



USAID
FROM THE AMERICAN PEOPLE

West Africa Reproductive Health Commodity Security

*Study Phase 1
Task Report: 7*

Economic Community of West African States Trade and
Economic Integration



DELIVER
No Product? No Program. Logistics for Health

West Africa Reproductive Health Commodity Security

*Study Phase 1
Task Report: 7*

Economic Community of West African States Trade
and Economic Integration

David Sarley



DELIVER

DELIVER, a six-year worldwide technical assistance support contract, is funded by the U.S. Agency for International Development (USAID).

Implemented by John Snow, Inc. (JSI) (contract no. HRN-C-00-00-00010-00), and subcontractors (Manoff Group, Program for Appropriate Technology in Health [PATH], and Social Sectors Development Strategies, Inc.), DELIVER strengthens the supply chains of health and family planning programs in developing countries to ensure the availability of critical health products for customers. DELIVER also provides technical support to USAID's central contraceptive procurement and management, and analysis of USAID's central commodity management information system (NEWVERN).

This document does not necessarily represent the views or opinions of USAID. It may be reproduced if credit is given to John Snow, Inc./DELIVER.

Recommended Citation

Sarley, David. 2005. *West Africa Reproductive Health Commodity Security*. "Economic Community of West African States Trade and Economic Integration." Arlington, Va.: John Snow, Inc./DELIVER, for the United States Agency for International Development.



John Snow, Inc.
1616 North Fort Myer Drive, 11th Floor
Arlington, VA 22209 USA
Phone: 703-528-7474
Fax: 703-528-7480
Email: deliver_project@jsi.com
Internet: deliver.jsi.com

Contents

Economic Community of West African States Trade and Economic Integration.....	1
Monetary and Trade Integration and Convergence	3
Tariff Barriers to Intra-regional Trade	7
Conclusion.....	11

Tables

1: Progress for the Key Convergence Indicators	3
2: ECOWAS Measures Concerning the Free Movement of Persons, Goods, and Capital.....	5
3: Tariff Rates by Country and Group.....	7
4: Ghana Imports Analysis on Specified Pharmaceutical Products 2003.....	8
5: Burkina Faso Imports of Pharmaceuticals 2003.....	8
6: Trends in Merchandise Exports in Regional Trade Agreements, 1980 and 2000.....	12

Economic Community of West African States Trade and Economic Integration

The Economic Community of West African States (ECOWAS) comprises 15 countries: Benin, Burkina Faso, Cape Verde, Côte d'Ivoire, Gambia, Ghana, Guinea, Guinea Bissau, Liberia, Mali, Niger, Senegal, Sierra Leone, and Togo. Founded in 1975, ECOWAS promotes economic integration in “all fields of economic activity, particularly industry, transport, telecommunications, energy, agriculture, natural resources, commerce, monetary and financial matters, social and cultural issues.”

ECOWAS has a population of 245 million; 65 percent live in rural areas and 54 percent live in Nigeria. The average yearly income for each person in West Africa is U.S.\$309, compared to \$470 for each person in sub-Saharan Africa. These average incomes vary from an estimated \$1,290 in Cape Verde to \$140 in Sierra Leone and Liberia, which are ranked by World Bank as the joint fourth poorest countries in the world.¹

The region's economic growth has averaged only 2.5 percent during the past three years while its population has been growing by 2.2 percent a year. It is estimated that economic growth of about 6–7 percent a year would be required to meet the goal of cutting extreme poverty in half by 2015. According to the World Bank², West Africa is lagging behind in efforts to meet the Millennium Development Goals:

- More than 55 percent of West Africans live on less than U.S.\$1.00 a day.
- Life expectancy at birth is only 46 years.
- Secondary school enrollment is 20 percent.
- Forty-two percent of adults are illiterate.
- Twenty-nine percent of children under the age of five show the effects of malnutrition.

¹ Gross national income (GNI) per capita in 2001 using the Atlas Method:
<http://siteresources.worldbank.org/ICPINT/Resources/GNIPC.pdf> Sierra Leone is estimated to be the poorest using a PPP approach.

² <http://web.worldbank.org/WBSITE/EXTERNAL/NEWS/0,,contentMDK:20180526~menuPK:34457~pagePK:34370~piPK:34424~theSitePK:4607.00.html>

Monetary and Trade Integration and Convergence

Regional governments show strengthening of economic integration as a necessary condition for stronger economic development. Eight countries in the region (Benin, Burkina Faso, Côte d'Ivoire, Guinea-Bissau, Mali, Niger, Senegal, and Togo) as members of the West Africa Economy and Monetary Union (WAEMU) share a common currency, a common central bank, a development bank, a regional stock exchange, and a common banking regulator. As progress in ECOWAS toward economic and monetary union was slow, a separate track was established for economic and financial convergence for WAEMU countries and non-WAEMU countries.

