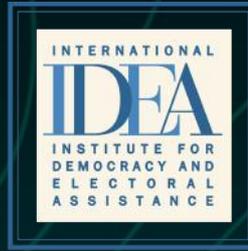




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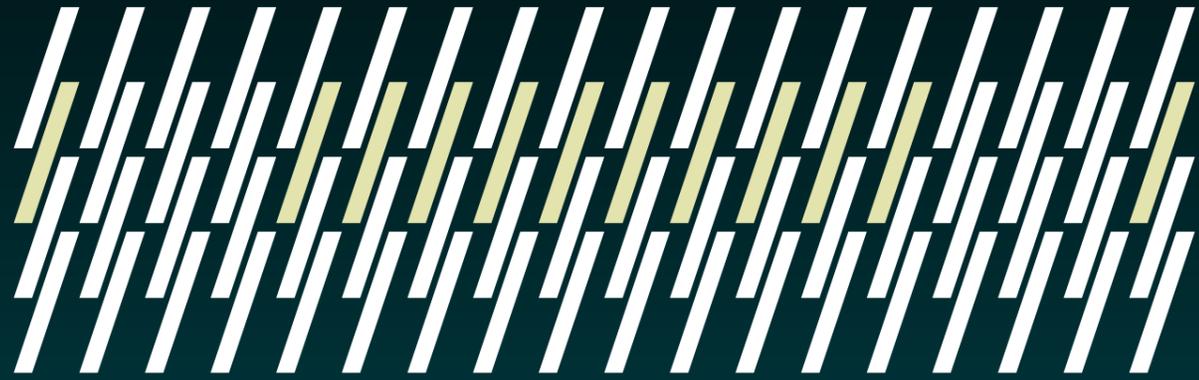


ECONOMIC GOVERNANCE IN THE SAHEL

Scene-Setting
and Thematic
Reflections

Non-Paper





**Economic Governance in the Sahel: Scene-Setting and Thematic Reflections
Non-Paper**

The United Nations Integrated Strategy for the Sahel (UNISS) focuses its work in the ten West and Central African Sahelian countries, and on the three strategic pillars of Governance, Resilience and Security. This scene-setting introductory paper assesses the context, components and indicative status of economic governance in the Sahel, making references and linkages to existing economic frameworks and mechanisms. It also identifies themes and topics for reflection and further discussion.

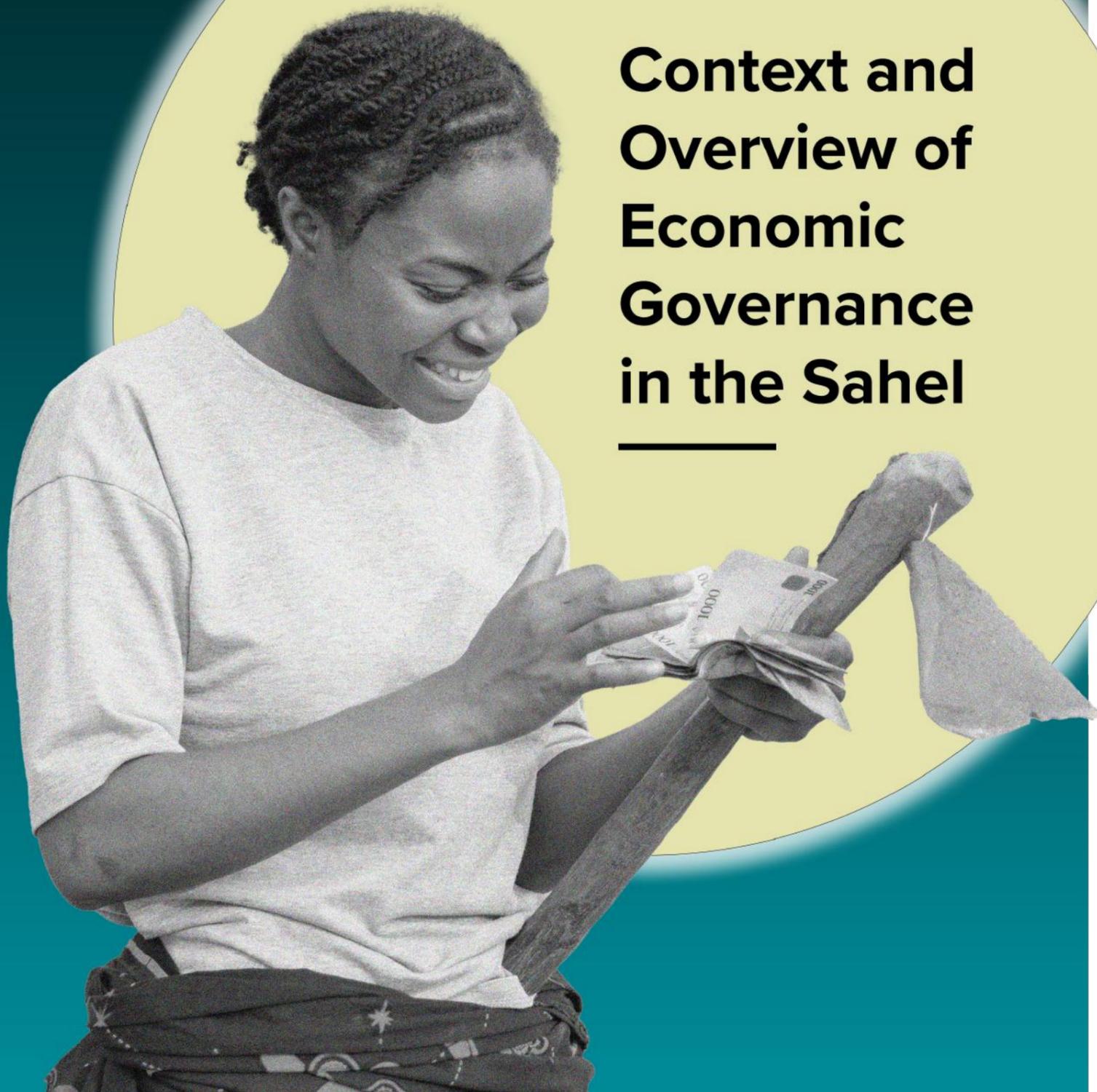
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Context and Overview of Economic Governance in the Sahel



