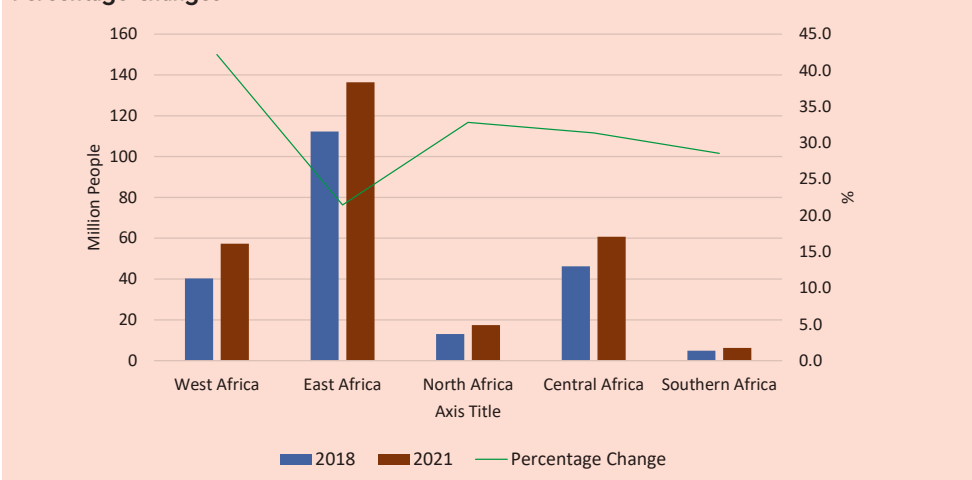


Source: Computed using data from FAOSTAT. (<https://www.fao.org/faostat/>)

Though East Africa region has the largest number of undernourished people in Africa, data shows that the rate of increase in the number of undernourished people between 2018 and 2021 was largest in the West Africa region with 42.2 percent increase in the number, followed by North Africa (32.8 percent), Central Africa

(31.4 percent), Southern Africa (28.6 percent) and East Africa (21.5 percent) (Figure 1.3.6). In 2021, West Africa had 20.6 percent of the total number of undernourished people in Africa while East Africa lead with 49.05 percent of the total in Africa.

Figure 28 : Number of Undernourished People in Africa by Region in 2018 and 2021 and Percentage Changes



Source: Computed using data from FAOSTAT. (www.fao.org/faostat)

Russia's invasion of Ukraine led to an unprecedented rise in the price of grains especially wheat and rice, as Russia and Ukraine together account for about 40 percent of World supply of wheat grain. This resulted to reduced welfare of the people, especially the poor. Moreover, governments lack the fiscal space to mitigate the impact. As they grapple with hunger, poverty and the pandemic, the risk of violent protest and political instability stemming from rising food prices looms large.

Food and fuel are normally regarded as political commodities in West Africa and thus any substantial increases in their prices are highly probable to cause social unrest in many countries. In this region, rising food prices have an undeniably disproportionate impact on poor populations who often devote over half of their income to food purchases. Economic hardships resulting from rising food prices could, however, manifest in many other forms.

Even if people focus their protest on the government, they may demand economic relief in other sectors such as housing, utilities, or fuel if they consider the government powerless to control rising food prices. Or they may seek a wholesale change in political leadership if they consider the current leaders to be incapable of creating favorable economic conditions. Furthermore, people may focus on a different target. The proposition that rising food prices can and often do lead directly to food riots is central in both academic studies of political stability as well as political and economic policy calculations.

Lagi et al., 2011 identify a correlation between international food prices, as measured by

the Food Index of the Food and Agriculture Organization of the United Nations (FAO), and media reports of food riots⁴. Similarly, Bellemare (2012) finds that increases in the FAO Food Index led to increased media reports of food riots⁵. Both papers present compelling findings of statistical correlations between food prices and riots, but they both use international commodity prices as the measure of food prices.

1.3.3 Impact on Energy Security and Implications

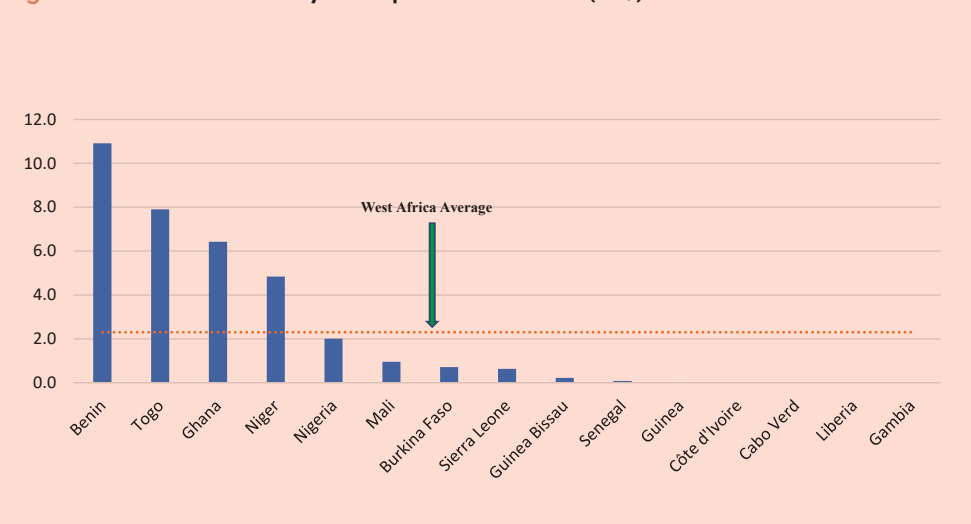
Russia's invasion of Ukraine has sent food, energy and other commodity prices soaring, increasing the strains on African economies already hard hit by the Covid-19 pandemic. The overlapping crises are affecting many parts of Africa's energy systems, including reversing positive trends in improving access to modern energy, with 4% more people living without electricity in 2021 than in 2019. They are also deepening financial difficulties of utilities, increasing risks of blackouts and rationing.

These problems are contributing to a sharp increase in extreme poverty in sub-Saharan Africa, with the number of people affected by food crises quadrupling in some areas⁶. The impacts are uneven though depending on whether a country is net oil importer or oil exporter. While that handful of oil producers is seeing an increase in revenue – especially since the Russian invasion of Ukraine on February 24 – much of the countries in the region lacks refining capability, forcing countries to pay high prices to import gasoline and other petroleum products from Asia and Europe.

With only five oil exporting countries in West Africa, (Nigeria, Niger, Côte d'Ivoire, Benin, and Ghana), data show that most of the oil exporting countries provided fossil-fuel subsidies in 2020, with an average fossil fuel subsidy per capita of about US\$ 2.3 in the region. Benin paid the highest subsidy per

capita (US\$10.9) (Figure 29). Most of the non-oil exporting countries in the region did not provide fossil-fuel subsidy either due to tight fiscal space or due to prior arrangements with the International Monetary Fund of full pass-through policy of fuel price rise.

Figure 29 : Fossil Fuel Subsidy Per Capita in West Africa (US\$) 2020



Source: Computed using data from Our World in Data (<https://ourworldindata.org/>)

African countries especially those in West Africa, face long-standing structural challenges in terms of generating enough reliable electricity to meet the demands of a fast-growing population due to ageing infrastructure and limited investment capacity, taking a toll on national utility companies and distribution grids. Such infrastructure plays a crucial role in enabling the proper functioning of multiple economic sectors, including extractive industries and manufacturing. According to the IMF, power shortages cost the continent about 2 to 4% of GDP a year.

The energy price shock triggered by the war in Ukraine exacerbates these long-standing challenges. The crisis highlights the heavy dependence of African countries on fossil fuels and limited electricity generation capacity from renewables, such as wind and solar, with hydropower the main exception. It increased electricity outages and load shedding in many countries in the region as well as electricity tariffs.

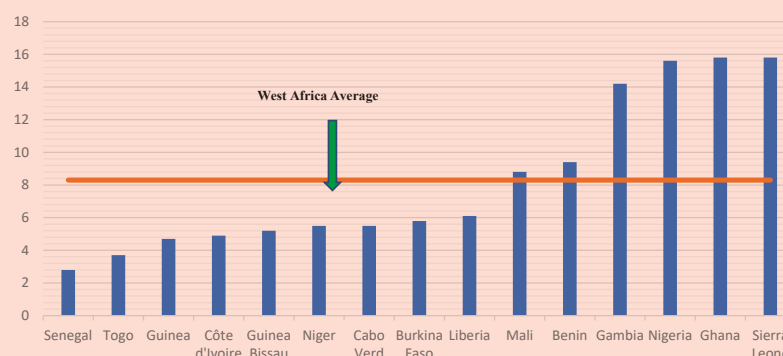
The high share of fossil fuels in the energy mix

translates into high generation costs, producing some of the costliest electricity in the world. In 2018, the cost of electricity was estimated to be \$0.25 per kilowatt-hour⁷, more than twice the global average. Higher electricity tariffs as generation costs rise will likely push up producer prices and weigh on industrial output in addition to squeezing private consumption.

Electricity – together with housing, water, gas and other fuels – accounts for a significant share of the consumer price index in most countries. Such a squeeze on industrial output leads to huge losses to firms whose overhead costs almost remain unchanged in the short run.

Data shows that the annual average sales loss to sectors in West Africa due to electricity outage was 8.3 percent. Sierra Leone and Ghana registered the highest losses (15.8 percent each) (Figure 30), while Senegal registered the least loss (2.8 percent). The consequences of such a squeeze on both consumers and producers are lie in the fact that it erodes their energy security.

Figure 30 : Annual Average Sale Loss in West Africa Due to Electricity Outage (%)



Source: Computed using data from World Bank "Enterprise Surveys" (<https://www.enterprisesurveys.org/en/enterprisesurveys>)

1.4 Medium-Term Economic Outlook And Risks

1.4.1 Macroeconomic Outlook

The growth outlook is positive. The region is projected to grow by 4% in 2023 and 4.3% in 2024 slightly lower than continental average growth rates of 4.1% and 4.4%, respectively (cf. figure 31). The three largest economies in the region (Nigeria, Ghana, and Côte d'Ivoire) are projected to account for over 82% of regional output.

The projected growth to be driven, on the demand side by domestic absorption (i.e.,

household consumption and investment) and external demands (upturn in activities in emerging economies such as China). On the supply side, the projected growth is expected to be driven by agriculture, industry, and services.

In terms of country groupings, regional growth is driven by the non-resource intensive economies (7.2%) - e.g., Benin, Cabo Verde, Côte d'Ivoire, the Gambia, and Senegal; other resource-intensive economies (4.8%) and oil exporting countries (3.3%) (cf. figure 32). The high growth performance in non-resource intensive economies could be attributed to the diversified nature of the growth base (e.g., Côte d'Ivoire and Senegal) and good policy management in others.

Figure 31 : Growth Performance Outlook, by Region, 2022-24 (percent)

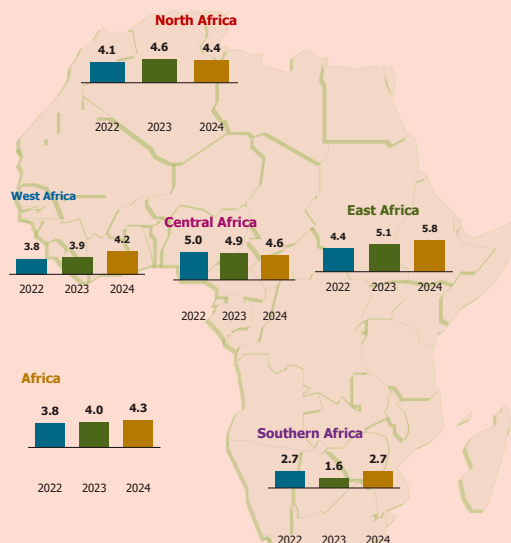
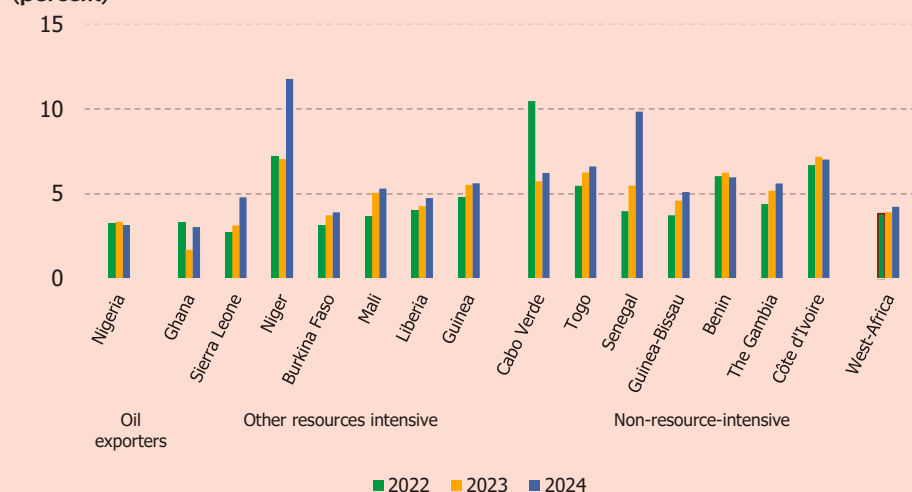


Figure 32 : Real GDP Growth Outlook in West Africa by Group and Country, 2022-2024 (percent)



Source: African Development Bank statistics

Inflation is expected to stabilize in 2023, then begin to decline in 2024.

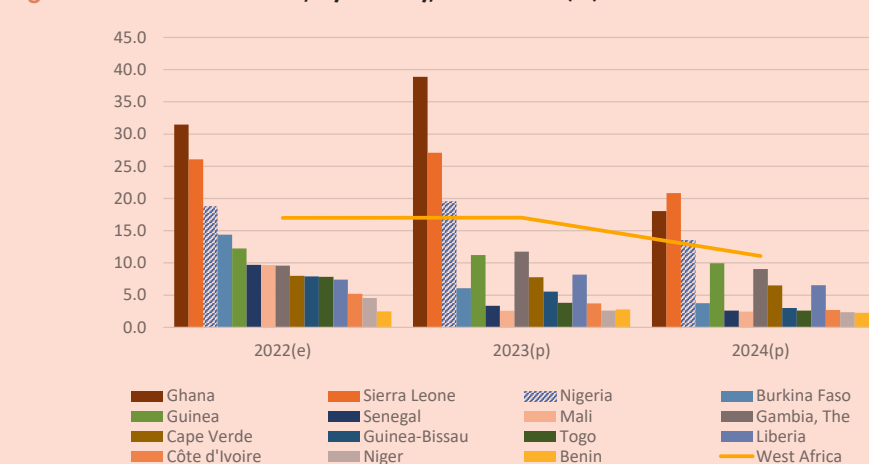
Average regional inflation is projected to stabilize at 17.5% in 2023 (17% in 2022) and decline to 11.1% in 2024. However, it is projected to be higher than the continental average of 15.1% and 9.5%. The projected inflation in West Africa will be higher than in all regions on the continent except the East Africa region average of 22% and 18% in 2023 and 2024, respectively.

Within the West Africa region, inflation is projected to be highest in Ghana (45%), Nigeria (17%), Sierra Leone (27%) and the Gambia (12%). Except Nigeria, local currencies in the three other countries experienced double digit depreciation in 2022. This is expected to continue in the medium term. Therefore, amid already high policy rates (e.g., policy rate of 18% in Nigeria, 29% in Ghana and 19% in Sierra Leone), further rate hikes might do more harm than good to growth prospects.

Furthermore, rate hikes might not yield the expected result of strengthening the local currency by attracting more capital inflows due to global risk aversion. Therefore, in countries where the external buffer is sufficient, authorities are expected to employ foreign exchange interventions in the foreign exchange market to minimize the pass-through effect of foreign exchange depreciation. The effect of foreign exchange depreciation on inflation was low in pegged countries (e.g., WAEMU). Inflation in these countries is projected to remain low at 4.2% and 2.85% in 2023 and 2024, respectively.

This is because their currencies were pegged to the EU which did not change that much compared with the USD. On the other hand, inflation is projected to remain low (i.e., single digit) in 10 out of the 15 countries in the region. Monetary authorities in these countries are projected to employ accommodative monetary policy stances to support growth.

Figure 33 : Inflation Outlook, by Country, 2022-2024 (%)



Source: African Development Bank statistics

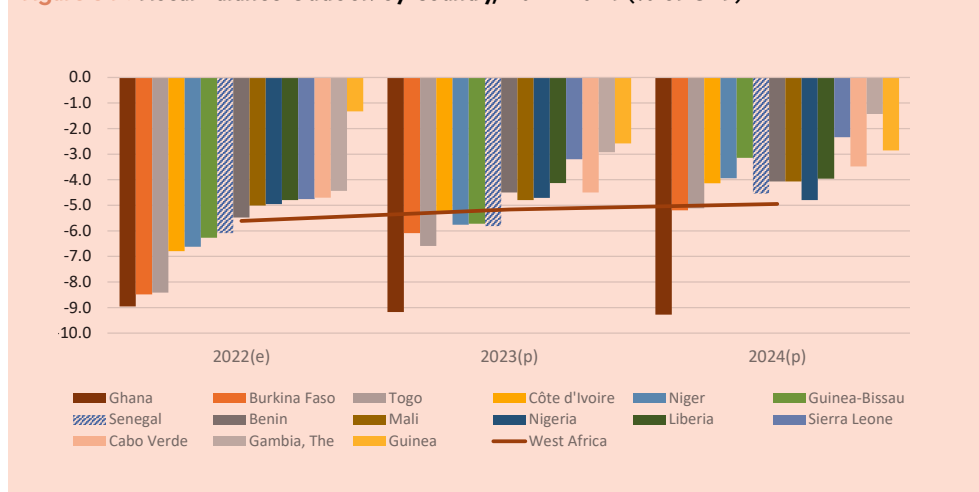
Fiscal deficit is projected to narrow. West Africa's fiscal deficit is projected to narrow in percent of GDP to 5.1% and 4.9% in 2023 and 2024, from an estimated 5.6% in 2022 (Figure 34), which is higher than continental averages of 4.1 of GDP and 3.8% of GDP in 2023 and 2024, respectively.

The projected fiscal deficit is narrower in all countries in the region, except Guinea. Fiscal performance is projected to be supported by increases in revenue collections caused by improved economic activities, gradual lifting of fuel and food subsidies introduced following the shocks (e.g., Covid-19 and Russia's invasion of Ukraine), and implementation of growth-friendly fiscal consolidation programs. Nevertheless, amid rising financing needs to support growth recovery efforts, fiscal spaces are projected to remain constrained for some countries in the medium term.

This is especially true in four countries characterized by widening negative debt sustainability gaps (e.g., Ghana, Sierra Leone, the Gambia, and Guinea). The challenge for these countries becomes more acute as some of them are suffering from limited market access (e.g., Ghana). Countries in this kind of situations are expected to embark on a growth-friendly fiscal consolidation program to put debt on a sustainable path. T

hey are also expected to embark on preemptive debt restructuring initiatives to create fiscal spaces. Experiences have shown that post-default-initiated debt treatment operations resulted in adverse economic consequences. On the other hand, countries with fiscal spaces (those assessed as at medium risk of debt distress) are projected to strike a balance between growth and debt sustainability.

Figure 34 : Fiscal Balance Outlook by Country, 2022-2024 (% of GDP)



Source: African Development Bank statistics

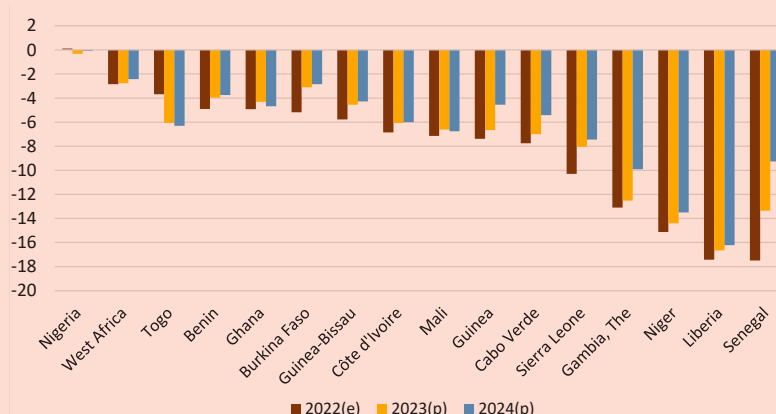
The current account deficit is projected to slightly narrow to 2.8% of GDP in 2023 and narrow to 2.4% of GDP in 2024, in line with the trend in global demand. It will be higher than continental average of 2.3% of GDP in 2023. Only the Eastern Africa region is projected to register a higher current account than the region (see Figure 35). In general, current account deficit is projected to be driven by the trade deficit. They are projected to respond to global demand situations differently.

This is projected to depend on the country grouping to which they belonged. Current account deficits are projected to widen in resource-intensive and oil exporting countries. Resource-intensive countries, such as Ghana, are expected to face a decline in export earnings as a result of decreasing prices of natural resources. On the other hand, non-

resource intensive countries that rely on tourism, like Côte d'Ivoire, Senegal, and Cabo Verde, are likely to experience the opposite effect, with an increase in export earnings.'

They are net importers of natural resources and are, therefore expected to benefit from declines in fuel import bills. Fuel imports account for about 18% of the total import bill in the region. Monetary policy in advanced economies is projected to remain tight in the medium term. This, coupled with global risk aversion is expected to limit capital inflows into the region. As a result, in economies where the external buffer is sufficient, current account deficit financing is projected to rely heavily on foreign exchange reserves. This could further weaken the exchange rate and heighten inflationary pressures.

Figure 35 : Current Account Balance Outlook by Country, 2022-2024 (% of GDP)



Source: African Development Bank statistics

1.4.2 Risks to the Outlook and Tailwinds.

Downside risks to the outlook could emanate from a deterioration in regional security situations caused by terrorism e.g., in countries like Mali, Burkina-Faso, Niger, and Nigeria. They have regional spillover effects with impacts extending to countries like Benin, Côte d'Ivoire, Ghana, and Togo. Regional security could also be threatened by election-related violence. Some countries in the region are scheduled to conduct national elections in 2023 and 2024.

Other sources of risk with downside impact on macroeconomic performance could include a prolonged Russian invasion of Ukraine and prolonged global financial tightening. The former could disrupt global supply chain and raise food and energy prices while the latter could limit external financing of fiscal deficits, raise cost of borrowing, and further weaken local currencies. Risk mitigation measures could include accelerating structural reforms, growth-friendly fiscal consolidation, and deepening financial sector reforms.

1.5 Summary And Policy Options To Address The Macroeconomic And Socio-Economic Effects Of Rising Inflation And Subdued Growth

Real sector. West Africa's average GDP growth decelerated to 3.9% in 2022 from 4.8% in 2021 implying interrupted growth recovery. Growth is driven, on the demand side by household consumption and investment, and on the supply side by the services sector. Growth deceleration is attributable, among other causes, to successive shocks e.g.,

resurgence of Covid-19 in China, West Africa's important trade partner; Russia's invasion of Ukraine causing inflationary pressures in net food, fuel, and fertilizer importing countries; monetary policy tightening in advanced economies, which caused global risk averse sentiments thus contributing to exchange rate pressure and, lastly lingering security-related challenges.

GDP growth decelerated in all countries in the region, except the Cabo Verde, The Gambia, Guinea, Mali, and Niger. Cabo Verde, a tourism-dependent economy, registered the region's fastest growth. It grew by 10.5% from 7% in 2021.

On average, the extent of GDP growth slowdown is anticipated to be smaller in oil-exporting and resource-intensive economies compared to non-resource-intensive economies. This expectation is based on the assumption that countries in the former group would utilize windfall incomes from shock-induced commodity price surges to foster growth. This assertion finds support in continental-level data. However, this was not true in most of the resource rich economies of the West African region.

Except for Nigeria, an oil exporting economy, whose GDP growth decelerated marginally from 3.6% to 3.3%, growth decelerated by wide margins in the other resource intensive economies e.g., Burkina Faso from 6.9% to 3.2% and Ghana from 5.4% to 3.3%. GDP growth differentials were positive only in 3 of the 8 resource intensive economies in the region. This suggests the need for improvements in the management of natural resources. The GDP growth differential was positive in 2 out of the 7 non-resource intensive economies e.g., the Gambia and Cabo Verde.

Furthermore, country level responses to shocks, although nuanced, were impacted by the availability of policy spaces i.e., a positive correlation between GDP growth differential and improved economic governance. Six out of the 15 countries in the region (Senegal, Benin, Niger, Liberia, Sierra Leone, and the Gambia) were under the IMF program in 2022. These countries were relatively resilient to the shocks than other countries in the region.

The GDP growth outlook for the region is positive. It is projected to slightly pick up in the medium term (4% in 2023 and 4.3% in 2024), assuming that global inflation would recede in the medium term. Growth is projected to be driven, on the demand side, by domestic absorption (i.e., household consumption and investment) and external demand (due to an upturn in activities in emerging economies such as China) and by agriculture, industry, and services on the supply side. In terms of country groupings, regional growth is projected to be driven by the non-resource intensive economies (7.2%), other resource intensive (4.8%), and oil exporting countries (3.3%).

The relatively high growth performance in non-resource intensive economies could be attributed to the diversified nature of their growth base (e.g., Côte d'Ivoire and Senegal) and improved policy management. Six countries are already on IMF's program (e.g., Senegal, Benin, Niger, Liberia, Sierra Leone, and the Gambia) and three more (Ghana, Cabo Verde, and Côte d'Ivoire) have signed staff-level agreements. In the short run, restoring growth recovery requires bridging the adjustment cost entailed by shocks, which is a tough task amid tightening financial conditions on a global scale. This calls for international financial assistance to facilitate short-term and immediate growth, as well as the medium to long-term implementation of growth-oriented structural changes.

These changes are essential to support rapid, sustainable, and inclusive growth. It is worth noting that the region has experienced a shift in its economic structure, transitioning from agriculture to services, with a limited contribution from the industrial sector. If not corrected, a GDP growth higher than current rates would be needed to absorb new entrants into the labor market. Therefore, rapid and inclusive growth entails structural transformation supported by increased investments in human and physical capital.

Inflation: Average regional inflation is projected to stabilize at 17.5% in 2023 (17% in 2022) and decline to 11.1% in 2024. It is projected to be higher than the continental average of 15.1% and 9.5% in 2023 and 2024, respectively. It is higher than all the other

regions on the continent except the East Africa region. Inflation in the Eastern Africa region is projected at 22% and 18% in 2023 and 2024, respectively. Average inflation in the region is projected to be driven by Ghana (45%), Nigeria (17%), Sierra Leone (27%) and the Gambia (12%). External factors (e.g., global inflation) plus currency depreciation were behind surges in inflationary pressures in many countries in the region.

Except for Nigeria, the exchange rates weakened by double digits in 2022. The exchange rate is projected to remain under pressure in the medium term. The pressure could be exacerbated by monetary policy tightening should inflationary pressures in advanced economies not recede. This could challenge the effectiveness of policy rate hikes. The policy rate is already high in most countries in the region e.g., 18% in Nigeria, 29% in Ghana and 19% in Sierra Leone. Therefore, the introduction of new rate hikes, with the objective of narrowing interest rate differentials to the world interest rate to minimize exchange rate pressures might not yield the expected result. Its effectiveness would depend on influence rate hikes could exert on risk premiums brought about by global risk averse sentiments (product of monetary policy tightening).

The risk premiums that monetary authorities are expected to face threat to minimize the impact of exchange rate pressures on inflation would include, among others, reducing the risk premiums that investors would require over the world interest rate to increase holdings of foreign asset; reducing the risk premiums that investors would ask to minimize risks of asset default, and risk premiums associated with expectations of exchange rate depreciation. It would be a difficult task because countries in the region are small actors in the international financial market. Instead, an indirect route to follow could include building external buffer through non-market mechanisms (e.g., budget support, debt restructuring, etc.). This is in support of apparent inverse relationships between the foreign exchange reserves and risk premiums. On the contrary, in countries where the external buffer is sufficient, authorities might consider foreign exchange intervention to minimize the pass-through effect of foreign exchange depreciation to local inflation.