Non-WAEMU countries were to move toward economic convergence so they could introduce a common currency (the West African Monetary Zone [WAMZ]) by 2003. They would then merge with the West African CFA franc zone countries in 2004 to form the West African Central Bank (WACB). Convergence indicators have been set that non-WAEMU countries must meet before the WAMZ can be introduced. As the 2002, the Secretary's report stated, while progress has been made, the trade liberalization scheme is not yet operational, and a common external tariff has not been introduced. National macroeconomic and sectoral policies have not been harmonized.

The West African Monetary Institute's (WAMI) is responsible for tracking member performance in meeting the economic convergence criteria required for introduction of the WAMZ. The WAMI Macroeconomic Convergence and Economic Development Report for the first six months of 2003³ shows the following progress for the key convergence indicators. Note that some indicators are tentative.

Table 1. Progress for the Key Convergence Indicators

Convergence Target	Meeting Target in 2003	Not Meeting Target in 2003
Single-digit inflation rates	Nigeria and Sierra Leone	Ghana, Gambia, Guinea
Budget deficits 4% as a share of GDP	Nigeria, Ghana, Gambia	Guinea, Sierra Leone
Gross foreign exchange reserves have at least 3 months of import cover	Gambia, Nigeria above target but coverage declining; Sierra Leone was steady at the target	Guinea below target Ghana moving toward attaining target
Central bank financing less than 10% of previous year's tax revenue	Ghana 0% (decrease) Nigeria 0.3% (an increase) Gambia 0.8% (increase) Guinea 3.4% (decrease) Sierra Leone likely OK	

(Continued)

³ <http://www.wami-imao.org/english/doc/convergence%20report%20half%20year%202003.pdf>

Convergence Target	Meeting Target in 2003	Not Meeting Target in 2003
<i>Secondary Criteria</i>		
Tax revenue less than 25% of gross domestic product	Nigeria	Sierra Leone, Ghana, Gambia, Guinea
Public sector wages less than 35% of tax revenue	Gambia, Guinea, and Nigeria	Ghana at 49%
Investments from tax revenue at least 20%		None met the target
Interest rates		No positive real interest rates

The report concludes that while progress has been made towards economic convergence, the fiscal situation in several countries is worsening. The ECOWAS website provides information from a review conducted in 2002 of members' performance in implementing a number of ECOWAS measures concerning the free movement of persons, goods, and capital. These are summarized in the table 2.

Table 2. ECOWAS Measures Concerning the Free Movement of Persons, Goods, and Capital

	Benin	Burkina Faso	Cape Verde	Côte d'Ivoire	Gambia	Ghana	Guinea	Guinea Bissau	Liberia	Mali	Niger	Nigeria	Senegal	Sierra Leone	Togo
Free movement of persons															
Visa abolished for ECOWAS	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Committee to monitor free movement	✓	✓	X	X	X	X	✓	X	X	✓	✓	✓	✓	X	✓
Brown card motor vehicle insurance	✓	✓	X	✓	✓	✓	✓	✓	X	✓	✓	✓	✓	✓	✓
Travel certificate & harmonized immigration and emigration forms	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
Free movement of goods						Transit tax levied									
Harmonized customs documents	✓	✓	✓	X	✓	✓	X	✓	X	✓	✓	✓	✓	✓	✓
Transit certificate (ISRT)	✓	?	?	?	X	?	?	X	X	✓	✓	✓	X	X	✓
All barriers to trade in goods eliminated	✓	X	X	X	✓	Not for processed goods	Not for processed goods	X	X	Not for processed goods	Not for processed goods	Not for processed goods	Not for processed goods	✓	Not for processed goods
Preferential tariffs to ECOWAS industrial products	✓	X	X	X	X	X 1125000 UA owed to Benin	No products for trade liberalization scheme	X		X		X	X	75,140 owed to compensation fund	X
Monetary co-operation						Transit tax in forex									
NTB of a monetary nature abolished	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	No	✓

(Continued)

	Benin	Burkina Faso	Cape Verde	Côte d'Ivoire	Gambia	Ghana	Guinea	Guinea Bissau	Liberia	Mali	Niger	Nigeria	Senegal	Sierra Leone	Togo
Contributions to WACH paid	✓	X	Not a member	?	✓	✓	✓	7600000 UA in arrears	5700000 UA in arrears	✓	✓	✓	✓	✓	✓
Harmonization of economic and financial policies															
Protocol on community levy ratified	X	✓	X	✓	✓	✓	✓ but not paid	X	X	✓	✓	✓	✓	X	✓ but not paid
Payment of contributions	✓	✓	X	X	X	X	X	X	X	✓	X	X	X	X	X
Arrears (000 UA)			1,138	1,317	2,393	4,337	1,514	4,472	12,883		3,335	791	3,593	4,537	4,437