Economic governance relates to the frameworks and structures that regulate, coordinate and incentivise economic activities, in order to achieve planned and desired socioeconomic and development outcomes. Economic governance structures operate at different levels from national, to regional and international, with the collaborative multilateral frameworks gaining greater prominence in post World War II.

The 1944 Bretton Woods agreement defined post-war global economic governance. At regional levels, economic cooperation and integration frameworks emerged. The 1951 Treaty of Paris creating the European Coal and Steel Community (ECSC) defined Western European economic governance. ECSC evolved into the European Economic Community in 1957, and eventually into the EU in 1993. This background indicates the centrality of multilateral treaties and structures in the field of economic governance. In postcolonial West and Central Africa, economic governance was driven by two major factors, namely, continuity of the 1945 Francophone monetary union structures, and the promotion of regional integration amongst the newly independent states.

The former French colonies (except Guinea and Mauritania) maintained a single currency, two supranational central banks, and two regional monetary unions. In West Africa, the Union Monétaire Ouest Africaine (UMOA) was formed in 1962, and reformed into the Union Économique et Monétaire Ouest Africaine (UEMOA) in 1994. In Central Africa, the Union Douanière et Économique D'Afrique Centrale (UDEAC) was formed in 1964, and in 1994 it was reconstituted as the Communauté Économique et Monétaire L'Africaine Centrale (CEMAC).

The Economic Commission for West African States (ECOWAS) was established in 1975 to foster regional economic integration. This was five years before the 'Lagos Plan of Action for the Development of Africa 1980-2000', which can be seen as the forerunner to the 1991 'Treaty Establishing the African Economic Community'. Subsequently in 1983, the Economic Commission for Central African States (ECCAS) was established. In the 1990s, the treaties and governance structures of these Regional Economic Commissions (RECs) were updated to include broader politico-social themes. Nonetheless RECs in Africa continue to provide comprehensive economic governance frameworks.