In 2022, the effect of foreign exchange depreciation to inflation was low in countries whose currencies were pegged to the EU (e.g., WAEMU). This is because the EU was relatively stable than the USD. Since the Federal Reserve is expected to ease its monetary tightening due to the projected moderation of inflationary pressures, inflation in non-pegged countries within the region

is projected to decrease. However, it is anticipated that inflation will remain elevated compared to pegged countries. Inflation in pegged countries is projected at 4.2% and 2.85% in 2023 and 2024 respectively; much higher than regional averages of 17.5% and 11.1%. In general, inflation is projected to remain low (i.e., single digit) in 10 countries of the region. This is expected to give Central Banks of these countries the leeway to deploy accommodative monetary policy instruments to support growth.

Fiscal deficit: West Africa's fiscal deficit is projected to narrow in percent of GDP to 5.2% and 4.9% in 2023 and 2024. It is higher than the continental averages of 4.1 of GDP and 3.8% of GDP in 2023 and 2024, respectively. Fiscal deficit is projected to narrow in all the countries in the region with the exception of Guinea. This is expected to be supported by improved revenue collections, thanks, among other things, to an upturn in economic activities and to the gradual lifting of fuel and food subsidies. Further, improvement in the fiscal metrics were supported by growth friendly fiscal consolidation programs.

Nevertheless, member states are projected to operate under constrained fiscal policy spaces in the short to the medium term. This is especially relevant in countries where the negative gaps in debt sustainability are widening, unless external financial assistance is sought. Overcoming these gaps can be a daunting task for countries that already face external financing pressures due to limited market access. Under suitable circumstances, these countries could contemplate the option of seeking international financial assistance, which can provide them with the necessary breathing space to implement growth-oriented fiscal consolidation programs, while also working towards achieving a sustainable trajectory for public debt.

Many countries in the region have implemented fiscal consolidation programs for many years. Regardless, debt sustainability is far from being achieved. This is because implementations have been hampered by successive shocks, which derailed fiscal reforms and disrupted growth enhancing structural policy reforms. Furthermore, where room for policy maneuver existed, clarity was lacking on the drivers of fiscal consolidation programs - revenue enhancement led, or expenditure reduction led or a combination of both. A recent study by the IMF has found that a revenue enhancement led fiscal consolidation is more effective in a developing country context. This is taking cognizance of the fact that the revenue to GDP ratios in these countries are very low i.e., rooms exist to augment revenue collections

through growth friendly tax policy reforms e.g., by improving the tax administration system and casting the tax net wider to expand the tax base.

The fiscal policy direction to be pursued in situations of lower growth and high debt burden remains to be a growth enhancing fiscal consolidation program complemented with a debt restructuring initiative (external and domestic). This approach has gained currency in recent policy discourses. This was especially the case in situations where the debt treatment approaches pursued were face value reduction oriented. Some countries in the region have benefited from it (e.g., the Gambia). Available studies also warn against a post-default- debt treatment. This is because of the damaging impact it could have on country's sovereign credit rating and market access. A preemptive debt restructuring initiative is preferred.

Should the crisis persist (i.e., Russia's invasion of Ukraine and monetary policy tightening in advanced economies), gross financing needs are expected to increase across all countries in the region. This could increase the adjustment costs to be incurred to achieve fiscal and debt sustainability. Countries with constrained finances (limited fiscal buffer) could find it cost effective to seek international financial assistance. On the contrary, countries by the other side of the isle, might consider embarking on a preemptive debt restructuring initiatives to create fiscal spaces. According to the IMF/WB DSA, 10 countries in the region were assessed at moderate risk of debt distress situations. These countries are expected to utilize the available fiscal policy spaces with care – need to strike a balance between growth and debt sustainability.

External sector: Current account deficit is projected to slightly widen to 2.7% of GDP in 2023 and narrow to 2.2% of GDP in 2024, in line with projected trends in the global demand. It is projected to be higher than continental average of 2.3% of GDP. Only the Eastern Africa region is projected to register a wider current account deficit than the West Africa region. On average, current account deficits are projected to be driven by deficits in trade balances driven by export and import performances, in line with movements in the global demand. The current account deficits are projected to widen (narrow) in resource intensive and oil exporting economies in 2023 (2024). On the contrary, current account deficits are projected to narrow (widen) in non-resource intensive and tourist dependent economies in 2023 (2024). This is largely because these countries are net fuel importers. Fuel imports account for not less than 18% of the total import bills in the region.

Improvement in the global inflationary outlook is expected to enhance global liquidity and in turn improve capital inflows into the region. This could go a long way in supporting capital/financial account balances and ease the burden on the foreign exchange reserves. The year 2022 was characterized by significant capital reversal, erosion of external positions, and foreign exchange reserve financing of current account deficits. Foreign exchange reserve positions, measured in months of imports, declined significantly. They fell below the ECOWAS currency union convergence criteria for some countries. This means that should global financial tightening persists, fiscal positions of many countries in the region could be impacted. Impacted countries could be forced to seek balance of payment support of some sort as a result.

Currently, six countries in the region are under the Funds program. Global financial tightening was not treated as source of fiscal and balance of payment risk when these countries committed to the programs. In

other words, policy reforms that could help minimize exposures to such shocks were not factored into the agreed policy reform matrices. Therefore, countries that intend to seek international financial assistance for the first time; or are already in the program should negotiate/renegotiate in a way that recognizes developments in the international financial market.

In general, the policy direction that need to be pursued to sustainably address external sector exposure should center around expanding the export base (away from primary to secondary commodities through domestic value addition); mineral resource beneficiation to retain employment opportunities locally as mineral exports out of the region are mostly done in raw forms; diversifying export destinations, among others, by enhancing regional integration; and improving domestic resource mobilization and consolidation of public finance to bridge the saving-investment gap. Fiscal imbalances are important drivers of external imbalances in many countries in the region.

PRIVATE SECTOR FINANCING FOR CLIMATE AND GREEN GROWTH IN WEST AFRICA 2

KEY MESSAGES

West Africa has enormous potentials to achieve green growth and climate action and has demonstrated good political commitment to these goals. However, progress on these has been sluggish when compared to other regions in Africa. The best performance is noticed in the aspects of efficient and sustainable resource use as well as natural capital protection while the aspects of green economic opportunities and social inclusion are still lagging far behind.

Financing flows for climate action in West Africa reached an average of \$7.9 billion in 2019/2020. Public finance in West Africa (\$6.8 billion, or 87 percent of the total) was on average more than six times the private finance (\$1.03 billion, or 13 percent). West Africa collectively require an estimated USD 36.3 billion per year over the period between 2020 and 2030 to implement their current NDCs. That is a total of around \$400 billion for the entire period. Hence, the annual climate financial gap is estimated at 28.5 billion.

The use of innovative financing instruments that mobilize private sector finance is limited across the region, with the most used instruments being green bonds, debt for swaps, blended finance and carbon markets. Unlocking private sector finance will need the region to engage more extensively with emerging innovative financing instruments and direct private climate finance towards sectors and regions that not only generate the lowest risks and highest returns for private sector investors, but also the greatest impact for green growth outcomes.

MSMEs will be critical for ensuring that private sector finance investments generate the expected green growth impact across West Africa. West African countries need to pay particular attention to how green growth strategies benefit MSMEs which are the livewire of West African economies employing over 50% of the population. Special attention needs to be given to women-led MSMEs and in particular their access to private finance as women constitute a significant proportion of the population in West Africa, meaning leaving them behind will be detrimental to the green growth drive.

The need to scale up investments in infrastructure as well as in social and environmental development outcomes will be critical for green growth in West Africa. Sustainable infrastructure such as energy systems, transport, buildings, or industry as well as non-infrastructure sectors such as health and education will require large-scale investments in order to achieve sustained and meaningful green growth in West Africa.

Building on the progress so far will need a combined effort from different sets of development and climate change stakeholders in West Africa.

- West African country governments should develop green growth policies and strategies to provide high level guidance to domestic and international private and public sector actors on priority investments sectors and areas.
- Regional and domestic private sector actors should exercise stewardship in how they allocate their investments.
- MDBs and DFIs should leverage their convening power to de-risk investments towards green growth in West Africa by providing grants and concessional finance that support capacity development, innovation and increase private sector confidence in the West African markets.
- Governments of Developed Countries should honor their Paris Agreement commitments of mobilizing US\$100 billion of climate finance for developing countries notably those of West Africa to support adaptation and mitigation.

West Africa has enormous potentials to achieve green growth and climate action and has demonstrated good political commitment to these goals.

2.1. Green Growth and Private Sector Financing in West Africa

2.1.1 West Africa's Commitments to and Progress Towards Green Growth

West Africa ranks amongst the most vulnerable regions to climate change and environmental hazards in the world⁸. In fact, out of the fifteen countries⁹ that make up the ECOWAS/West African region, four (Guinea-Bissau, Mali, Liberia, and Niger) are ranked among the ten most vulnerable countries to climate change and environmental hazards in the world (UNFCCC, 2020). This high level of vulnerability has been worsened by the Covid-19 pandemic and other epidemics like Ebola that have affected different countries in the region. With the region hosting a third of the population of the entire African continent, the economic and livelihood conditions will only become worse as the IPCC sixth assessment report predicts increasing temperature, warming, and compounding climate risks in the future.

These extreme weather/climate events would lead to increasing climate-induced migration, reduced food production, livestock and fisheries, flooding from sea level rise and heat related loss of labour productivity estimated to cost up to 8% of the GDP of the region¹⁰. The West African region also experiences developmental challenges such as recurrent power outages, poor transport and health infrastructure, skills deficiencies, trade, and tariff barriers as well as high rates of unemployment especially among the youthful population. All these challenges make transitioning to green-growth driven economies imperative for the West African region.

The West African region is committed to achieving green growth evidenced by the different policy, institutional and legal frameworks put in place at regional and country levels^{11,12}. Besides, the rationale for green growth across the region is quite comprehensive: climate change impacts and risks, natural capital depletion, poverty and food insecurity, and employment creation and capital-intensive enclaves^{13,14}.

First, climate change impacts are already being felt in different domains such as agriculture, water as well as cities and settlements which will adversely affect the economies of West African countries, thus necessitating action that can enable countries to adapt to and mitigate the drivers of emissions that cause climate change. Second, the West African region is endowed with natural capital, notably mineral reserves, natural gas, oil reserves, gold, chromium and platinum, reserves of cobalt, diamonds and uranium, vast arable lands,

enough freshwater resources, huge expanses of forests and woodlands, all of which can be sustainably managed to maximise their contribution to economic development and growth. For example, at regional level, West Africa contributes the highest to the continent's fossil fuels (51%) (World Bank, 2021). These natural capital endowments are unfortunately being unsustainably managed, illegally collected and sold, and largely degraded and lost in most cases (Interpol, 2014; ODI, 2016; Frynas & Buur, 2020). Third, the West African region recognizes that alleviating poverty, which has been exacerbated by the increasing climate change risks, the Covid-19 pandemic and recent geopolitical events, is a priority policy objective. For example, according to the World Bank, the number of Nigerians living in poverty hit 95.1 million in 2022, up from 82.1 million in 2018/2019 (World Bank, 2022).

Thus, a transition to green growth will help to ease the situation as soil fertility will be enhanced in a sustainable manner, thereby increasing crop productivity. This will reduce food insecurity while also increasing the income of predominantly agriculture dependent households across the West African region (GGGI, 2022). The last but not the least rationale for green growth in West Africa is the prevailing state of employment creation and capital-intensive enclaves. Capital-intensive enclaves have led to less use of labor force which is the major cause of unemployment among the region's teeming youthful and women population (Chukwu, 2022). An inclusive green growth will address the issue of unemployment by creating more jobs and reducing capital intensive enclaves.

Efforts Made by West African Countries to Promote Green Growth

Across different countries in West Africa, enormous efforts have been made to initiate and entrench green growth and climate action into the development strategies and pathways of the region. Among these efforts the most prominent are the crafting and implementation of green growth and climate change policy frameworks which have so far enabled investments into initiatives such as solar energy programs, timber value chains (like in Ghana), agro- industrialization (e.g., catfish farming in Nigeria), trade-offs and choices for energy (like in Nigeria), different agribusiness technologies (like in Côte d'Ivoire), geothermal and other renewable energy developments .

In terms of policies, the member states of the ECOWAS region have adopted a plethora of regional policies geared towards promoting green growth and climate action (UNFCCC, 2020). Joint regional goals include improving energy efficiency to international standards,

promoting sustainable and climate-resilient farming, reducing disaster risk, and increasing the share of renewable energy in the electricity mix. ECOWAS countries under the guidance of these regional policies are jointly mobilizing financial resources in order to attain these goals. Such resources have been received from specialized funds, donors, development partners, the private sector and citizens.

Regional policies to foster green growth and climate action in the ECOWAS region fall under the following categories: strategic plans, climate change, the environment, energy systems, renewable energy, energy efficiency, agriculture, disaster-risk-reduction, natural resources, and other regional climate change related plans.

With respect to strategic plans, in 2011, the Heads of State and Government of ECOWAS countries approved the Regional Strategic Plan for 2011–2015, which contained six strategic pillars: peace, security and good governance; cooperation and development; competition and equity; economic and monetary integration; institutional capacity; and global relevance. Following the Regional Strategic Plan, the ECOWAS Community Strategic Framework (2016–2020) was adopted by the ECOWAS Council of Ministers in December 2015 in order to address regional goals. The framework encompassed five strategic goals: Goal 1: Deepening socioeconomic development in member States; Goal 2: Forging and consolidating regional economic and monetary and financial integration including production, trade and labor markets; Goal 3: Deepening political cohesion and participation within the region on peace; Goal 4. Mobilizing and sustaining societal and institutional support; and Goal 5: Expanding and improving facilities within the region to develop its infrastructure base, especially in energy, information and communications technology, and transport, to positively impact the existing business climate and improve the competitiveness of both public and private sector actors.

Regarding climate change, a regional action program on vulnerability reduction and adaptation to climate change in West Africa was adopted in 2010 aimed at developing and strengthening the resilience and adaptability of the region to climate change and extreme weather events. The ECOWAS fuel-efficiency road map, adopted in February 2020, outlines measures for the transition towards more fuel-efficient and electric mobility.

With respect to the environment, the ECOWAS environmental policy was adopted by Heads of State and Government in December 2008. ECOWAS countries adopted an environmental action plan and corresponding monitoring and evaluation plan with the aim of establishing

an effective monitoring and evaluation system for attaining the strategic objectives of the ECOWAS environmental policy. A forest convergence plan was adopted in 2013 presenting a vision, to be achieved by 2025, for the sustainable management of forest and wildlife resources for the benefit of people as well as the environment. In 2013, a regional action plan to combat desertification for sustainable land management was adopted geared towards promoting partnership among the different actors involved in natural resources management in order for these resources to serve present and future generations in their quest for economic and social well-being.

Concerning energy systems, the World Bank's West Africa Regional Energy Trade Development Policy Financing Program supports a policy reform program covering Burkina Faso, Côte d'Ivoire, Guinea, Liberia, Mali and Sierra Leone that facilitates cross-border trade in cleaner, low-cost electricity generated from gas as well as hydropower and other renewable energy sources.

For renewable energy, in 2015 ECOWAS approved a renewable energy policy complemented by the ECOWAS energy efficiency policy, geared towards improving energy efficiency in the region to international standards.

Regarding energy efficiency, efforts are under way in the ECOWAS region to improve institutional and legislative frameworks under which energy efficiency can be increased. These efforts cover the domestic sector, the public sector, the industrial sector and the electricity sector. Over one million efficient on-grid lights and thousands of efficient public lights have been sold and distributed in the region.

In the domain of agriculture, in 2016, ECOWAS endorsed the 2016–2020 Regional Agricultural Investment Plan. The Plan builds on an in-depth assessment of the 2005 ECOWAS regional agricultural policy addressing both climate change mitigation and adaptation in agricultural, pastoral, forestry and fishery systems.

Concerning disaster risk reduction, the 2016 ECOWAS policy for disaster risk reduction and the 2010 ECOWAS guidelines for the establishment and strengthening of national platforms for disaster risk reduction in West Africa are policy frameworks geared towards managing disaster risk through development interventions.

In the domain of natural resources, in 2017, the Regional Program for the Integrated Development of the Fouta Djallon Highlands

came under the tutelage of ECOWAS. Equally, the West African water resources policy was adopted in 2007.

Other regional climate action related plans across the ECOWAS region include the Climate Commission for the Sahel Region launched in November 2016 in Marrakech on the margins of COP 22. The adoption of a climate investment plan for the Sahel region for 2019-2030 to the tune of USD 393 billion by the Heads of State and Government of 11 Sahelian countries (including West African countries like Benin, Burkina Faso, Côte d'Ivoire, Mali, Mauritania, and Niger) and the experts of the Climate Commission for the Sahel Region. The Programme for Integrated Development and Climate Change Adaptation in the Niger Basin, supported by AfDB, the GCF and State funding, has the aim of reducing silting of the Niger River, whose basin is shared by nine West and Central African States.

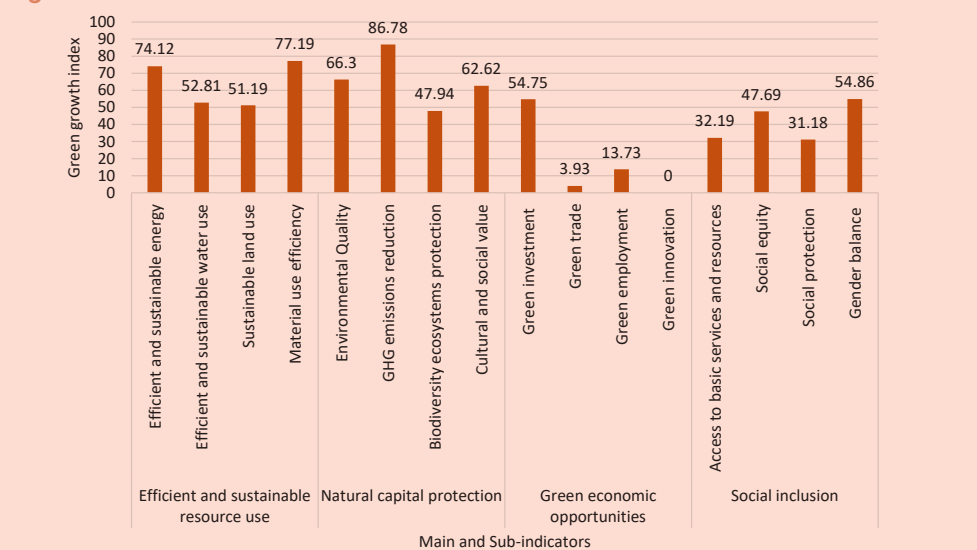
Besides regional policies, there are national policies in ECOWAS member states geared towards enhancing green growth and climate action. Several ECOWAS countries have national plans, strategies and policies, some at the sectoral level. Some ECOWAS countries also have a climate finance strategy in place, such as Côte d'Ivoire, Guinea Bissau, and Mali. Regional organizations in the ECOWAS region are also playing a pivotal role in fostering green growth and climate action. These regional organizations include: The West African Economic and Monetary Union (known by its French acronym, UEMOA) consisting of Benin, Burkina Faso, Côte d'Ivoire, Guinea-Bissau, Mali, Niger, Senegal and Togo; The West African Monetary Zone made up of the Gambia, Ghana, Guinea, Liberia, Nigeria and Sierra Leone; as well as other regional

bodies that address climate change in their mandates: CILSS; AGRHYMET (agriculture, hydrology and meteorology) Regional Centre – a specialized agency of CILSS; West African Science Service Centre on Climate Change and Adapted Land Use; Sahara and Sahel Observatory; Abidjan Convention secretariat; and several transboundary river basin organizations, such as the Senegal River Basin Development Organization, the Niger Basin Authority and the Lake Chad Basin Commission.

Performance of the West African Region on Green Growth

The region performs better on green growth in comparison to other regions on the African continent such as East and North Africa. Central and Southern Africa however outperforms the West African region. Progress towards the attainment of green growth in West Africa is measured by the GGGI's green growth index (Figure 36). Some indicators such as efficient and sustainable resource use, and natural capital protection have seen the greatest progress towards attaining green growth, with green growth indices ranging from moderate to very high. The region generally underperforms on green economic opportunities with green trade, green employment and green innovation have very low green growth indices. Social inclusion also performed poorly, with green growth indices ranging largely between low and moderate. However, the region performs well in aspects such as efficient and sustainable resource use as well as natural capital protection while the aspects of green economic opportunities and social inclusion are still lagging far behind. Côte d'Ivoire is a good example of a West African country where green growth is taken seriously (Box figure 36).

Figure 36 : Green Growth Index for West Africa



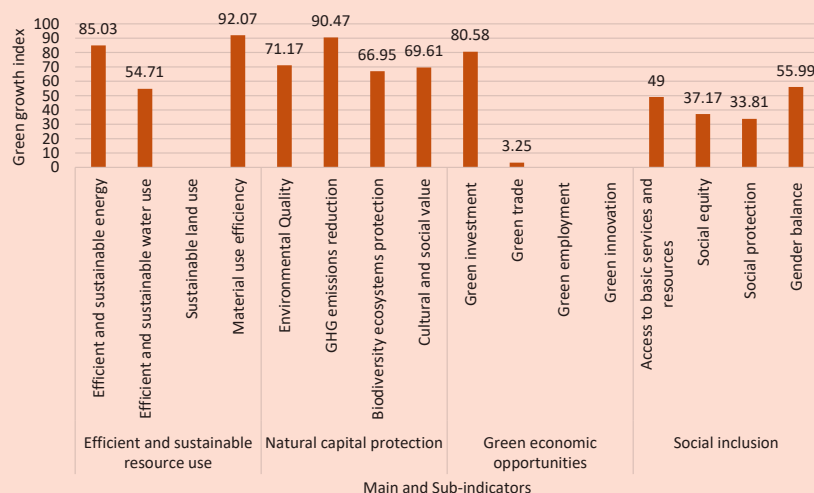
Legend: 1-20 = **Very low**, 20-40 = **Low**, 40-60 = **Moderate**, 60-80 = **High**, 80-100 = **Very high**

Source: Staff Computations from GGGI, 2022 data

Box 2.1: Case study of green growth in West Africa: Côte d'Ivoire

Côte d'Ivoire is among the few countries in West Africa which has adopted green growth as its mantra for economic growth and sustainable development. Supported by the GGGI, Côte d'Ivoire is using green growth and climate action ambitions to meet its development challenges and reduce its vulnerability to the effects of climate change¹⁶. These are currently being implemented through the Nationally Determined Contributions (NDCs) and Sustainable Development Goals (SDGs), the National Development Plan (PND), and the Public Investment Program. With support from the Global Green Growth Institute (GGGI), several priority interventions are underway in Côte d'Ivoire notably in five key domains: green investment, climate action, climate-resilient agriculture, sustainable forests, and sustainable mobility, all geared towards achieving green growth. Progress towards the attainment of green growth in Côte d'Ivoire is measured by the GGGI's green growth index (Box figure 2.1).

Box figure 2.1: Green growth index for Côte d'Ivoire



Legend: 1-20 = **Very low**, 20-40 = **Low**, 40-60 = **Moderate**, 60-80 = **High**, 80-100 = **Very high**

Source: Staff Computations from GGGI, 2022 data

From Box figure 2.1, it is observed that, like with the general scenario in the West African region, progress towards attaining green growth has been mainly achieved in the domain of efficient and sustainable resource use as well as natural capital protection where the growth indices largely range between moderate to very high. Social inclusion fares very poorly with growth indices ranging between moderate and low.

For green economic opportunities, green investment is fairing very well with a growth index that is very high while green trade is fairing very poorly with a very low growth index. It is equally noticed that the absence of data is an impediment to measuring the green growth index notably in aspects like sustainable land use, green employment and green innovation. Thus, green growth in Côte d'Ivoire is fairing relatively well in the domains of efficient and sustainable resource use as well as natural capital protection while social inclusion and green economic opportunities are still lagging behind.

2.1.2 Why Private Sector Finance for Green Growth in West Africa and Why Now?

Green growth requires high volumes of investments in the short and long term to enable changes such as consumer behavior changes, innovation in technologies etc. However, public sector finance remains the main source of finance for green growth in West Africa^{17,18}. Public sector investments into green growth and climate action are mainly used to ensure greater involvement of local financial institutions, building and strengthening the capacity of national actors and institutions, implementing a strategy for information and communication for the general public and private sector; strengthening the national economy, introducing incentives to mobilize significant investments for small and medium-sized enterprises (SMEs) as well as harmonizing sectorial policies and taking clear options for renewable energies and energy efficiency.

Equally, there are numerous investment opportunities for the private sector opened by green growth in areas as diverse as research, climate, transport, energy, infrastructure, biodiversity, industry, waste management, and agriculture

West Africa or ECOWAS countries collectively require an estimated USD 36.3 billion per year over the period between 2020 and 2030 to implement their current NDCs, whereas financing flows for climate action in West Africa reached an average of \$7.9 billion in 2019/2020.

This means that although public sector financial commitments are a prerequisite to private investments¹⁹, public sector finance is insufficient for meeting the green growth and climate action needs for countries in the region. Across West Africa, long-term public investors such as sovereign wealth funds, and private sector investors such as insurance companies and pension funds which bring in funds that have a vision beyond immediate financial gains, play a crucial role.

Equally, there are numerous investment opportunities for the private sector opened by green growth in areas as diverse as research, climate, transport, energy, infrastructure, biodiversity, industry, waste management, and agriculture. In the agriculture sector for example there are enormous investment opportunities including investing in farmland, investing in agricultural commodities such as corn, cocoa, coffee, cotton, banana, rubber etc., as well as investing in agricultural technologies. Private sector financing is key to achieving green growth across Africa in general and West Africa in particular today²⁰. By 2030, climate change is predicted to present over 0.8 trillion dollars investment opportunity to West African countries with a large proportion (75%) of these investments expected to come from private sector financing which will go to complement public sector financing (UNFCCC, 2020). This means that the region needs innovative mechanisms and instruments for mobilizing investments form the private sector and directing these resources towards outcomes that are consistent with pathways for climate-resilient and low-carbon development^{21,22,23,24}.

Different obstacles however stifle green growth notably the increasing difficulties in attracting foreign investment caused by limited access to markets, limited risk sharing through public-private partnerships and limited capacity of local businesses to build partnerships. Banking institutions such as the African Development Bank (AfDB) and the West African Development Bank (BOAD) which are still investing in oil need to help countries across West Africa sustainably manage the existing oil in the immediate and short-term while embracing green growth by going more into green products and services and creating more long-term investments in the green economy sub-sector. Once again, the intervention of public sector will be essential to set up standards, open markets and improve governance.

2.2 The Private Sector Financing Landscape in West Africa

The financial needs to implement the NDCs of ECOWAS member countries is estimated

at USD 294 billion up to 2030²⁵. Between 2013-2018, the 15 member states that make up the ECOWAS region received on average international public climate finance amounting to USD 2.6 billion annually, mainly from MDBs, bilateral sources and climate funds. The main sectors that received these funds were sanitation, AFOLU, energy, water and transport. An annual average of USD 2.3 billion was also received from China over the same period mainly in the form of renewable energy investments.

2.2.1 Private Sector Climate Finance Flows in the West Africa Region

Financing flows for climate action in West Africa reached an average of \$7.9 billion in 2019/2020, or 26.7 percent of the African climate finance flow of \$29.5 billion. Public finance in West Africa (\$6.8 billion, or 87 percent of the total) was on average more than six times the private finance (\$1.03 billion, or 13 percent) in 2019/2020.

The UNFCCC (2020) notes that, between the years 2013-2018, an average of USD 4.9 billion was received annually in the West African region as climate finance inflows from public international sources. Different financial instruments were used with the most common being debt instruments (70%), with 81% being concessional debt. This was closely followed by grants (30%), with equity playing a negligible role as far as climate finance is concerned in the West African region.

Multilateral DFIs are the largest source of mitigation and adaptation financing^{26,27}. Most of the financing (52%) from multilateral DFIs goes towards adaptation projects, with 46% going towards mitigation projects. Just about 2% of the financing goes to projects with dual benefits. Since the year 2020, there has been a steady increase in multilateral DFIs geared towards adaptation projects which shows the increasing importance accorded to adaptation when compared to mitigation in recent times. The main public actors involved in the international public climate finance schemes in West Africa since the 2019/2020 periods are the multilateral DFIs, National DFIs, Bilateral DFIs, multilateral climate funds, government-international, government-domestic, as well as SOE and SOFI. The main instruments used to disburse the finances are grants, low-cost project debt, project level market rate debt, project level equity, balance sheet financing and other unknown instruments²⁸.