Tariff Barriers to Intra-regional Trade

In theory, there should be free trade within ECOWAS for regional industrial and, therefore, pharmaceutical products. However, only Gambia, Sierra Leone, and Benin have removed tariff barriers to industrial products from other ECOWAS countries. The continued application of tariffs to manufactured products from ECOWAS partners creates two disincentives to regional pharmaceutical manufacturing.

1. The financial cost of paying between 24 percent in Nigeria and 12.1 percent in Senegal on regional imports plus the 0.5 percent ECOWAS levy (see table 3).
2. It increases customs and transshipment delays and, therefore, transport costs.

Table 3. Tariff Rates by Country and Group

Country/Group /b	Tariff Rate (unweighted in %) /a			
	Year	All Goods	Agriculture	Manufactures
Benin	2001	14.7	15.5	14.1
Burkina Faso	2001	12.8	14.8	12.6
Côte d'Ivoire	2001	12.6	14.5	12.3
Ghana	2000	14.0	21.3	13.0
Guinea	1998	16.4	16.6	16.3
Guinea-Bissau	2001	14.0	17.0	13.3
Mali	2001	12.9	14.8	12.5
Niger	2001	14.5	15.1	14.4
Nigeria	2001	23.4	29.0	24.0
Senegal	2001	12.3	14.4	12.1
Togo	2001	14.5	14.6	14.4

Source: World Bank Trade Data Base (www.worldbank.org).

These high tariff barriers partly explain why intra-ECOWAS trade remains small at around 10 percent compared to other comparable trade blocs. The rate has grown from 9.6 percent to 15.6 percent in the WAEMU countries. By comparison, it is 12 percent in the Southern African Development Cooperation (SADC) countries, 15 percent in the Caribbean Community (CARICOM) countries, and 20.8 percent in the Latin American free trade area (MERCOSUR) countries.

Specific information on tariffs was collected from Ghana and Burkina Faso. The tables overleaf provide information on the aggregate value of imports and the ex-ante and ex-post tariff. The ex-ante tariff is the tariff rate that is documented in the Customs tariff book and that should be levied on all imports. The actual, ex-post duty collection is usually less than the official ex-ante rate because of duty exemptions. In Ghana, the variation overall between ex-ante and ex-post tariffs is very large as category 3003 medicines in bulk are imported almost duty free. In Burkina, the ex-ante tariffs are much lower than the ex-ante tariffs in Ghana but the ex-post are similarly low. In both countries, most of the imported pharmaceuticals are brought in duty free.

Table 4. Ghana Imports Analysis on Specified Pharmaceutical Products 2003

HS Code	Product Description	Value of Imports (million of Cedi)	Ex-ante Tariff Rate (%)	Ex-post Tariff Rate (%)
3001	Glands/organs	462	11.0	11.1
3002	Human blood, vaccines, etc.	79,359	1.7	1.7
3003	Medicament not in measured doses/forms for retail sale	2,327,006	0.1	0.2
3004	Medicament in measured doses/forms for retail sale	58,375	18.0	18.1
3005	Wadding/gauze/bandages/similar for retail sale	8,286	13.8	13.7
3006	Pharmaceutical goods specified in note 4 to this chapter	18,842	1.5	1.4
401410	Sheath contraceptives	10,940	0.1	0.1
	All pharmaceuticals	2,492,329	23.6	0.7

Table 5. Burkina Faso Imports of Pharmaceuticals 2003

Nom		Value of Imports CIF (Millions CFA)	Ex-ante Tariff (%)	Ex-post Tariff (%)
300220	Vaccins pour la medecine humaine	3,558	4.5	0.3
300410	Medicaments en doses, avec penicillines, streptomycines ou derives	256	4.5	1.0
300420	Medicaments en doses, avec d'autres antibiotiques	202	4.5	1.7
300432	Medicaments en doses, avec des corticosurrenales	7	4.5	3.5
300439	Medicaments en doses, avec d'autres hormones	21	4.5	2.7
300440	Medicaments en doses, avec uniquement des alcaloïdes	55	4.5	2.0
300450	Medicaments en doses, avec des vitamines ou produits du N 29.36	25	4.5	3.4
300660	Preparations chimiques contraceptives a base d'hormones ou de spermicides	149	4.5	0.2
	Totale	4,273.5	4.5	0.4

In addition to high tariff barriers, the continuing existence of non-tariff barriers within ECOWAS countries helps explain the relatively small amount of intra-regional trade. Several barriers affect trade for Burkina Faso; some are political and economic while others are regulatory. Many are due to external crisis in the region, such as the recent violence in Côte d'Ivoire. This led Burkina to experience delays in reproductive health commodity deliveries, which aggravated delivery schedules and caused unnecessary wastage.