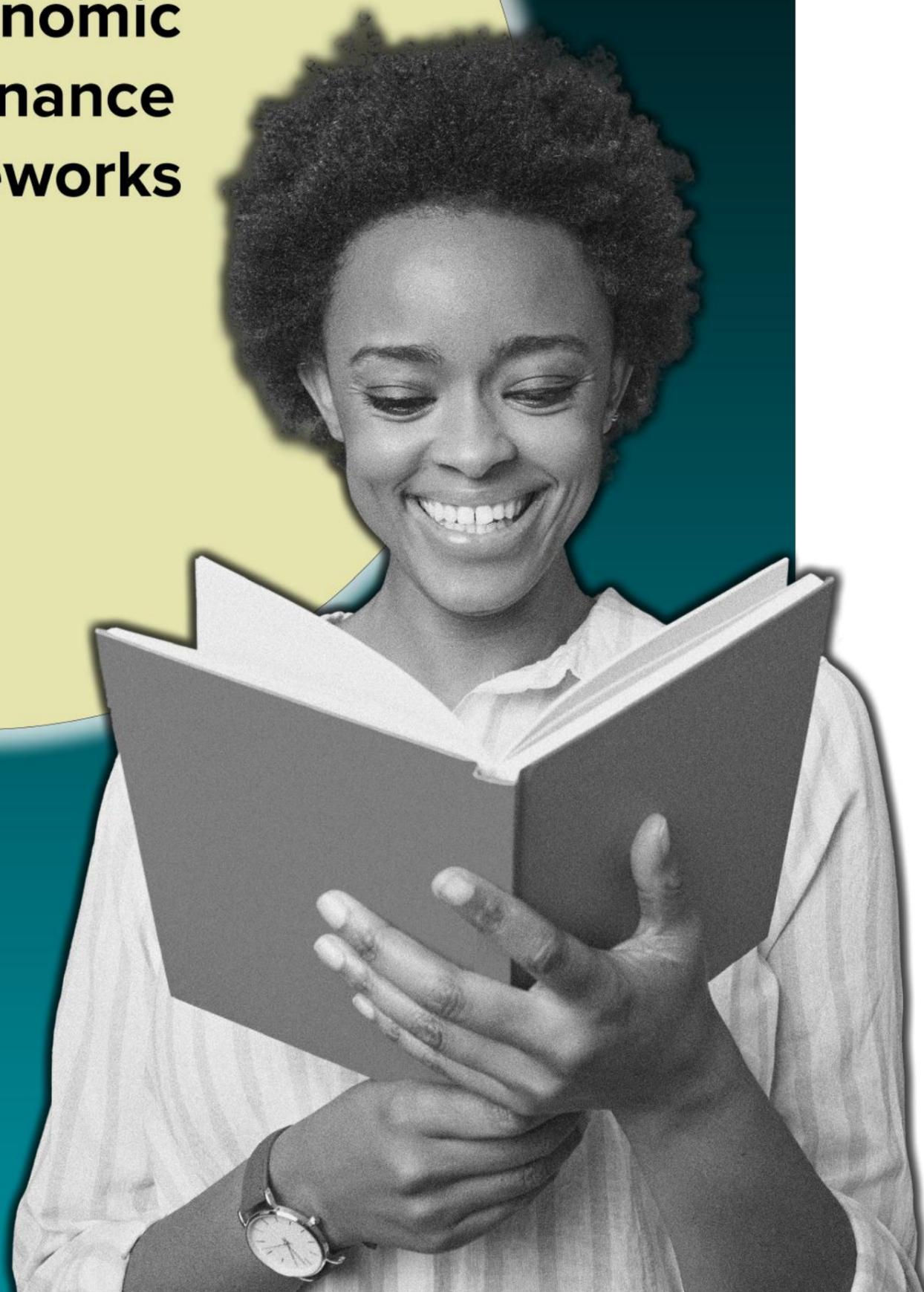
The Sahel is primarily a geo-climatic region, stretching from the western to the eastern coast of Africa. The major concerns that have prompted and led to multilateral initiatives in the Sahel region are not necessarily matters of economic governance. Rather, the urgent priorities relate to the devastating prevalence of terrorism, insurgency and political stability; and the resultant negative effects on lives, livelihoods and human development. However, the United Nations Integrated Strategy for the Sahel (UNISS) mandate on "security, governance, development, human rights and humanitarian issues" offers a broader developmental approach, in addressing the conflict-related problems.

Although the UNISS mandate does not equate to a framework or programme for economic governance, the three central pillars of 'governance, resilience and security' affects, and are affected by economic activities, factors and frameworks. As such, economic governance is of direct and indirect relevance the priorities in the Sahel. In the Sahel and elsewhere, the governmental and intergovernmental institutions are often the formal bodies responsible for economic governance. However, good governance requires the substantive participation of Non-Governmental Organisations and civil society in general. This is of particular relevance in the Sahel where important national and intergovernmental institutions are relatively weak, and the structures do not necessarily integrate or include external stakeholders.