Across the West African region as a whole, a handful of countries with more developed financial markets (Nigeria, Côte d'Ivoire Ghana) receive the lion's share of private

climate finance^{29,30}. Private climate finance is relatively low in other West Africa countries when compared to other countries/regions in Africa^{31,32,33,34,35}. This is due to the lack of well-developed financial markets when compared to other regions in Africa like East, North and Southern Africa.

Private climate finance in the West African region is mainly provided by corporations, commercial financial institutions, funds, institutional investors, households/individuals, and several unknown sources. In West Africa, most of the private climate finance comes from domestic sources (50%), closely followed by international (39%) and other sources (11%). Nigeria and Burkina Faso are by far the largest recipients of private climate financing across the West African region attributable to Nigeria's big economy which offers large investable opportunities and Burkina Faso's high level of vulnerability to the adversities of climate change which attracts sympathy from private climate investors³⁶.

Between the years 2019/2020, most of the private climate finance coming from these bodies prioritized sectors such as AFOLU, buildings and infrastructure, energy systems, industry, information and communication technologies, transport, water and wastewater, as well as other cross-sectoral sectors³⁷.

Most of the private sector investments (over 75%) in West Africa are in low-risk sectors such as energy (ECOWAS Commission, 2020). These investments are in the form of non-concessional and equity loans. In the AFOLU sector, the largest private investors are institutional investors like philanthropic foundations who prioritize projects such as

agroforestry and sustainable crop production. Overall, private financing in West Africa targets renewable energy projects the transport sector and electric vehicles.

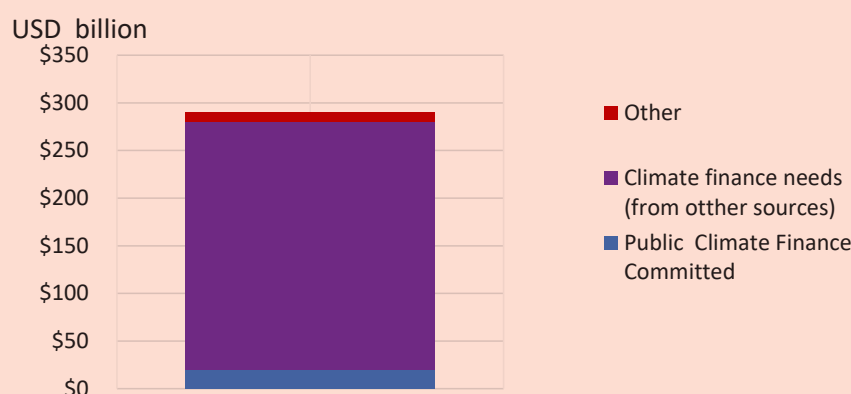
Current sources of private sector climate finance across the ECOWAS or West African region include commercial financial institutions, funds, institutional investors, households/individuals, corporations as well as other unknown sources³⁸. These private climate finance funding bodies are mainly involved in sectors such as AFOLU, buildings and infrastructure, energy systems, industry, ICT, transport, water and wastewater, as well as other cross-sectoral domains.

2.2.2. Private Sector Finance Needs for Climate Action and Green Growth in West Africa

Using the latest submitted NDCs as of April 2023, the Bank estimates that Africa's average financing needs to respond adequately to climate change amount to about \$2.7 trillion cumulatively over 2020–30. Put annually, this boils down to \$242.4 billion on average per year to meet sustainable development needs, and thus green growth objectives.

West Africa or ECOWAS countries collectively require an estimated USD 36.3 billion per year over the period between 2020 and 2030 to implement their current NDCs. That is a total of around \$400 billion for the entire period. 60% of these financing needs (\$239 billion) are expected to be allocated towards mitigation actions. West Africa's climate finance needs distribution indicates that, 60%, 11% and 29% will go for mitigation, adaptation, and loss and

Figure 37 : Estimated Climate Finance Needs in West Africa

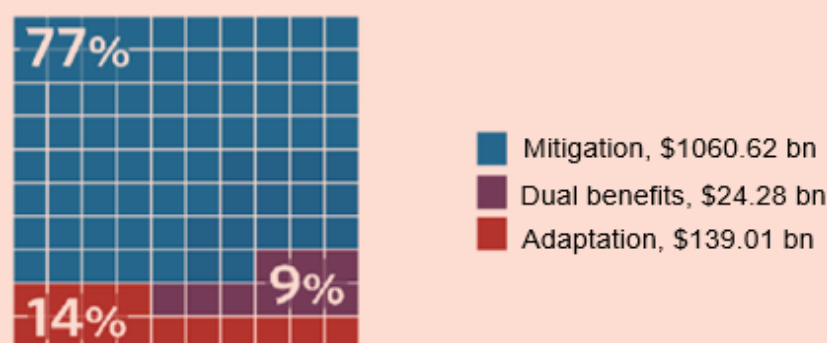


Source: Adapted from CPI, 2022.

According to West African countries' NDCs, the AFOLU sector is considered a priority sector for financing and climate action, followed by the energy sector. Just over half of the countries (Senegal, Cabo Verde, Gambia, Ghana, Liberia, Côte d'Ivoire, and Sierra Leone) consider transport as a priority while IPPU is a priority for four countries (Gambia, Senegal, Ghana, and Sierra Leone) and waste is for five (Cabo Verde, Ghana, Liberia, Gambia, and Nigeria). The priority adaptation needs identified in NDCs and NAPs include water

resources, agriculture, health, coastal protection, livestock, fisheries, energy, forestry and land use, biodiversity and ecosystems, vulnerable groups, human settlements, and tourism. Some countries identified other specific priority areas in terms of adaptation, such as industry, transport and commerce (Nigeria), gender and vulnerable groups (Ghana), agro-silvo-pastoral production (Cabo Verde and Guinea), flood protection (Senegal), extreme climatic events (Burkina Faso) and management of rangeland and pastures (Sierra Leone).

Figure 38 : West Africa's Climate Finance Needs for Adaptation and Mitigation (2020-2030), USD billion

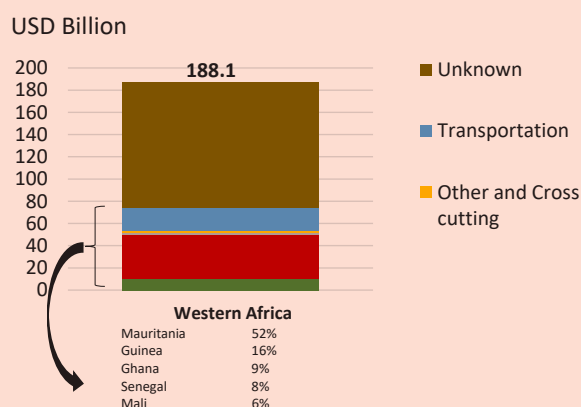


Source: Adapted from CPI, 2022c

Regarding climate finance mitigation needs by sector across the entire African continent, most of the needs are in the domains of transport (41%), closely followed by energy; agriculture, forestry and other land use (AFOLU);

and industry (CPI, 2022c). In West Africa, most of the climate finance needs are in the AFOLU sector especially in countries like Mauritania, Guinea, Senegal, Mali and Ghana (Figure 39).

Figure 39 : Climate Finance Mitigation Needs for West Africa (by sector), USD billion (Adapted from CPI, 2022c)

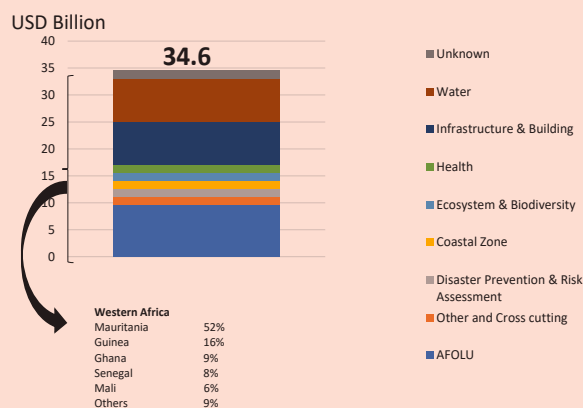


Source: Adapted from CPI, 2022c

With respect to climate finance adaptation needs by sector across Africa, there is limited or no breakdown into sectors as roughly 71% of the total needs reported in NDCs have not been allocated to any adaptation sector.

In West Africa, the countries with the most climate finance adaptation needs are Mauritania, Mali, Senegal, Ghana and Côte d'Ivoire (Figure 40).

Figure 40 : Climate Finance Adaptation Needs for West Africa (by sector), USD billion
(Source: Adapted from CPI, 2022c)



(Source: Adapted from CPI, 2022c)

2.2.3. Innovative Sources of Private Sector Finance for Climate and Green Growth across West Africa

There is huge potential for private sustainable finance flows to foster climate action and green growth in Africa in general and West Africa in particular. The main sources of these innovative private sector finance are green loans^{39,40,41,42}, social bonds, sustainability-linked bonds, sustainability bonds and sustainability-linked loans. Africa currently accounts for only 0.1% of global green bond issuance. In West Africa or the ECOWAS region, Benin and Nigeria account for most of the green bonds issued in the region with sectors such as energy, transport, buildings, water and waste management benefiting from green bonds issuance. The increasing issuance of green bonds by corporate bodies across the region is a step in the

right direction.

In Africa in general and West Africa in particular, green finance instruments account for less than 1% of total global issuance, as most of these green finance instruments continue to be concentrated in the developed world. However, these green finance instruments including green loans, social bonds, sustainability-linked bonds, sustainability bonds and sustainability-linked loans, debt for swaps, blended financing and carbon markets can be scaled up across Africa in general and West Africa in particular (Table 2.1). With the increasing external debt levels and repayment burden across Africa in general and West Africa in particular, slowing down development, debt for swaps (debt for climate swaps and debt for nature) are becoming increasingly popular.

Table 3 : Innovative Finance Instruments for Private Climate Finance in West Africa

Type of instrument	Green bonds, Sustainable debt financing e.g., Sustainable bonds, sustainability-linked loans/bonds, social bonds	Debt for Swaps e.g., debt-for climate/nature swaps	Blended financing instruments	Carbon markets
Definition	Debt instruments where proceeds are allocated to funding green/sustainable projects (e.g., climate action, environmental) that deliver both environmental & positive social outcomes	Debt forgiveness on the condition that debt repayments are instead invested in climate change adaptation and mitigation	Instruments that use public/donor finance to de-risk and scale up private climate investments.	Finance generated through investment in projects that reduce GHG emissions. Purchased by corporates or international actors to reduce or offset their CO2 footprint
Current performance	Over 12% of Africa's green bonds have been issued in Nigeria.	Few investments in the last 3 decades (typically less than US\$10 million per year)	Leading globally (Avg. US\$1.5 billion) per year. Most transaction concentrated in just 5 countries	11% of total carbon credits generated originate from Africa (Global market US\$2 billion)
Use Case	AfDB Green Bond program African Green Bank Initiative Nigeria Green Bond program	Portugal US\$150 million debt for nature swap to Cabo Verde	Africa Go Green Fund, Acumen Fund	Africa Carbon Markets Initiative (ACMI)
Estimated potential	The West African Development Bank (BOAD) issued its certified climate bond in 2021 raising €750m ⁴³	More than US\$500 million for every deal	High leverage ratios (5-10 times public finance)	Up to US\$50 billion ⁴⁴
Challenges to scaling	-Market conditions, policy -Insufficient regulation and governance -Smaller ticket size project opportunities -Limited technical capacity -Greenwashing	High transaction costs & lengthy negotiating times -Challenges in freeing up national resources -Additionality-Swaps substituting already planned government expenditure	-Several actors hence ineffective coordination and at time, unclear impact -Dependent on public/donor funding	Unregulated, highly volatile market -Integrity of credits -Challenges in freeing up national resources -High capital intensity for project development & certification

Key success factors	<ul style="list-style-type: none"> -Broader sets of investors - Quality climate data/climate tagging -Attractive, bankable low-carbon projects -Bonus/penalty if sustainable target is achieved/or not -Technical assistance to governments, local & national financial institutions and projects - Between 2012 and 2018, cumulative issuances of green bonds by Nigeria reached \$30 million. - In July 2021 Benin sold a €500m 14-year SDG bond. - Nigeria's Access Bank issued a N15bn (\$36m) green bond in March 2019 to finance environmental resilience, clean energy and sustainable land use projects. 	<ul style="list-style-type: none"> Reduction of complexity and time -Need to be significant enough to relieve debt burden -An effective monitoring, Reporting and verification (MRV) framework 	<ul style="list-style-type: none"> -De-risking/First loss fund, guarantee from public/ international actors -Technical Assistance/ Capacity building - Clear impact and additionality 	<ul style="list-style-type: none"> -Increased carbon pricing -Strengthening VCM market strategy -Build capacity and capabilities of developers to scale up projects including technical assistance for MRV - There are currently around 367 carbon market activities in West Africa, one-third of which have issued carbon credits under either the CDM or voluntary standards⁴⁵. - As of Q1 2022, these activities have collectively issued 24.7 million credits - A cumulative sum of carbon financing of USD 100 million flowing to the region since 2010, half of which can be linked to 2021 issuances alone.
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Source: Adapted from AfDB

Besides the aforementioned, there are other innovative financing mechanisms with huge potentials to booster private climate finance in West Africa notably corporate banking (especially with the advent of Pan (West) African banks), financial markets, equity markets, debt markets, commodity exchanges, private investment markets, development banks, financial technologies – Fintech (crowd funding, crowd investing and crowdlending; blockchain and cryptocurrency; electronic payments and e-commerce; and insurance).

2.3 The Private Sector Financing Gap for Climate Action and Green Growth

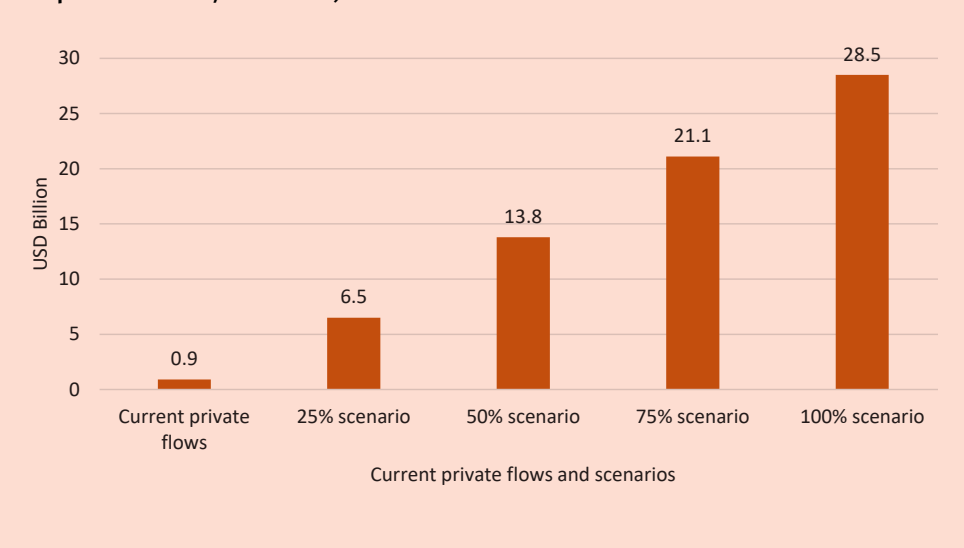
As stated above, financing flows for climate action in West Africa reached an average of \$7.9 billion in 2019/2020, whereas the annual need to implement their current NDCs is estimated at \$36.3 billion annually, hence annual climate financial gap estimated at 28.5 billion.

Given their enormous climate finance needs and limited public resources, West African countries could target a contribution of the private sector of at least 25 percent of the residual of the financing needs—the difference between climate finance needs and public climate finance flows. In a very ambitious scenario, where the private sector covers all the existing shortfall in public resources to

closing West Africa's climate finance needs, the private climate finance gap will be estimated to cover all the financial climate gap of the region (28.5 billion annually). Under the conservative scenario where the private sector cover only 25% of the total gap, the private sector gap will be estimated at \$7.1 billion per year, rising to \$14.3 billion if the private sector contributes to close half of the residual finance needs, and \$21.4 billion if its share increases to 75 percent.

Across the fifteen countries of the region, there is a huge discrepancy between private climate finance inflows and the private finance needs of the countries. Based on current levels of private climate finance in the region, the annual private sector's contribution will need to increase more than 27 times to meet total climate financing needs by 2030. In the ECOWAS or West African region, current private flows are a meagre USD 1.03 billion (Figure 41). Under a 25% scenario (conservative scenario), the private flows will increase to USD 6.5 billion; USD 13.8 billion under a 50% scenario; USD 21.1 billion under a 75% scenario; and USD 28.5 billion under a 100% scenario (Figure 41). From these statistics, it is evident that the higher the inflows of private climate finance, the smaller the gap in total climate finance and the greater the possibilities of achieving green growth across the region.

Figure 41 : Current Private Finance Flows vs Gaps in West Africa (Billion USD) (Source: Computed from CPI, 2022 data)



((Source: Computed from CPI, 2022 data))

The enormous financing gaps across different sectors in West Africa offers great opportunities for investment to both international and domestic private sector actors. This is more so for sectors such as energy^{46,47,48,49}, AFOLU, water, waste management, transport⁵⁰, buildings and industry⁵¹ where public sector financing continue to be the main financing option. Considering that private sector investments in these sectors will have major positive impacts on employment for all including women and youth, water security, biodiversity and food security across the West African region, there is absolute necessity for the private sector to be involved.

2.4. Barriers and Opportunities for Leveraging Private Sector Financing for Green Growth in West Africa

2.4.1. Macroeconomic Determinants of Private Sector Finance Mobilization in West Africa

The ECOWAS or West African region still has several macro-economic failures which hinder private sector finance mobilization. Private sector investments are known to depend on different macro-economic factors including presence and effectiveness of fiscal incentives, levels of economic activity, policy and regulatory structures, exchange rates, depth of the capital markets, human and social environment and entrepreneurial culture, level of government or public support and levels of development of market infrastructure⁵². All these factors determine the currency, project, credit and exit risk of private sector investments. A generally positive direct relationship exists

between macro-economic factors (such as GDP, income, inflation, interest rates) and foreign direct investment (FDI) inflows (private sector investments) into the West African region (World Bank, 2021). Human capital however has a negative correlation with FDI inflows into the region. Private sector credit on its part shows a near zero correlation with FDI inflows. The same obtains with broadband, telephone subscriptions and political stability. Overall, most macro-economic factors in the region have a weak or near zero relationship with FDI inflows notably from private investors (ECOWAS Commission, 2020).

The AEO 2023 found a strong relationship between public sector investments and private sector capital across the whole continent. For the West African region, this relationship is also seen to emerge quite strongly.

2.4.2. Drivers of Private Climate Finance Inflows in West Africa

West Africa like other regions of Africa attracts private investments and climate finance in varying degrees. A plethora of factors account for these differences with the most commonly cited being different barriers and risks involved in private sector investment across the region. These risks have stifled private sector investment and private climate finance inflows which have gone a long way to impede green growth in West Africa in particular and Africa as a whole structures. Some of these barriers include inexistence of enabling skills and infrastructures, poor governance, limited local financial markets, limited local innovation capacities, ill-adapted projects, and high real and perceived risks.

Generally, across the West African region, countries that have mobilized large amounts of public climate finance are equally those that have more private climate investments which is attributable to the complementarity of both forms of climate finance. Investments in green infrastructure has also attracted huge sums of private climate investment. This is the case in Côte d'Ivoire where the development of different green infrastructures like low-carbon transport systems, renewable energy infrastructures and smart-buildings has attracted enormous investments fostering green growth in the country. Besides several West African countries like Ghana, Senegal, and Côte d'Ivoire have attracted more private climate investments owing to limited corruption, better governance, and good public institutions. In addition, the size of the domestic market has also attracted private sector investors to some countries like Nigeria. Nigeria is the main economic power in Africa in general and West Africa in particular as it has the highest GDP.

This alone attracts so many private investors who are sure of a ready market for their products like solar panels and electric vehicles. Last but not the least, the climate risk index of West African countries is a major factor that determines private sector investment in the region. Countries with high levels of exposure and vulnerability to extreme weather events like floods, droughts, heatwaves and storms are a major deterrent to private investors who are scared of investing and losing their investments in the twinkling of an eye. West Africa is home to some of the most vulnerable countries to climate disasters on earth – most of these countries are found in the Sahelian parts of West Africa i.e., Mali, Burkina Faso, the northern parts of Nigeria and Ghana, Mauritania. The governments of these countries have a role to play in attracting private investors through incentives like tax holidays and making it easier for entrepreneurs to set up enterprises in the region.

2.4.3. Barriers to the Development of Private Sector Finance for Green Growth and Climate Action in West Africa

Despite these numerous efforts made to foster green growth in the West African region, a number of challenges continue to impede green growth. Some of these barriers include the absence of effective implementation policies of green growth strategies and weak regulatory structures⁵⁴; the lack of clear guidelines on green growth priority sectors implying green growth needs for the region remain unknown; mismatch between the demand and supply of project pipelines and acceptable risk profiles of these projects; high levels of external debt; low technical, human, and institutional capacity;

access to international capital markets; the effects of COVID-19 and the Russian invasion of Ukraine.

Absence or Weak Green Growth and Climate Change Frameworks at the National Level

Although most of the countries have developed national level strategies for climate action, there is still an absence of policies and strategies for green growth in many of these countries especially the most vulnerable like Mauritania, Mali and Burkina Faso. This makes it difficult to provide policy direction for green growth investments across the region. As of 2023, just few West African countries like Côte d'Ivoire have put in place policies and regulations on green growth.

The absence of comprehensive cross-cutting frameworks on green growth means that these countries lack clear guidelines on green growth priority sectors, implying that green growth needs across the region remain largely unknown. Besides countries like Côte d'Ivoire, Ghana, Nigeria and Senegal which have developed some clear guidelines on green growth priority sectors in line with GGGI, all the other countries across the region still do not have green growth frameworks⁵⁵. The lack of these guidelines and regulation for managing exit risk coupled with the high perceived and real risks for private sector investments within the region, is a major barrier for new private sector investors.

Mismatch between demand and supply for commercially viable projects for private sector investments

The mismatch between the demand and supply of project pipelines and acceptable risk profiles of these projects impedes private sector finance for green growth and climate action across the West African region. Many West African countries lack investment ready project pipelines for green growth and existing project pipelines also fail to match the interests and risk profiles of private sector investors. This is especially the case in West African countries such as Togo, Benin, Sierra Leone and the Gambia.

High cost of capital and high levels of external debt

Concerning high levels of external debt as a barrier to private sector finance across West Africa, it is well known that ECOWAS or West African countries are highly indebted with most being part of the Heavily Indebted Poor Countries (HIPC) initiative – an initiative put in place by France and other western countries to cancel the debts of these countries. The

External debt of West African countries has doubled since 2010, reaching over 65% of GDP in some countries in 2022. Many of these countries continue to face high risk of debt distress notably Benin, Burkina Faso, Guinea, Guinea-Bissau, Liberia, Mali, Niger, Sierra Leone and Togo.

Technical, human and institutional capacity gaps

Regarding low technical, human, and institutional capacity as a barrier to private sector investment for green growth and climate action, it must be said that West African countries exhibit capacity gaps relating to the inability to accurately quantify, allocate and address risks to investments and technical capacity gaps that result in poor program delivery. These capacity gaps in SMEs affect women-owned SMEs the most, largely exhibited in the form of constrained access to credit and other forms of finance. This is largely in line with West Africa's green growth indicators which show a moderate performance when it comes to gender balance and social equity, and a poor performance in social protection.

Narrow domestic capital markets and constrained access to international markets

Access to international capital markets is another major barrier to private sector investment in green growth and climate action in West Africa. Out of the 15 countries that make up the ECOWAS/West African region, fewer than five (Nigeria, Ghana, Senegal, Côte d'Ivoire) have access to international capital markets. Even in countries with access to these markets like Nigeria for example, they are not fully functional. Between 2007 and 2020, just 21 countries had access to international capital markets – which indicates the rarity of these markets across the entire continent in general and West Africa in particular⁵⁶. The underdevelopment of capital markets in West Africa in particular and the continent in general is largely due to too much state intervention coupled with other hurdles such as hostile business climate, poor regulatory frameworks, inadequate financial literacy, and poor management structures⁵⁷.

Lack of investment grade rating, absence of liquid bond markets and currency instability

A majority of West African countries have received very limited private climate finance owing largely to the lack of investment grade rating, liquid bond markets and currency stability which are key elements for private sector participation.

Lack of data

Lack of data showing private investments in other sectors across West Africa is a major impediment to understanding the contribution of private investment to adaptation for example. CPI (2019) however noted that the tracking of adaptation investments is difficult because of challenges such as confidentiality and reporting requirements, context dependency, lack of impact metrics, and the uncertain causality of investments made. The focus should therefore be on putting mechanisms in place to be able to get reliable data for a more robust and accurate assessment of the climate finance situation in countries across the West African region.

Need for additional funding

The IPCC in its 2022 report highlighted the need for additional funding to assess needs and plan projects as well as finance new adaptation projects. However, most West African countries that reported adaptation needs by sector made mention of AFOLU, water and food security.

Limited sustainable infrastructures

Sustainable infrastructure such as energy systems, transport, buildings, or industry as well as non-infrastructure sectors such as health and education will require large-scale investments in order to achieve sustained and meaningful green growth in West Africa.

Effects of the Covid-19 Pandemic and the Energy Crisis

The effects of COVID-19 and Russia's invasion of Ukraine have been major barriers to private sector climate finance for green growth across West Africa in particular and the entire African continent in general. The COVID-19 pandemic and recent disruptions of global supply chains caused by Russia's invasion of Ukraine have reduced the liquidity of international investors, including those looking to invest in green growth and climate action across West Africa. For example, investors recovering from the COVID-19 pandemic and dealing with the recent food and energy crisis have stressed out balance sheets, meaning that there is limited scope for them to increase investments in green growth sectors. The liquidity of most potential domestic private sector investors in West Africa is also low. Financial institutions, which have a high potential contribution to financing green growth across West Africa in particular and the continent in general are also unable to provide long term funding to infrastructure projects owing to limited liquidity which can be explained by the poor savings culture⁵⁸. An ECOWAS report published

in 2022 revealed that the debt burdens of countries in the region increased in the context of COVID-19 and major global geopolitical turbulence due to slow economic recovery, shrinking fiscal space and weak resource mobilization which deter investment.

2.4.4. Pathways for Mobilizing Private Sector Finance for Green Growth and Climate Action in West Africa

Despite the several barriers to private sector finance for green growth and climate action across Africa in general and West Africa in particular, it must be said that the region and the continent have different opportunities to leverage private sector finance for climate and green growth. These opportunities include policies, regulatory structures and fiscal incentives for green growth; increasing the use of blended finance instruments; strengthening domestic financial institutions to address the MSME finance gap^{59,60,61,62}; expanding the use of sustainable finance instruments such as green bonds and loans, and sustainable loans; tapping into the expanding global and domestic private equity and venture capital appetite for (West) African markets⁶³; cautiously engaging with the emerging carbon markets; leveraging inter-continental collaboration to enhance intra-regional private sector investments.

Favorable policies, regulatory structures and fiscal incentives

Implementing favorable policies, regulatory structures and fiscal incentives for green growth in West Africa is a major opportunity to increase the mobilization of private sector finance for climate action and green growth. This is possible through the formulation and implementation of regulations, standards and policies on green growth investments and pursuing cross-regional and intra-regional standardization of policies, metrics and taxonomies which will provide positive signals to private sector investors. ECOWAS already has some favourable policies which is a step in the right direction. Regional policies to foster green growth and climate action in the ECOWAS region fall under the following categories: strategic plans, climate change, the environment, energy systems, renewable energy, energy efficiency, agriculture, disaster-risk-reduction, natural resources, and other regional climate change related plans (UNFCCC, 2020). Although many West African countries have still not implemented comprehensive fiscal incentives for mobilization of private sector finance and most have not implemented a climate finance strategy, some ECOWAS countries already have a climate finance strategy in place, such as Côte d'Ivoire, Guinea Bissau, and Mali.

Blended finance instruments

Increasing the use of blended finance instruments is another opportunity to increase the mobilization of private sector finance across the West African region. Three West African countries feature among the African countries that mobilize huge amounts of private sector finance through blended finance mechanisms i.e., Nigeria, Ghana and Côte d'Ivoire. Despite this seemingly good performance, there is still space to increase the use of blended finance, especially for mobilizing finance for green growth across all West African countries. Leverage ratios of blended finance, alongside impact of investments, need to increase to unlock billions and trillions of private climate finance using blended instruments. This can be done by using blended finance to increase private sector participation in infrastructure for green growth as well as diversifying public investments to other types of sectors and use of other types of resources.