Parallel pharmaceutical and contraceptive markets in Burkina Faso and Ghana present a threat to public health and, because of uncertain costs, they ultimately undermine social marketing, commercial, and not-for-profit cost recovery programs. Although Burkina Faso's Ministry of Health (MOH) usually permits social marketing advertisements for reproductive health commodities, the current ban on any advertising of branded products could discourage regional exporters.

Several other barriers were identified during field research in Burkina Faso that can affect intra-regional trade:

- differing drug policies and essential drug lists
- insufficient transparency in public transactions
- lack of harmonized registration requirements
- differences in regional quality regulations
- differences in standard treatment guidelines for diseases
- conflict between Anglophone and Francophone countries drug management policies.

Conclusion

The long tradition of regional integration in ECOWAS provides an institutional basis for a pooled procurement mechanism. This is far stronger in the Francophone countries than in Anglophone countries because of the stronger economic and financial convergence in the Francophone countries. While establishing a common ECOWAS currency would also provide a stimulus to help make pooled procurement work, this is still some time into the future. The absence of free intra-regional trade, continuing arrears in contributions from some member states to ECOWAS, differences in essential medicines lists and the lack of a common drug registration mechanism all represent important barriers to pooled procurement. These issues can be overcome, but to buy in to the concept, all member countries need to be convinced that pooled procurement has tangible financial benefits (see table 6).

Table 6. Trends in Merchandise Exports in Regional Trade Agreements, 1980 and 2000

Regional Trade Blocs	Exports Within Bloc (\$ million)		Export Share in Bloc Total (%)		Export Share in World Total (%)	
	1980	2000	1980	2000	1980	2000
High Income and Others						
APEC /a	357697	2259727	57.9	73.2	33.7	48.5
CEFTA	7766	15102	14.8	12.1	2.9	2.0
European Union	456857	1416825	60.8	62.1	41.0	35.9
NAFTA	102218	676440	33.6	55.7	16.6	19.1
Africa						
CEMAC	75	125	1.6	1.2	0.3	0.2
CEPGL	2	10	0.1	0.8	0.1	0.0
COMESA	616	1534	6.1	6.0	0.6	0.4
Cross Border Initiative	447	1091	8.8	12.4	0.3	0.1
ECCAS	89	181	1.4	0.9	0.3	0.3
ECOWAS	692	3331	10.1	10.8	0.4	0.5
Indian Ocean Commission	10	116	1.2	4.7	0.0	0.0
MRU	7	10	0.8	0.7	0.0	0.0
SADC	617	4419	2.0	12.2	1.6	0.6
UDEAC	75	124	1.6	1.2	0.3	0.2
UEMOA	460	847	9.6	15.6	0.3	0.1
Latin America and Caribbean						
ACS	4892	13780	8.7	5.5	3.1	3.9
Andean Group	1161	5177	3.8	8.5	1.7	1.0
CACM	1174	2477	24.4	12.4	0.3	0.3
CARICOM	576	1078	5.3	15.0	0.6	0.1
Central American Group of Four	692	1483	18.1	12.1	0.2	0.2
Group of Three	706	3711	1.8	1.7	2.1	3.4
LAIA	10981	42665	13.7	12.9	4.4	5.2
MERCOSUR	3424	17925	11.6	20.8	1.6	1.4
OECS	8	38	9.1	10.0	0.0	0.0
Middle East and Asia						
Arab Common Market	661	1238	2.4	2.9	1.5	0.7
ASEAN	13350	100818	18.7	23.9	3.9	6.6
Bangkok Agreement	1464	17218	3.7	5.2	2.2	5.2
EAEC	98532	776658	35.6	47.0	15.1	26.0
ECO	1165	4495	5.4	5.5	1.2	1.3
GCC	4632	8561	3.0	5.2	8.5	2.6
SAARC	613	2798	4.8	4.3	0.7	1.0
UMA	109	1081	0.3	2.3	2.3	0.8
All Above Trade Bloc Total	1071768	5381083	39.7	50.5	16.1	18.8

Source: World Bank Trade Data Base (www.worldbank.org).