The RECs and Economic and Monetary Zones, with their treaties, institutional structures and decades of operational experience, are suitable frameworks for reviewing regional economic governance in the Sahel region in general, and the UNISS countries in particular. Since neither the Sahel nor the UNISS countries are unitary economic regions, the national structures and frameworks of the individual countries can also provide further insights on the overall state of economic governance.

Main Economic Governance Frameworks in UNISS Countries					
UNISS Countries	Sahel Economic Community	REC	Monetary Union/Zone	Capital/Stock Markets	AML/CFT Review & Monitoring
Burkina Faso	CEN-SAD	ECOWAS	UEMOA	BRVM	GIABA
Gambia	CEN-SAD	ECOWAS	WAMZ	None	GIABA
Guinea	CEN-SAD	ECOWAS	WAMZ	None	GIABA
Mali	CEN-SAD	ECOWAS	UEMOA	BRVM	GIABA
Niger	CEN-SAD	ECOWAS	UEMOA	BRVM	GIABA
Nigeria	CEN-SAD	ECOWAS	WAMZ	NGX	GIABA
Senegal	CEN-SAD	ECOWAS	UEMOA	BRVM	GIABA
Cameroon	None	ECCAS	None	BVMAC	GABAC
Chad	CEN-SAD	ECCAS	CEMAC	BVMAC	GABAC
Mauritania	CEN-SAD	AMU	None	None	MENAFATF

Components of Economic Governance Frameworks



The specific components of economic governance are many, diverse and constantly evolving. They cover core financial, trade, fiscal, monetary, anti-corruption, illicit flows and other socioeconomic factors. Additionally, emergent priorities are periodically added to the sets of rules, procedures and performance indicators of the formal governance institutions.

Core National Frameworks

The core economic governance frameworks are the national fiscal and monetary management structures. These include laws, rules, regulations, policies, procedures and standards covering matters such as: annual budgets, taxation, procurement, spending and audit frameworks guided by constitutional and parliamentary procedures; banking, financial services and capital market regulation guided by legislation and overseen by statutory regulators; Balance of Payment (BOP) accounts and related international financial reporting obligations guided by manuals and rules overseen by the International Monetary Fund (IMF) and the World Bank. For countries that have sovereign credit rating, or are part of other specific economic programmes such as IMF's Extended Credit Facility (ECF), additional governance structures, criteria and conditions form part of their obligations.

Major weaknesses in these core national areas may mean that a country would not meet the minimum or convergence criteria required in order to even fully participate in the multilateral and international economic governance frameworks. Non-compliance may also result in adverse queries and reports, leading to the country facing exclusion from particular benefits and/or imposition of financial penalties. Through technical cooperation programmes, support is usually available to countries for institutional capacity development, to meet core and thematic economic governance standards.

All 10 UNISS countries are part of RECs, with the attendant economic governance frameworks incorporated in core national systems and structures. 5 countries are part of the two longstanding Francophone CFA currency monetary zones, subject to the economic governance of the two supranational central banks. 3 countries are working to achieve the convergence criteria set by the West African Monetary Zone (WAMZ). The countries that are not governed by actual or planned monetary union frameworks are Cameroon and Mauritania.

Capital Market Regulations

The existence and operation of capital markets provide an additional layer of economic governance systems and structures in a country. Nigeria has a mature and active capital market sector. The Nigeria Exchange Group (NGX), formerly the Nigeria Stock Exchange was founded in 1960 and is one of the biggest capital markets in Africa. Four of the UNISS countries within UEMOA (Burkina Faso, Mali, Niger and Senegal) are also part of the regional stock exchange, the Bourse Régionale des Valeurs Mobilières (BRVM), which began operations in 1998. For the CEMAC region, in 2019, the stock exchanges in Cameroon and Gabon were merged to create the Bourse des Valeurs Mobilières de L'Afrique Centrale (BVMCA). The new stock exchange is dominated by Cameroonian stocks but Chad is part of the economic governance framework created by this regional stock exchange.