Strengthening of domestic financial institutions
The strengthening of domestic financial institutions to address the MSME finance gap is another good opportunity. West African firms, regardless of their size and sector, rely most on internal funds, earned savings and other informal sources to finance both their investment and working capital. Developing the domestic banking sector across the region will aid in addressing the financing gap by MSMEs. One way of doing this is by integrating ICT tools in the banking sector to improve monitoring and reduce risks.

Leveraging sustainable finance instruments

Expanding the use of sustainable finance instruments such as green bonds and loans as well as sustainable loans is great opportunity to leverage in attracting more private sector finance to foster green growth and climate action across the ECOWAS region. Expanding the mobilization of sustainable finance requires both access to international markets and expansion of the domestic capital markets. West Africa needs an expanded investor base to generate more sustainable finance through its domestic capital markets. West African countries such as Nigeria are already very well in trading green bonds and this good example can be copied by other West African countries.

Leveraging the expanding global and domestic private equity and venture capital

Tapping into the expanding global and domestic private equity and venture capital appetite for West African markets will also contribute in attracting more private sector finance to West

Africa. Although West Africa's private equity actors are very small in comparison to those in other regions, they are a critical source of financing for young and innovative firms which characterize the West African landscape. Private equity and venture capital will be important for bridging the SME finance gap and accelerating green growth in sectors that contribute towards social development in the region.

Cautious engagement with emerging carbon markets

Engaging with the emerging carbon markets although cautiously presents another opportunity to attract more private sector finance to boost green growth and climate action across the West African region in particular and the continent at large. The launch of the Africa Carbon Markets Initiative is an opportunity for countries to direct investments into protection and growth of its natural capital and in supporting social development. Nigeria is also a major player in the carbon market which is a good example for other West African countries to follow. However, the past experiences of different African countries from participating in the carbon market has not generated the expected results, meaning that there is need for a step change if the continent is to fully capitalize on the emerging potential for carbon markets. West African countries in particular will need regulatory structures that clearly outline rules for generation of credits for markets as well as the responsibilities of different sets of institutions.

Estimating the private sector financing gap

In Africa in general and West Africa in particular, estimating the private sector financing gap is difficult owing to data constraints and an information gap notably in the NDCs of countries. Little or no distinction is made between public and private financing needs in the NDCs of West African countries in particular. In fact, the contribution of private climate finance to the attainment of NDC targets across West Africa is often overlooked as emphasis is mainly placed on the contribution of public climate finance. This data lacuna in private climate finance and its contribution to the attainment of NDC targets across the

ECOWAS or West African region leaves room for either under or over estimation.

Public sector finance

Public sector finance is key to mobilizing private sector finance for green growth in West Africa. The green economy could be used by public authorities not only as a pretext to harmonize sectorial policies, but also to establish trust with private investors^{64,65}.

Small and Medium-Sized Enterprises (SMEs)

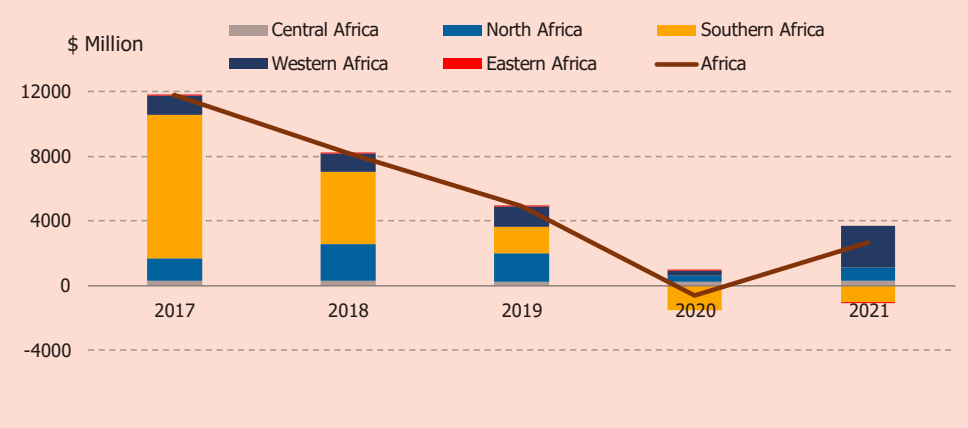
West Africa's private sector is made up of 95% SMEs which consume most of the energy and generate most the greenhouse gases. This implies that, turning these SMEs into Greenpreneurs and Ecoenterprises will contribute immensely towards fostering climate-responsible development and mitigating climate change.

Leveraging inter-African collaboration.

Leveraging inter-African collaboration to enhance intra-regional private sector investments is a great opportunity to attract private sector finance to West Africa. West Africa needs regional project preparation facilities to tap into continental private sector investment opportunities for green growth. As countries recover from the economic effects of COVID-19 pandemic and the 2022 energy crisis, these regional facilities can be used to leverage the FDI outflows from African countries.

Although Africa is a net recipient of FDI flows, some African countries have over the past decade proven themselves as potential sources of FDI outflows and, even though recent economic crises have shrunk the total volume of FDI outflows within the continent, countries are showing signs of recovery (Figure 42). For instance, pre-COVID-19, some West African countries such as Togo and Ghana were the highest sources of FDI outflows in the continent. However, outflows from these countries fell by two thirds in 2020 to US\$1.6 billion from US\$4.9 trillion⁶⁶. Outflows from Togo, which was the highest source of outflows for this period, were directed at other African countries.

Figure 42 : FDI Outflows from Africa, 2017-2021 (Source: AfDB Staff computations based on UNCTADStat data)



(Source: AfDB Staff computations based on UNCTADStat data)

As West African countries and the entire continent recovers from the COVID-19 pandemic and private sector actors' balance sheets begin to demonstrate improving liquidity, it is expected that FDI outflows will begin to increase too. Leveraging these outflows is an opportunity worth grabbing. West African investors and other investors across the continent can be encouraged to invest on the continent through special trade agreements designed for regional and continental investors. Strengthened regional integration, through the operationalization of the AfCFTA is a good starting point for advancing these trade agreements.

2.5. The role of MDBs and DFIs in Mobilizing Private Sector Finance for West Green Growth in West Africa

2.5.1. DFIs and MDBs as Key Players in Unlocking Development and International Public Finance in West Africa

According to the UNFCCC (2020), between the period 2013–2018, ECOWAS countries received on average USD 2.6 billion annually in total climate finance from bilateral sources, MDBs and climate funds. According to the OECD Creditor Reporting System database, a total of USD 15.5 billion in public international climate finance from OECD member countries was attributed to the ECOWAS region in 2013–2018. Public international climate finance had an overall positive trend in this period, with the total amount increasing from USD 1.7 billion in 2013 to USD 3.4 billion in 2018. The spike in inflows in 2017 can largely be explained by contributions to Senegal from the World Bank, France and AfDB for mitigation projects in the

transport sector. For funding of projects with climate as the principal objective, the average annual inflow to the region in 2013–2018 was USD 1.6 billion. This funding increased over time, with the highest inflow, approximately USD 3 billion, being received in 2017.

Bilateral, climate fund and MDB are the main funding provider types. The majority (57%) of public international climate finance was provided by MDBs (Figure 43). Approximately 35% came from bilateral sources and the remaining 8% from climate funds. Of the MDBs, the World Bank provided in 2013–2018 over USD 3.5 billion which was the largest share of finance, followed by AfDB with USD 1.3 billion. Other MDBs providing funding included the European Investment Bank, the International Finance Corporation and the Islamic Development Bank. The main bilateral providers of climate finance to the ECOWAS region in the same period were France (USD 1.3 billion), the European Union (USD 0.6 billion) and Germany (USD 0.5 billion), as well as the United States of America, Japan and Norway. The primary climate funds included the operating entities of the Financial Mechanism (i.e., the GCF and the GEF) and the AF.

Different funding channels were used by ECOWAS countries. Côte d'Ivoire, The Gambia, Guinea, Guinea-Bissau, the Niger and Sierra Leone received over 80% of their climate finance from multilateral sources, while Cabo Verde, Ghana, Liberia and Mali received the majority of their climate finance from bilateral sources.

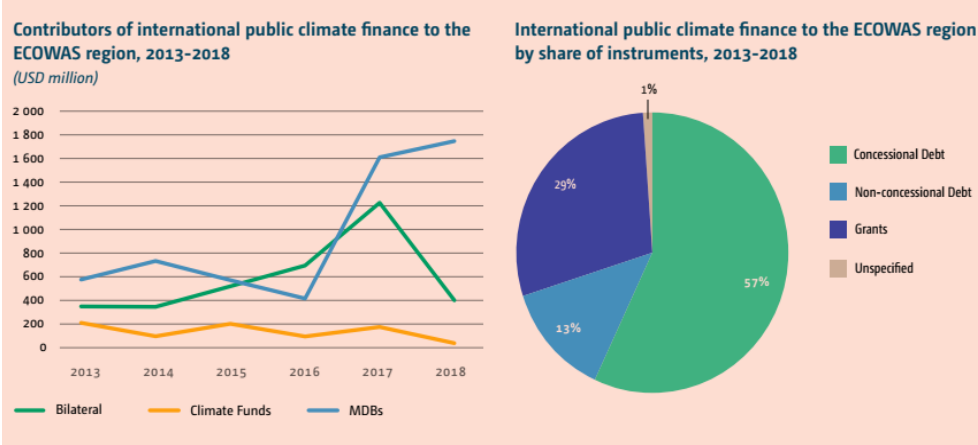
International public climate finance was provided primarily using debt instruments (70%), of which 81% was concessional debt. The remainder (30%) was provided through grants (global average is 18%). Equity plays a neg-

ligible role in climate finance for the ECOWAS region. The increase in climate finance in 2013–2018 can be attributed to an increase in the provision of concessional loans. Provider types differed greatly in the types of instruments they used, with MDBs providing 95% of their climate finance via (mostly concessional) debt instruments, while bilateral providers and climate funds mainly used grants, which made up 59 and 69%, respectively, of their climate finance. According to the OECD Creditor Reporting System database, the ECOWAS region received USD 0.8 billion from climate funds over 2013–2018. The total climate fi-

nance to date including co-financing going to the ECOWAS member States, as reported by all climate funds, amounts to USD 9.3 billion. Additionally, ECOWAS countries were involved in regional projects co-funded by the GCF and the GEF that represent a total value of USD 6.6 billion. From the foregoing, it is evident that the role of DFIs and MDBs in unlocking development and international public finance in West Africa cannot be overemphasized.

The main climate funds in the ECOWAS/West African region are: the Green Climate Fund; Global Environment Facility; Adaptation Fund; and the Climate Investment Funds (Box 2.2)

Figure 43 : Contributors of International Public Climate Finance in the ECOWAS Region between 2013–2018 and the main Financial Instruments Used.



(Source: AfDB Staff computations based on UNCTADStat data)

2.5.2. Six Actions and Policies to Enable DFIs and MDBs Crowd-in Private Climate Finance in West Africa

The AEO recommends that for MDBs and DFIs to contribute towards mobilizing private sector finance for green growth and climate action on the continent, they need to implement 5 action points—(i) become less risk averse, (b) increasing the use of results based payments, (c) Building capacity in integrating low-carbon, climate-resilient perspectives into policymaking, (d) Strengthening mandates, incentives, and internal capacities and (e) Working closely with governments to develop enabling policies and regulations to scale up private climate investment. Below is a discussion of how these action points relate to the West African region.

Becoming less risk averse

DFIs and MDBs will need to recognize and value cash flows from the sale of nonconventional assets, including voluntary emission reductions, mitigation outcomes and certified adaptation benefits. Similar flexibility will be required if these financial institutions are to finance debt-for-nature swaps and value

biodiversity. Reducing risk averseness also requires the establishment of tailor-made capital and liquidity frameworks by MDBs through reassessing regulatory capital and other prudential norms for MDBs. MDBs also need to shift from project-based finance to financing the system-wide sustainable transition, mainly through leveraging the largely untapped potential to pool and diversify risks across the development finance system to create new asset classes for private sector institutional investors. Lastly, member countries of MDBs and DFIs need to strengthen their Paris Agreement participation and documentation, specifically their Long-Term Strategies, Nationally Determined Contributions and National Adaptation Plans, because this suite of documents will communicate to the international community which technologies West African countries will rely on in the future. The high cost of capital that the West African region receives notably in the form of concessional and non-concessional debt poses great risks to private sector investors. In the West African countries that make up the West African Economic and Monetary Union (UEMOA) such as Côte d'Ivoire, Togo, Senegal, Mali, Benin, Burkina Faso, high interest rates and tightening liquidity makes it difficult for private investors to raise funds on

Box 2.2: Flows of climate finance to the ECOWAS region from the main climate funds

The flows of climate finance to the ECOWAS region from the main climate funds: the Green Climate Fund; Global Environment Facility; Adaptation Fund; and the Climate Investment Funds.

Green Climate Fund: Only three ECOWAS countries namely Guinea, Mali and Togo have finalized the GCF country programming process. All three country programs were published in 2018. As at June 2020, the ECOWAS region had received a total of USD 0.8 billion for national projects, with 37% of this funding coming from the GCF directly and 63% from co-financing. In 2019 alone, six national projects were approved for the ECOWAS region, with a total project value of USD 553 million (USD 167 million GCF funding, USD 386 million co-financing). Further, ECOWAS member States are among the beneficiaries of nine multi-country projects. The total value of these projects amounts to USD 3.2 billion. As of June 2020, GCF co-financing in the ECOWAS region was 63% for national projects and 69% for multi-country projects, levels which lie below the global average of 78% co-financing. ECOWAS member States have made use of the GCF Readiness Programme, which is designed to strengthen institutional capacity to effectively engage with the GCF. A total of 37 readiness activities have been implemented in the region, providing over USD 25 million in support.

Global Environment Facility: All 15 ECOWAS countries have accessed GEF funding, mainly directly through the GEF Trust Fund, followed by through the LDCF. A few countries have completed or approved projects under the CBIT, while only Ghana has accessed the SCCF. The main recipient of GEF funding in the region is Nigeria (USD 100 million grant funding, USD 1.6 billion including co-financing), followed by Ghana and Senegal. In total, the region has mobilized USD 6.8 billion of climate finance with GEF involvement, made up of USD 0.9 billion in GEF grants and USD 5.9 billion in co-financing. Co-financing for GEF projects, which makes up 87% of total average project value, is higher than for GCF projects (63%) in the region. In addition to the national projects, ECOWAS countries have been involved in 75 regional projects supported by the GEF. These regional projects amount to USD 433 million in GEF grants and USD 2.9 billion in co-financing. Further, ECOWAS member States have been beneficiaries of 51 global projects totaling USD 5.8 billion. A further 18 proposals from 11 ECOWAS countries have been approved, totaling USD 98 million in grant financing from GEF and USD 648 million in co-financing.

Adaptation Fund: As of June 2020, only Ghana, Mali and Senegal have implemented projects with AF funding; support for these projects totals USD 27 million. ECOWAS countries have received a total of USD 0.4 million in readiness funding from the AF. Burkina Faso, Côte d'Ivoire, the Gambia, Ghana, Guinea Bissau, Liberia and Nigeria have not accessed readiness funding.

Climate Investment Funds: According to the CIF country pages, as at June 2020, 25 climate change projects in the ECOWAS region had been supported with a total of USD 491 million in CIF financing and USD 1.2 billion in co-financing.

Source: UNFCCC, 2020

regional capital markets⁶⁷. It is therefore imperative to reduce these risks in order to attract more private investors.

Moving from project-based finance to financing the system-wide sustainable transition

There is a need for MDBs to become the catalytic lender in crowding-in the system-wide transition from carbon-intensive to green and sustainable growth in West Africa. MDBs could operationalize the shift towards systemwide finance for the green transition in different ways.

For instance, they could work with the government of a particular West African country to identify the optimal renewable mix with which to replace fossil fuels. They could then, in collaboration with governments, form a pipeline of renewable projects across the country that is system-wide and at a sufficient annual scale to keep up with the net-zero pathway. Given projections of investment costs, they could inform the scale of the new asset class; To make the transition “just”, there is however a need to consider compensation for the opportunity cost of decoupling fossil fuels (e.g., compensate and retrain oil exploiting communities like

those of the Niger Delta in Nigeria). The presence of the MDBs as a repeat player with the government would also reduce hold-up risk, as governments would be less likely to renege on contracts with them.

Increasing the use of results-based payment instruments

The current global climate finance architecture is simply too complicated and bureaucratic, which seriously limits its effectiveness, especially in low-income climate-vulnerable countries such as those in West Africa. International climate funds typically do not give grants to private sector operators. The lack of assets that serve as collateral as well as inadequate technical skills for project preparation makes most women and youths across West Africa un-bankable. Furthermore, many adaptation projects are perceived as being not economically feasible, because they either contribute to the global good and do not generate any or sufficient revenues or target the most poor and vulnerable communities, which are living at sustenance level and cannot invest or pay back commercial loans. There is a renewed interest in using results-based payment instruments such as The Clean Development Mechanism (CDM) under the Kyoto Protocol, voluntary carbon markets, the Sustainable Development Mechanism under the Paris Agreement and most recently, the Adaptation Benefits Mechanism. Projects under these mechanisms still need short-term project finance, and this is something which MDBs and DFIs should be able to provide. The West African region already has a wealth of experience working with results-based payments, which makes it easier for MDBs and DFIs to set up their institutional mechanisms in the region⁶⁸.

Building capacity in integrating low-carbon, climate-resilient perspectives into policymaking

DFIs, MDBs, and other public and private sector financial institutions need to build capacity to include low-carbon and climate-resilient metrics in investment and policy-making decisions across West African countries. Putting in place the necessary enabling factors for MDBs to respond to the need for climate finance has implications for staffing and organizational structure. The establishing of local financial institutions such as national green banks and national development banks can help create an investment ecosystem fit for purpose in a climate-constrained future. Regional and national institutions in West Africa worth targeting for capacity building by MDBs and DFIs include universities and research institutions, financial institutions such as commercial banks as well

as regional bodies involved in environmental and climate endeavors such as the Lake Chad and the Niger Basin Commissions. and the specific capacities that the region needs to mobilize private sector finance. This should be done through training and awareness raising on private sector financing, strengthening of tertiary education to ensure that new graduates are well equipped to deal with the new reality of investment decision-making.

Strengthening mandates, incentives, and internal capacity

To enable DFIs and MDBs across the West Africa attract more climate co-finance, especially from the private sector, their shareholder governments must give them stronger and more coherent mandates to deliver transformative climate action and green growth outcomes. This can be achieved by systematically integrating climate and green growth goals with underlying development objectives. This requires that DFIs and MDBs possess the adequate internal capacity and staff skillsets that allow them to move beyond traditional projects in infrastructure, transport, or energy when assessing investment opportunities and be able also to dedicate efforts to other areas of intervention centered on climate change and green growth.

Working closely with West African governments to develop enabling policies and regulations to scale up private climate investment.

Given the existing large climate finance needs, there is an urgent need for DFIs and MDBs to focus more on bringing new investors and sources of climate finance to the ECOWAS/ West African region. This will require that these financial institutions work in tandem with West African governments to develop enabling policies and regulations necessary to scale up private sector investments, propose risk mitigation instruments such as guarantees, and prioritize concessional finance through, for instance, blended finance. Collaboration between DFIs/MDBs and governments across West Africa will help to easily aggregate small-scale climate investment projects into large-scale, bankable projects that could attract the private sector through, for instance, blended finance vehicles. Additionally, by working more closely with their shareholder governments, DFIs and MDBs could facilitate the standardization of the terms and conditions related to low-carbon and green growth projects to unlock private investment, including those related to different instruments, approaches and contractual agreements.

2.5.3. The transformative role of the African Development Bank in unlocking private climate finance across West Africa and the African continent

The African Development Bank is heavily involved in unlocking private climate finance in a bid to bolster green growth and climate action across West Africa and the entire African continent through initiatives such as: i) the use of the climate safeguard screening system established in 2016 to ensure that all projects are aligned with the goals of the Paris agreement; ii) the African Adaptation Acceleration Program to double adaptation finance in Africa to US\$25 billion by 2025; iii) The Bank's own target to mobilize US\$25 billion by 2025 with equal share on mitigation and adaptation; iv) the climate action window within ADF 16 which will mobilize significant amounts of new and additional climate finance for the continent; and v) other flagship initiatives such as Desert to Power, Great green wall, food security and resilient infrastructure. These numerous initiatives indicate the Bank's commitment to scaling up climate mitigation and adaptation across the region and the continent as a whole

69,70

Besides these initiatives, there are several innovative financing mechanisms instituted by the AfDB to scale up private climate finance as well as co-financing across West Africa and Africa as a whole. Some of these mechanisms include blended finance, rechanneling of SDRs through MDBs, issuance of Hybrid Capital, Balance Sheet Optimization (BSO) initiatives, the ADF-16 Replenishment, and ADF Market. For instance, through BSO initiatives, the Bank seeks to crowd-in private partners to financing development, including climate projects. Using this approach, the Bank in 2018 executed the Room 2 Run Program⁷¹, the first structure of its kind between a multilateral and the private investor market. The program provided a US\$1billion synthetic securitization transaction (SST) covering about 45 private sector loans from the Bank's existing portfolio. Building on the initial success, the Bank has since launched two additional rounds of the Room 2 Run Program. The Bank is also mobilizing additional resources towards climate finance through the strategic deployment of its Partial Credit Guarantee (PCG) to help sovereigns and corporates to access the international capital markets under newly adopted Environmental, Social, and Governance (ESG) Frameworks through green bonds. Several countries ranging from Benin (From the West African region) to Egypt to Angola are already adopting ESG Frameworks with the goal to mobilize resources specifically for climate resilient and sustainable investment projects. The Bank has also recently started making use of the debt-

for-nature swaps which are capital market transactions involving creditors and a debtor government that agree for a portion of interest or principal payments to be refinanced, on the condition that a portion of the new funding is used for initiatives that address the impact of climate change or otherwise preserve natural resources like oceans or forests.

Beyond these initiatives and innovative financing mechanisms established by the AfDB to enhance private sector financing for green growth and climate action across West Africa and Africa as a whole, the AfDB is equally collaborating with different MDBs and DFIs to generate common frameworks for allocation of funds. The Bank works very closely with other regional and multilateral development banks to share knowledge and experience on Paris alignment and mobilizing resources climate change which will contribute towards bringing more private climate finance to the West African region.

72,73,74,75,76

2.6. Policy Recommendations

2.6.1. West African National Governments

In the short-term:

Address barriers to access to finance by MSMEs by;

- Developing the capacity, incentives and infrastructure for local financial institutions and mechanisms to specifically target and meet the financing needs of MSMEs e.g., through targeted fundamental literacy and financial management skills development especially to micro-enterprises;
- Bridging the missing middle by growing large medium sized enterprises that can anchor the market and provide finance and services to other MSMEs;
- Developing and equipping intermediary institutions to mobilize and disburse private sector finance downstream to SMEs;
- Developing and implementing national structures that will enable the formalization of the largely informal MSME landscape across many countries in West Africa.

In the medium-term:

Advance the use of blended finance instruments to leverage additional private sector finance by;

- Making effective use of blended finance instruments by ensuring that finance allocations demonstrate additionality and proportionality;
- Establishing national level standardized blended finance vehicles that offer attractive returns for institutional investors;

- Using concessional capital, guarantee/risk insurance, technical assistance and design stage grants towards supporting the upstream phase of project preparation;
- Developing a contextual understanding of different types of private sector investors (present and potential), specific barriers and private sector risk profiles and return thresholds;
- Working with DFIs to strengthen their role in the domestic market, especially through leveraging national savings and domestic private sector e.g., pension funds.

In the long-term:

Develop country-level architecture for the mobilization of private sector financing for green growth and climate action in West Africa by;

- (a) Developing precise green growth and climate change private sector financing strategies to provide strong signals to domestic and international stakeholders on West African countries' green growth and climate change priorities;
- (b) Building on collaboration and participation of domestic and international private sectors as well as MDBs, DFIs and philanthropies actors to develop shared learning agendas and action plans for expanding the private sector financing landscape for West African countries;
- (c) Establishing strong and consistent regulations, taxonomies, data and reporting requirements for different types of private sector actors e.g., financial institutions;
- (d) Strengthening governance systems to ensure that proceeds from private sector finance mobilization generate the expected and maximum impact for green growth e.g., through impact monitoring and evaluation frameworks that have clear metrics and transparency and accountability systems for institutions managing this finance in West Africa;
- (e) Demonstrating strong commitments towards intra-regional and inter-regional financial integration to deepen potential markets and expand available opportunities for investors.

2.6.2. Domestic and international private sector

In the short and medium-term:

Exercise stewardship in advancing green growth through investments in West African countries by;

- Identifying and articulating barriers and opportunities to investments in West African countries as well as clearly outlining plans for investments in the short and long term;
- Working with governments in West

Africa, other private sector and DFIs and MDBs to identify mechanisms for addressing these barriers and identify opportunities for channeling finance to West African countries.

2.6.3. MDBs and DFIs

In the short-term:

Provide risk agnostic catalytic capital that can demonstrate the potential of the West African green growth landscape for private investments by:

- Developing and rolling out finance mechanisms for project development to unlock the project development gap e.g., through capacity development;
- Increasing the use of risk agnostic instruments e.g. guarantee instruments to reduce the level of risk borne by private sector investors especially in early-stage investments;
- Providing grant capital to strengthen project pipelines into investment ready projects.

In the medium and long-term:

Support West African countries' efforts to address debt sustainability by;

- Expanding issuance of concessional finance for green growth and climate change projects so as not to push countries into further debt;
- Expanding and accelerate mechanisms for sustainable debt and debt management especially to West African countries with medium to high likelihood of debt distress and those that are already in debt distress e.g., through capacity development of national institutions on sustainable debt management;
- Supporting West African countries to expand and deepen their capital markets to enable further mobilization of sustainable finance by providing affordable financing through domestic capital markets, which will encourage private sector confidence in domestic markets and increase the capacity of domestic institutions in mobilizing finance from international institutions.

2.6.4. The African Development Bank

In the short-term:

Facilitate collaboration between different MDBs and DFIs to generate common frameworks for allocation of funds by;

Continuing to work closely with other MDBs and DFIs to share knowledge that can inform development of private sector financing instruments that are appropriate for the West African context.

In the medium-term:

Support further deepening of the West African capital market landscape by;
Encouraging the continuous growth of the West African capital market landscape by collecting, managing, and disseminate information and data on the West African capital markets.

2.6.5. Governments of Developed Countries

In the short and medium term:

Meet international climate finance commitments by;
Adhering to the global climate finance commitments of the Paris Agreement. Use this finance to unlock more private sector finance. This finance, when channeled through DFIs, can

then be input into blended finance vehicles to unlock private sector finance into sectors that have the greatest impact for green growth in West Africa.

2.6.6. Philanthropic Institutions

In the short and medium term:

Provide catalytic grant finance for capacity development of different national and regional institutions in West Africa by;
Supporting the expansion of West Africa's private sector finance for green growth landscape.

In conclusion, these policy actions will require collaboration between different groups of actors to ensure a more system-wide transformation in investments across the West African region.

NATURAL CAPITAL FOR CLIMATE FINANCE AND GREEN GROWTH IN WEST AFRICA

3

KEY MESSAGES

West Africa is endowed with huge natural capital including crude oil, natural gas, minerals, biodiversity, forests and wildlife. The region hosts Guinean Forests, which is one of Africa's eight global biodiversity hotspots. Three countries: Nigeria, Niger and Ghana are listed amongst the top ten African countries with the most abundant natural resources. Benin, Burkina Faso, Côte d'Ivoire, the Gambia, Ghana, Guinea, Guinea-Bissau, Mali, the Niger, Nigeria, Senegal, and Togo are amongst sixteen countries in the Sudano-Sahelian zone, a region with one of the highest Global Horizontal Irradiance (GHI)- the total irradiance from the Sun on a horizontal surface on Earth.

- As a region, West Africa is endowed with untapped mineral resources⁷⁷. Burkina Faso has significant deposits of gold, zinc, manganese, and phosphate, among other minerals. However, much of its mineral wealth remains untapped due to security concerns and limited infrastructure. Mali is known for its gold deposits, which are among the largest in Africa. The country also has significant reserves of bauxite, iron ore, and manganese, among other minerals. However, much of its mineral wealth remains untapped due to political instability and security concerns. Senegal has significant reserves of phosphate, gold, iron ore, and other minerals. However, much of its mineral wealth remains unexplored due to limited investment and infrastructure.
- International multilateral agreements such as the Paris Agreement and the Convention on Biological Diversity provide new opportunities for West African countries to tap into climate resources and carbon markets.
- Build financial and institutional capacities of West African countries to efficiently evaluate climate change projects, engage in climate negotiation and apply for climate change finance from international organizations.
- West African governments need to employ optimal policy, institutional and capacity building instruments to finance sustainable and green economic growth. These include optimal fiscal instruments to maximize resource rents; controlling illegal, unreported, and unregulated fishing and curbing the high rate of deforestation; building strong capacity and expertise to negotiate; and building transparent and accountable institutions to govern their resources and guard against corruption, illicit trade, and illicit financial flows.
- Maximizing natural resource rents in the West African region also involve improving regional integration for trade, sharing information, and learning from each other. All actors, such as governments, Multilateral Development Banks, bilateral donors, and corporations, have a role to play in promoting full transparency in contractual negotiations and operations to ensure that West African countries get good deals and maximize the revenues from natural resources investments.

3.1 Introduction

The West African block is endowed with an abundance of natural capital including a vast renewable energy potential sufficient to cover unmet power demand and achieve universal access to electricity while supporting the region's transition to a low-carbon growth path,^{78,79,80}. This is more so in the West African countries that make up the Sahel region such as Nigeria, Burkina Faso, Senegal, Guinea, The Gambia, Mauritania, Mali, and Niger where the potential of solar and wind energy is enormous. Hydro-electricity potentials are equally enormous especially in the most humid and tropical West African countries like Côte d'Ivoire, Ghana, Togo, Liberia, Sierra Leone, Nigeria. Harnessing these enormous renewable energy potentials continuous to be a major challenge for these countries owing largely to the absence of technical know-how and financial constraints. The region is equally blessed with huge mineral resources, forests and arable lands making it the third most endowed region in terms of natural capital in Africa after Southern and Central Africa⁸¹. These natural capital assets have not been sustainably developed which accounts for the continuous underdevelopment of the region⁸². Although there is some progress being made towards ensuring the sustainability of natural capital⁸³ in countries like Senegal⁸⁴, Ghana and Côte d'Ivoire, most West African countries have suffered from the "natural resource curse"⁸⁵ - which impedes natural capital sustainability, with notable examples being Liberia, Sierra Leone, Nigeria⁸⁶.

In light of the significant challenge posed by climate change (Floods, droughts, pests and diseases, heat waves etc.) in the West African region and the existing climate finance gap, this chapter looks at how this natural resource rich region can make full use of its natural capital to finance its transition to green growth. The chapter discusses the concept of natural capital while discussing changes in the stock of natural capital in the West African region over time, efficiency and performance; analyses the past performance of rents from natural capital to identify a wedge for improvement and resource conservation benefits; connects relevant international agreements with West Africa's natural resource base; discusses the opportunities from new agreements, such as forest carbon sequestration in accordance with the Paris Agreement Article 6, and other nature-related opportunities; discusses challenges for leveraging West Africa's natural capital for sustainable development; and lastly, it provides actionable recommendations articulated within the framework of the short, medium, and long-term measures required to

harness natural capital as a complementary financing option for climate and green growth in West Africa.

3.2 The Natural Wealth Of West Africa

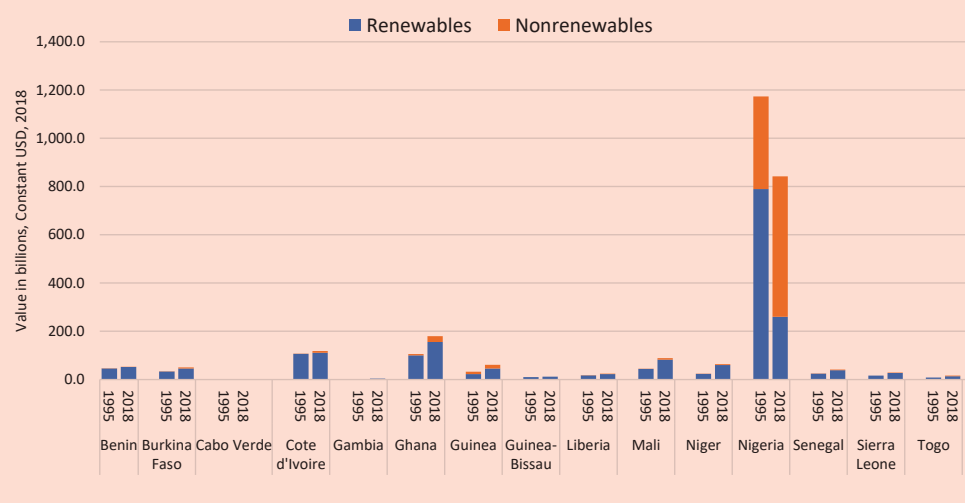
The Convention on Biological Diversity defines natural wealth as the stock of natural assets, which include geology, soil, air, water, and all living things. The World Bank on its part defines the value of a particular natural capital asset as the discounted sum of the value of the rents generated over its lifetime. In the case of a renewable resource, the lifetime may be unlimited. These natural capital assets can be classified into renewable and non-renewable assets which can be further sub-divided into mineral and energy resources, land, soil resources, timber resources, aquatic resources, other biological resources, and water resources. UNEP uses the same World Bank approach to measure natural capital. In this chapter, the World Bank's definition of measured natural capital is used.

3.2.1 Trends in West Africa's Natural Capital

In the absence of reliable data, the analysis here uses the most recent and comprehensive estimates of natural capital produced by the World Bank, for 1995 to 2018. In this report, natural capital is classified into renewable and non-renewable asset classes with renewable assets including forest timber, forest non-timber, mangroves, fisheries, protected areas, cropland, and pastureland while non-renewable assets are oil, natural gas, coal, metals, and minerals.

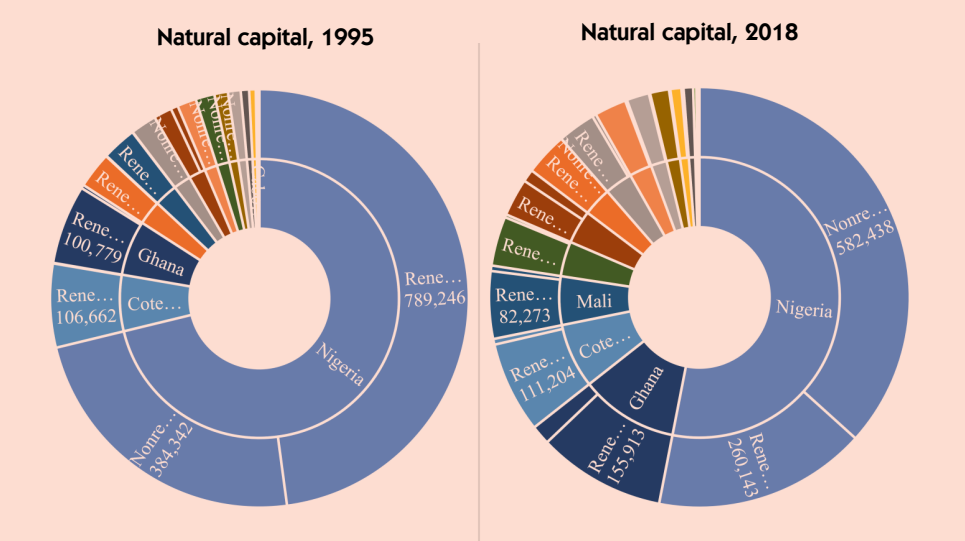
The value of natural capital varies significantly across West African countries. Nigeria is by far the wealthiest West African country in terms of natural capital, followed by Ghana and Côte d'Ivoire in a distant second and third, respectively (Figure 44). Countries with the least natural wealth in the West African region are Guinea-Bissau, and Togo. There was no data for Cabo Verde and The Gambia. In the year 2018, Nigeria recorded the highest value of natural capital in the region i.e., 53.1%, followed by Ghana and Côte d'Ivoire with 11.3% and 7.5%, respectively (Figure 45). Although the value of natural capital was relatively high for Nigeria in the year 2018, it was significantly lower compared to the 1995 value which stood at over USD 1,173 billion, representing 71.3% of the total value of natural capital in the entire West African region. Thus, the combined natural capital value for Nigeria, Ghana, and Côte d'Ivoire accounts for over 70% of the natural capital of West Africa in 1995 and 2018.

Figure 44 : The Value of Natural Capital, by Country in West Africa (Billions of constant US\$ 2018)



Source: Staff computation using data from the World Bank (2023).

Figure 45 : The Distribution of Value of Natural Capital in West Africa between 1995 and 2018, by Region (Billions of constant US\$ 2018)



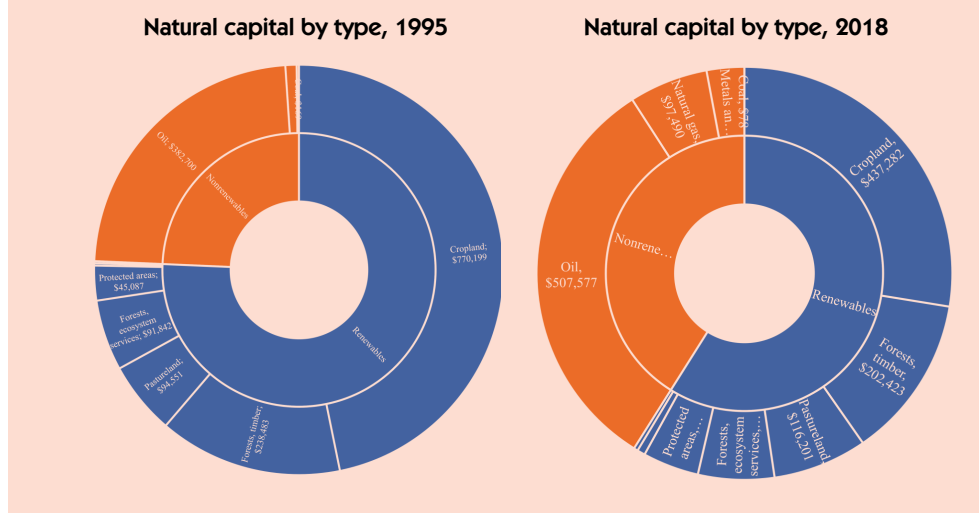
Source: Staff computation using data from the World Bank (2021)

Based on the type of natural capital in the West African region in the years 1995 and 2018, it is observed that renewables account for the biggest share i.e., 75% and 58.9%, respectively, with non-renewables accounting for 25% and 41.1%, respectively (Figure 46). The increasing trend observed in non-renewables is worrying especially in the present dispensation of global warming and climate change – disproportionately affecting the West African region. Non-renewables are traditionally known to increase greenhouse gas concentrations in the atmosphere and their increasing use will worsen the already precarious situation of the region. Increasing the use of renewables will contribute

more towards limiting greenhouse gas concentrations in the atmosphere.

Per capita value of natural capital has largely declined across many countries in the West African region notably in Nigeria, Guinea-Bissau, Liberia, Benin, Côte d'Ivoire, Burkina Faso, and Senegal (Figure 47). However, in other countries in the region, it has stayed the same or increased during the same period, notable examples being Cabo Verde, The Gambia, Guinea, Mali, Niger, Senegal, Sierra Leone and Togo which could largely be attributed to the low population and population growth in these countries.

Figure 46 : Value of Natural Capital in West Africa by type, 2018 (Billions of Constant US\$ 2018)

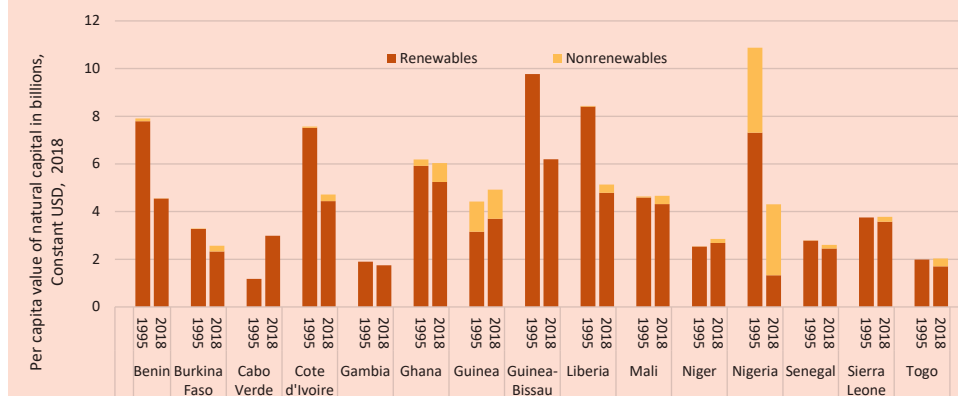


Source: Staff computation using data from the World Bank (2021).

Between the years 1995 to 2018, relatively high values in per capita natural capital in the West African region were registered in the years 1995, 1996, 1997 and 1998 (with an annual average of over USD 75,603 billion) while the years 2016, 2017 and 2018 recorded low

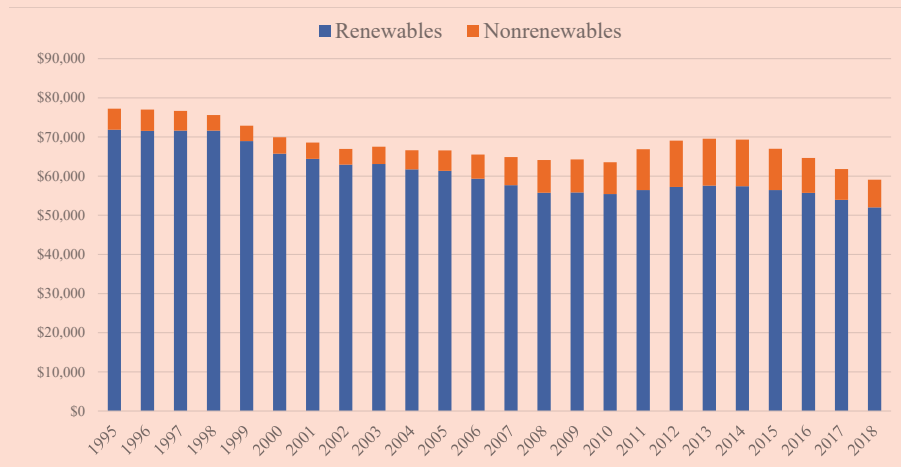
values in per capita natural capital (with an annual average of less than USD 59,081 billion) (Figure 48). Renewables remain the largest share in per capita natural capital values in the West African region.

Figure 47 : Per Capita Value of Natural Capital for West Africa, Constant US\$ 2018



Source: Staff computations using data from the World Bank (2023)

Figure 48 : Trends in Per Capita Values of Natural Capital for West Africa, Constant US\$ 2018

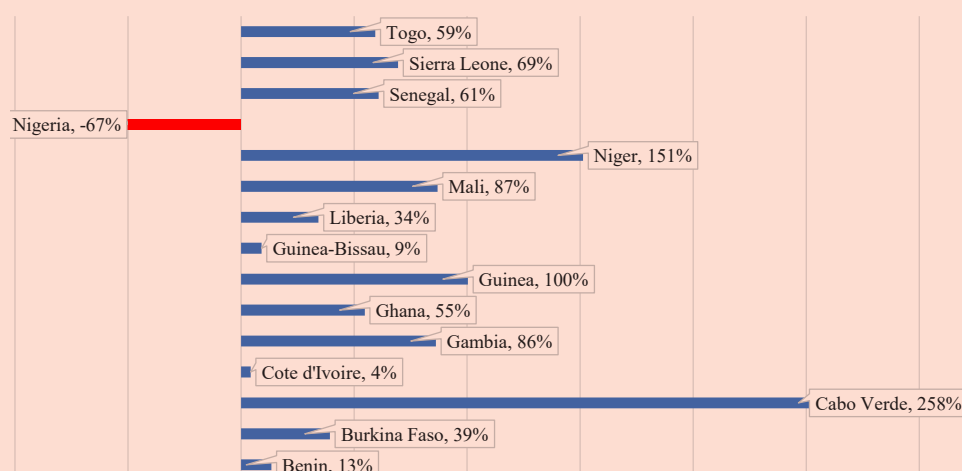


Source: Staff computation using data from the World Bank (2021)

Figure 49 shows the level and change in the value of natural capital for West African countries between 1995 and 2018 and by type. Nigeria is the wealthiest country in West Africa in terms of renewable resources, with an estimated value of US\$260.1 billion in 2018. While some West African countries experienced an increase in the aggregate value of natural capital between 1995 and 2018, others saw a decline. The most notable decline was in Nigeria, with a 67% decline in the value of its renewable resources between 1995 and 2018 (primarily due to deforestation).

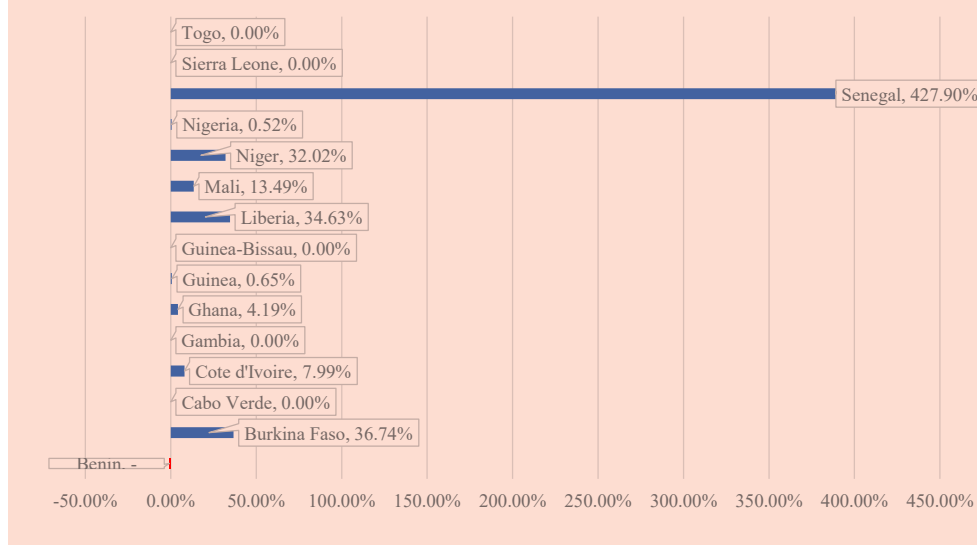
Nigeria remains the wealthiest West African nation in terms of the value of non-renewable resources owing to large reserves of fossil fuel (oil and gas) which amounted to an estimated total value of US\$582.4 billion in 2018. However, while some resource-rich West African countries experienced an increase in the value of their non-renewable resources, others registered a decline in values. Overall, the value of non-renewable natural capital increased for all but one of the West African countries (Benin), showing the increasing importance accorded to non-renewables in the region.

Figure 49 : Changes in the Value of Renewable Natural Capital for West African Countries, 1995-2018



Source: Staff computations using data from the World Bank (2023).

Figure 50 : Changes in the Value of Non-Renewable Natural Capital for West African Countries, 1995-2018

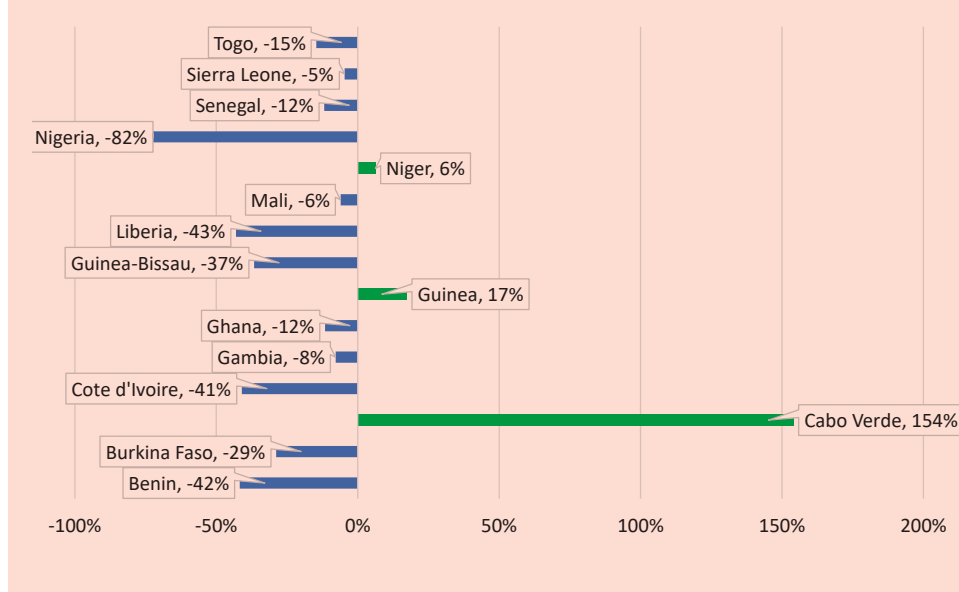


Source: Staff computations using data from the World Bank (2023)

In per-capita terms, however, the evolution of natural capital is much less encouraging. Figure 51 shows the value and changes in the per capita value of natural capital for West African countries. A noticeable decline in per capita values is observed for renewable resources compared to non-renewable resources. The figure shows that between 1995 to 2018, with the exception of Niger, Guinea and Cabo Verde which experienced an increase in renewables, all others experienced a decline in per capita renewable natural capital values. In contrast, with the exception of countries like Nigeria, Guinea and Benin which saw a decline, oth-

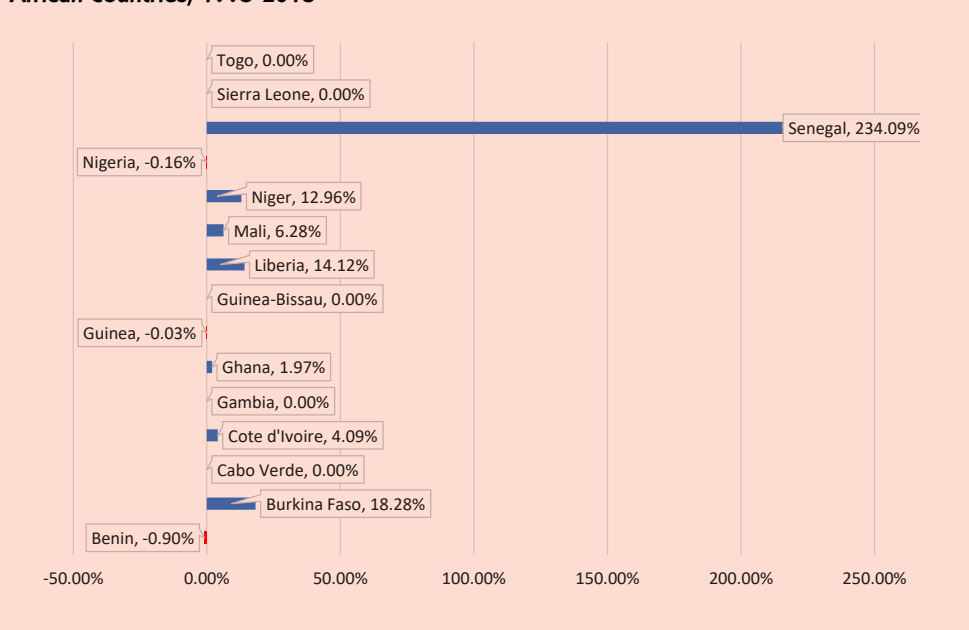
er West African countries saw an increase in non-renewables between 1995 and 2018. Factors such as high population growth rate, loss of natural capital, lack of tenure, and mismanagement account for the large decline in the per capita value of renewable resources across the region. The decline in per capita value is a concern from the perspective of sustainable and green growth in West Africa as a large part of the population depends on natural resources for livelihood sustenance. This decline will inevitably result in poverty, exacerbate inequality, and increase vulnerability to climate risks.

Figure 51 : Changes in Per Capita Value of Renewable and Non-renewal Natural Capital for West African Countries, 1995-2018



Source: Staff computations using data from the World Bank (2023)

Figure 52 : Changes in Per Capita Value of Non-Renewable Natural Capital for West African Countries, 1995-2018



Source: Staff computations using data from the World Bank (2023)

3.2.2 West Africa's Unmeasured Natural Wealth

West Africa holds a huge proportion of highly blessed untapped and largely unmeasured natural resources including biodiversity, hydropower, ⁸⁸wind, sunshine, and diverse ecosystem services. The implicit value of these natural resources essential for human wellbeing is not yet covered by the natural resource accounting systems of the World Bank and the UN which is a major weakness as it leaves these resources (sunshine, biodiversity, wind, hydropower) unmeasured across the West African region. West Africa has one of the highest potentials for low-cost renewable energy across Africa notably its abundant solar and wind resources in the Sahelian parts of the region . ⁸⁹Most of these remain unmeasured and unaccounted for. In terms of untapped potentials, hydropower is a major case study in West Africa.

The humid parts of West Africa are blessed with numerous permanent water bodies including river basins, streams and rivers which provide excellent nature-based opportunities for harnessing hydropower. Besides these low-cost renewable energy resources and hydropower which are largely untapped and unmeasured, the landscape and coastal beaches in West Africa represent another natural wealth and touristic attraction, largely untapped and unmeasured. Investments in the natural capital-driven sub-sector will help to bolster the landscape and tourism sectors.

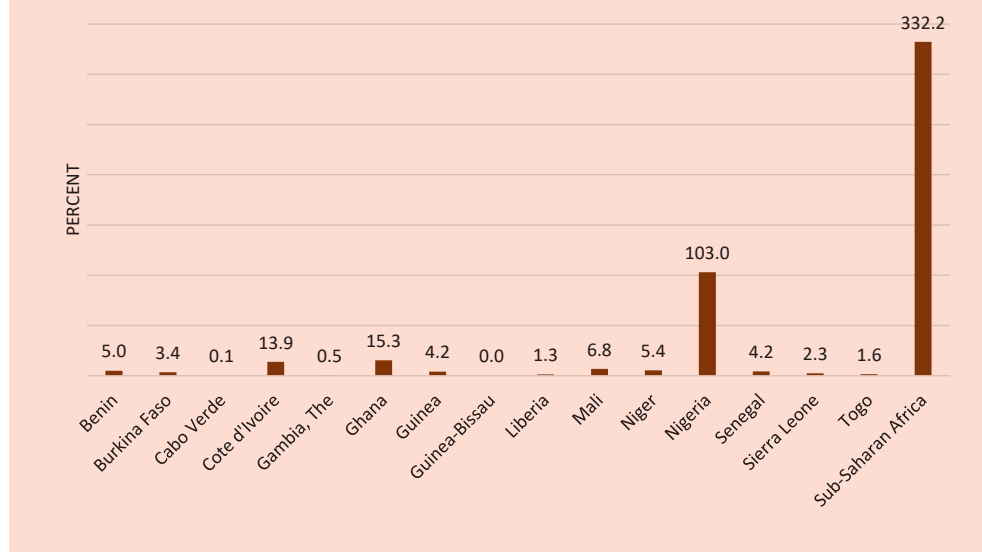
3.2.3 Efficiency in Natural Capital Utilization

The gap between the actual and potential value of goods and services from natural resources across West Africa is huge. Although West Africa is blessed with diverse natural resources providing numerous ecosystem services like crops, forestry outputs, carbon sequestration, and pasturelands^{90,91} the gap between actual efficiency in natural resource use and potential efficiency has not been bridged. Most West African countries continue to perform poorly with regard to the effective management of their natural resources. This is the case with agricultural land resources, which explains the low productivity in agriculture across a vast majority of West African countries. As seen in Figure 53, only Nigeria, Côte d'Ivoire and Ghana have seen significant values added in terms of agricultural lands, forestry, and fishing.

Most of the other countries in the West African region (especially Guinea-Bissau, Cabo Verde, The Gambia, Liberia, Sierra Leone and Togo) have seen very limited value addition in their agricultural lands, forestry and fishing, attesting to the poor efficiency in natural capital utilization in these countries and West Africa as a whole. Applying green growth principles and increasing the efficiency of carbon sequestration in terrestrial ecosystems across the region will aid enormously in improving the efficiency of natural capital use while bridging the gulf between actual and potential natural resource use efficiency.

West Africa is endowed with huge natural capital including crude oil, natural gas, minerals, biodiversity, forests and wildlife. Most of these remain unmeasured and unaccounted for.