Three of the UNISS countries (Gambia, Guinea and Mauritania) do not have fully regulated and functioning capital and stock markets. Guinea does not seem to have any plans to establish capital markets in the short and medium term. Gambia enacted the Capital Market and Securities Act (CSMA) in November 2021 and is currently in the process of setting up the required structures, under the supervision of the Central Bank of The Gambia. Despite an announcement in 2014 by the Central Bank of Mauritania (CBM) that a stock exchange will be set up, the country still does not have capital market regulation or structures. In fact, Mauritania is the only UNISS country not governed by capital market legislation or monetary union regulations. Given that the Arab Maghreb Union (AMU) is not fully functional, Mauritania is also not operating with a comprehensive REC framework for economic governance.

General Multilateral Obligations

All the UNISS countries ratified the Treaty Establishing the African Economic Community (Abuja Treaty 1991), and the Agreement Establishing the African Continental Free Trade Area (AfCFTA), taking on board the attendant and evolving economic governance obligations of these treaties. The UNISS countries are also signatories to the United Nations 2030 Agenda and the Sustainable Development Goals (SDGs), with economic and development obligations, especially relating to: SDG 1 on ending poverty; SDG 8 on inclusive growth and decent work; SDG 10 on reducing inequalities, and SDG 16 on peace, justice and inclusive societies.

International Financial Flows

The Financial Action Task Force (FATF) was established in 1989 by the Group of Seven (G7), focussing on Anti-Money Laundering (AML). In October 2001 in the immediate aftermath of the 11 September (9/11) terrorist attacks in the United States, Countering the Financing of Terrorism (CFT) was added to the FATF mandate. In 2012, a third mandate was added, namely, Countering the Financing of Proliferation of weapons of mass destruction (CFP). All the UNISS countries are subject to the FATF mandate through the associate membership of the FATF-Style Regional Bodies (FSRB).

For the UNISS countries, the relevant FSRBs are: the Inter-Governmental Action Group against Money Laundering in West Africa (GIABA), which is an institution of ECOWAS; the Action Group Against Money Laundering in Central Africa (GABAC), which is a Specialised Institution of CEMAC; and the Middle East and North Africa Financial Action Task Force (MENAFATF). It should be noted that Illicit Financial Flows (IFF) mainly through multinational corporations and international businesses, which is of major interest to Africa and UNISS countries, is not part of the FATF mandate, or specifically addressed through any other structured economic governance framework.

Evolution of Economic Governance

Global socioeconomic circumstances continue to change and evolve, necessitating reactive and proactive adjustment of economic governance frameworks. In the short and medium term, governance modifications are triggered by new and episodic factors. The current relevant factors include the COVID 19 pandemic, and the 'cost of living crisis', the later partly caused by the 2022 Russia-Ukraine war, which has disrupted supplies of fuel, food and fertiliser, amongst other things. Megatrends in regional and global production, consumption and economics give rise to new governance components and indicators, which are added to revised and updated implementation, monitoring and review mechanisms. This evolutionary pattern applies to the Sahel as it takes place regionally and globally.

After the global economic crisis of 2008, the European Union identified capacity to manage financial crises as an important component for a revised and improved economic governance environment. This additional capacity is relevant to the Sahel as regional financial instability invariably degrades trading and economic activity, further marginalising disadvantaged groups such as the unemployed and young people, and consequently exacerbates conflict, insecurity and instability.

In 2020, the United Nations identified factors such as high spending on health and social protection, reduction of public sector wastage, and transparency and accountability, as important factors for good economic governance. In a similar vein, in a 2022 publication, the African Union's African Peer Review Mechanism (APRM) stated that the "key elements contributing to good economic governance include transparency, accountability, and enabling environment for private sector development and growth and of course institutional development and effectiveness".

In addition to climate change, one of the prevalent megatrends which is likely to affect economic governance in the medium and long term, is the fourth industrial revolution of digital interconnectedness resulting in the "fusion of technologies that is blurring the lines between the physical, digital, and biological spheres". This is already well evidenced in the global economy through the application of smart technologies, Artificial Intelligence (AI), machine learning and other innovations in production, processing, procurement, logistics, distribution, payment systems, cryptocurrencies and the emergent Fintech sector. Economic governance frameworks in the Sahel and elsewhere need to encompass these emergent realities through both reactive and timely proactive action.