Figure 53 : Value Added of Agricultural Land, Forestry and Fishing 2021 (Current US\$)



Source: Staff computations using data from the World Bank (2023)

3.2.4 Utilizing Non-Renewable Resources for Low-Carbon Transition

West Africa possesses significant mineral resources that are key to its transition to a net-zero carbon future. ECOWAS as a whole is a “minerals economy” with the highest minerals export dependency of all of the African regions (RECs⁹²), running at over three-quarters (75%) of exports over the ⁹⁰last decade, mainly comprised of energy mineral exports (oil & gas). In terms of global reserves, data from the United States Geological Survey (USGS) reveals the following; iron ore (20G tons of >60% iron in Guinea), bauxite: 35% of global reserves (40G tons >40% aluminium oxide (Al₂O₃) in Guinea), The region also has significant reserves of manganese, fluor spar, titanium, copper, nickel, titanium, rare earth elements (REE) and battery minerals, such as lithium which are critical metals needed for the energy transition. Aside the huge bauxite resources, three lithium projects are under development, namely:

- the Ewoyaa lithium project in Ghana - Mineral Resource Estimate (“MRE”) at Ewoyaa is 35.3million tonnes at 1.25% Li₂O, including 28Mt in the Measured and Indicated categories.
- the Bougouni lithium project in southern Mali - 220 000 t/y of 6% spodumene concentrate (pegmatites);
- the Goulamina lithium project in southern Mali - proved and probable reserves of 52 million tonnes grading 1.51% Li, resources of 108.50-million tons grading 1.45% spodumene (pegmatites).

Despite its vast resource endowment, West Africa participates in the small value compo-

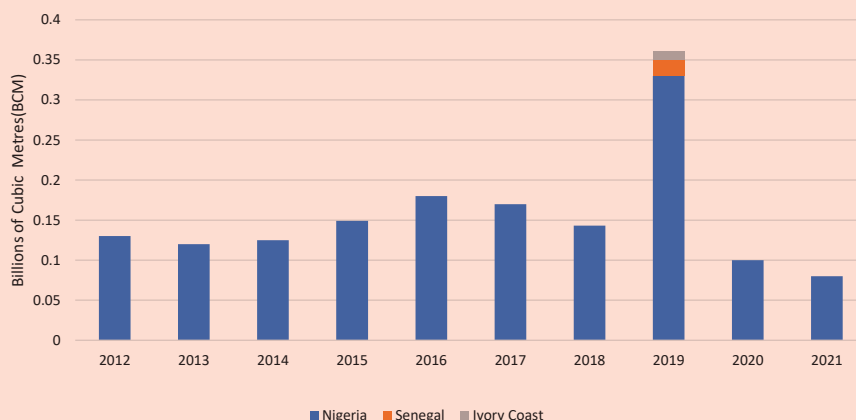
nents of the total global value chain and has not invested in green minerals⁹³. There is also insufficient investment in value addition to the green minerals and emerging energy storage technologies ^{94,95}. Deepening West Africa’s critical minerals value chain calls for investments in infrastructure, new explorations, skills, and digitalization, among others. It is, therefore, important for West African countries to wean itself from excessive dependence on the export of natural resources by creating more value in the region in particular and the continent as a whole, strengthening productive capabilities, expanding exports of semi-finished and finished products, increasing intra-regional and intra-African trade through the ECOWAS trade liberalization scheme and the African Continental Free Trade Area (AfCFTA).

Another area where West Africa can promote green growth as part of the transition to a low-carbon future is through the increased exploitation of its natural gas⁹⁶. Due to its lower carbon emissions, natural gas is widely considered a transition fuel. In West Africa, countries like Nigeria, Senegal and Côte d'Ivoire are reputed for gas production (Figure 54), although data on natural gas production for other West African countries is scarce. Natural gas can be the main instrument against energy poverty, but for this to happen, West African countries need to develop robust energy transition plans to attract private capital investment in the sector. Increased use of natural gas would also contribute to phasing out West Africa’s reliance on biomass for cooking, hence stem deforestation and bring about health and other socio-economic benefits. West African countries with new discoveries of natural gas,

including Senegal and Mauritania, are making strides to commercialize gas resources. Significant natural gas is flared (leaked) in oil producing countries across West Africa like Nigeria, which ranks seventh on the list of top 10 countries involved in gas flaring in 2021 globally⁹⁷.

Recovering this gas would increase the use of gas as a transition fuel and reduce GHG emissions. It would also make a major contribution to development in West African countries like Nigeria, which are often short of energy.

Figure 54 : Downstream gas, 2012-21 for Nigeria (NB/Data for Côte d'Ivoire, Senegal and other countries for different years are not available)



Source: Staff computation using data from the World Bank (2021)

3.2.5 Using Natural Capital Accounting to Track Green Growth

Data on natural capital has a key role in helping West African governments ensure that this form of wealth is fully accounted for in terms of its contribution to national well-being. In the case of renewable resources, there is lack of data on the contribution of ecosystems that form the basis of such natural capital for income generation - and a region like West Africa where lack of data is a huge challenge- can result in the degradation of these renewable resources. Often times, key components of ecosystem services provided by natural capital, in the West African region such as pollination, disaster risk management, protection of land against extreme events, assessment of the blue economy, wildlife, and parks, are lost because they were not recorded, and care was not taken to conserve them. In the case of non-renewable resources, a key issue has been the unavailability of information to estimate the stock of mineral resources and total wealth in West Africa. There is a serious lack of comprehensive data on wealth accounting regarding non-renewable resources in the region. The full or even partial implementation of the United Nations SEEA System by all West African countries would be an important first step towards preserving, protecting, and en-

hancing their national wealth, thus building the foundation for the prosperity of all generations .

3.3 Approaches To Boost The Value Of Natural Capital

West Africa's abundant renewable and non-renewable resources and essential ecosystem services account for over 60% of its GDP with great potentials to drive much-needed economic growth. The region has a large arable landmass, large rivers like the Niger, and vast expanse of forest especially in the humid parts of the region like Southern Nigeria, Liberia, Côte d'Ivoire, Togo, Sierra Leone, Southern Ghana⁹⁹. The region is open to the Atlantic Ocean which is one of the largest oceans in the world and very rich in fish and other marine resources. West Africa is also home to huge mineral reserves, with minerals accounting for over 70% of total West African exports and over 25% of the aggregate GDP. The region also has enormous proven oil reserves as well as natural gas reserves. Despite this abundance, West Africa's natural capital has not been effectively harnessed for sustainable economic development ^{100,101,102}. This section discusses the potential for boosting the value of natural capital and harnessing it for the sustainable development of West Africa.

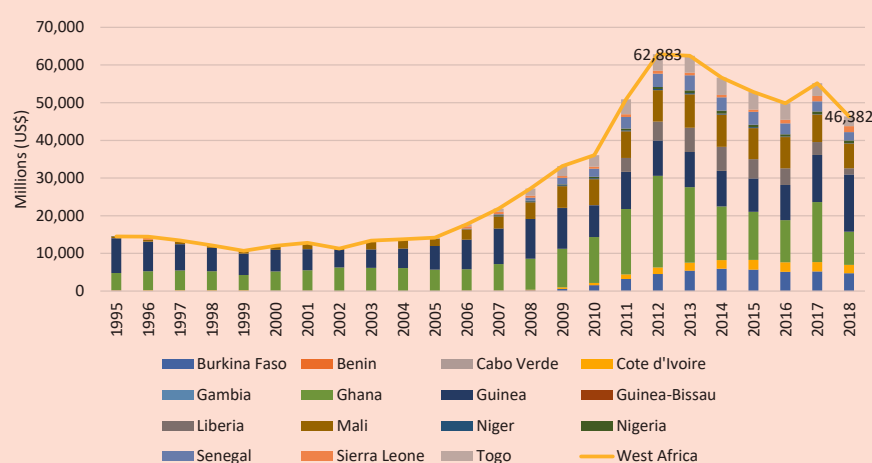
3.3.1 Opportunities in Non-Renewable Resources

The extractive sector significantly contributes to public and private finance in many West African countries, with some countries heavily reliant on these resources for public revenue. In its 2016 report, AfDB estimates revealed that West Africa's extractive resources could contribute over US\$ 30 billion annually to government revenue for the next 20 years. The actual value of non-renewable capital in Africa was estimated at US\$ 1.89 trillion in 2018, with mineral and fossil fuel wealth estimated to be US\$ 290 billion and US\$ 1.05 trillion, respectively; with West Africa contributing the biggest share (51%) of the continent's fossil fuels¹⁰³. In

resource-rich West African countries, oil, and mining, on average, account for over 25% of gross domestic product (GDP) and more than three-quarters of export earnings.

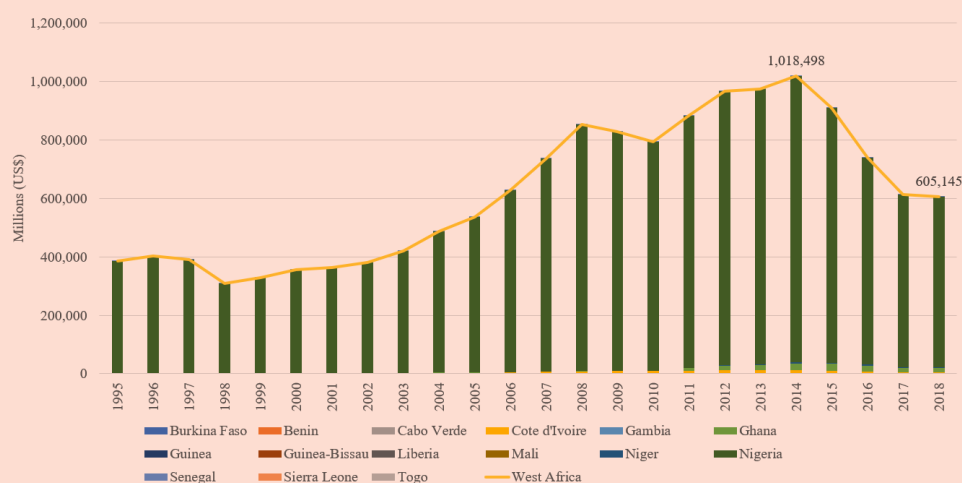
As shown in Figure 55, the value of minerals as non-renewable natural capital in West Africa increased sharply between 2005 and 2012 before declining but remained above the 1995 value. In contrast, the value of fossil fuels in West Africa (Figure 56) has been fluctuating significantly, experiencing a stable rise from 1995 to 1997, declining in 1998 and then rising from 1999 up to 2014 before declining from 2015 to 2018.

Figure 55 : The Value of Metal and Mineral Wealth of West Africa 1995-2018 (Millions of Constant US\$ 2018)



Source: Staff computation using data from the World Bank (2021)

Figure 56 : The Value of Fossil Fuel Wealth of West Africa 1995-2018 (Billions of Constant US\$ 2018)



Source: Staff computation using data from the World Bank (2021)

West African countries need to receive more rents from natural resources and

West African countries need to receive more rents from natural resources and properly manage the revenues received for natural resource wealth to drive economic development in the region¹⁰⁵. Tax policies should also be designed to internalize environmental opportunity costs associated with the exploitation of non-renewable resources¹⁰⁶. Royalties, income tax, and corporate taxes are the most used fiscal instruments are. It has been argued that income taxes may be neutral, corporate taxes are generally progressive, while royalties (i.e., ad valorem tax) are regressive and may lead to a higher cut-off grade of minerals. As of 2020, the top oil producing country in West Africa (i.e., Nigeria) had a rent to GDP ratio of 4.4% while the mineral rents to GDP ratio for Mali was on average, even lower, with 7.2%. The average pre- and post-tax internal economic rate of return on petroleum extraction in Ghana and Nigeria were 41% and 34%, respectively, which exceeded the common hurdle rate of 12-14% that companies aim to surpass for investment approval. Moreover, the negotiated royalty taxes are often low in many West African countries. The royalty rate for gold in Ghana ranges from 3% to 5% depending on the price of gold. For other West African countries with available data, the rates are: 3% for Burkina Faso, Côte d'Ivoire, Mali, Liberia, and Senegal and 5% for Sierra Leone and Guinea (Gajigo et al., 2012). It is important to note that 3% is the minimum stipulated rate.

The governments of West African countries should make use of different fiscal instruments to obtain more non-renewable resource rents. Royalty rates should be set at higher levels if the extraction generates adverse environmental impacts and/or the fiscal system is progressive. West African countries rich in natural resources should move away from windfall taxes irrespective of the benefits due to the complexity in designing them and the huge technical and administrative capacity required but currently lacking. Flat rate tax systems should be adopted instead owing to the ease of administering them when compared to the tiered system. The progressive R-factor-based production sharing employed by Ghana is desirable. However, obtaining a “fair share” of rent from non-renewable resources does not guarantee economic development. Corruption in countries bedeviled with weak institutions has been noted as the source of West Africa’s ‘resource curse’ in that resource-rich West African countries like Nigeria, Liberia, Mali, and Sierra Leone are experiencing low growth rates and high poverty rates¹⁰⁷.

For instance, annual illicit financial flows mostly tied to West Africa’s natural resources are estimated to be several billions of US Dollars. Thus, while ensuring that rent taxation accounts for the cost of depleting non-renewable

natural resources, including environmental damages, resource-rich West African countries must ensure that revenues generated are reinvested in productive capital, building strong and transparent institutions and natural resources governance.

3.3.2 Opportunities in Renewable Resources

Renewable resources can generate benefits for eternity if the reproduction rate exceeds the extraction rate. Thus, the sustainable extraction of renewable resources will generate revenue streams (Foreign exchange earnings, livelihood and profits) with no capital depletion. These renewable resources support livelihoods, job creation and contribute to climate change adaptation and mitigation while promoting economic development in West Africa. Across the West African region, there are two main reasons why renewable resources may generate less revenue than their potential: (i) if the resources are not extracted at the level that generates the optimal economic rents and (ii) if the resource-rich nation does not receive a fair share of the resource rents especially when there is foreign capital investment in the extraction of the resources. In most countries in West Africa, renewable resources are over extracted and overexploited, with the problem emanating mainly from foreign direct investments.

Renewable resources can generate benefits for eternity if the reproduction rate exceeds the extraction rate

Capture Fisheries

Fish provides much-needed protein, minerals, and micronutrients for over 100 million people in the West African region¹⁰⁸. In Ghana, Sierra Leone, and the Gambia, over 60% of animal protein comes from fish. The figure for Senegal is about 47%. Domestic fish protein consumption comes mainly (about 90%) from the land of artisanal fleets. Despite the potential of capture fisheries to generate these substantial benefits in perpetuity, it has been reported that about 60% of wild fish stocks in West Africa are fully exploited, while about 30% are over-exploited (FAO, 2022). The three categories of fishing fleets are local, small-scale fleets which represent 90% of employment, industrial fleets with local and foreign ownership, and distant water fleets, which go into access agreements with the coastal nation to fish within its exclusive economic zones (Interpol, 2014).

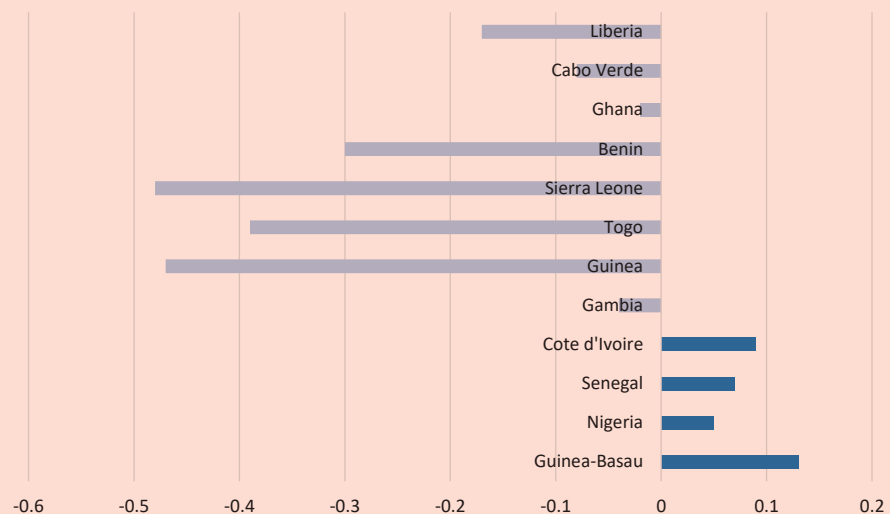
West Africa’s fish stocks are, however, decreasing (Figure 57). The estimated value of fish stock has decreased in most West African countries (Figure 58). This is attributable to the low capture fish stocks due to biological overfishing. Key factors contributing to overfishing in West Africa are overcapacity; illegal, unreported, and unregulated (IUU) fishing ac-

tivities; poor resource governance; insufficient knowledge and misperception of biophysical dynamics; and climate conditions such as sea level rise, salinity, and coastal upwellings^{109,110}. In West Africa, for example, despite the declining fish population, fishing capacity has increased by 50% since the 1970s, and the annual cost of IUU fishing activities is as high as about US\$2.3 billion.

Over the past decade, several bilateral and multilateral development partners have sup-

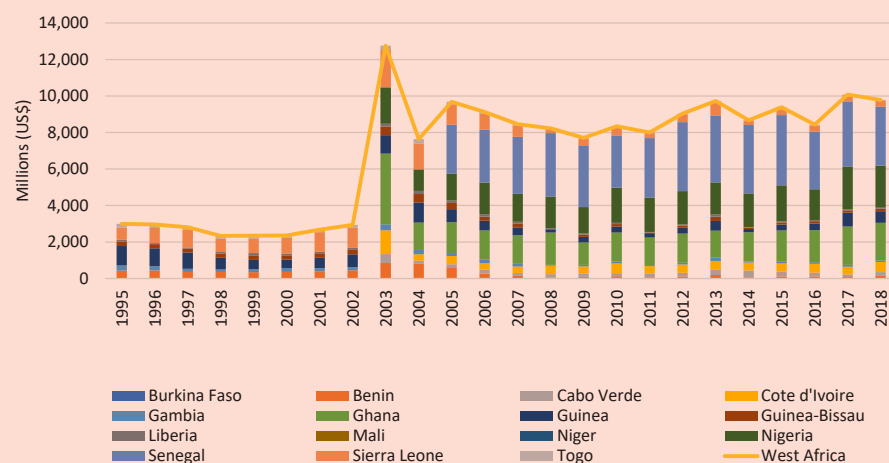
ported West African states and their regional fisheries organizations in building capacity to combat IUU fishing. For instance, in 2014, the African Development Bank stressed the importance of increasing its commitment to protecting coastal waters from IUU fishing. Between 2016 and 2018, the Bank also supported several West African countries in adopting and implementing the Port State Measures Agreement and has supported the Fisheries Transparency Initiative (FITI) since its inception in 2017.

Figure 57 : Changes in IUU Scores between 2019 and 2021



Source: Global Initiative Against Transnational Organized Crime (<https://iuufishingindex.net/>)

Figure 58 : The Value of Capture Fisheries in West Africa (Millions of constant US\$ 2018)



Source: Staff computation using data from the World Bank (2021)

Fishing Access Agreement

In addition to IUU fishing, inadequate access agreements tend to favor Distant Water Fleets. By allowing foreign fishing fleets to access their waters, West African countries could generate revenue that can be used to fund important social and economic programs. In reality, concerning fisheries rent sharing through access agreements, most West African nations are short-changed^{111,112,113}. Access agreements make foreign fleets prioritize short-term economic gains over long-term sustainability, negatively impacting coastal communities' livelihoods in West African countries. Moreover, distant water fleets engage in IUU practices due to political corruption in resource-rich West African countries and a lack of capacity and financial resources for monitoring, control, and surveillance mechanisms.

For fisheries access agreements to be beneficial to West African countries by generating more revenue and employment while also promoting sustainable fisheries management practices and protecting marine biodiversity, the agreement should be structured in such a way that the West African countries receive a fair share of the economic benefits generated by the fishing activities. Secondly, the agreement should include provisions for technology transfer and capacity building to enable West African countries to develop their own fisheries sector and create jobs. Thirdly, the agreement should prioritize sustainable fishing practices to ensure the long-term viability of fish stocks. Fourthly, the agreement should include measures to monitor and enforce compliance with fishing regulations. Finally, the agreement should foster intra-regional cooperation among West African countries to address common challenges and develop a coordinated approach to fisheries management.

Forest

Although West Africa is not as rich in forest cover as its Central and Southern Africa counterparts, it is still relatively highly endowed in forest cover when compared to north and East Africa. The forestry sector on the average contributes between 10% and 20% to the GDP of only two countries – Liberia (17.27%) and Guinea Bissau (15.00%); contributes between 5% and 10% in six countries: Sierra Leone (8.94%), Guinea (8.44%), Burkina Faso (6.90%), Niger (6.74%), Togo (5.53%), Ghana (5.22%); and contributes less than 5% in Gambia (4.64%), Benin (3.42%), Mali (2.90%), Senegal (2.18%), Côte d'Ivoire (1.97%), Mauritania (1.72%), Nigeria (1.16%) and Cabo Verde (0.57%).

The West African region is however experiencing a significant loss of its forest cover

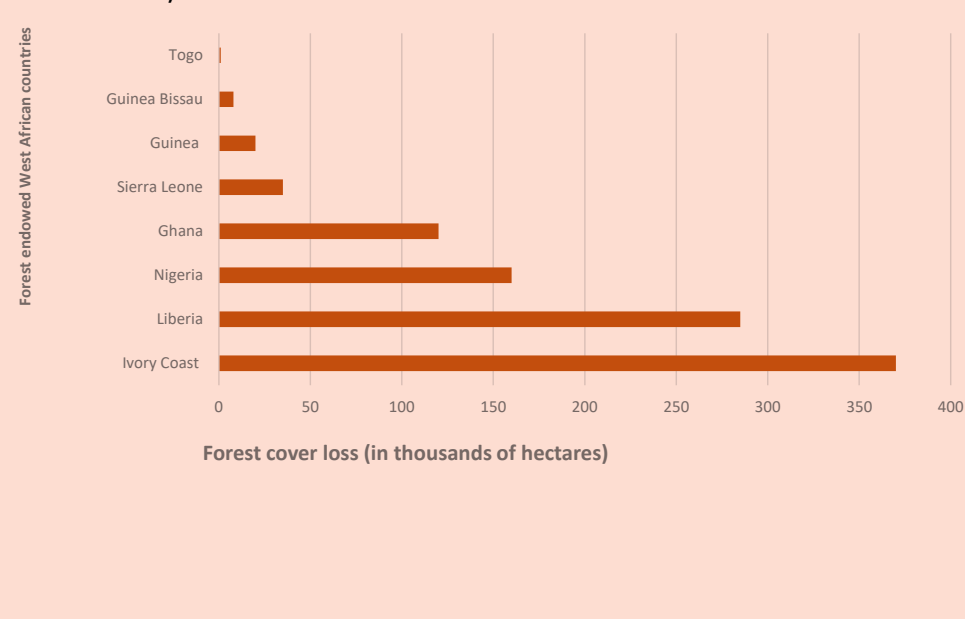
(Figure 59) owing largely to illegal logging and illicit trade of timber as well as conversion of vast swaths of forest to agricultural lands and settlements. Protecting West Africa's forests requires a multi-faceted approach involving government policies, community engagement, and public education and awareness. Governments in the West African region should promote and enforce policies and regulations protecting forests, including protecting protected areas and preventing illegal logging and deforestation.

This can include increasing law enforcement efforts and setting appropriate penalties for illegal logging. Secondly, sustainable forestry practices such as selective logging practices and reforestation should be promoted by governments to reduce the deforestation rate. Furthermore, promoting sustainable agricultural practices such as agroforestry can reduce the need for farmers to clear new land for farming. Also, the rate of deforestation can be slowed down by raising public awareness through education campaigns, outreach programs, and media campaigns about the negative impacts of deforestation and engaging local communities in managing protected forests.

Solutions to regulate excessive extraction and promote environmental compliance in West Africa include performance guarantee bond schemes for which the long-term cutting rights and the responsibility for sustainable forest management rest on a lessee through competitive bidding. The alternative is to have a 'deposit-refund' (tax-subsidy) mechanism where an individual pays the up-front bond but receives a bond repayment as a subsidy if actions are taken that result in an improvement over a reference level. Beyond generating revenue, West Africa's forests and woods provide ecosystem services such as watersheds and stream-flow protection, controlling erosion, enhancing soil fertility, regulating the climate, and protecting biodiversity, which are global public goods. Therefore, sustaining this natural capital is critical for our quality of life and survival.

Mangroves which are coastal forests that thrive where the land and ocean meet are common along the coasts of West African countries and play a major role in coastal fisheries in the region as they provide habitat, spawning grounds and nutrients for a variety of fish and shellfish (USAID, 2014). Mangroves extend across the entire West African Coasts from Senegal to Nigeria, with Nigeria having the largest expanse (over 50% of the total surface area) of mangrove forests in the West African region (Corcoran et al., 2007). Despite the important role played by mangroves in regulating the coastal ecosystem, it is facing major threats from deforestation and other anthropogenic activities along the coast of West Africa.

Figure 59 : Forest Cover Loss in the most Forest Endowed West Africa Countries between 2001 and 2021, hectares



Source: Staff computation using data from the World Bank (2021)

Between 1975 and 2013, the net loss of mangrove cover in the region stood at 4.8% which is roughly 984 km², with Nigeria having the greatest loss of mangroves (432 km²), followed by Senegal and Guinea-Bissau (288 km² and 220 km², respectively) (USGS, 2015). Efforts are being made at regional level to safeguard West Africa's mangroves through national legislations and the signing of international conventions such as the Convention on Climate Change, the Convention on Biodiversity, the Convention on International Trade in Endangered Species, the Convention on Ozone Layer and the Ramsar Convention on the Conservation of Wetlands. It is hoped that these efforts will produce positive results which will go a long way to conserve the mangrove forests and improve the livelihoods of coastal communities in the West African region.

Ecotourism

West Africa possesses a plethora of natural resources and wildlife, making it an optimal location for ecotourism. The potential for ecotourism in West Africa is significant and currently unrealized. Although the potential for ecotourism in West Africa is not as huge as in East, Central and Southern Africa, it is still relatively huge to warrant interest in the sector. If properly utilized, it could yield considerable economic and social benefits for local communities while safeguarding natural resources. Senegal is one of the main countries in West Africa promoting ecotourism and it is already contributing over US\$800 million to its GDP. Tourism is a major source of economic growth and job creation, with a strong environmental dimension. Before the COVID-19 pandemic and the induced trav-

el restrictions, the sector supported millions of jobs and contributed to the GDP of many West African countries. If managed sustainably, tourism can significantly boost the economy, create jobs and be an important tool for sustainable development in West Africa.

The quality of a country's environment, its ecosystem, and natural resources are essential to tourism's success, as this is very often what attracts people to visit a place. On the other hand, tourism can put significant pressure on the environment. Potential adverse effects of tourism development relate to three main areas: strain on natural resources; pollution; and physical impacts, typically involving the degradation of ecosystems. The tourism sector also has a gender dimension, as over half of the hotel and restaurant employees in West Africa are women, especially in a country like Cabo Verde (Alarcón and Soares Gomes, 2023). As a result, the tourism sector can be an important source of women's empowerment in the West African region. For many West African countries, the vast potential of natural capital has allowed them to promote nature-based tourism as the main source of the tourism industry. The region's unique natural assets- its iconic wildlife, mountains, waterfalls, rapids, majestic forests, unique bird populations, pristine beaches, and coral reefs - represent a tremendous value that can be exploited to develop the tourism sector and contribute to job creation and livelihoods. West Africa houses many biodiverse wildlife reserves and national parks, offering nature enthusiasts an ideal destination. With a range of landscapes including Savannas, rainforests and arid lands, West Africa is home to an impressive variety of scenery. Visitors observe

exotic species, such as the Big Five (lions, elephants, leopards, rhinoceroses, and buffalo), in their natural habitat through game drives, hiking, and bird-watching safaris, as well as whale watching on the Atlantic Ocean coasts.

Furthermore, ecotourism has the potential to encourage economic growth and generate employment in rural areas and nature conservation communities in West Africa. It can promote cultural exchange between visitors and local communities, leading to a greater appreciation of cultural differences. Several factors can facilitate the adoption of wildlife tourism, decrease the extinction of natural species, and protect natural resources in West Africa, such as promoting information on ecosystems and decreasing activities like mining and water pollution that harm the environment and natural water bodies. However, unfavorable business environments, health and hygiene concerns, low ICT readiness, and severely underdeveloped infrastructure are known to be the main source of the low competitiveness and development of the T&T sectors in West Africa. Ecotourism development in West Africa must be done with caution to ensure sustainability and avoid harm to the environment or local communities. Conservation and economic development must be balanced, and tourism operators must closely collaborate with local communities to ensure that tourism activities are responsible and sustainable. Moreover, the Government must provide adequate resources to protect the environment and wildlife from illegal poaching and other threats.

3.4 Opportunities From International Agreements

International multilateral agreements can provide opportunities for West African countries to tap into new resources and markets.

All West African countries have ratified the Paris Agreement and in contrast to some countries, e.g., Brazil have amplified their ambition targets since their first Nationally Determined Contributions (NDCs) submissions to the UNFCCC and expanded the scope of greenhouse gases (GHGs) or sectors covered (e.g., Gambia, Côte d'Ivoire, Liberia), improved monitoring, reporting and verification (e.g. Côte d'Ivoire), enhanced the quality of the data underlying projections (e.g. Guinea and Togo), and even raised mitigation targets (e.g., Guinea-Bissau, Togo and Liberia) (Anderson et al., 2022). However, the transparency of these commitments remains vague and varies significantly between the different countries, leading to their credibility being questioned. In the different NDC reports, it has been argued that good quality data and capacity building is needed to

improve transparency for future revisions. In order to improve transparency in the reporting of NDCs investment in capacity building is needed to support West African countries.

3.4.1 Capacity Needs to Benefit from International Agreements

Lack of financial and institutional capacity partly limited West African countries from benefiting from past international agreements.

West African countries are amongst those that face the greatest risks from climate change and in dire need to adapt, yet they lack the financial and institutional capacity to do so (Georgieva, 2022). Current annual spending on adaptation across all of Africa is US\$11.4 billion, representing about 39 percent of total climate finance committed to Africa annually. This falls far short of what is needed by US\$41.3 billion each year for meeting the goals set out in the NDCs for all African countries (GCA, 2022). Due to the complexity of projects, institutional capacity is required to build project pipelines and generate proposals for climate funds applications, e.g., Green Climate Fund (GCF) (GCA, 2022). Only 10% of Clean Development Mechanism (CDM) projects in the developing countries for the period 2010-20 were in Africa with none in Benin, Gambia, Guinea and Guinea-Bissau (UN CC, 2020). Climate agreements, including the Kyoto Protocol (KP) and the Paris Agreement, could provide resources that Africa can utilize to support climate mitigation and adaptation, which remains a long-term priority for Africa.

The factors that stifled the adoption of the Kyoto Protocol CDM projects in West Africa are still at work.

The Africa NDC Hub found in their gap analysis that 58% of NDCs explicitly mentioned capacity building needs as constraining implementation. This has been corroborated by a recent study by Abanda et al. (2023). Similar to other regions in Africa, the capacity gap will affect the block's ability to benefit from trade both in carbon credits and goods. Also, West African countries may be penalized under the Carbon Border Adjustment Mechanism (CBAM), not because of high carbon intensities in their exports but the inability to prove otherwise with robust and credible MRV systems due to weak institutional capacity. Furthermore, West Africa have limited capacity to navigate the complex and highly technical processes for securing climate change funding (Anderson, 2022).

The limited benefits for West Africa from past international agreements have partly also been attributed to countries' limited capacity to negotiate better positions.

International multilateral agreements such as the Paris Agreement and the Convention on Biological Diversity provide new opportunities for West African countries to tap into climate resources and carbon markets.

Despite Senegal, Nigeria, Benin and Liberia listed as key countries to note during COP 27, West African countries still suffer from limited capacity to take stock of its resources and negotiate with private investors for optimal benefits from their natural resources. As a result, many African countries are now calling for enhanced capacity that would support improved negotiations in international agreements.

3.4.2 Paris Agreement and Convention on Biological Diversity Opportunities

Opportunities from the Loss and Damage Fund of COP27

In 2017, an analysis of the first round of NDCs revealed that only around 14% of the African NDCs addressed loss and damage (Harmeling, 2022). One of the reasons for the low level of loss and damage consideration is complexity of climate-related risk assessment, lack of standard methodologies and guidance of how to include L&D in the NDCs compounded by weak institutional capacities. The COP 27, a landmark agreement reached in Sharm El-Sheikh, Egypt in 2022 provides financial assistance to most vulnerable nations including West African countries impacted by the effects of climate change.

Opportunities from the Convention on Biological Diversity

West Africa is one of the biodiversity hotspots in the world. In fact, the Guinean forests are considered one of the world's 25 biodiversity hotspots. The forested area in the region has been drastically reducing over the last decades, mainly as a result of logging and burning for agriculture. A large part of this diversity is contained in its forests, whether in National Parks or in Forest Reserves. About 40% of Ivorian cocoa plantations have been developed illegally inside protected areas (Higonnet et al., 2017). A study by USAID revealed that West Africa countries with Côte d'Ivoire ranked highest are most at risk of future forest loss due to agricultural expansion (Wineman et al., 2022). Given that the Global Environment Facility (GEF) fund is not sustainable, as it also funds other projects not exclusively addressing biodiversity conservation and that West Africa Biodiversity and Climate Change (WA BiCC) ended in 2021, West African countries can explore other prominent funding mechanism for Convention on Biological Diversity (CBD).

3.4.3 Opportunities from Voluntary Agreements

Opportunities from voluntary carbon markets

The demand for African-origin carbon credits has grown at a compound annual rate of 36% from 2016 to 2021 higher than the global growth rate, at 30% (ACMI, 2022). Of the total carbon credits issued worldwide between 2016 and 2021, only about 11% stem from African countries. Recent estimates show that Africa currently generates only ~2% of its maximum annual potential of carbon credits (ACMI, 2022). Launched at COP 27, the new Africa Carbon Markets Initiative (ACMI) has very many promising and ambitious targets that include to (i) produce 300 million carbon credits annually by 2030 and 1.5 billion credits annually by 2050, (ii) unlock US\$ 6 billion in revenue by 2030 and over US\$ 120 billion by 2050, and (iii) support 30 million jobs by 2030 and over 110 million jobs by 2050. This presents a transformational economic and development opportunity for West Africa blessed with an abundance of renewable natural resources. Furthermore, carbon credits from Africa have shown consistent price increases from slightly less than 4USD to 5.52USD in 2021 (Donofrio et al., 2021). Thus, voluntary carbon markets can provide numerous opportunities for West African countries to promote sustainable development, generate income, and contribute to global efforts to combat climate change.

Other initiatives include the Adaptation Benefits Mechanism (ABM) managed by the AfDB, the Africa Financial Allain Climate Change (AFAC) established by the African Development Bank. The ABM is an innovative mechanism for mobilizing new and additional public and private sector finance for enhanced climate change adaptation action. The costs for adaptation action in Africa are about \$15 billion (0.93% of regional GDP). This is a fraction of the cost of inaction, which could rise to more than \$201 billion (12 percent of GDP). There are significant regional variations in the cost of inaction. West and East Africa could lose up to about 15% compared to Southern Africa with about 10% of their GDPs by 2050 if adaptation measures are not taken (Kray et al., 2022).

The African Financial Alliance on Climate Change (AFAC) aims to put the financial sector at the center of climate action in Africa. In 2019/2020, an average USD 1.9 billion and 567 million per year of public and private capital were invested in climate-related activities in Nigeria and Burkina Faso respectively. For Nigeria, it represents USD 17.7 billion needed annually to meet the conditional Nationally Determined Contribution (NDC) target of reducing emissions 47% below business-as-usual by 2030. For Burkina Faso, it is only 13% of its total needs (USD 4.1 billion by 2050).

The African Green Bank Initiative is a model for deploying green financing across the continent that will support the implementation of African

countries' Nationally Determined Contributions (NDCs). Its objective is to increase the level of climate finance available for the continent from the current 3% to 10% and turn the \$2.8 trillion by 2030 NDCs implementation needs into investments opportunities. These initiatives provide platforms for West African countries to seek grants to support their communities in designing green finance facilities and develop pipelines of sustainable, green projects that align with "Paris Agreement".

There is a need to capitalize on the opportunities offered by the AfCFTA to promote the emergence of a regional market for natural resources through supporting development of regional value and supply chains, regional labor market and regional infrastructure. Greater regional integration including greater intra-regional trade (among west African states and with other African regions) can open new economic opportunities for the valorization of the west Africa natural capital. This can help boost foreign investments in natural resources exploitation and transformation.

3.5 The Governance Of Natural Resources In West Africa

3.5.1 The Distribution of West Africa's Resource Rents

As of 2021, around 324 metric tons of gold were produced in West Africa. This increased from the preceding year and represented an overall rise in gold production in the sub-region since 2011. As of 2021, Burkina Faso, Liberia, Mali, Mauritania, Niger, Senegal, Guinea, Ghana, Côte d'Ivoire, and Sierra Leone produced 324 metric tons of gold while the whole of Africa, produced 680.3 metric tons in the same year. Africa's share represents 22.2% of the global gold production.

Despite substantial natural resource endowments, many West African countries have been economically less advantaged. The rents from the countries in the region have been very low as indicated in Figure 60.

Other than Liberia and Cabo Verde, the percentage rents for all the other West African countries have been less than 20% of GDP since 2013. The huge share of natural resources and low rents raise questions about the contribution of natural resources to economic growth of West Africa countries. The reasons for natural resource rents having less impacts on the economies of West African countries are many including (i) weak bargaining and institutional capacity. Deals between host countries and companies are thus often signed in an opaque manner. This lack of transparency can lead to agreements that ultimately reduce

the size of rents available for development. (ii) the ruling political elites, and other domestic actors with influence, have control over who has access to resource rents. This can marginalize others from rent distribution and sometimes lead to a narrow nationalistic agenda and, at times, ethnic and civil strife.

3.5.2 Manifestations of 'Resource Curse' in West Africa

Similar to most countries in Africa, West African countries suffer from what is often called "resource curse" condition, also known as the resource trap, paradox of plenty or the poverty paradox – a condition whereby countries with an abundance of natural resources are achieving less economic growth, less democracy, or worse development outcomes than countries with fewer natural resources. In other words, natural resources are not only blessings but can also be a curse depending on the governance of such resources. Nigeria has been a major oil exporter since 1965.

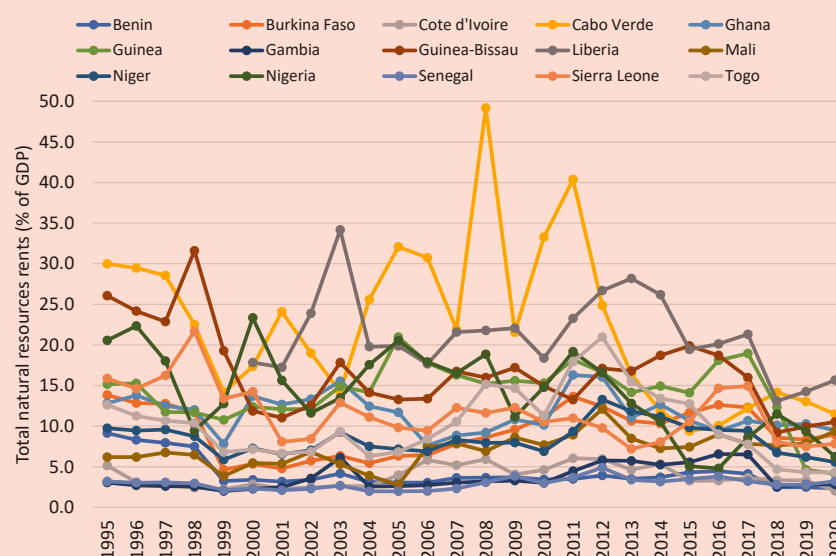
While the per capita income in Nigeria in 2020 was approximately US\$2600.00, and an estimated 91 million Nigerians are currently living on less than US \$2.00/day (Leon, 2021). In contrast, Botswana has managed to beat the resource curse with a about 35% of Botswana's Gross Domestic Product (GDP) stemming from diamonds. Some of the reasons why countries experience a resource curse include unstable government revenues caused by volatile commodity prices and rents captured by a small section of the ruling class and their associates, fueling corruption and conflict. By paying off their constituency (or investing in "security") instead of delivering reforms, natural resource rents may weaken the accountability of governments to their citizens.

3.5.3 Taxonomy of Leakages

Extent and forms of leakages

The proportion of criminal proceeds from informal economies of West Africa is very high compared to other regions of the continent (OECD, 2018). Considering the entire African region, Nigeria is among the top 10 emitters of illicit financial flows with US\$ 67 million and a significant portion of its total exports attributed to natural resources like oil and gas. While Sierra Leone, and Togo are among the leading African countries that are emitters of Illicit Financial Flows (IFFs) as a percent of trade (Signé et al., 2020). A study on the effects of IFFs on government revenues in West African Economic and Monetary Union countries found that IFFs had a significant negative effect on government revenues and the effect was linked to per capita income, corruption

Figure 60 : Total Annual Resources Rents as a % of GDP of Countries in West Africa



Source: Staff computation using data from the World Bank (2021)

West Africa loses a significant amount of rent from its natural resources from tax avoidance. The Tax Justice Network estimated that West Africa recently lost US\$2.91 billion in 2021 due to tax lost to tax havens alone. This represents 0.4% of the entire block's GDP. IFFs typically originate from the following types of activities:

Corporate leakages: For generations, West African natural resources continue to be illegally exploited and often meander through illegal markets before ending up in legal consumer markets. In addition, an UNCTAD report on trade mis-invoicing revealed that most gold exports from South Africa, oil from Nigeria, and copper from Zambia are largely unreported, and revenues were lost to these countries.

Corruption and bribery: Corruption remains rampant in West Africa. Global commodity trader Glencore admitted in 2022 that it paid bribes in five African nations to secure oil contracts and avoid government audits including Nigeria and Côte d'Ivoire.

Drivers of leakages

The drivers for leakages have been grouped into macroeconomic, and governance drivers. Macroeconomic fluctuations, such as inflation, weaken confidence in a country's macroeconomic environment is a trigger for people to send their capital abroad. A significant positive correlation was found between illicit flows as a share of trade and tax revenue as a share of GDP. When governments collect a huge share of taxes, individuals and corporations have the tendency to store capital abroad, away from

government appropriation (Signé et al., 2020). Poor governance is also significantly related with illicit financial outflows. Exportation of illicit funds often, requires the use of illegal avenues that involve corruption (Signé et al., 2020)

3.5.4 Governance Options to Increase Contributions of Natural Capital in West Africa

Institutional best practice: Separating policy and regulatory functions

Natural resource management is a complex and multi-faceted issue that requires a coordinated effort from various institutions to ensure sustainable utilization of resources. This is compounded by conflicting mandate of various government institutions and departments in some countries especially in West Africa. Some of these institutions are involved in multiple and often conflicting functions such as policymaking, regulation, licensing, and commercial aspects that need to be separated. This separation will entail creating special authorities to regulate and monitor various natural resources and special departments responsible for policy matters, while state-owned enterprises should focus on commercial aspects across the natural resource value chain.

Local content, value addition, and capacity needs

To capture more value and maximize benefits from natural resources, many African countries have enacted local content regulations.

The popularity of these is based on the premise that once these regulations are in place, countries will be able to foster linkages, create direct and indirect local jobs and capture more revenues across the natural resource value chain. Some local content regulations for the mining sector for selected West African countries include: Minerals Development Fund Act 2016 (Ghana), Mining Code 2014 (Burkina Faso), Décret portant adoption d'un modèle de convention type (2014) (Guinea), Mining Code 2014 (Côte d'Ivoire), Mining Code 2019 (Mali), Mining Code 2007 (Niger), The Mines and Mineral Act 2009 (Sierra Leone). Despite the development of these regulations there have not been realistic enough in terms of the necessary local capacity. Revising these regulations taking into account the local realities of each country will enhance local capacity across the region.

Sovereign Wealth Funds

Sovereign Wealth Funds (SWFs) are special funds owned by governments with the long-term goal of saving and investing for future generations and strengthening the country's fiscal environment, especially during unexpected budget deficits. They can thus act as a buffer during economic downturns. The main source to capitalize SWFs are revenues from natural resources. According to data from the International Forum of Sovereign Wealth Funds, there are over 20 SWFs currently operating in Africa, and plans are underway in various countries to create more. The Nigeria Sovereign Investment Authority is the only SWF from West Africa to feature on the list.

3.5.5 Approaches to Deal with Illicit Financial Flows and Corruption

Transparency during contracting and beyond.

Some stakeholders including politicians tend to collude with resource or natural capital companies. The Extractive Industries Transparency Initiative (EITI), a global standard to improve transparency and accountability in resource-abundant countries can play a significant role in improving transparency and ensuring accountability in the contracting of natural capital extraction, processing and marketing. A recent study revealed that monitoring both politicians and resource companies with schemes such as EITI decreases bribery or unpaid resource rents (Okada and Shinkuma, 2022). The study focused on 48 case study countries in sub-Saharan Africa including: Benin, Burkina Faso, Cabo Verde, Côte d'Ivoire, Ghana, Guinea, Guinea-Bissau, Liberia, Mali, Niger, Nigeria, Senegal, Sierra Leone, Togo, Gambia. The Fisheries Transparency Initiative

(FITI) has also been set up to support national, regional and global efforts towards responsible marine fisheries governance through increased transparency.

Implementing beneficial ownership disclosures

Beneficial ownership, championed by EITI, will help provide key information about companies (Foreign and state-owned, plus their joint-venture partners and subsidiaries) involved in natural resource extraction,. A report by Etter-Phoya et al. (2023) revealed that 5 West African countries (Nigeria, Benin, Burkina Faso, Ghana, Togo) out of the 23 of 54 African countries have a regulation requiring the declaration or registration of beneficial owners with a government authority for at least one type of legal vehicle in January 2023 (Etter-Phoya et al., 2023). A legal vehicle refers to companies, partnerships, trusts and foundations. Also, beneficial ownership is also one of the requirements of the Fisheries Transparency Initiative (FITI) where Cabo Verde is a Candidate, Guinea and Senegal are Committed, and Ghana is a Target country respectively.

Reforming state-owned enterprises

For generations, foreign multinational companies have dominated the extraction of natural resources in West Africa. Thus, there has been a call for state entities or state-owned enterprises (SOEs) to be more involved with the natural resource extraction West Africa. Many West African countries have tried to align SOEs with its development agenda and growth priorities. However, the SOEs have often faced challenges caused by negative political interference, underinvestment, globalization, increasing competition with globalization, persistent social problems of unemployment and inequality. This has led to SOEs not achieving their intended goals such as achieving excellent deals, minimizing lost revenues and eliminating failed investments.

3.6 Conclusion And Policy Considerations

West Africa is a region rich in natural resources such as gold, iron ore, bauxite, lithium, diamonds, oil, and timber. These resources have played a significant role in the region's economic growth and development. However, the exploitation and mismanagement of these resources have also contributed to political instability, corruption, and poverty in many countries in the region. The dependence on natural resources has also led to a lack of economic diversification, making the region vulnerable to fluctuations in global commodity prices. To address these issues, there is a need for respon-

Several policy levers can be deployed to increase returns from natural resources to finance sustainable green growth and climate resilient economic transformation.

sible management and sustainable use of natural resources, as well as policies that promote economic diversification and inclusive growth. All countries in West Africa are suffering from the devastating impacts of climate change. This is evidenced by the recurrence of extreme phenomena such as floods, heat waves, droughts and coastal erosion due to rising sea levels.

Adapting to climate change is a key priority for the region which explains why all the 15 countries that make up the ECOWAS region are party to the 2015 Paris Climate Change Agreement. All these countries have also submitted their Nationally Determined Contributions (NDCs) in which they assess their financial needs and define their adaptation and mitigation objectives. Together, ECOWAS/ West African countries need up to 294 billion U.S dollars (279 billion euros) until 2030 – including 45 billion for adaptation to meet their NDC objectives .

Several policy levers can be deployed to increase returns from natural resources to finance sustainable green growth and climate resilient economic transformation. For West Africa to truly change its path to natural capital-driven development a combination of policy recommendations encompassing the following is needed: (i) investments in data collection for improved valuation, (ii) implementation of natural capital accounting to keep track of the most important stocks of natural capital, (iii) effective implementation of a range of fiscal instruments on both renewable and non-renewable resources; (iv) investments in the capacity, technology, approaches and tools needed to benefit from best practices in exploration and licensing initiatives, and international agreements; and (v) institutional reforms to reduce illicit financial flows and corruption, improve transparency and implement best practices when it comes to governance of natural resources.

Major Policy Recommendations

- Data tracking and disclosure to inform financing strategies: Good quality data is needed in converting NDCs into climate finance strategies. Yet pervasive data gaps

exist across actors and sectors. Governments should 'climate tag' to track their revenue and expenditure.

- Investment in human and institutional capitals will be essential for West African countries to maximize benefits from international agreements. Capacity is needed in a range of functions from international negotiations, accreditation processes, development of proposals, policies and plans all the way to implementation.

- There must be a deliberate strategy by West African governments to reform public policy to ensure natural resource wealth drives economic development. This will trigger actions to resolve the myriad of other management and governance issues, including internalizing environmental opportunity costs associated with the exploitation of natural resources and investment in natural capital. For example, the development of Natural Capital Investment Plans (NCIP) that are complementary to the National Biodiversity Action Plans (NBAPs), mainstreaming natural capital in development planning and finance, and integrating natural capital accounting in the national accounts systems.

- West Africa's natural capital accounts need to be developed, and open to the public to build investment confidence on the role of natural capital in financing economic growth.

- Promotion of beneficial ownership will help provide key ownership information about companies involved in natural resource extraction and in fisheries, foreign and state-owned, plus their joint-venture partners and subsidiaries.

- Reforming State-Owned Enterprises (SOEs) is important to ensure that West African countries secure good resource deals. Weak SOEs will lead to poor deals, lost revenues, and failed investments. Strategic areas for reforming African SOEs include corporate governance, transparency, regulation, and de-politicizing their management.

- Finally, the over 367 carbon market activities operating in the region present a great opportunity for West African countries to utilize their abundant renewable natural resources to unlock economic value and accelerate sustainable industrialization and economic transformation and diversification.

ANNEXES

ANNEX 1: SELECTED SOCIO-ECONOMIC INDICATORS

Table 1 : Basic Indicators, 2022

	Population (thousands)	Land area (km2 thou- sands)	Population density (people per km2)	Gross domes- tic product ^a (\$ millions)	Gross domes- tic product per capita ^a (\$)	Average annual real GDP growth. 2010–22 (%)
Benin	13,353	113	118	54,042	4,047	5.0
Burkina Faso	22,674	274	83	58,593	2,584	5.5
Cabo Verde	593	4	147	5,143	8,670	2.5
Côte d'Ivoire	28,161	318	89	185,127	6,574	6.1
Gambia	2,706	10	267	6,760	2,498	3.3
Ghana	33,476	228	147	217,494	6,497	5.9
Guinea	13,859	246	56	44,164	3,187	5.8
Guinea-Bissau	2,106	28	75	5,484	2,604	3.9
Liberia	5,303	96	55	8,965	1,691	3.1
Mali	22,594	1,220	19	56,880	2,518	3.8
Niger	26,208	1,267	21	39,316	1,500	5.8
Nigeria	218,541	911	240	1,280,708	5,860	3.2
Senegal	17,316	193	90	72,936	4,212	4.7
Sierra Leone	8,606	72	119	16,498	1,917	4.3
Togo	8,849	54	163	22,859	2,583	5.4
West Africa	424,343	5,033	84	2,074,970	4,890	4.0
Africa	1,424,855	29,614	48	8,298,147	5,824	3.5

a. Based on purchasing power parity valuation.

Source: UNDESA 2022, African Development Bank statistics and estimates, and various domestic authorities.

Table 2 : Real GDP Growth, 2014–24 (%)

	2014	2015	2016	2017	2018	2019	2020	2021	2022 (esti- mated)	2023 (pro- jected)	2024 (pro- jected)
Benin	6.4	1.8	3.3	5.7	6.7	6.9	3.8	7.2	6.0	6.2	6.0
Burkina Faso	4.3	3.9	6.0	6.2	6.7	5.7	2.0	6.9	3.2	3.7	3.9
Cabo Verde	0.6	0.9	4.7	3.7	4.5	5.7	-14.8	7.0	10.5	5.7	6.2
Côte d'Ivoire	8.8	8.8	7.2	7.4	6.9	6.2	1.7	7.4	6.7	7.2	7.0
Gambia	-1.4	4.1	1.9	4.8	7.2	6.2	0.6	4.3	4.4	5.2	5.6
Ghana	2.9	2.1	3.4	8.1	6.2	6.5	0.5	5.4	3.3	1.7	3.0
Guinea	3.7	3.8	10.8	10.3	6.4	5.6	4.9	4.4	4.8	5.5	5.6
Guinea-Bissau	1.0	6.1	5.3	4.8	3.4	4.5	1.5	6.4	3.7	4.6	5.1
Liberia	0.7	0.0	-1.6	2.5	1.2	-1.4	-3.0	5.0	4.0	4.3	4.8
Mali	7.1	6.2	5.9	5.3	4.7	4.8	-1.2	3.1	3.7	5.1	5.3
Niger	6.6	4.4	5.7	5.0	7.2	5.9	3.6	1.4	7.2	7.0	11.8
Nigeria	6.3	2.7	-1.6	0.8	1.9	2.2	-1.8	3.6	3.3	3.4	3.2
Senegal	6.2	6.4	6.4	7.4	6.2	4.6	1.3	6.5	4.0	5.5	9.8
Sierra Leone	4.6	-20.5	6.4	3.8	3.5	5.3	-2.0	4.1	2.8	3.1	4.8
Togo	5.9	5.7	4.9	4.4	4.9	5.5	1.8	6.0	5.5	6.3	6.6
West Africa	6.0	3.2	0.8	3.0	3.5	3.5	-0.6	4.4	3.8	3.9	4.2
Africa	3.8	3.4	2.1	4.0	3.6	3.0	-1.7	4.8	3.8	4.0	4.3

Source: African Development Bank statistics, estimates, and projections and various domestic authorities.