Basic Framework of Good Economic Governance (UN DESA 2020)

- Reduction in extravagant and unproductive government expenditure;
- Higher spending on primary health and education; and adequate social protection for the poor, the unemployed and other vulnerable under-served sections of the society;
- The creation of a more level playing field for the private sector activity, by increasing the openness, stepping up the privatization process, reducing the power of monopolies through appropriate legal and administrative measures, and setting up more transparent and simpler legal and regulatory systems and frameworks;
- Stronger banking sector which protects small savers and other depositors, and reduce risks for shareholders and creditors by enforcing stricter prudential standards and information disclosure requirements;
- Reform of tax systems to make them more efficient, effective, equitable and fairly comprehensible;
- Greater transparency and accountability in government and corporate affairs.

Extracted from: United Nations (2020) Economic Governance: Guidelines for Effective Financial Management, UN Division of Economic and Social Affairs, New York

Drivers of Economic Governance Performance in Africa (AU-APRM 2022)

1. Stable Macroeconomic Environment
 - 1.1 Inflation (Annual Percentage)
 - 1.2 External Reserves
 - 1.3 Real Interest Rates
 - 1.4 Real GDP per Capita
2. Sound Public Financial Management and Accountability
 - 2.1 Government Expenditure
 - 2.2 Debt as Percentage of GDP
 - 2.3 Budget Balance
3. Integrity of the Monetary and Financial System
 - 3.1 Foreign Direct Investment
 - 3.2 Trade as Percentage of GDP
 - 3.3 Current Account Balance
4. Social Development
 - 4.1 Infant Mortality Rate
 - 4.2 Adult Literacy Rate
 - 4.3 Poverty Rate

Summarised and edited from: APRM (2022), Drivers of Economic Governance Performance in Africa: A Cross-Country Analysis, African Peer Review Mechanism and African Union, Addis Ababa

Economic and Regional Integration in the Sahel



The African Continental Free Trade Area (AfCFTA) came into force on 30 May 2019, and became operational on 1 January 2021. Having been ratified by all the Sahel countries, AfCFTA has become one of the most important economic governance frameworks in the region. At the heart of the Agreement is the goal to reinforce regional integration in Africa, with view to realising the 1991 Abuja Treaty of creating a continental African Economic Community.

The African Regional Integration Index (ARII) is produced by the African Development Bank (AfDB) and UN Economic Commission for Africa (UNECA), in partnership with the African Union, covering a comprehensive range of factors. As a composite index, there are 16 indicators, under the five integration themes of Trade, Production, Macroeconomics, Infrastructure, and Free Movement of People . The 2019 ARII provides a snapshot of the state of economic integration in the RECs. AMU, CEN-SAD, ECCAs and ECOWAS as 'Sahelian RECs' provide the most comprehensive multilateral economic governance frameworks for the UNISS countries.

○ CEN-SAD: Unfulfilled Sahelian Economic Community

In 1998, the Community of Sahel-Saharan States (CEN-SAD) was established, with view to creating overarching frameworks and institutions for economic cooperation and development, covering the Sahel region and beyond. The objectives included "Establishment of a comprehensive Economic Union...with a developmental plan that would be integrated in the national development plans of the member States...Elimination of all obstacles impeding the unity of its member States...facilitating the free movement of individuals [and] capital...freedom of the movement of national goods, merchandise and services; encouragement of foreign trade...enhancement and improvement of land, air and sea transportation and telecommunications among member States".

The economic governance institutions that were to be created included: Permanent Council for Sustainable Development, Economic Social and Cultural Council, and a Sahel-Saharan Bank for Investment and Trade. In 2000, CEN-SAD was recognised as a Regional Economic Community (REC) by the Organization of African Unity (OAU) , and in 2002, it was granted observer status by the United Nations. Except for Cameroon, all the UNISS countries are signatories to the CEN-SAD treaty, and four of the founding members, namely Burkina Faso, Chad, Mali, and Niger are part of the original G5 Sahel security alliance .

Although four countries withdrew by not signing the revised 2013 treaty, CEN-SAD still has 24 members, including all the countries in the Sahelian geo-climatic region (except Cameroon). Theoretically, CEN-SAD offers a framework for economic governance in the Sahel, but in practice the REC is moribund. The failure to achieve its objectives and its continuing decline is largely due to the fact that it was championed and bankrolled by the former Libyan President Muammar Gaddafi, who was killed in 2011.



The 2019 ARII rated CEN-SAD as the weakest of all the four RECs that cover the Western and Central African Sahel countries. It is deemed to have low levels of economic integration. Its highest score was on free movement of people. The lowest score was on the productive dimension, and it was also weak on infrastructure. Of the four Sahelian RECs, it scored the lowest on the macroeconomic dimension.