Table 3: Demand Composition and Growth rate, 2021–24

	2021						2022 (estimated)			
	Final consumption		Gross capital formation		External sector		Total final consumption	Total gross capital formation (% real growth)	Exports	Imports
	Private	Public	Private (% of GDP)	Public (% of GDP)	Exports	Imports				
Benin	67.3	10.1	19.6	9.2	20.9	27.1	4.6	12.8	19.1	18.5
Burkina Faso	59.3	19.2	12.8	9.3	29.1	29.7	4.3	-4.6	1.4	-1.0
Cabo Verde	63.3	24.5	31.4	14.2	24.6	58.0	4.1	9.3	1.4	3.2
Côte d'Ivoire	67.8	9.8	14.9	6.5	24.7	23.6	7.3	3.1	4.4	3.6
Gambia	88.9	11.7	5.2	11.2	19.3	36.3	1.6	15.5	9.5	7.2
Ghana	70.2	9.9	17.1	1.4	29.9	28.5	4.1	1.8	7.0	5.8
Guinea	75.3	16.1	8.6	17.1	42.7	59.9	3.5	4.8	2.2	1.2
Guinea-Bissau	65.8	23.1	15.5	5.6	18.1	28.1	4.6	14.1	-6.5	2.8
Liberia	63.0	25.3	15.3	18.7	31.0	53.4	3.4	-4.9	-0.5	-4.4
Mali	74.9	16.0	14.9	6.1	25.3	37.2	3.3	0.3	4.5	1.5
Niger	71.8	16.2	18.9	9.9	10.3	27.1	7.3	5.2	5.3	4.2
Nigeria	62.2	5.1	14.4	19.4	10.7	11.8	12.3	5.0	-15.3	48.1
Senegal	59.9	22.6	19.4	18.4	24.9	45.2	2.0	5.0	16.1	9.6
Sierra Leone	106.0	7.3	7.1	4.1	16.9	41.5	1.9	-1.5	5.5	0.7
Togo	75.9	14.5	20.9	2.2	30.1	43.5	4.6	9.1	3.5	5.1
West Africa	64.3	8.4	14.4	15.9	17.1	20.1	9.6	4.3	-7.5	32.6
Africa	66.4	12.8	14.6	9.2	22.0	24.9	4.7	5.9	12.9	15.8

	2023 (projected)				2024 (projected)			
	Total final consumption	Total gross capital formation (% real growth)	Exports	Imports	Total final consumption	Total gross capital formation (% real growth)	Exports	Imports
Benin	3.1	10.3	3.1	1.9	3.1	9.1	4.4	1.3
Burkina Faso	3.1	4.2	7.1	5.0	4.5	2.9	12.9	10.2
Cabo Verde	3.2	4.5	7.3	0.5	4.2	3.3	7.3	0.5
Côte d'Ivoire	6.4	6.1	7.1	4.2	6.9	3.8	6.0	4.0
Gambia	1.4	18.9	8.3	6.9	2.9	10.1	8.7	4.6
Ghana	3.1	0.7	7.6	4.7	4.1	1.1	4.9	4.2
Guinea	1.4	8.7	2.8	1.8	2.2	9.7	2.8	1.8
Guinea-Bissau	0.5	24.5	0.2	9.8	12.6	-2.0	-1.8	5.4
Liberia	2.0	8.5	4.9	1.5	1.4	8.5	4.9	1.5
Mali	3.2	7.0	5.9	2.3	3.0	9.0	3.9	1.1
Niger	6.9	6.5	6.8	2.1	6.9	16.5	14.3	2.1
Nigeria	1.3	5.2	7.4	4.7	3.2	5.2	-1.9	12.9
Senegal	2.7	6.8	3.2	2.0	4.8	12.7	8.7	4.3
Sierra Leone	0.7	4.3	7.1	1.5	1.5	5.3	7.1	1.5
Togo	4.0	8.4	7.5	5.4	4.2	5.5	9.5	4.4
West Africa	2.3	5.2	7.0	4.3	3.8	5.2	1.2	9.5
Africa	3.4	3.4	4.5	2.5	3.3	6.0	3.0	3.7

Source: African Development Bank statistics, estimates, and projections and various domestic authorities

Table 4: Public Finances, 2021–24 (% of GDP)

	2021			2022 (estimated)		
	Total revenue and grants	Total expenditure and net lending	Overall balance	Total revenue and grants	Total expenditure and net lending	Overall balance
Benin	14.1	19.9	-5.7	14.4	19.8	-5.5
Burkina Faso	19.3	25.6	-6.3	19.1	27.6	-8.5
Cabo Verde	26.3	33.5	-7.2	25.8	30.5	-4.7
Côte d'Ivoire	15.4	20.3	-4.9	15.9	22.7	-6.8
Gambia	16.8	22.5	-5.6	18.6	23.0	-4.4
Ghana	15.3	24.5	-9.2	14.7	23.9	-9.3
Guinea	13.7	15.4	-1.7	14.7	16.1	-1.3
Guinea-Bissau	18.3	23.9	-5.6	18.1	24.3	-6.3
Liberia	27.3	29.7	-2.4	26.5	31.3	-4.8
Mali	21.9	26.8	-4.9	22.0	27.0	-5.0
Niger	18.2	24.3	-6.1	17.2	23.8	-6.6
Nigeria	2.7	7.9	-5.2	2.9	7.8	-4.9
Senegal	19.5	25.8	-6.3	20.3	26.4	-6.1
Sierra Leone	21.1	28.4	-7.3	20.9	25.6	-4.8
Togo	17.1	21.8	-4.7	18.7	27.1	-8.4
West Africa	8.3	13.9	-5.6	8.1	13.8	-5.6
Africa	18.3	23.2	-4.9	18.0	22.0	-4.0

	2023 (projected)			2024 (projected)		
	Total revenue and grants	Total expenditure and net lending	Overall balance	Total revenue and grants	Total expenditure and net lending	Overall balance
Benin	14.2	18.7	-4.5	13.8	17.9	-4.1
Burkina Faso	19.1	25.2	-6.1	19.6	24.8	-5.2
Cabo Verde	25.3	29.8	-4.5	24.8	28.3	-3.5
Côte d'Ivoire	15.6	20.8	-5.2	15.3	19.4	-4.1
Gambia	18.7	21.6	-2.9	18.3	19.8	-1.4
Ghana	13.7	22.6	-8.9	13.6	22.6	-9.0
Guinea	13.4	16.0	-2.6	13.3	16.2	-2.9
Guinea-Bissau	17.5	23.2	-5.7	19.1	22.3	-3.1
Liberia	26.3	30.4	-4.1	26.7	30.6	-4.0
Mali	21.8	26.6	-4.8	21.7	25.7	-4.1
Niger	16.4	22.2	-5.8	16.0	19.9	-3.9
Nigeria	2.8	7.5	-4.7	2.6	7.4	-4.8
Senegal	19.9	25.8	-5.8	18.6	23.2	-4.5
Sierra Leone	19.3	22.5	-3.2	18.0	20.3	-2.3
Togo	18.8	25.4	-6.6	18.0	23.1	-5.1
West Africa	7.9	13.1	-5.1	7.8	12.7	-4.9
Africa	17.4	21.5	-4.1	16.8	20.6	-3.8

Source: African Development Bank statistics, estimates, and projections and various domestic authorities.

Table 5: Monetary Indicators

	Inflation (%)				Exchange rate (local currency unit per US dollar)			
	2021	2022 (estimated)	2023 (projected)	2024 (projected)	2019	2020	2021	2022 (estimated)
Benin	1.7	2.5	2.8	2.3	586.0	574.3	554.6	623.8
Burkina Faso	3.9	14.4	6.1	3.7	586.0	574.3	554.6	623.8
Cabo Verde	1.9	8.0	7.8	6.5	98.5	96.6	92.3	91.3
Côte d'Ivoire	4.2	5.2	3.7	2.7	586.0	574.3	554.6	623.8
Gambia	7.4	9.6	11.7	9.1	50.3	51.6	51.6	53.3
Ghana	10.0	31.5	44.7	20.4	5.2	5.6	5.8	8.3
Guinea	12.6	12.2	11.2	9.9	9 183.7	9 565.1	9 728.8	8 778.8
Guinea-Bissau	3.3	7.9	5.5	3.0	586.0	574.3	554.6	623.8
Liberia	7.9	7.4	8.2	6.5	1.0	1.0	1.0	1.0
Mali	3.9	9.7	2.6	2.4	586.0	574.3	554.6	623.8
Niger	3.8	4.6	2.6	2.4	586.0	574.3	554.6	623.8
Nigeria	17.0	18.8	19.6	13.6	325.0	359.2	398.8	423.3
Senegal	2.8	9.7	3.4	2.6	586.0	574.3	554.6	623.8
Sierra Leone	11.9	26.1	27.1	20.8	9 016.4	9 839.9	10 694.5	14 332.3
Togo	4.6	7.8	3.8	2.6	586.0	574.3	554.6	623.8
West Africa	12.7	17.0	17.5	11.3	...	...	...	...
Africa	12.9	14.2	15.1	9.5	...	...	...	...

Source: African Development Bank statistics, estimates, and projections; various domestic authorities; and the International Monetary Fund International Financial Statistics database.

Table 6: Balance of Payments Indicators

	Trade balance (\$ millions)				Current account balance (\$ millions)			
	2021	2022 (estimated)	2023 (projected)	2024 (projected)	2021	2022 (estimated)	2023 (projected)	2024 (projected)
Benin	-353	-671	-741	-644	-734	-904	-823	-854
Burkina Faso	830	-64	353	554	80	-1 114	-758	-765
Cabo Verde	-721	-722	-751	-773	-250	-190	-199	-174
Côte d'Ivoire	3 053	1 517	1 652	1 958	-2 874	-4 978	-5 091	-5 671
Gambia	-525	-713	-780	-834	-164	-295	-285	-271
Ghana	1 099	2 754	3 313	4 092	-2 541	-2 107	-2 147	-1 932
Guinea	2 207	1 024	1 443	1 766	-352	-1 665	-1 759	-1 390
Guinea-Bissau	-50	-112	-80	-85	-15	-98	-87	-90
Liberia	-459	-388	-441	-492	-620	-1 023	-1 084	-1 159
Mali	-435	-309	-182	-200	-1 495	-1 380	-1 431	-1 604
Niger	-1 611	-1 824	-1 565	-424	-2 069	-2 251	-2 442	-2 680
Nigeria	-3 339	2 605	187	-120	-1 896	605	-1 768	-457
Senegal	-3 097	-3 878	-3 162	-1 818	-3 327	-5 203	-4 471	-3 570
Sierra Leone	-585	-480	-275	-248	-621	-414	-283	-298
Togo	-837	-919	-1 087	-1 123	-74	-333	-625	-717
West Africa	-4 822	-2 181	-2 117	1 610	-16 953	-21 349	-23 252	-21 632
Africa	-49 318	-50 466	-74 942	-88 783	-45 875	-60 535	-69 296	-76 207

	Current account balance (% of GDP)			
	2021	2022 (estimated)	2023 (projected)	2024 (projected)
Benin	-4.1	-4.9	-4.0	-3.8
Burkina Faso	0.4	-5.2	-3.1	-2.9
Cabo Verde	-12.8	-7.8	-7.0	-5.4
Côte d'Ivoire	-4.0	-6.9	-6.1	-6.0
Gambia	-8.1	-13.1	-12.5	-9.9
Ghana	-3.2	-2.8	-3.0	-2.5
Guinea	-2.1	-7.4	-6.7	-4.6
Guinea-Bissau	-0.8	-5.8	-4.6	-4.3
Liberia	-17.7	-17.4	-16.7	-16.2
Mali	-7.7	-7.2	-6.6	-6.8
Niger	-13.9	-15.1	-14.4	-13.5
Nigeria	-0.4	0.1	-0.3	-0.1
Senegal	-12.1	-17.5	-13.4	-9.3
Sierra Leone	-15.0	-10.3	-8.0	-7.4
Togo	-0.9	-3.7	-6.1	-6.3
West Africa	-2.3	-2.6	-2.7	-2.2
Africa	-1.7	-2.1	-2.3	-2.3

Source: African Development Bank statistics, estimates, and projections.

Table 7: Intra-regional Trade, 2021 (\$ millions)

Exports to									
	Benin	Burkina Faso	Cabo Verde	Côte d'Ivoire	Gambia	Ghana	Guinea	Guinea-Bissau	Liberia
Benin	..	26.5	0.0	25.6	0.0	4.2	0.2	..	1.9
Burkina Faso	5.9	..	..	130.8	1.7	55.6	9.9	0.1	9.7
Cabo Verde	..	0.0	..	..	..	0.0	..	0.1	..
Côte d'Ivoire	71.2	701.2	0.5	..	7.3	380.6	84.4	1.2	26.4
Gambia	0.0	..	..	..	..	0.0	0.0	0.8	0.0
Ghana	37.8	230.4	0.3	97.5	0.6	..	17.3	0.2	6.9
Guinea	1.1	9.1	..	1.7	2.2	447.5	..	1.0	6.8
Guinea-Bissau	..	..	0.0	0.3	0.1	6.5	..	..	..
Liberia	0.0	1.1	..	..	..	..	..	..	..
Mali	1.2	39.3	..	38.2	0.1	4.8	12.0	0.0	1.5
Niger	4.4	54.4	0.0	4.5	0.3	20.3	0.1	..	..
Nigeria	58.2	14.5	0.1	1 468.8	1.2	567.8	7.0	0.6	7.6
Senegal	19.1	41.1	2.7	187.4	59.7	14.1	63.6	50.9	4.4
Sierra Leone	2.5	0.4	..	15.0	0.5	15.2	6.0	..	3.9
Togo	61.9	70.8	..	32.1	5.5	40.9	8.3	0.3	0.5

	Mali	Niger	Nigeria	Senegal	Sierra Leone	Togo	West Africa	Africa	World
Benin	102.7	73.5	45.3	3.5	0.7	20.1	304.1	463.8	3 444.8
Burkina Faso	63.7	29.5	0.5	6.5	0.6	22.4	337.0	429.8	5 060.0
Cabo Verde	..	..	0.0	0.3	..	0.0	0.5	0.6	54.4
Côte d'Ivoire	693.6	110.4	195.8	168.7	5.5	208.3	2 655.2	3 466.4	15 100.3
Gambia	3.0	..	0.0	1.8	0.1	0.0	5.8	6.1	31.7
Ghana	68.1	54.7	416.0	68.7	30.0	99.7	1 128.1	2 874.6	15 761.7
Guinea	43.5	1.3	19.9	29.9	25.8	0.0	589.8	703.5	10 348.8
Guinea-Bissau	2.6	..	..	0.4	..	..	9.9	10.1	214.6
Liberia	..	..	2.7	0.9	..	0.0	4.7	5.4	878.5
Mali	..	5.9	0.5	22.3	0.1	1.0	126.9	1 184.2	4 971.5
Niger	103.9	..	63.8	1.3	0.0	1.2	254.2	282.5	1 210.9
Nigeria	16.0	94.2	..	404.9	6.3	92.2	2 739.4	6 389.9	47 231.7
Senegal	1 631.1	20.8	25.4	..	11.0	12.5	2 144.0	2 392.3	5 202.2
Sierra Leone	0.3	0.0	1.9	8.8	..	..	54.7	62.9	697.0
Togo	45.0	36.5	71.7	19.4	0.4	..	393.0	725.5	1 350.0

Source: United Nations Conference on Trade and Development.

Imports from									
	Benin	Burkina Faso	Cabo Verde	Côte d'Ivoire	Gambia	Ghana	Guinea	Guinea-Bissau	Liberia
Benin	..	6.3	..	54.6	0.0	41.7	0.5	..	0.0
Burkina Faso	13.0	..	..	499.5	0.0	264.1	3.4	0.0	2.0
Cabo Verde	..	..	..	0.4	..	0.3	..	0.1	..
Côte d'Ivoire	15.1	17.9	..	..	0.1	138.2	0.9	21.5	8.3
Gambia	0.0	0.0	..	24.3	..	0.5	0.5	..	0.0
Ghana	1.8	92.0	0.0	194.7	0.1	..	75.0	5.9	8.7
Guinea	0.2	15.5	0.0	17.8	0.1	27.4	..	0.0	0.6
Guinea-Bissau	..	0.0	0.1	..	4.0	0.5	0.7	..	0.1
Liberia	0.3	1.3	..	..	..	..	..	..	..
Mali	101.0	23.2	0.1	666.5	12.3	91.6	12.6	..	6.2
Niger	40.7	38.1	..	121.4	..	71.0	0.5	..	0.0
Nigeria	21.2	0.5	0.0	98.6	0.1	539.6	24.5	15.5	5.0
Senegal	1.4	5.1	2.6	101.9	6.3	67.8	4.5	0.3	1.6
Sierra Leone	0.2	0.0	..	5.9	0.2	7.9	28.8	..	5.7
Togo	3.7	8.1	..	33.9	..	54.0	0.0	1.1	0.0

	Mali	Niger	Nigeria	Senegal	Sierra Leone	Togo	West Africa	Africa	World
Benin	0.9	8.6	73.7	23.4	2.2	137.8	349.9	563.7	4 332.7
Burkina Faso	25.7	552.8	17.5	48.0	0.5	142.2	1 568.9	1 778.0	4 709.9
Cabo Verde	..	0.0	0.1	2.9	..	0.9	4.7	31.1	800.4
Côte d'Ivoire	7.0	9.5	1 761.9	221.4	16.2	26.9	2 244.8	3 086.1	14 006.8
Gambia	0.1	0.2	1.2	33.3	0.6	4.0	64.5	83.1	577.4
Ghana	5.8	25.3	1 022.9	11.1	12.8	72.6	1 528.7	2 213.0	13 628.7
Guinea	15.9	0.0	10.3	44.0	5.5	41.0	178.4	291.0	4 094.0
Guinea-Bissau	..	..	..	46.9	..	0.2	52.4	57.4	321.8
Liberia	..	..	2.0	1.1	..	0.1	4.8	6.7	1 477.6
Mali	..	127.4	22.8	1 818.7	0.6	44.2	2 927.4	3 231.4	6 420.5
Niger	7.1	..	105.6	22.0	..	72.2	478.6	573.8	2 741.2
Nigeria	0.9	27.5	..	29.0	2.9	136.8	901.9	1 948.3	52 068.3
Senegal	17.1	0.8	440.1	..	12.4	31.4	693.3	1 170.4	9 699.0
Sierra Leone	0.1	0.0	7.2	18.0	..	0.8	75.0	193.1	1 803.2
Togo	0.5	0.3	62.4	8.3	..	..	172.2	275.4	2 863.3

Source: United Nations Conference on Trade and Development.

Table 8: Demographic Indicators 2022

	Age distribution					
	Population growth rate	Urban population	0–14	15–64	65 and older	Fertility rate
	(%)	(% of total)	(% of population)			(births per woman)
Benin	2.7	47.4	42.4	54.5	3.1	4.9
Burkina Faso	2.6	31.1	43.7	53.7	2.5	4.7
Cabo Verde	0.9	66.2	26.2	68.3	5.6	1.9
Côte d'Ivoire	2.5	51.4	41.5	56.1	2.4	4.3
Gambia	2.5	57.3	43.1	54.5	2.4	4.6
Ghana	2.0	56.1	36.9	59.5	3.6	3.5
Guinea	2.4	39.3	41.5	55.1	3.3	4.3
Guinea-Bissau	2.2	44.8	40.1	57.1	2.8	3.9
Liberia	2.1	53.7	40.5	56.2	3.3	4.0
Mali	3.1	43.3	47.2	50.4	2.4	5.9
Niger	3.8	16.7	48.8	48.8	2.4	6.7
Nigeria	2.4	53.1	43.0	54.0	3.0	5.1
Senegal	2.6	51.4	41.5	55.4	3.1	4.3
Sierra Leone	2.2	42.7	39.0	57.9	3.1	3.9
Togo	2.4	43.6	40.0	56.9	3.1	4.2
West Africa	2.5	48.2	42.7	54.4	2.9	4.9

Source: African Development Bank statistics and estimates, UNDESA 2022, and various domestic authorities.

Table 9: Poverty and Income Distribution Indicators

	National poverty line ^a		International poverty line (\$2.15 a day)		Gini index ^b	
	Survey year	Population below the poverty line (%)	Survey year	Population below the poverty line (%)	Survey year	Value
Benin	2019	38.5	2018	19.9	2018	37.8
Burkina Faso	2018	41.4	2018	30.5	2018	47.3
Cabo Verde	2015	35.0	2015	4.6	2015	42.4
Côte d'Ivoire	2018	39.5	2018	11.4	2018	37.2
Gambia	2015	48.6	2020	17.2	2020	38.8
Ghana	2016	23.4	2016	25.2	2016	43.5
Guinea	2018	43.7	2018	13.8	2018	29.6
Guinea-Bissau	2018	47.7	2018	21.7	2018	34.8
Liberia	2016	50.9	2016	27.6	2016	35.3
Mali	2021	44.6	2018	14.8	2018	36.1
Niger	2018	40.8	2018	50.6	2018	37.3
Nigeria	2018	40.1	2018	30.9	2018	35.1
Senegal	2011	46.7	2018	9.3	2018	38.1
Sierra Leone	2018	56.8	2018	26.1	2018	35.7
Togo	2018	45.5	2018	28.1	2018	42.4
West Africa		...		...		...
Africa		...		...		...

a. Defined as two-thirds of average consumption.

b. Based on income distribution.

Source: Various domestic authorities and the World Bank.

Table 10: Access to Services

Telecommunications, 2021						
	Fixed telephone subscriptions (per 100 people)	Mobile-cellular subscriptions (per 100 people)	Internet users (%)	Access to electricity, 2020 (% of population)	People using at least basic drinking water services, 2020	People using at least basic sanitation services, 2020 (% of population)
Benin	0.1	98.0	34.0	41.4	65.4	17.0
Burkina Faso	0.4	111.7	21.6	19.0	47.2	21.7
Cabo Verde	9.1	100.4	69.8	94.2	88.8	79.1
Côte d'Ivoire	1.0	162.2	45.4	69.7	70.9	34.6
Gambia	2.3	101.4	33.0	62.3	80.9	46.9
Ghana	1.0	123.2	68.2	85.9	85.8	23.7
Guinea	...	101.9	34.7	44.7	64.0	29.8
Guinea-Bissau	...	108.5	35.2	33.3	59.0	18.2
Liberia	0.1	31.8	33.6	27.5	75.3	18.2
Mali	1.4	111.1	34.5	50.6	82.5	45.4
Niger	0.2	56.4	22.4	19.3	46.9	14.8
Nigeria	0.0	91.4	55.4	55.4	77.6	42.7
Senegal	1.5	117.7	58.1	70.4	84.9	56.8
Sierra Leone	...	97.7	...	26.2	63.8	16.5
Togo	0.6	72.4	35.0	54.0	68.6	18.6
West Africa	0.4	90.4	48.5	53.2	68.9	36.0
Africa	2.3	79.8	42.0	56.0	60.4	41.9

Source: African Development Bank statistics, the International Telecommunication Union World Telecommunication/ICT Indicators database, the United Nations Statistics Division Energy Statistics Database, WHO/UNICEF Joint Monitoring Programme for Water

Table 11: Health Indicators

	Life expectancy at birth, 2022 (years)			Prevalence of undernourished, 2022 (% of population)	Health personnel, 2011–21 (per 100,000 people)	
	Total	Male	Female		Medical doctors	Nurses and midwives
Benin	60.0	58.3	61.7	7.4	6.2	29.1
Burkina Faso	59.8	58.0	61.5	18.0	9.1	89.9
Cabo Verde	74.7	70.3	79.0	17.7	79.1	123.6
Côte d'Ivoire	58.9	57.7	60.3	4.4	16.0	64.5
Gambia	62.9	61.5	64.3	21.6	7.7	88.8
Ghana	63.9	61.8	66.1	4.1	16.4	349.6
Guinea	59.0	57.6	60.2	...	22.2	57.3
Guinea-Bissau	59.9	57.7	61.9	...	22.0	105.3
Liberia	61.1	59.8	62.4	38.3	5.0	192.6
Mali	59.4	58.1	60.8	9.8	12.3	42.2
Niger	62.1	60.8	63.4	...	3.4	22.2
Nigeria	53.6	53.3	54.0	12.7	39.5	156.4
Senegal	67.9	65.5	70.2	7.5	8.4	35.7
Sierra Leone	60.4	59.1	61.7	27.4	7.0	20.4
Togo	61.6	60.9	62.2	18.8	5.9	39.7
West Africa	57.4	56.5	58.4	12.0	26.1	131.1
Africa	62.6	60.6	64.6	18.2	36.1	136.8

Source: African Development Bank statistics, UNDESA 2022, the Food and Agriculture Organization, and the World Health Organization.

Table 12: Major Diseases

	Healthy life expectancy at birth, 2019			Prevalence of HIV, ages 15–49, 2021	Infant mortality rate, 2021 (per 1,000 live births)	Under-five mortality rate, 2021 (per 1,000 live births)
	Total	Male	Female	2021	2021	2021
Benin	55.5	54.5	56.6	0.8	55.2	83.5
Burkina Faso	54.9	53.4	56.3	0.6	51.8	82.6
Cabo Verde	64.8	62.2	67.2	0.6	11.7	13.5
Côte d'Ivoire	54.8	53.5	56.5	1.9	55.9	74.8
Gambia	57.0	56.4	57.7	1.7	34.0	47.9
Ghana	58.0	56.5	59.6	1.7	32.6	44.0
Guinea	53.3	52.9	53.7	1.5	63.8	98.7
Guinea-Bissau	52.6	51.1	54.1	3.1	50.0	74.3
Liberia	54.9	54.9	55.0	1.1	56.7	76.0
Mali	54.6	54.8	54.5	0.8	61.6	97.1
Niger	55.5	55.3	55.8	0.2	59.5	115.2
Nigeria	54.4	53.9	54.9	1.3	70.6	110.8
Senegal	59.4	58.8	59.9	0.3	29.1	38.6
Sierra Leone	52.9	52.5	53.3	1.4	78.3	104.7
Togo	56.2	54.7	57.8	1.9	43.4	62.6
West Africa	55.1	54.4	55.8	1.2	61.8	96.1
Africa	57.2	56.3	58.1	2.7	46.4	66.6

Source: UNAIDS 2022, the UN Inter-agency Group for Child Mortality Estimation CME Info database, and the World Health Organization Global Health Observatory Data Repository.

Table 13: Education Indicators

	Estimated adult literacy rate, 2011–21 (% ages 15 and older)			Gross enrolment ratio, primary, 2011–21 (%)			Government expenditure on education as a percentage of GDP, 2012–22 (% of GDP)
	Total	Male	Female	Total	Male	Female	
Benin	45.8	56.9	35.0	114.2	118.5	109.7	3.2
Burkina Faso	46.0	54.5	37.8	92.6	92.2	93.1	5.2
Cabo Verde	90.8	94.2	87.4	100.9	103.9	97.9	6.5
Côte d'Ivoire	89.9	93.1	86.7	100.5	103.4	97.5	3.5
Gambia	58.1	65.2	51.2	103.5	97.8	109.4	2.9
Ghana	80.4	84.5	76.2	103.4	102.6	104.4	3.9
Guinea	45.3	61.2	31.3	100.8	109.0	92.4	2.1
Guinea-Bis- sau	52.9	67.0	39.9	...	...	...	2.6
Liberia	48.3	62.7	34.1	85.1	85.5	84.7	2.6
Mali	30.8	40.4	22.1	75.6	79.5	71.6	4.4
Niger	37.3	45.8	29.0	66.4	70.7	62.0	3.5
Nigeria	62.0	71.3	52.7	87.5	88.4	86.5	...
Senegal	56.3	68.4	45.4	83.0	77.3	88.9	5.6
Sierra Leone	47.7	55.3	40.1	141.3	139.0	143.7	3.3
Togo	66.5	80.0	55.1	126.3	128.1	124.4	4.2
West Africa	60.2	69.1	51.5	90.8	91.9	89.5	3.9
Africa	69.7	76.2	63.6	103.0	104.8	101.0	4.4

Source: African Development Bank statistics, the United Nations Educational, Scientific and Cultural Organization Institute for Statistics database, and various domestic authorities.

Table 14: Labor Indicators, 2022

	Employment to population ratio, ages 15 and older (%)			Labor force participation rate, ages 15 and older (%)			Unemployment rate, total (%)
	Total	Female	Youth	Total	Female	Male	
Benin	61.6	55.1	31.5	62.6	56.3	69.0	1.7
Burkina Faso	62.2	55.3	46.2	65.6	58.3	73.1	5.2
Cabo Verde	48.5	43.4	21.5	56.1	49.9	62.6	13.6
Côte d'Ivoire	63.7	55.6	42.1	65.5	57.5	73.2	2.6
Gambia	58.5	55.1	37.8	61.5	57.3	65.9	4.8
Ghana	66.2	62.7	38.9	68.8	65.3	72.4	3.9
Guinea	49.4	39.2	24.4	52.4	41.7	63.7	5.7
Guinea-Bis- sau	53.9	47.5	33.3	55.9	49.1	63.2	3.6
Liberia	73.8	70.3	53.2	76.6	72.4	80.9	3.6
Mali	65.6	52.7	52.0	67.5	54.2	80.5	2.8
Niger	73.1	62.2	61.6	73.5	62.5	84.2	0.5
Nigeria	55.5	49.2	21.7	58.9	52.1	65.5	5.8
Senegal	49.5	37.1	29.0	51.3	38.6	65.0	3.4
Sierra Leone	51.4	49.8	30.1	53.3	51.1	55.6	3.6
Togo	55.7	54.6	22.1	58.0	56.4	59.6	4.1
West Africa	59.2	51.8	35.8	61.4	54.1	68.7	4.6
Africa	61.2	49.4	44.4	62.6	53.9	71.8	7.4

Source: International Labour Organisation ILOSTAT database.

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ENDNOTES

¹The Birimian Greenstone Gold Belt of West Africa is recognized as one of the world's most promising and yet underexplored regions globally for gold mining and exploration.

²The West Africa region exhibits diversity in various aspects, including language and culture, with a mix of Anglophone and Francophone countries. Additionally, there is diversity in terms of the size of economies, ranging from the largest country in Africa to others categorized as least developed or fragile states

³The cereal import dependency ratio is computed as $(\text{cereal imports} - \text{cereal exports}) / (\text{cereal production} + \text{cereal imports} - \text{cereal exports}) * 100$. Given this formula the indicator assumes only values ≤ 100 . Negative values indicate that the country is a net exporter of cereals. See <https://www.fao.org/faostat/en/#definitions>.

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