The relatively low level of economic integration is corroborated by other institutions, including the Institute for Security Studies, which questions “what value the body adds since all its members already belong to other RECs”. Although weak, CEN-SAD is still in existence. Chad hosted the last major summit in July 2010, the extra-ordinary summit in February 2013, and another high-level meeting in April 2019. In July 2022, the Libyan Ministry of Foreign Affairs held a preparatory meeting with view to hosting a CEN-SAD extraordinary summit . Whether a turnaround can be achieved is an open question, but the ambitious goals of the treaty did create a potential for a formidable economic bloc.

ECOWAS, ECCAS and AMU: Moderate Levels of Economic Integration

The 2019 ARII rated the Economic Commission of West African States (ECOWAS) as moderately integrated. Its highest score was on free movement, being the highest of the four Sahelian RECs. Its lowest score was on the productive dimension, being the lowest of the four. Its average was pulled down because seven of the 15 countries had very low scores on both the productive and infrastructure dimensions. However, ECOWAS is a vibrant and active REC, and its UNISS members include Nigeria, which is one of the largest economies in Africa.

The 2019 ARII rated the Economic Commission of Central African States (ECCAS) as moderately integrated. Its highest score was on macroeconomics, being the highest of the four Sahelian RECs, with 10 of the 11 members scoring high or very high. Its lowest score was on the productive dimension. Of the four RECs, it also had the lowest score on the trade dimension, although its infrastructure was better than that of CEN-SAD and ECOWAS. It is worth noting that only two of the 11 ECCAS countries (Cameroon and Chad) are part of UNISS.

The 2019 ARII rated the Arab Maghreb Union (AMU) as moderately integrated. Its highest score was on macroeconomics, and its lowest score was on free movement. Of the four Sahelian RECs, it had the highest score for both the trade and infrastructure dimensions.

Although rated in the same category as ECOWAS and ECCAS as moderately integrated, it had the highest average score amongst the three, and is the smallest REC, with only five members.

Despite its scores on ARII, the AMU itself is beset with political problems, reflecting the long-term tensions between Morocco and Algeria. The Secretariat operates from Rabat in Morocco, but high-level meetings have not been held since 2013. . In fact, Morocco had previously sought to join ECOWAS. On the other hand, Mauritania, the only UNISS country that is part of AMU, was part of ECOWAS but left in 1999. The fact that the AMU Secretariat operates irrespective of high-level deliberations is one of the reasons why the REC has not suffered a terminal decline.

The ARII scores of the individual UNISS countries shows that six are high performers, on this composite index of regional and economic integration. Three are average performers, and only one (Chad) is rated as a low performer. Most of the countries do relatively well on free movement, and there is diversity regarding the relative economic integration strengths and weaknesses of each country.

2019 African Regional Integration Index (ARII) Ranking of UNISS Countries (Scores: 0 to 1)		
UNISS Countries	Aggregate Score	Performance Category
Cameroon	0.60	High
Senegal	0.51	High
Burkina Faso	0.49	High
Mali	0.42	High
Nigeria	0.41	High
Mauritania	0.41	High
Gambia	0.39	Average
Guinea	0.38	Average
Niger	0.35	Average
Chad	0.29	Low

Extracted from: 2019 African Regional Integration Index (ARII)



Observations and Reflections on Economic Governance in the Sahel



As discussed above, since the UNISS countries do not constitute a singular REC, the national frameworks and institutions in the individual countries are particularly relevant in elucidating the state of economic governance. It is also worth noting that integration is just one of the many components of economic governance, albeit an important one in the context of the implementation of the AfCFTA. Based on the components and indicative status of economic governance frameworks of the UNISS countries, several themes have emerged on how to use the frameworks to expand and enhance economic outputs and benefits in the Sahel. Themes and topics for further discussion and reflection on understanding and enhancing economic governance in the Sahel should include the following:

- Economic Governance and the Challenges and Opportunities of the Sahel
- The Practice of Implementation: Beyond the Repetition of Recommendations
- Advocacy and Alternatives to Imposed Governance Rules and Procedures
- Transparency and Pragmatism in Multilateral Policy Regimes
- Technology, Operations, Informal Sector and Economic Governance
- Diaspora Finance, Resource Mobilisation and Economic Governance
- Monetary Zones, Financial Interoperability, Harmonisation and Inclusive Growth





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